



COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR FISCAL YEAR ENDED
SEPTEMBER 30, 2017**



COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR FISCAL YEAR ENDED
SEPTEMBER 30, 2017**

Prepared by the
Finance Department

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF MARBLE FALLS, TEXAS

TABLE OF CONTENTS

SEPTEMBER 30, 2017

**Page
Number**

INTRODUCTORY SECTION

Letter of Transmittal	i – iv
Principal Officials	v
Organization Chart.....	vi
Certificate of Achievement for Excellence in Financial Reporting.....	vii

FINANCIAL SECTION

Independent Auditors’ Report.....	1 – 3
Management’s Discussion and Analysis	4 – 11
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	12
Statement of Activities.....	13 – 14
Fund Financial Statements	
Balance Sheet – Governmental Funds	15 – 16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	17 – 18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	19

CITY OF MARBLE FALLS, TEXAS

**TABLE OF CONTENTS
(Continued)
SEPTEMBER 30, 2017**

**Page
Number**

FINANCIAL SECTION (Continued)

Fund Financial Statements (Continued)

Statement of Net Position – Proprietary Fund	20
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund	21
Statement of Cash Flows – Proprietary Funds.....	22
Statement of Fiduciary Net Position – Fiduciary Funds.....	23
Statement of Changes in Fiduciary Net Position	24
Notes to Financial Statements.....	25 – 52
Required Supplementary Information:	
Schedule of Change in Net Pension Liability and Related Ratios	53
Schedule of Contributions.....	54
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.....	55 – 58
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Economic Development Corporation Fund	59
Notes to Required Supplementary Information	60

CITY OF MARBLE FALLS, TEXAS

**TABLE OF CONTENTS
(Continued)
SEPTEMBER 30, 2017**

**Page
Number**

FINANCIAL SECTION (Continued)

Combining and Individual Fund Statements

Nonmajor Governmental Funds

Combining Balance Sheet.....		61 – 63
Combining Statement of Revenues, Expenditures and Changes in Fund Balances		64 – 66
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Debt Service Fund		67
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Hotel/Motel Tax Fund		68
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Police Forfeiture Fund		69

STATISTICAL SECTION (Unaudited)

Net Position by Component.....	Table 1	70
Changes in Net Position.....	Table 2	71 – 74
Fund Balances – Governmental Funds	Table 3	75
Changes in Fund Balances – Governmental Funds	Table 4	76 – 77
Assessed Value and Estimated Actual Value of Taxable Property.....	Table 5	78
Direct and Overlapping Property Tax Rates.....	Table 6	79
Principal Property Taxpayers.....	Table 7	80

CITY OF MARBLE FALLS, TEXAS

**TABLE OF CONTENTS
(Continued)
SEPTEMBER 30, 2017**

	<u>Exhibit Number</u>	<u>Page Number</u>
STATISTICAL SECTION (Unaudited) (Continued)		
Property Tax Levies and Collections.....	Table 8	81
Major Source of Revenue Sales Tax History.....	Table 9	82
Ratios of Outstanding Debt by Type	Table 10	83
Ratios of General Bonded Debt Outstanding.....	Table 11	84
Direct and Overlapping Governmental Activities Debt.....	Table 12	85
Legal Debt Margin Information.....	Table 13	86
Pledged Revenue Coverage	Table 14	87
Demographic and Economic Statistics	Table 15	88
Principal Employers.....	Table 16	89
Fulltime Equivalent City Government Employees	Table 17	90
Operating Indicators by Function/Program	Table 18	91
Capital Asset Statistics by Function/Program.....	Table 19	92
COMPLIANCE SECTION		
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 <i>Government Auditing Standards</i>		93 – 94

INTRODUCTORY SECTION

THIS PAGE LEFT BLANK INTENTIONALLY



March 13, 2017

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

The Comprehensive Annual Financial Report (CAFR) of the City of Marble Falls (the “City”) for the fiscal year ended September 30, 2017, 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, 2017 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, 2017, 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 to provide sufficient funds to meet operating expenses and debt payments. We will closely monitor the trend on our major sources of funding, such as: 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 13.6 square miles.

Steady population growth has been experienced in the last decade with a present population estimated in excess of 6,667. Current and future subdivisions are designed on oversized lots, as well as smaller garden home areas, which result in spacious residential areas that complement 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.

The City Council establishes long term financial goals each year as a part of the budgeting process. For FY 2017, the Council continued with the following goals:

1. Maintain financial stability and continue the growth in cash reserves balance.
2. Sustain existing programs at high service levels.
3. Provide for a Zoning Ordinance Update.
4. Invest in the Parks and Recreation Maintenance Program
5. Invest in Roadway Infrastructure and Street Maintenance.
6. Invest in Water and Wastewater Service Maintenance.

The City Council held a strategic planning workshop on June 2, 2016 for the purpose of developing a strategic vision that serves as a roadmap for future priorities. The Council agreed to focus on the areas listed below:

1. Stimulate/Support Housing Development – Residential and Subdivision
2. Stimulate/Support Work Force Development
3. Improve Roads
4. Build New Public Safety Building
5. Improve Core Area
6. Pursue Convention Center Opportunities
7. Develop Parks
8. Build New City Hall
9. Improve and Develop 281 South and North Corridor
10. Promote Community Involvement
11. Pursue/Support New Retail
12. Maintain “Small Town” feel

The City continued to maintain a financial stability and added to General Fund cash reserves balance an amount in excess of \$140,000 for FY 2017. The majority of the work for the Zoning Ordinance Update began in FY 17 and should be completed in FY 2018. The Parks and Recreation program added \$30,000 of additional funds for their maintenance program and also added a new playscape at Johnson Park. The Streets maintenance budget had an additional

\$50,000 for maintenance of streets. The Water and Wastewater budgets were also increased by \$50,000 for use on improvements to existing infrastructure.

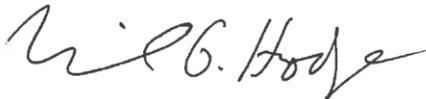
AWARDS AND ACKNOWLEDGEMENTS

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, 2016. 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 black ink that reads "Mike Hodge". The signature is written in a cursive, flowing style.

Mike Hodge
City Manager

CITY OF MARBLE FALLS, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2017

MAYOR

John Packer

MAYOR PRO TEM

Richard Westerman

COUNCILMEMBERS

Craig Magerkurth
Dave Rhodes
Reed Norman
William (Dee) Haddock
Megan Klaeger

CITY MANAGER

Mike Hodge

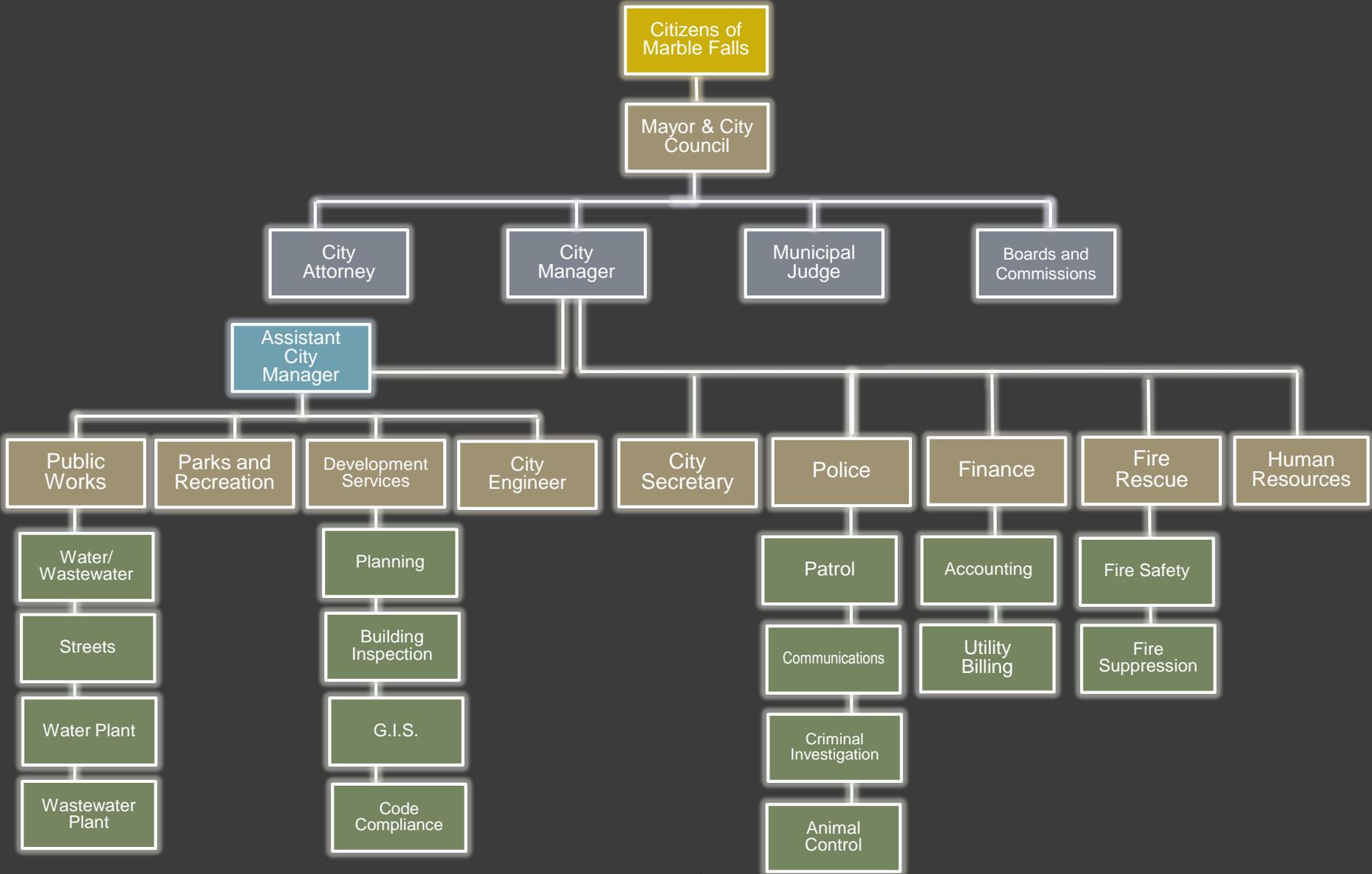
CITY ATTORNEY

Patty Akers
Akers and Akers

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, 2016

Christopher P. Morill

Executive Director/CEO

THIS PAGE LEFT BLANK INTENTIONALLY

FINANCIAL SECTION

THIS PAGE LEFT BLANK INTENTIONALLY



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

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, 2017, 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, 2017, 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, budgetary comparison information, schedule of changes in net pension liability and related ratios and schedule of contributions on pages 4 – 11 and 53 – 60 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 and schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2018, 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
March 13, 2018

THIS PAGE LEFT BLANK INTENTIONALLY

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

THIS PAGE LEFT BLANK INTENTIONALLY

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, 2017. 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, 2017, by \$23,231,735 (net position). Of this amount, -\$1,077,188 is unrestricted net position.
- The City's net position decreased by \$475,261.
- As of the close of the current fiscal year, the City of Marble Falls governmental funds reported combined ending fund balances of \$11,484,051. \$1,832,752 of this amount is unassigned and available for use within the City's fund designation and policy.
- As of September 30, 2017, unassigned fund balance for the General Fund was \$1,843,050 or 18.97% 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 *near-term inflows and outflows of spendable resources* as well as on *balances of spendable resources* available at the end of the fiscal year. 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 17 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, General Improvements Fund and Hotel Conference Center Fund, all of which are considered to be major funds. The other 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 assets exceed liabilities by \$23.2 million as of September 30, 2017. 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	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 13,832,628	\$ 10,190,659	\$ 2,333,511	\$ 3,792,435	\$ 16,166,139	\$ 13,983,094
Capital assets	<u>36,962,544</u>	<u>33,923,109</u>	<u>37,341,196</u>	<u>38,155,117</u>	<u>74,303,740</u>	<u>72,078,226</u>
Total assets	<u>50,795,172</u>	<u>44,113,768</u>	<u>39,674,707</u>	<u>41,947,552</u>	<u>90,469,879</u>	<u>86,061,320</u>
Deferred outflows of resources	<u>1,708,781</u>	<u>1,798,691</u>	<u>891,459</u>	<u>1,049,609</u>	<u>2,600,240</u>	<u>2,848,300</u>
Current liabilities	1,361,206	930,487	951,614	1,467,349	2,312,820	2,397,836
Noncurrent liabilities	<u>42,334,127</u>	<u>36,170,154</u>	<u>25,054,691</u>	<u>26,169,848</u>	<u>67,388,818</u>	<u>62,340,002</u>
Total liabilities	<u>43,695,333</u>	<u>37,100,641</u>	<u>26,006,305</u>	<u>27,637,197</u>	<u>69,701,638</u>	<u>64,737,838</u>
Deferred inflows of resources	<u>116,714</u>	<u>29,199</u>	<u>20,032</u>	<u>3,752</u>	<u>136,746</u>	<u>32,951</u>
Net position:						
Net investment,						
in capital assets	4,356,606	3,569,454	17,061,917	15,476,859	21,418,523	19,046,313
Restricted	2,890,400	3,221,732	-	-	2,890,400	3,221,732
Unrestricted	<u>1,444,900</u>	<u>1,991,433</u>	<u>(2,522,088)</u>	<u>(120,647)</u>	<u>(1,077,188)</u>	<u>1,870,786</u>
Total net position	<u>\$ 8,691,906</u>	<u>\$ 8,782,619</u>	<u>\$ 14,539,829</u>	<u>\$ 15,356,212</u>	<u>\$ 23,231,735</u>	<u>\$ 24,138,831</u>

The restricted portion of the City's net position (12.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is -\$1,077,188.

Analysis of the City's Operations

The following table provides a summary of the City's operations for the year ended September 30, 2017. Governmental activities increased the City of Marble Falls' net position by \$341,122, accounting for a 1.4% increase in net position. The increase in net position went from an increase of 2.7% in the prior year to an increase of 1.4% in FY 2017. Business-type activities decreased the City's net position by \$816,383 accounting for a 3.4% decrease in net position. The decrease in the business-type activities was due to the increase of expenses.

CITY OF MARBLE FALLS' CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 1,061,707	\$ 897,803	\$ 4,966,903	\$ 4,340,250	\$ 6,028,610	\$ 5,238,053
Operating grants and contributions	222,627	236,577	-	-	222,627	236,577
Capital grants and contributions	-	155,713	155,000	146,850	155,000	302,563
General revenues:						
Property taxes	4,815,932	4,701,079	-	-	4,815,932	4,701,079
Sales taxes	8,536,450	7,856,341	-	-	8,536,450	7,856,341
Franchise taxes	539,247	578,961	-	-	539,247	578,961
Other taxes	737,042	691,646	-	-	737,042	691,646
Investment earnings	137,190	61,500	48,918	21,450	186,108	82,950
Gain on sale of assets	160,233	106,824	-	-	160,233	106,824
Miscellaneous	125,819	88,702	-	-	125,819	88,702
Total revenues	<u>16,336,247</u>	<u>15,375,146</u>	<u>5,170,821</u>	<u>4,508,550</u>	<u>21,507,068</u>	<u>19,883,696</u>
Expenses:						
General government	4,205,152	4,181,958	-	-	4,205,152	4,181,958
Public safety	5,385,714	4,866,672	-	-	5,385,714	4,866,672
Public works	3,433,441	3,220,604	-	-	3,433,441	3,220,604
Culture and recreation	1,434,383	1,282,565	-	-	1,434,383	1,282,565
Interest on long-term debt	1,736,608	1,285,496	-	-	1,736,608	1,285,496
Water and wastewater	-	-	5,787,031	5,584,311	5,787,031	5,584,311
Total expenses	<u>16,195,298</u>	<u>14,837,295</u>	<u>5,787,031</u>	<u>5,584,311</u>	<u>21,982,329</u>	<u>20,421,606</u>
Increases (decreases) in net assets before transfers						
	140,949	537,851	(616,210)	(1,075,761)	(475,261)	(537,910)
Transfers	<u>200,173</u>	<u>116,213</u>	<u>(200,173)</u>	<u>(91,213)</u>	<u>-</u>	<u>25,000</u>
Change in net assets	341,122	654,064	(816,383)	(1,166,974)	(475,261)	(512,910)
Net assets, beginning	<u>8,782,619</u>	<u>8,128,555</u>	<u>15,356,212</u>	<u>16,523,186</u>	<u>24,138,831</u>	<u>24,651,741</u>
Prior period adjustment	<u>(431,835)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(431,835)</u>	<u>-</u>
Net assets, ending	<u>\$ 8,691,906</u>	<u>\$ 8,782,619</u>	<u>\$ 14,539,829</u>	<u>\$ 15,356,212</u>	<u>\$ 23,231,735</u>	<u>\$ 24,138,831</u>

Government Funds

In the General Fund, fund balance increased by \$146,577. The increase was due mainly to an increase in sales taxes and property taxes for FY 2017.

The Economic Development Corporation Fund balance decreased by \$437,129. The decrease is due to an increase in expenditures for FY 2017.

The Debt Service Fund balance decreased by \$29,953 due to an increase in debt principal.

The General Improvements Fund balance decreased by \$3,262,169. The decrease was due mainly to a expenditures for the Public Safety buildings and street improvements.
The Hotel Conference Center Fund increased by \$6,566,764 due to the debt issuance.

Proprietary Fund

Unrestricted net position of the proprietary fund (water and utility) was -\$2,522,088. The net position of the Water and Utility Fund decreased by \$816,383. This decrease was due to an increase in expenses.

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 \$180,721 from the original budget of \$9,371,947 to the revised budget of \$9,552,668 or 1.9% increase. The majority of this increase was due to an increase in radio equipment for the police department and contract services for Development Services.

The variance between the final amended budget and actual expenditures was a negative \$165,102. General Government actual expenditures were above budgeted expenditures by \$25,334. The expenditures were \$25,334 over budgeted expenditures in General Government expenditures. Additionally, Public Safety expenditures were above the budget by \$146,035. This was mainly due to personnel services costs in court, police and code departments.

Capital Assets

- Completed engineering design of the Water Plant Upgrade. Total spent in FY 2017 was \$262,760.
- Continued the construction phase of the Water Plant Upgrade. Total spent in FY 2017 was \$63,310.
- Completion of construction work on the two water lines, FM 1431 and at Broadway at a cost of \$177,358.
- Completion of street improvement on Broadway from Avenue G to Avenue D. Total spent in FY 17 was \$483,957.
- Completion of the Parks and Recreation Master Plan. Total spent in FY 17 was \$60,052.
- Continued pre development plan with consulting firm for the Downtown project by the Economic Development Corporation. Total spent in FY 17 was \$223,703. Purchased property for the Downtown project at a cost of \$323,957.
- Began construction of Innovation Loop Phase 3A at a cost of \$291,013 by the Economic Development Corporation.
- Completed the engineering design of the Wastewater Plant at a cost of \$132,373 and construction phase at a cost of \$228,402.

- Continued the Downtown Master Plan improvements at a cost of \$52,689.
- Completion of the Architectural Phase and Engineering of the Public Safety Building at a cost of \$111,128. Began the construction at a cost of \$3,289,334. Equipment and furniture at a cost of \$742,069.
- Completed the Zoning Ordinance update. Total spent in FY 17 was \$62,207.

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

CITY OF MARBLE FALLS' CAPITAL ASSETS AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Land	\$ 8,882,847	\$ 8,553,640	\$ 681,006	\$ 681,006	\$ 9,563,853	\$ 9,234,646
Buildings and improvements	58,428,722	53,149,545	60,361,939	59,208,618	118,790,661	112,358,163
Machinery and equipment	7,696,831	6,956,741	1,248,820	1,208,123	8,945,651	8,164,864
Less: accumulated depreciation	(38,045,856)	(34,736,817)	(24,950,569)	(22,942,630)	(62,996,425)	(57,679,447)
Total capital assets, net	<u>\$ 36,962,544</u>	<u>\$ 33,923,109</u>	<u>\$ 37,341,196</u>	<u>\$ 38,155,117</u>	<u>\$ 74,303,740</u>	<u>\$ 72,078,226</u>

Debt Administration

At the end of the current fiscal year, the City had total bonded debt and notes payable of \$63,045,000. Of this amount, \$39,332,840 represents bonded debt backed by the full faith and credit of the City and \$23,712,160 represents payables secured by water and wastewater revenues.

OUTSTANDING DEBT AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Bonds	\$ 39,332,840	\$ 34,177,840	\$ 23,712,160	\$ 24,757,160	\$ 63,045,000	\$ 58,935,000
Total	<u>\$ 39,332,840</u>	<u>\$ 34,177,840</u>	<u>\$ 23,712,160</u>	<u>\$ 24,757,160</u>	<u>\$ 63,045,000</u>	<u>\$ 58,935,000</u>

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

Standard & Poor's
AA-
General Obligation Bonds

During the year the City issued new debt. 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 6,667 in 2017. 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 6% from the prior year revenue of \$5,892,256 to \$6,402,336. The 2018 estimate is conservatively projected at \$6,528,638. 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 \$0.6340. This rate consists of a maintenance and operations (M&O) tax rate of \$0.2358 and an Interest and Sinking (debt service) tax rate of \$0.3982. The rate was set based on a net position value of \$726,407,494. The assessed values increased about 8% for FY 2018.

Water revenues for 2018 are budgeted at \$3,202,976 which is an increase of 8% over the prior year. Wastewater revenues are budgeted at \$1,686,536, representing a less than 1% increase over the prior year. The City of Marble Falls increased water rates by 3.2% for FY 2018.

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@marblefallstx.gov.

**BASIC
FINANCIAL STATEMENTS**

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF MARBLE FALLS, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 10,713,245	\$ 1,636,378	\$ 12,349,623
Receivables, net of allowances for uncollectibles			
Taxes	1,749,229	-	1,749,229
Customer accounts	1,124,138	660,647	1,784,785
Other	2,562	-	2,562
Due from other governments	16,114	-	16,114
Internal balances	226,092	(226,092)	-
Inventories	-	262,578	262,578
Prepaid items	1,248	-	1,248
Capital assets:			
Land	8,882,847	681,006	9,563,853
Buildings and improvements	58,428,722	60,361,939	118,790,661
Machinery and equipment	7,696,831	1,248,820	8,945,651
Accumulated depreciation	(38,045,856)	(24,950,569)	(62,996,425)
Total capital assets, net of accumulated depreciation	<u>36,962,544</u>	<u>37,341,196</u>	<u>74,303,740</u>
Total assets	<u>50,795,172</u>	<u>39,674,707</u>	<u>90,469,879</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow related to pensions	1,203,093	206,496	1,409,589
Deferred loss on bond refunding	<u>505,688</u>	<u>684,963</u>	<u>1,190,651</u>
Total deferred outflows of resources	<u>1,708,781</u>	<u>891,459</u>	<u>2,600,240</u>
LIABILITIES			
Accounts payable	827,015	222,430	1,049,445
Accrued liabilities	177,169	4,080	181,249
Due to others	65,637	15,936	81,573
Customer deposits	23,868	518,961	542,829
Accrued interest	267,517	190,207	457,724
Noncurrent liabilities:			
Due within one year	3,433,652	1,127,284	4,560,936
Due in more than one year	<u>38,900,475</u>	<u>23,927,407</u>	<u>62,827,882</u>
Total liabilities	<u>43,695,333</u>	<u>26,006,305</u>	<u>69,701,638</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow related to pensions	<u>116,714</u>	<u>20,032</u>	<u>136,746</u>
Total deferred inflows of resources	<u>116,714</u>	<u>20,032</u>	<u>136,746</u>
NET POSITION			
Net investment in capital assets	4,356,606	17,061,917	21,418,523
Restricted for:			
Economic development	2,025,809	-	2,025,809
Debt service	96,911	-	96,911
Public safety	112,853	-	112,853
Culture and recreation	654,827	-	654,827
Unrestricted	<u>1,444,900</u>	<u>(2,522,088)</u>	<u>(1,077,188)</u>
Total net position	<u>\$ 8,691,906</u>	<u>\$ 14,539,829</u>	<u>\$ 23,231,735</u>

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, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 4,205,152	\$ 420,557	\$ 32,302	\$ -
Public safety	5,385,714	212,896	186,550	-
Public works	3,433,441	233,880	-	-
Culture and recreation	1,434,383	194,374	3,775	-
Interest on long-term debt	<u>1,736,608</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>16,195,298</u>	<u>1,061,707</u>	<u>222,627</u>	<u>-</u>
Business-type activities:				
Water and sewer	<u>5,787,031</u>	<u>4,966,903</u>	<u>-</u>	<u>155,000</u>
Total business-type activities	<u>5,787,031</u>	<u>4,966,903</u>	<u>-</u>	<u>155,000</u>
Total primary government	<u>\$ 21,982,329</u>	<u>\$ 6,028,610</u>	<u>\$ 222,627</u>	<u>\$ 155,000</u>

General revenues:

Taxes:

Property, levied for general purposes

Property, levied for debt service

Sales

Franchise

Other

Investment earnings

Gain on sale of assets

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning

Prior period adjustment

Net position, beginning as restated

Net position, ending

Net (Expense) Revenue and
Changes in Net Position

Primary Government		
Governmental Activities	Business-type Activities	Total
\$(3,752,293)	\$ -	\$(3,752,293)
(4,986,268)	-	(4,986,268)
(3,199,561)	-	(3,199,561)
(1,236,234)	-	(1,236,234)
(1,736,608)	-	(1,736,608)
<u>(14,910,964)</u>	<u>-</u>	<u>(14,910,964)</u>
<u>-</u>	(665,128)	(665,128)
<u>-</u>	(665,128)	(665,128)
(14,910,964)	(665,128)	(15,576,092)
1,731,637	-	1,731,637
3,084,295	-	3,084,295
8,536,450	-	8,536,450
539,247	-	539,247
737,042	-	737,042
137,190	48,918	186,108
160,233	-	160,233
125,819	-	125,819
<u>200,173</u>	<u>(200,173)</u>	<u>-</u>
<u>15,252,086</u>	<u>(151,255)</u>	<u>15,100,831</u>
341,122	(816,383)	(475,261)
<u>8,782,619</u>	<u>15,356,212</u>	<u>24,138,831</u>
(431,835)	-	(431,835)
<u>8,350,784</u>	<u>15,356,212</u>	<u>23,706,996</u>
<u>\$ 8,691,906</u>	<u>\$ 14,539,829</u>	<u>\$ 23,231,735</u>

CITY OF MARBLE FALLS, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2017

	General	Economic Development Corporation	Debt Service
ASSETS			
Cash and investments	\$ 1,288,145	\$ 1,733,897	\$ 38,358
Receivables, net of allowances for uncollectibles:			
Property taxes	5,962	-	99,492
Other taxes	1,098,443	361,291	-
Accounts	175,141	-	-
Other	39	75	-
Due from other governments	16,114	-	-
Due from other funds	105,280	-	-
Prepaid items	1,248	-	-
Total assets	2,690,372	2,095,263	137,850
LIABILITIES			
Accounts payable	493,738	39,852	-
Accrued liabilities	173,851	3,318	-
Due to other funds	-	26,284	51,237
Due to others	65,637	-	-
Customer deposits	23,868	-	-
Total liabilities	757,094	69,454	51,237
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	4,516	-	96,911
Unavailable revenue - court fines and fees	84,464	-	-
Total deferred inflows of resources	88,980	-	96,911
FUND BALANCES			
Nonspendable	1,248	-	-
Restricted	-	2,025,809	-
Unassigned	1,843,050	-	(10,298)
Total fund balances	1,844,298	2,025,809	(10,298)
Total liabilities, deferred inflows of resources and fund balances	\$ 2,690,372	\$ 2,095,263	\$ 137,850

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 reported as unavailable resources in the governmental funds balance sheet, but are recognized as revenue in the statement of activities.

The assets and liabilities of internal service funds are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Position.

Long term assets are not available for net pension obligation.

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Losses on refunding of bonds and the premium on issuance of bonds payable are not reported in the funds.

Net position of governmental activities

<u>General Improvements</u>	<u>Hotel Conference Center</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
\$ 219,048	\$ 6,540,480	\$ 773,317	\$ 10,593,245
-	-	-	105,454
-	-	184,041	1,643,775
-	-	-	175,141
-	-	2,448	2,562
-	-	-	16,114
226,092	26,284	-	357,656
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,248</u>
<u>445,140</u>	<u>6,566,764</u>	<u>959,806</u>	<u>12,895,195</u>
233,793	-	59,632	827,015
-	-	-	177,169
-	-	54,043	131,564
-	-	-	65,637
<u>-</u>	<u>-</u>	<u>-</u>	<u>23,868</u>
<u>233,793</u>	<u>-</u>	<u>113,675</u>	<u>1,225,253</u>
-	-	-	101,427
<u>-</u>	<u>-</u>	<u>-</u>	<u>84,464</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>185,891</u>
-	-	-	1,248
211,347	6,566,764	846,131	9,650,051
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,832,752</u>
<u>211,347</u>	<u>6,566,764</u>	<u>846,131</u>	<u>11,484,051</u>
<u>\$ 445,140</u>	<u>\$ 6,566,764</u>	<u>\$ 959,806</u>	
			36,962,544
			1,134,888
			120,000
			1,086,379
			<u>(42,095,956)</u>
			<u>\$ 8,691,906</u>

CITY OF MARBLE FALLS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>General</u>	<u>Economic Development Corporation</u>	<u>Debt Service</u>
REVENUES			
Property taxes	\$ 1,732,660	\$ -	\$ 3,085,466
Sales taxes	6,402,338	2,134,112	-
Hotel/motel taxes	-	-	-
Mixed beverage taxes	54,431	-	-
Franchise fees	539,247	-	-
Fines and forfeitures	184,455	-	-
Permits and fees	435,677	48,675	-
Intergovernmental	258,738	14,102	-
Investment earnings	2,996	20,096	26,573
Other	<u>215,515</u>	<u>4,353</u>	<u>-</u>
Total revenues	<u>9,826,057</u>	<u>2,221,338</u>	<u>3,112,039</u>
EXPENDITURES			
Current:			
General government	2,390,188	871,787	-
Public safety	4,939,300	-	-
Public works	1,148,508	-	-
Culture and recreation	891,516	-	-
Capital outlay	270,120	828,673	-
Debt service:			
Principal	63,669	815,000	2,250,000
Interest and fiscal charges	14,469	343,061	953,714
Bond issuance costs	-	-	142,730
Total expenditures	<u>9,717,770</u>	<u>2,858,521</u>	<u>3,346,444</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>108,287</u>	<u>(637,183)</u>	<u>(234,405)</u>
OTHER FINANCING SOURCES (USES)			
Capital-related debt issued	-	-	6,610,000
Premium on bond issuance	-	-	384,645
Payment to escrow agent	-	-	(6,919,367)
Capital lease proceeds	23,615	-	-
Sale of capital assets	6,840	260,054	-
Proceeds from insurance	14,481	-	-
Transfers in	319,000	-	129,174
Transfers out	<u>(325,646)</u>	<u>(60,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>38,290</u>	<u>200,054</u>	<u>204,452</u>
NET CHANGE IN FUND BALANCES	146,577	(437,129)	(29,953)
FUND BALANCES, BEGINNING	<u>1,697,721</u>	<u>2,462,938</u>	<u>19,655</u>
FUND BALANCES, ENDING	<u>\$ 1,844,298</u>	<u>\$ 2,025,809</u>	<u>\$ (10,298)</u>

<u>General Improvements</u>	<u>Hotel Conference Center</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
\$ -	\$ -	\$ -	\$ 4,818,126
-	-	-	8,536,450
-	-	679,373	679,373
-	-	-	54,431
-	-	-	539,247
-	-	153,709	338,164
-	-	-	484,352
-	-	49,640	322,480
20,476	66,765	284	137,190
<u>34,000</u>	<u>-</u>	<u>-</u>	<u>253,868</u>
<u>54,476</u>	<u>66,765</u>	<u>883,006</u>	<u>16,163,681</u>
-	-	5,080	3,267,055
61,540	-	122,912	5,123,752
-	-	-	1,148,508
-	-	392,140	1,283,656
5,005,105	-	156,435	6,260,333
-	-	-	3,128,669
-	-	-	1,311,244
<u>70,902</u>	<u>173,731</u>	<u>-</u>	<u>387,363</u>
<u>5,137,547</u>	<u>173,731</u>	<u>676,567</u>	<u>21,910,580</u>
<u>(5,083,071)</u>	<u>(106,966)</u>	<u>206,439</u>	<u>(5,746,899)</u>
1,785,000	6,500,000	-	14,895,000
85,902	173,730	-	644,277
-	-	-	(6,919,367)
-	-	-	23,615
-	-	-	266,894
-	-	-	14,481
-	-	385,646	833,820
<u>(50,000)</u>	<u>-</u>	<u>(238,001)</u>	<u>(673,647)</u>
<u>1,820,902</u>	<u>6,673,730</u>	<u>147,645</u>	<u>9,085,073</u>
(3,262,169)	6,566,764	354,084	3,338,174
<u>3,473,516</u>	<u>-</u>	<u>492,047</u>	<u>8,145,877</u>
<u>\$ 211,347</u>	<u>\$ 6,566,764</u>	<u>\$ 846,131</u>	<u>\$ 11,484,051</u>

THIS PAGE LEFT BLANK INTENTIONALLY

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, 2017

Amounts reported for governmental activities in the Statement of Activities (pages 13 - 14) are different because:

Net change in fund balances - total governmental funds (pages 17 - 18)	\$ 3,338,174
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.	3,039,435
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(2,148)
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.	(5,529,731)
Certain pension expenditures are not expended in the government-wide financial statements and recorded as deferred resource outflows. This item relates to contributions made after the measurement date. Additionally, a portion of the City's unrecognized deferred resource outflows related to the pension liability were amortized.	(340,864)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	40,000
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>(203,744)</u>
Change in net position of governmental activities (pages 13 - 14)	<u>\$ 341,122</u>

CITY OF MARBLE FALLS, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUND

SEPTEMBER 30, 2017

	Business-type Activities Enterprise Fund <u>Water and Utility</u>	Governmental Activities Internal Service Fund <u>Equipment Replacement</u>
ASSETS		
Current assets:		
Cash and investments	\$ 1,636,378	\$ 120,000
Accounts receivable, net of allowance	660,647	-
Inventories	262,578	-
Total current assets	<u>2,559,603</u>	<u>120,000</u>
Noncurrent assets:		
Capital assets:		
Land	681,006	-
Buildings and improvements	60,361,939	-
Machinery and equipment	1,248,820	-
Accumulated depreciation	(24,950,569)	-
Total capital assets	<u>37,341,196</u>	<u>-</u>
Total noncurrent assets	<u>37,341,196</u>	<u>-</u>
Total assets	<u>39,900,799</u>	<u>120,000</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow related to pensions	206,496	-
Deferred loss on bond refunding	684,963	-
Total deferred outflows of resources	<u>891,459</u>	<u>-</u>
LIABILITIES		
Current liabilities:		
Accounts payable	222,430	-
Accrued liabilities	4,080	-
Due to other funds	226,092	-
Customer deposits	518,961	-
Due to others	15,936	-
Accrued interest	190,207	-
Compensated absences	42,284	-
Bonds payable	1,085,000	-
Total current liabilities	<u>2,304,990</u>	<u>-</u>
Noncurrent liabilities:		
Compensated absences	126,850	-
Bonds payable	23,674,091	-
OPEB net pension obligation	52,283	-
Net pension liability	74,183	-
Total noncurrent liabilities	<u>23,927,407</u>	<u>-</u>
Total liabilities	<u>26,232,397</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow related to pensions	20,032	-
Total deferred inflows of resources	<u>20,032</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	17,061,917	-
Unrestricted	(2,522,088)	120,000
Total net position	<u>\$ 14,539,829</u>	<u>\$ 120,000</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, 2017

	Business-type Activities <u>Enterprise Fund</u>	Governmental Activities <u>Internal Service Fund</u>
	<u>Water and Utility</u>	<u>Equipment Replacement</u>
OPERATING REVENUES		
Water and utility charges	\$ 4,815,277	\$ -
Miscellaneous	151,626	-
Total operating revenues	<u>4,966,903</u>	<u>-</u>
OPERATING EXPENSES		
Personnel services	1,406,412	-
Supplies	530,034	-
Repairs and maintenance	572,727	-
Purchased and contracted services	404,541	-
Other services and charges	1,794	-
Depreciation	2,108,345	-
Total operating expenses	<u>5,023,853</u>	<u>-</u>
OPERATING LOSS	<u>(56,950)</u>	<u>-</u>
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	48,918	-
Interest and fiscal charges	<u>(763,178)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(714,260)</u>	<u>-</u>
CAPITAL CONTRIBUTIONS	155,000	-
INCOME BEFORE TRANSFERS	<u>(616,210)</u>	<u>-</u>
TRANSFERS OUT	<u>(354,000)</u>	<u>-</u>
TRANSFERS IN	<u>153,827</u>	<u>40,000</u>
CHANGE IN NET POSITION	<u>(816,383)</u>	<u>40,000</u>
NET POSITION, BEGINNING	<u>15,356,212</u>	<u>80,000</u>
NET POSITION, ENDING	<u>\$ 14,539,829</u>	<u>\$ 120,000</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, 2017

	Business-type Activities <u>Enterprise Fund</u> <u>Water and Utility</u>	Governmental Activities <u>Internal Service Fund</u> <u>Equipment Replacement</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and users	\$ 4,907,539	\$ -
Cash paid to suppliers for goods and services	(2,038,928)	-
Cash paid to employees for services	(1,303,646)	-
Net cash provided by operating activities	<u>1,564,965</u>	<u>-</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to other funds	(354,000)	-
Transfers from other funds	<u>153,827</u>	<u>40,000</u>
Net cash used by noncapital financing activities	<u>(200,173)</u>	<u>40,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(1,294,424)	-
Capital contributions	155,000	-
Principal repayments on long-term debt	(1,044,676)	-
Interest and fiscal charges paid on debt	<u>(744,988)</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(2,929,088)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and investment earnings	<u>48,918</u>	<u>-</u>
Net cash provided by investing activities	<u>48,918</u>	<u>-</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(1,515,378)</u>	<u>40,000</u>
CASH AND CASH EQUIVALENTS, BEGINNING	<u>3,151,756</u>	<u>80,000</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 1,636,378</u>	<u>\$ 120,000</u>
Reconciliation of operating income (loss) to net cash used by operating activities:		
Operating loss	\$(56,950)	\$ -
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Depreciation and amortization	2,108,345	-
Changes in assets and liabilities:		
Decrease (increase) in assets:		
Customer receivable	(77,498)	-
Inventory	21,044	-
Deferred outflow related to pensions	83,659	-
Increase (decrease) in liabilities:		
Accounts payable	(548,062)	-
Accrued liabilities	(1,183)	-
OPEB net pension obligation	9,233	-
Customer deposits	18,134	-
Due to others	(2,814)	-
Net pension liabilities	(13,760)	-
Deferred inflow related to pensions	16,280	-
Compensated absences payable	<u>8,537</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 1,564,965</u>	<u>\$ -</u>

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, 2017

	<u>LaVentana PID Trust Fund</u>
ASSETS	
Cash and cash equivalents	\$ <u>284</u>
Total assets	<u>284</u>
 NET POSITION	
Held in trust for LaVentana PID	\$ <u><u>284</u></u>

CITY OF MARBLE FALLS, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	LaVentana PID Trust Fund
ADDITIONS	
Property tax assessment	\$ 15,881
Investment earnings	<u>9,489</u>
Total additions	<u>25,370</u>
 DEDUCTIONS	
Miscellaneous expense	<u>28,000</u>
Total deductions	<u>28,000</u>
 CHANGE IN NET POSITION	 (2,630)
 NET POSITION, BEGINNING	 <u>2,914</u>
 NET POSITION, ENDING	 \$ <u><u>284</u></u>

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

CITY OF MARBLE FALLS, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

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. The Economic Development Corporation is managed by a board of directors made up of 7 members appointed by the City Council. The City Council requires that the Corporation be responsible for the proper discharge of its duties. The Board shall determine its policies and direction within the limitation of the duties imposed by applicable laws, the Articles of Incorporation, Bylaws, budget and fiduciary responsibilities. The City is entitled to and can otherwise access all of the resources of the Economic Development Corporation. 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 debt issues that were received for streets and drainage, public works, parks, water and sewer capital projects.

The **Hotel Conference Center Fund** is used to account for the bond proceeds and the expenditures for the construction of the Hotel Conference Center.

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.

Additionally, the City reports the following fund types:

Internal Service Funds account equipment replacement services provided to other departments on a cost reimbursement basis.

Private Purpose Trust Funds are used to account for assets held by the City in trust for individuals, private organizations and other governments.

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, certificates of deposit, and a privately managed public funds investment pool (LOGIC).

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, 2017.

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 2016 was \$4,792,210. The tax assessment of October 1, 2016, sets a tax levy at \$.06483 per \$100 of assessed valuation at 100% of assumed market value. Of this amount, \$.04157 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 acquisition value.

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:

Assets	Years
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.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

Pensions

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

- Deferred charges on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five year period.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows or resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items classified as deferred inflows of resources. One of which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and municipal court fines. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item is only recorded in the full accrual basis of accounting and results from the difference between expected and actual pension expense. This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

Net Position

Net position represents the difference between assets, deferred outflows/inflows of resources 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 is reported as restricted when there are limitations imposed on its 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 \$(42,095,956) difference are as follows:

General obligation bonds	\$(29,477,840)
Sales tax revenue bonds	(9,855,000)
Deferred loss on refunding debt issuance	505,688
Bond premiums	(1,132,144)
TMRS net pension liability	(432,204)
OPEB net pension obligation	(232,660)
Capital lease	(391,781)
Compensated absences	(812,498)
Accrued interest payable	<u>(267,517)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$(42,095,956)</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 \$3,039,435 difference are as follows:

Capital outlay	\$ 6,348,474
Depreciation expense	<u>(3,309,039)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 3,039,435</u>

Another element of that reconciliation states, “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this \$(2,148) difference are as follows:

Property taxes	\$(2,194)
Municipal court	<u>46</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$(2,148)</u></u>

Another element of that reconciliation states, “The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net 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 \$(5,529,731) difference are as follows:

General obligation debt payments	\$ 3,128,669
Issuance of general obligation refunding debt	(8,643,525)
OPEB net pension obligation	<u>(14,875)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$(5,529,731)</u></u>

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Balances

As of September 30, 2017, the following funds had deficit fund balances:

Debt Service	\$(10,298)
--------------	-------------

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

4. PRIOR PERIOD ADJUSTMENT

In a prior fiscal year, the City entered into a capital lease that was not properly recorded as a long term liability. As such, the beginning net position for governmental activities has been decreased by \$431,835.

5. DETAILED NOTES ON ALL FUNDS

Deposits and Investments

As of September 30, 2017, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Logic	\$ 3,103,228	42
Texas Class	8,352,064	54

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 City’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, 2017, \$1,395,034 of the City's \$2,173,990 deposit balance was collateralized with securities held by the pledging financial institution. The remaining balance, \$778,956, 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. The City's investment pool is 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	\$ 6,623	\$ -	\$ 110,547	\$ -	\$ -	\$ 117,170
Other taxes	1,098,443	361,291	-	184,041	-	1,643,775
Customer accounts	334,961	-	-	-	843,935	1,178,896
Other	39	75	-	2,448	-	2,562
Gross receivables	<u>1,440,066</u>	<u>361,366</u>	<u>110,547</u>	<u>186,489</u>	<u>843,935</u>	<u>2,942,403</u>
Less: allowance for uncollectibles	<u>160,481</u>	<u>-</u>	<u>11,055</u>	<u>-</u>	<u>183,288</u>	<u>354,824</u>
Net total receivables	<u>\$ 1,279,585</u>	<u>\$ 361,366</u>	<u>\$ 99,492</u>	<u>\$ 186,489</u>	<u>\$ 660,647</u>	<u>\$ 2,587,579</u>

Capital Assets

Capital asset activity for the year ended September 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Government activities:				
Capital assets, not being depreciated:				
Land	\$ 8,553,640	\$ 329,207	\$ -	\$ 8,882,847
Total assets not being depreciated	<u>8,553,640</u>	<u>329,207</u>	<u>-</u>	<u>8,882,847</u>
Capital assets, being depreciated:				
Buildings and improvements	53,149,545	5,279,177	-	58,428,722
Machinery and equipment	<u>6,956,741</u>	<u>740,090</u>	<u>-</u>	<u>7,696,831</u>
Total capital assets being depreciated	<u>60,106,286</u>	<u>6,019,267</u>	<u>-</u>	<u>66,125,553</u>
Less accumulated depreciation:				
Buildings and improvements	(28,180,559)	(2,930,520)	-	(31,111,079)
Machinery and equipment	<u>(6,556,258)</u>	<u>(378,519)</u>	<u>-</u>	<u>(6,934,777)</u>
Total accumulated depreciation	<u>(34,736,817)</u>	<u>(3,309,039)</u>	<u>-</u>	<u>(38,045,856)</u>
Total capital assets being depreciated, net	<u>25,369,469</u>	<u>2,710,228</u>	<u>-</u>	<u>28,079,697</u>
Governmental activities capital assets, net	<u>\$ 33,923,109</u>	<u>\$ 3,039,435</u>	<u>\$ -</u>	<u>\$ 36,962,544</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 681,006	\$ -	\$ -	\$ 681,006
Total assets not being depreciated	<u>681,006</u>	<u>-</u>	<u>-</u>	<u>681,006</u>
Capital assets, being depreciated:				
Buildings and improvements	59,208,618	1,153,321	-	60,361,939
Machinery and equipment	<u>1,208,123</u>	<u>141,103</u>	<u>(100,406)</u>	<u>1,248,820</u>
Total capital assets being depreciated	<u>60,416,741</u>	<u>1,294,424</u>	<u>(100,406)</u>	<u>61,610,759</u>
Less accumulated depreciation:				
Buildings and improvements	(21,824,836)	(2,071,145)	-	(23,895,981)
Machinery and equipment	<u>(1,117,794)</u>	<u>(37,200)</u>	<u>100,406</u>	<u>(1,054,588)</u>
Total accumulated depreciation	<u>(22,942,630)</u>	<u>(2,108,345)</u>	<u>100,406</u>	<u>(24,950,569)</u>
Total capital assets being depreciated, net	<u>37,474,111</u>	<u>(813,921)</u>	<u>-</u>	<u>36,660,190</u>
Business-type activities capital assets, net	<u>\$ 38,155,117</u>	<u>\$ (813,921)</u>	<u>\$ -</u>	<u>\$ 37,341,196</u>

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

Governmental activities:	
General government	\$ 665,366
Public safety	224,633
Public works	2,276,824
Culture and recreation	<u>142,216</u>
Total depreciation expense - governmental activities	<u>\$ 3,309,039</u>
Business-type activities:	
Water and utility	\$ 2,108,345
Total depreciation expense - business-type activities	<u>\$ 2,108,345</u>

Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2017 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Economic development corporation	\$ 26,284
General	Debt Service	51,237
General	Nonmajor governmental	27,759
General improvements	Water and utility	226,092
Hotel conference center	Nonmajor governmental	<u>26,284</u>
Total		<u>\$ 357,656</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>Tranfers Out</u>	<u>Transfers In</u>					<u>Total</u>
	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Water and Utility</u>	<u>Internal Service</u>	
General	\$ -	\$ 45,000	\$ 255,646	\$ -	\$ 25,000	\$ 325,646
Economic development corporation	35,000	-	25,000	-	-	60,000
General improvements	-	-	50,000	-	-	50,000
Nonmajor governmental	-	84,174	-	153,827	-	238,001
Water and utility	<u>284,000</u>	<u>-</u>	<u>55,000</u>	<u>-</u>	<u>15,000</u>	<u>354,000</u>
	<u>\$ 319,000</u>	<u>\$ 129,174</u>	<u>\$ 385,646</u>	<u>\$ 153,827</u>	<u>\$ 40,000</u>	<u>\$ 1,027,647</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.

Deferred Inflows of Resources

The amounts deferred and recognized as an inflow of resources reported in the governmental funds in the period that amounts become available at September 30, 2017 were as follows:

	<u>Unavailable</u>
General fund:	
Delinquent property taxes receivable	\$ 4,516
Municipal court receivable	<u>84,464</u>
Total general fund	<u>88,980</u>
Debt service fund:	
Delinquent property taxes receivable	<u>96,911</u>
Total debt service fund	<u>96,911</u>
Total governmental funds	<u>\$ 185,891</u>
Water and utility fund:	
Deferred inflow related to pensions	<u>\$ 20,032</u>
Governmental activities:	
Deferred inflow related to pensions	<u>\$ 116,714</u>
Business-type activities:	
Deferred inflow related to pensions	<u>\$ 20,032</u>

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, 2017, follows:

Series and Original Issue Amount	Final Maturity	Interest Rate	Governmental Activities	Business-type Activities
<u>General Obligation Bonds</u>				
2007 Series	2030	4% - 5%	\$ 1,345,000	\$ 1,015,000
2011 Series	2031	2% - 4%	1,835,000	565,000
			<u>3,180,000</u>	<u>1,580,000</u>
<u>General Obligation Refunding Bond</u>				
2011 Series	2020	2.10%	585,000	-
2012 Series	2023	3%	1,630,000	-
2013 Series	2034	3.75%-4.5%	2,590,000	-
2014 Series	2030	2% - 4%	-	5,090,000
2015 Series	2027	2%	3,652,840	5,612,160
2017 Series	2028	3%	6,610,000	-
			<u>15,067,840</u>	<u>10,702,160</u>
<u>Combination Tax and Revenue Bonds</u>				
2006 Series	2021	4.25%	645,000	-
2008 Series	2028	4% - 4.6%	400,000	-
2010 Series	2032	1% - 5%	5,695,000	-
2013 Series	2033	2 - 4%	-	3,075,000
2014 Series	2034	2 - 4%	2,705,000	905,000
2016 Series	2036	2 - 4%	-	7,450,000
2017 Series	2032	3%	1,785,000	-
			<u>11,230,000</u>	<u>11,430,000</u>
<u>Sales Tax Revenue Bonds</u>				
2012 Series	2018	2.72%	315,000	-
2014 Series	2027	4.12%	3,290,000	-
2017 Series	2036	3-4.75%	6,250,000	-
			<u>9,855,000</u>	<u>-</u>
Total Bonds			<u>\$ 39,332,840</u>	<u>\$ 23,712,160</u>

Annual debt service requirements for bonds are as follows:

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 3,165,000	\$ 1,516,194	\$ 1,085,000	\$ 1,765,565
2019	3,085,000	1,389,558	1,330,000	1,969,759
2020	3,115,000	1,208,665	1,265,000	1,867,528
2021	2,915,000	1,028,915	1,400,000	1,971,328
2022	3,005,000	938,580	1,435,000	1,971,065
2023 - 2027	14,522,840	3,276,132	7,847,160	9,902,541
2028 - 2032	7,295,000	1,409,487	6,880,000	7,680,273
2033 - 2036	<u>2,230,000</u>	<u>237,472</u>	<u>2,470,000</u>	<u>2,588,073</u>
Total	<u>\$ 39,332,840</u>	<u>\$ 11,005,003</u>	<u>\$ 23,712,160</u>	<u>\$ 29,716,132</u>

Annual debt service requirements for the capital lease are as follows:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2018	\$ 65,527	\$ 12,522
2019	67,446	10,602
2020	61,559	8,618
2021	63,608	6,568
2022	65,727	4,450
2023	<u>67,914</u>	<u>2,262</u>
Total	<u>\$ 391,781</u>	<u>\$ 45,022</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, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	\$ 20,830,000	\$ 1,785,000	\$ 8,205,000	\$ 14,410,000	\$ 1,700,000
General obligation refunding bond	9,177,840	6,610,000	720,000	15,067,840	755,000
Sales tax revenue bond	3,545,000	6,500,000	505,000	9,540,000	395,000
Sales tax revenue refunding bond	625,000	-	310,000	315,000	315,000
Premium from issuance of bonds	564,158	644,277	76,291	1,132,144	-
Capital Lease	431,835	23,615	63,669	391,781	65,527
Compensated absences	753,416	94,528	35,446	812,498	203,125
Net pension (asset)/ liability	456,954	198,391	223,141	432,204	
OPEB net pension obligation	<u>217,785</u>	<u>28,720</u>	<u>13,845</u>	<u>232,660</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 36,601,988</u>	<u>\$ 15,884,531</u>	<u>\$ 10,152,392</u>	<u>\$ 42,334,127</u>	<u>\$ 3,433,652</u>
Business-type activities					
Tax and revenue bonds	\$ 24,757,160	\$ -	\$ 1,045,000	\$ 23,712,160	\$ 1,085,000
Premium from issuance of bonds	1,121,098	-	74,167	1,046,931	-
Compensated absences	160,597	10,405	1,868	169,134	42,284
Net pension (asset)/ liability	87,921	24,562	38,300	74,183	
OPEB net pension obligation	<u>43,050</u>	<u>12,272</u>	<u>3,039</u>	<u>52,283</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 26,169,826</u>	<u>\$ 47,239</u>	<u>\$ 1,162,374</u>	<u>\$ 25,054,691</u>	<u>\$ 1,127,284</u>

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

Bond Issuance

On December 20, 2016, the City issued \$6,500,000 of Sales Tax Revenue Bonds, Series 2017. The bonds will be used for the design and construction of a conference center.

On February 7, 2017, the City issued \$6,610,000 of General Obligation Refunding Bonds, Series 2017. The net proceeds from the issuance of the bonds were used to purchase U.S. Government Securities and those securities were deposited in an irrevocable trust with an escrow agent to provide future debt service payments. The refunded bonds are considered legally defeased and the liability for these bonds have been removed. The new bonds defeased \$6,675,000 of the Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2008. The reacquisition price exceeded the net carrying amount of the old debt by \$319,645. The City refunded to reduce its total debt service payments by \$733,749 and to obtain an economic gain of \$646,989 (present value).

On February 7, 2017 the City also issued \$1,785,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2017. The funds will be used for the construction of a public safety facility, city-wide street improvements and drainage, and the upgrade of various equipment and vehicles.

Pledged Revenues

Marble Falls Economic Development Corporation

The Board of Directors for the Marble Falls Economic Development Corporation adopted a resolution that authorized the issuance of \$4,000,000 worth of Sales Tax Revenue Bonds to pay for the costs of acquiring real property for the Waterfront Project and the Downtown Project, planning the two projects, parking, landscaping, meeting space, boardwalk, trail improvements, open space or park improvements and street improvements related to such projects, and the payment of costs of issuance related to the issuance of the bonds. This debt will be paid for with a one-half and one percent sales and use tax levied on the receipts at retail of taxable items within the City. It is anticipated that the pledged revenues will fully pay for future principal and interest payments. This debt issue is due to be retired in August 2027.

Fund Balance

As of September 30, 2017, governmental fund balance is composed of the following:

<u>Fund Balance Classification</u>	<u>General</u>	<u>Economic Development Corporation</u>	<u>Debt Service</u>	<u>General Improvements</u>	<u>Hotel Conference Center</u>	<u>Other Governmental</u>
Nonspendable:						
Prepaid items	\$ 1,248	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted:						
Capital acquisition and construction	-	-	-	211,347	6,566,764	3,899
Tourism activities	-	-	-	-	-	654,827
Public safety	-	-	-	-	-	78,010
Building security	-	-	-	-	-	44,127
Economic development	-	2,025,809	-	-	-	-
Police forfeiture	-	-	-	-	-	65,268
Unassigned	<u>1,843,050</u>	<u>-</u>	<u>(10,298)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental fund balance	<u>\$ 1,844,298</u>	<u>\$ 2,025,809</u>	<u>\$(10,298)</u>	<u>\$ 211,347</u>	<u>\$ 6,566,764</u>	<u>\$ 846,131</u>

Defined Benefit Pension Policies

Plan Descriptions. The City participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agency multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Sections 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.org.

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

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

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

The City has approved an annually repeating (automatic) basis a monetary credit referred to as an updated service credit (USC) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, City provides on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

A summary of plan provisions for the City are as follows:

Employee deposit rate	7.0%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years to any age, 5 years at age 60 and above
Updated service credit	100% Repeating

Employees covered by benefit terms

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	70
Inactive employees entitled to but not yet receiving benefits	60
Active employees	<u>104</u>
	<u><u>234</u></u>

Contributions. The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are with 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contributions rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 4.53% and 5.83% in calendar years 2016 and 2017, respectively. The city's contributions to TMRS for the year ended September 30, 2017, were \$334,622, and were equal to the required contributions.

Net Pension Liability. The City's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2016 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering the 2009 through 2011, and the dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of arithmetic real rates return for each major assets class in fiscal year 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2015	\$ 19,048,538	\$ 18,503,663	\$ 544,875
Changes for the year:			
Service cost	750,228	-	750,228
Interest	1,281,912	-	1,281,912
Difference between expected and actual experience	(153,085)	-	(153,085)
Contributions - employer	-	261,288	(261,288)
Contributions - employee	-	420,464	(420,464)
Net investment income	-	1,250,675	(1,250,675)
Benefit payments, including refunds of employee contributions	(864,720)	(864,720)	-
Administrative expense	-	(14,123)	14,123
Other changes	-	(761)	761
Net changes	<u>1,014,335</u>	<u>1,052,823</u>	<u>(38,488)</u>
Balance at 12/31/2016	<u>\$ 20,062,873</u>	<u>\$ 19,556,486</u>	<u>\$ 506,387</u>

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) of 1-percentage-higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
	City's net pension liability	\$ 3,289,067	\$ 506,387

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. The report may be obtained on the Internet at www.tmr.org.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended September 30, 2017, the City recognized pension expense of \$761,463. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 136,746
Changes in actuarial assumptions	296,855	-
Difference between projected and actual investment earnings	844,532	-
Contributions subsequent to the measurement date	<u>268,202</u>	<u>-</u>
Total	<u>\$ 1,409,589</u>	<u>\$ 136,746</u>

\$268,589 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

For the year ended September 30,		
2017	\$	383,900
2018		386,259
2019		235,957
2020	(1,475)

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 dependent 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, if paid on an ongoing basis, is projected to cover 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, 2017, is as follows:

Annual required contribution	\$	29,254
Interest on OPEB obligation		11,738
Adjustment to the ARC	(<u>10,875</u>)
Annual OPEB cost (expense) end of year		30,117
Net estimated employer contributions	(<u>6,009</u>)
Increase in net OPEB obligation		24,108
Net OPEB obligation - as of beginning of year		<u>260,835</u>
Net OPEB obligation (asset) as of end of year	\$	<u><u>284,943</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 December 31, 2014, 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
2014	\$ -	\$ 174,939	\$ 174,939	- %	\$ 5,447,095	3.21%

Under the reporting parameters, the City's retiree health care plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$174,939 at December 31, 2014. As of the most recent valuation, the ratio of the unfunded actuarial accrued liability to annual covered payroll is 3.21%.

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 actuarial cost method then provides for a systematic funding for 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

Inflation Rate	3.0% per annum
Investment rate of return	4.5% per annum, net of expenses
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level as a percentage of payroll
Amortization period	30-year open amortization
Payroll growth rate	3.0% per annum
Medical trend	Initial rate of 7.0%, declining to an ultimate rate of 4.5% after 13 years

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

Fiscal Year Ended	Employer Annual Required Contribution	Employer Amount Contributed (estimate)	Interest on NOO (9) x 4.5%	ARC Adjustment (9) / (6)	Amortization Factor	OPEB Cost (2)+(4)-(5)	Change in NOO (7) - (3)	NOO Balance NOO + (8)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
09/30/15	\$ 27,575	\$ -	\$ 9,261	\$(8,580)	23.98540	\$ 28,256	\$ 28,256	\$ 234,053
09/30/16	28,402	2,394	10,532	(9,758)	23.98540	29,176	26,782	260,835
09/30/17	29,254	6,009	11,738	(10,875)	23.98540	30,117	24,108	284,943

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
09/30/15	\$ 28,256	\$ -	0.00%	\$ 234,053
09/30/16	29,176	2,394	8.25%	260,835
09/30/17	30,117	6,009	20.00%	284,943

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:

	Plan Year 2015	Plan Year 2016	Plan Year 2017
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 2017, 2016 and 2015, were \$11,625, \$10,971 and \$9,877, respectively, which equaled the required contributions each year.

Schedule of Contribution Rates			
Accounting Year Ending	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
09/30/15	0.17%	0.17%	100%
09/30/16	0.18%	0.18%	100%
09/30/17	0.19%	0.19%	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.

**REQUIRED
SUPPLEMENTARY INFORMATION**

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF MARBLE FALLS, TEXAS

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS**

FOR THE YEAR ENDED SEPTEMBER 30, 2017

Plan Year	<u>2014</u>	<u>2015</u>	<u>2016</u>
A. Total pension liability			
Service Cost	\$ 621,054	\$ 691,029	\$ 750,228
Interest (on the Total Pension Liability)	1,123,420	1,207,848	1,281,912
Difference between expected and actual experience	(12,961)	(34,356)	(153,085)
Change of assumptions	-	570,455	-
Benefit payments, including refunds of employee contributions	<u>(528,946)</u>	<u>(591,804)</u>	<u>(864,720)</u>
 Net change in total pension liability	 <u>1,202,567</u>	 <u>1,843,172</u>	 <u>1,014,335</u>
 Total pension liability - beginning	 <u>16,002,799</u>	 <u>17,205,366</u>	 <u>19,048,538</u>
 Total pension liability - ending (a)	 <u>\$ 17,205,366</u>	 <u>\$ 19,048,538</u>	 <u>\$ 20,062,873</u>
B. Plan fiduciary net position			
Contributions - Employer	\$ 259,082	\$ 258,552	\$ 261,288
Contributions - Employee	395,979	408,547	420,464
Net Investment Income	990,420	27,179	1,250,675
Benefit payments, including refunds of employee contributions	(528,946)	(591,804)	(864,720)
Administrative Expenses	(10,340)	(16,554)	(14,123)
Other	<u>(850)</u>	<u>(817)</u>	<u>(761)</u>
 Net change in plan fiduciary net position	 <u>1,105,345</u>	 <u>85,103</u>	 <u>1,052,823</u>
 Plan fiduciary net position - beginning	 <u>17,313,215</u>	 <u>18,418,560</u>	 <u>18,503,663</u>
 Plan fiduciary net position - ending (b)	 <u>\$ 18,418,560</u>	 <u>\$ 18,503,663</u>	 <u>\$ 19,556,486</u>
C. Net pension liability - ending (a) - (b)	<u>\$ (1,213,194)</u>	<u>\$ 544,875</u>	<u>\$ 506,387</u>
D. Plan fiduciary net position as a percentage of total pension liability	107.05%	97.14%	97.48%
E. Covered employee payroll	\$ 5,656,837	\$ 5,836,390	\$ 6,006,626
F. Net position liability as a percentage of covered employee payroll	-21.45%	9.34%	8.43%

Note: This schedule is intended to show ten years of information. Additional year's information will be displayed as it becomes available.

CITY OF MARBLE FALLS, TEXAS

SCHEDULE OF CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

Fiscal Year	2014	2015	2016	2017
Actuarial determined contribution	\$ 248,771	\$ 259,903	\$ 270,623	\$ 334,622
Contributions in relation to the actuarially determined contribution	<u>248,771</u>	<u>259,903</u>	<u>270,623</u>	<u>334,622</u>
Contribution deficiency (excess)	-	-	-	-
Covered employee payroll	5,563,255	5,809,989	6,189,840	6,278,742
Contributions as a percentage of covered employee payroll	4.47%	4.47%	4.37%	5.33%

Note: This schedule is intended to show ten years of information. Additional year's information will be displayed as it becomes available.

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date: Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	24 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis of with BB.

Other Information There were no benefit changes during the year.

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Property taxes	\$ 1,736,300	\$ 1,736,300	\$ 1,732,660	\$(3,640)
Sales taxes	5,964,238	5,994,238	6,402,338	408,100
Franchise taxes	607,026	607,026	539,247	(67,779)
Mixed beverage taxes	55,000	55,000	54,431	(569)
Fines and forfeitures	215,200	215,200	184,455	(30,745)
Permits and fees	428,365	430,365	435,677	5,312
Intergovernmental	196,420	250,114	258,738	8,624
Interest on investments	2,600	2,600	2,996	396
Other	127,100	197,785	215,515	17,730
Total revenues	9,332,249	9,488,628	9,826,057	337,429
EXPENDITURES				
GENERAL GOVERNMENT				
Administration:				
Personnel services	493,558	493,558	504,257	(10,699)
Supplies	31,600	29,200	31,931	(2,731)
Maintenance	20,800	20,800	39,948	(19,148)
Purchased and contracted services	240,245	240,245	229,707	10,538
Other services and charges	42,300	47,300	46,946	354
Total administration	828,503	831,103	852,789	(21,686)
Finance:				
Personnel services	321,920	321,920	326,708	(4,788)
Supplies	15,900	15,900	17,152	(1,252)
Maintenance	24,200	24,200	28,607	(4,407)
Purchased and contracted services	35,950	35,950	30,846	5,104
Other services and charges	9,450	9,450	9,510	(60)
Total finance	407,420	407,420	412,823	(5,403)
Human resources:				
Personnel services	99,266	99,266	99,895	(629)
Supplies	11,500	11,500	2,300	9,200
Maintenance	11,300	11,300	13,157	(1,857)
Purchased and contracted services	5,050	5,050	5,101	(51)
Other services and charges	30,400	30,400	24,952	5,448
Total human resources	157,516	157,516	145,405	12,111

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, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
EXPENDITURES (Continued)				
GENERAL GOVERNMENT (Continued)				
Mayor and City Council:				
Personnel services	\$ 11,630	\$ 11,630	\$ 11,677	\$(47)
Other services and charges	11,500	21,500	21,345	155
Total Mayor and City Council	<u>23,130</u>	<u>33,130</u>	<u>33,022</u>	<u>108</u>
Communication Services:				
Personnel services	628,874	628,874	664,214	(35,340)
Supplies	12,400	12,400	4,760	7,640
Maintenance	106,750	106,750	90,848	15,902
Purchased and contracted services	2,325	2,325	2,096	229
Other services and charges	12,200	12,200	15,096	(2,896)
Total finance	<u>762,549</u>	<u>762,549</u>	<u>777,014</u>	<u>(14,465)</u>
Non-departmental:				
Purchased and contracted services	148,136	148,136	148,135	1
Other services and charges	25,000	25,000	21,000	4,000
Total non-departmental	<u>173,136</u>	<u>173,136</u>	<u>169,135</u>	<u>4,001</u>
Total general government	<u>2,352,254</u>	<u>2,364,854</u>	<u>2,390,188</u>	<u>(25,334)</u>
PUBLIC SAFETY				
Court:				
Personnel services	137,195	150,845	146,153	4,692
Supplies	14,620	14,620	12,665	1,955
Purchased and contracted services	25,320	25,320	27,156	(1,836)
Other services and charges	14,720	14,720	14,499	221
Total court	<u>191,855</u>	<u>205,505</u>	<u>200,473</u>	<u>5,032</u>
Police department:				
Personnel services	1,940,111	1,940,111	1,948,420	(8,309)
Supplies	131,600	131,600	110,875	20,725
Maintenance	142,200	153,960	157,814	(3,854)
Purchased and contracted services	133,525	133,525	136,036	(2,511)
Other operating	31,850	33,529	29,980	3,549
Total police department	<u>2,379,286</u>	<u>2,392,725</u>	<u>2,383,125</u>	<u>9,600</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, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
EXPENDITURES (Continued)				
PUBLIC SAFETY (Continued)				
Fire department:				
Personnel services	\$ 1,253,079	\$ 1,220,579	\$ 1,255,205	\$(34,626)
Supplies	86,417	93,917	95,743	(1,826)
Maintenance	50,578	90,578	81,770	8,808
Purchased and contracted services	52,479	52,479	48,066	4,413
Other operating	32,496	37,996	33,702	4,294
Total fire department	<u>1,475,049</u>	<u>1,495,549</u>	<u>1,514,486</u>	<u>(18,937)</u>
Engineering department:				
Personnel services	1,253,079	1,220,579	114,532	1,106,047
Supplies	86,417	93,917	5,308	88,609
Maintenance	50,578	90,578	5,630	84,948
Purchased and contracted services	52,479	52,479	36,193	16,286
Other operating	32,496	37,996	3,388	34,608
Total fire department	<u>1,475,049</u>	<u>1,495,549</u>	<u>165,051</u>	<u>1,330,498</u>
Code enforcement:				
Personnel services	562,582	553,382	477,635	75,747
Supplies	33,430	33,430	62,539	(29,109)
Repairs and maintenance	16,780	16,780	18,304	(1,524)
Purchased and contracted services	77,494	77,494	102,810	(25,316)
Other services and charges	18,400	18,400	14,877	3,523
Total code enforcement	<u>708,686</u>	<u>699,486</u>	<u>676,165</u>	<u>23,321</u>
Total public safety	<u>4,754,876</u>	<u>4,793,265</u>	<u>4,939,300</u>	<u>(146,035)</u>
PUBLIC WORKS				
Streets:				
Personnel services	739,689	735,689	713,541	22,148
Supplies	53,300	43,300	43,495	(195)
Maintenance	238,700	252,700	266,664	(13,964)
Purchased and contracted services	121,949	121,949	123,783	(1,834)
Other services and charges	1,200	1,200	1,025	175
Total streets	<u>1,154,838</u>	<u>1,154,838</u>	<u>1,148,508</u>	<u>6,330</u>
Total public works	<u>1,154,838</u>	<u>1,154,838</u>	<u>1,148,508</u>	<u>6,330</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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
CULTURE AND RECREATION				
Parks and recreation:				
Personnel services	\$ 569,371	\$ 569,371	\$ 561,115	\$ 8,256
Supplies	44,150	47,125	45,633	1,492
Maintenance	116,500	116,500	114,348	2,152
Purchased and contracted services	117,830	117,830	121,384	(3,554)
Other services and charges	<u>8,200</u>	<u>8,200</u>	<u>10,383</u>	<u>(2,183)</u>
Total parks and recreation	<u>856,051</u>	<u>859,026</u>	<u>852,863</u>	<u>6,163</u>
Cemetery:				
Maintenance	5,000	5,000	2,379	2,621
Purchased and contracted services	31,000	31,000	36,222	(5,222)
Other services and charges	<u>100</u>	<u>100</u>	<u>52</u>	<u>48</u>
Total cemetery	<u>36,100</u>	<u>36,100</u>	<u>38,653</u>	<u>(2,553)</u>
Total culture and recreation	<u>892,151</u>	<u>895,126</u>	<u>891,516</u>	<u>3,610</u>
CAPITAL OUTLAY	<u>147,811</u>	<u>265,368</u>	<u>270,120</u>	<u>(4,752)</u>
DEBT SERVICE				
Principal	55,797	64,997	63,669	1,328
Interest and fiscal charges	<u>14,220</u>	<u>14,220</u>	<u>14,469</u>	<u>(249)</u>
Total debt service	<u>70,017</u>	<u>79,217</u>	<u>78,138</u>	<u>1,079</u>
Total expenditures	<u>9,371,947</u>	<u>9,552,668</u>	<u>9,717,770</u>	<u>(165,102)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(39,698)</u>	<u>(64,040)</u>	<u>108,287</u>	<u>172,327</u>
OTHER FINANCING SOURCES (USES)				
Capital lease proceeds	-	-	23,615	23,615
Transfers in	309,000	322,000	319,000	(3,000)
Transfers out	<u>(101,900)</u>	<u>(101,900)</u>	<u>(325,646)</u>	<u>(223,746)</u>
Proceeds from insurance	-	11,760	14,481	2,721
Proceeds from sale of capital assets	<u>12,200</u>	<u>12,200</u>	<u>6,840</u>	<u>(5,360)</u>
Total other financing sources	<u>219,300</u>	<u>244,060</u>	<u>38,290</u>	<u>(205,770)</u>
NET CHANGE IN FUND BALANCE	179,602	180,020	146,577	(33,443)
FUND BALANCE, BEGINNING	<u>1,697,721</u>	<u>1,697,721</u>	<u>1,697,721</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 1,877,323</u>	<u>\$ 1,877,741</u>	<u>\$ 1,844,298</u>	<u>\$ (33,443)</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	Final Budget - Positive (Negative)
REVENUES				
Sales taxes	\$ 1,859,042	\$ 1,964,085	\$ 2,134,112	\$ 170,027
Permits and fees	55,000	55,000	48,675	(6,325)
Intergovernmental	-	32,106	14,102	(18,004)
Interest on investments	3,700	3,700	20,096	16,396
Other	<u>-</u>	<u>4,353</u>	<u>4,353</u>	<u>-</u>
Total revenues	<u>1,917,742</u>	<u>2,059,244</u>	<u>2,221,338</u>	<u>162,094</u>
EXPENDITURES				
Current:				
Personnel services	223,320	229,020	228,550	470
Supplies	4,500	4,500	4,232	268
Maintenance	28,740	28,740	16,401	12,339
Purchased and contracted services	607,330	780,471	546,954	233,517
Other services and charges	77,500	77,500	75,650	1,850
Capital outlay	459,276	958,233	828,673	129,560
Debt service				
Principal	815,000	815,000	815,000	-
Interest	<u>413,054</u>	<u>343,061</u>	<u>343,061</u>	<u>-</u>
Total expenditures	<u>2,628,720</u>	<u>3,236,525</u>	<u>2,858,521</u>	<u>378,004</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(710,978)</u>	<u>(1,177,281)</u>	<u>(637,183)</u>	<u>540,098</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	85,634	254,653	260,054	5,401
Transfers out	<u>(25,000)</u>	<u>(25,000)</u>	<u>(60,000)</u>	<u>(35,000)</u>
Total other financing sources (uses)	<u>60,634</u>	<u>229,653</u>	<u>200,054</u>	<u>(29,599)</u>
NET CHANGE IN FUND BALANCE	<u>(650,344)</u>	<u>(947,628)</u>	<u>(437,129)</u>	510,499
FUND BALANCE, BEGINNING	<u>2,462,938</u>	<u>2,462,938</u>	<u>2,462,938</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 1,812,594</u>	<u>\$ 1,515,310</u>	<u>\$ 2,025,809</u>	<u>\$ 510,499</u>

CITY OF MARBLE FALLS, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED SEPTEMBER 30, 2017

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 General Improvements, Capital Projects, Trunked Radio System, Amy Young Barrier Grant, Building Security, 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.

Trunked Radio System – to account for subscription fees from surrounding communities and the expenditures related to the trunked radio system.

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.

CDBG 2012 Sewer Project – to account for the financing sources and expenditures related to improvements made to the City’s Sewer System.

Building Security Fund - to account for collection of the building security fee from each conviction and funds are to be used for the municipal court and the building where the court resides.

CDBG 2016 Grant – to account for the revenues and expenditures related to the Community Development Block Grant.

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, 2017

	Special Revenue		
	Hotel/Motel Tax	Police Forfeiture	Trunked Radio System
ASSETS			
Cash and investments	\$ 516,321	\$ 70,136	\$ 54,366
Other taxes receivable	184,041	-	-
Other receivable	<u>-</u>	<u>-</u>	<u>2,448</u>
Total assets	<u>700,362</u>	<u>70,136</u>	<u>56,814</u>
LIABILITIES			
Accounts payable	45,535	4,868	9,229
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>45,535</u>	<u>4,868</u>	<u>9,229</u>
FUND BALANCES			
Restricted	<u>654,827</u>	<u>65,268</u>	<u>47,585</u>
Total fund balances	<u>654,827</u>	<u>65,268</u>	<u>47,585</u>
Total liabilities and fund balances	<u>\$ 700,362</u>	<u>\$ 70,136</u>	<u>\$ 56,814</u>

Special Revenue

2006 TCDP Grant	Flood Buy Back	Impact Fee Fund	CDBG 2009 Avenue U	CDBG 2012 Sewer Project	Building Security Fund	CDBG 2016 Grant
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,127	\$ 30,425
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	44,127	30,425
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	44,127	30,425
-	-	-	-	-	44,127	30,425
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,127</u>	<u>\$ 30,425</u>

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF MARBLE FALLS, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

(Continued)

SEPTEMBER 30, 2017

	Capital Projects		
	Parks Improvement	2007 Flood Disaster	Total Nonmajor Governmental Funds
ASSETS			
Cash and investments	\$ 57,942	\$ -	\$ 773,317
Other taxes receivable	-	-	184,041
Other receivable	-	-	2,448
	57,942	-	959,806
LIABILITIES			
Accounts payable	-	-	59,632
Due to other funds	54,043	-	54,043
Total liabilities	54,043	-	113,675
FUND BALANCES			
Restricted	3,899	-	846,131
Total fund balances	3,899	-	846,131
Total liabilities and fund balances	\$ 57,942	\$ -	\$ 959,806

CITY OF MARBLE FALLS, TEXAS

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

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Special Revenue		
	Hotel/Motel Tax	Police Forfeiture	Trunked Radio System
REVENUES			
Hotel/motel taxes	\$ 679,373	\$ -	\$ -
Fines and fees	-	1,857	-
Intergovernmental	-	-	31,440
Investment earnings	5	279	-
Total revenues	679,378	2,136	31,440
EXPENDITURES			
Current:			
General government	-	-	-
Public safety	-	40,866	39,271
Culture and recreation	392,140	-	-
Capital outlay	81,435	-	-
Total expenditures	473,575	40,866	39,271
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	205,803	(38,730)	(7,831)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	31,900
Transfers out	(84,174)	-	-
Total other financing sources (uses)	(84,174)	-	31,900
NET CHANGE IN FUND BALANCES	121,629	(38,730)	24,069
FUND BALANCES, BEGINNING	533,198	103,998	23,516
FUND BALANCES, ENDING	\$ 654,827	\$ 65,268	\$ 47,585

Special Revenue

2006 TCDP Grant	Flood Buy Back	Impact Fee Fund	CDBG 2009 Avenue U	CDBG 2012 Sewer Project	Building Security Fund	CDBG 2016 Grant
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	148,304	-	-	3,548	-
-	-	-	-	-	-	18,200
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>148,304</u>	<u>-</u>	<u>-</u>	<u>3,548</u>	<u>18,200</u>
-	-	-	-	-	5,080	-
-	-	-	-	-	-	42,775
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,080</u>	<u>42,775</u>
-	-	148,304	-	-	(1,532)	(24,575)
26,743	175	-	-	-	-	55,000
-	-	(148,304)	(1,500)	(4,023)	-	-
<u>26,743</u>	<u>175</u>	<u>(148,304)</u>	<u>(1,500)</u>	<u>(4,023)</u>	<u>-</u>	<u>55,000</u>
26,743	175	-	(1,500)	(4,023)	(1,532)	30,425
(26,743)	(175)	-	1,500	4,023	45,659	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,127</u>	<u>\$ 30,425</u>

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF MARBLE FALLS, TEXAS

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

NONMAJOR GOVERNMENTAL FUNDS

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Capital Projects		
	Parks Improvement	2007 Flood Disaster	Total Nonmajor Governmental Funds
REVENUES			
Hotel/motel taxes	\$ -	\$ -	\$ 679,373
Fines and fees	-	-	153,709
Intergovernmental	-	-	49,640
Investment earnings	-	-	284
Total revenues	-	-	883,006
EXPENDITURES			
Current:			
General government	-	-	5,080
Public safety	-	-	122,912
Culture and recreation	-	-	392,140
Capital outlay	75,000	-	156,435
Total expenditures	75,000	-	676,567
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(75,000)	-	206,439
OTHER FINANCING SOURCES (USES)			
Transfers in	75,000	196,828	385,646
Transfers out	-	-	(238,001)
Total other financing sources (uses)	75,000	196,828	147,645
NET CHANGE IN FUND BALANCES	-	196,828	354,084
FUND BALANCES, BEGINNING	3,899	(196,828)	492,047
FUND BALANCES, ENDING	\$ 3,899	\$ -	\$ 846,131

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 3,192,000	\$ 3,192,000	\$ 3,085,466	\$ (106,534)
Investment earnings	<u>1,000</u>	<u>1,000</u>	<u>26,573</u>	<u>25,573</u>
Total revenues	<u>3,193,000</u>	<u>3,193,000</u>	<u>3,112,039</u>	<u>(80,961)</u>
EXPENDITURES				
Debt service:				
Principal	2,250,000	2,250,000	2,250,000	-
Interest and fiscal charges	999,336	999,336	953,714	45,622
Bond issuance costs	<u>4,000</u>	<u>4,000</u>	<u>142,730</u>	<u>(138,730)</u>
Total expenditures	<u>3,253,336</u>	<u>3,253,336</u>	<u>3,346,444</u>	<u>(93,108)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>(60,336)</u>	<u>(60,336)</u>	<u>(234,405)</u>	<u>(174,069)</u>
OTHER FINANCING SOURCES				
Capital-related debt issued	-	-	6,610,000	6,610,000
Premium on bond issuance	-	-	384,645	384,645
Payment to escrow agent	-	-	(6,919,367)	(6,919,367)
Transfers in	<u>129,174</u>	<u>129,174</u>	<u>129,174</u>	<u>-</u>
Total other financing sources	<u>129,174</u>	<u>129,174</u>	<u>204,452</u>	<u>75,278</u>
NET CHANGE IN FUND BALANCE				
	68,838	68,838	(29,953)	(98,791)
FUND BALANCE, BEGINNING				
	<u>19,655</u>	<u>19,655</u>	<u>19,655</u>	<u>-</u>
FUND BALANCE, ENDING				
	<u>\$ 88,493</u>	<u>\$ 88,493</u>	<u>\$ (10,298)</u>	<u>\$ (98,791)</u>

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Hotel/motel taxes	\$ 550,000	\$ 550,000	\$ 679,373	\$ 129,373
Investment earnings	50	50	5	(45)
Total revenues	<u>550,050</u>	<u>550,050</u>	<u>679,378</u>	<u>129,328</u>
EXPENDITURES				
Current:				
Services	335,060	335,060	334,904	156
Other	250	250	236	14
Local assistance	53,500	54,500	57,000	(2,500)
Capital outlay	<u>67,500</u>	<u>89,840</u>	<u>81,435</u>	<u>8,405</u>
Total expenditures	<u>456,310</u>	<u>479,650</u>	<u>473,575</u>	<u>6,075</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>93,740</u>	<u>70,400</u>	<u>205,803</u>	<u>135,403</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(84,174)	(84,174)	(84,174)	-
Total other financing sources (uses)	<u>(84,174)</u>	<u>(84,174)</u>	<u>(84,174)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	9,566	(13,774)	121,629	135,403
FUND BALANCE, BEGINNING	<u>533,198</u>	<u>533,198</u>	<u>533,198</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 542,764</u>	<u>\$ 519,424</u>	<u>\$ 654,827</u>	<u>\$ 135,403</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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Fines and fees	\$ -	\$ -	\$ 1,857	\$ 1,857
Investment earnings	<u>85</u>	<u>85</u>	<u>279</u>	<u>194</u>
Total revenues	<u>85</u>	<u>85</u>	<u>2,136</u>	<u>2,051</u>
EXPENDITURES				
Current:				
Supplies	50,000	50,000	37,427	12,573
Other services and charges	<u>5,000</u>	<u>5,000</u>	<u>3,439</u>	<u>1,561</u>
Total expenditures	<u>55,000</u>	<u>55,000</u>	<u>40,866</u>	<u>14,134</u>
NET CHANGE IN FUND BALANCE	(54,915)	(54,915)	(38,730)	16,185
FUND BALANCE, BEGINNING	<u>103,998</u>	<u>103,998</u>	<u>103,998</u>	<u>-</u>
FUND BALANCE, ENDING	<u><u>\$ 49,083</u></u>	<u><u>\$ 49,083</u></u>	<u><u>\$ 65,268</u></u>	<u><u>\$ 16,185</u></u>

STATISTICAL SECTION

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.	70
Revenue Capacity These schedules contain trend information to help the reader assess the City's most significant local revenue resource.	78
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.	83
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.	88
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.	90

CITY OF MARBLE FALLS, TEXAS

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
Net investment in capital assets	\$ 19,645,964	\$ 21,720,097	\$ 19,625,996	\$ 7,531,537	\$ 8,371,582	\$ 5,516,779	\$ 5,047,808	\$ 5,047,808	\$ 3,569,454	\$ 4,356,606
Restricted	7,203,543	10,691,542	4,511,331	12,632,168	5,224,633	4,240,608	8,269,197	8,269,197	3,221,732	2,890,400
Unrestricted	(4,547,838)	(9,264,275)	(6,923,983)	(3,770,556)	(2,961,484)	553,652	(4,094,506)	(4,094,506)	1,991,433	1,444,900
Total governmental activities net position	\$ <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>	\$ <u>9,222,499</u>	\$ <u>9,222,499</u>	\$ <u>8,782,619</u>	\$ <u>8,691,906</u>
Business-type activities:										
Net investment in capital assets	\$ 10,349,991	\$ 6,203,895	\$ 17,228,744	\$ 20,776,151	\$ 19,131,868	\$ 20,924,905	\$ 19,702,970	\$ 19,702,970	\$ 15,476,859	\$ 17,061,917
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	1,124,906	6,183,360	(649,073)	(5,517,036)	(167,021)	(3,193,075)	(3,708,817)	(3,708,817)	(120,647)	(2,522,088)
Total business-type activities net position	\$ <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>	\$ <u>15,994,153</u>	\$ <u>15,994,153</u>	\$ <u>15,356,212</u>	\$ <u>14,539,829</u>
Primary government:										
Net investment in capital assets	\$ 29,995,955	\$ 27,923,992	\$ 36,854,740	\$ 28,307,688	\$ 27,503,450	\$ 26,441,684	\$ 24,750,778	\$ 24,750,778	\$ 19,046,313	\$ 21,418,523
Restricted	7,203,543	10,691,542	4,511,331	12,632,168	5,224,633	4,240,608	8,269,197	8,269,197	3,221,732	2,890,400
Unrestricted	(3,422,932)	(3,080,915)	(7,573,056)	(9,287,592)	(3,128,505)	(2,639,423)	(7,803,323)	(7,803,323)	1,870,786	(1,077,188)
Total primary government net position	\$ <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>	\$ <u>25,216,652</u>	\$ <u>25,216,652</u>	\$ <u>24,138,831</u>	\$ <u>23,231,735</u>

CITY OF MARBLE FALLS, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

	Fiscal Year			
	2008	2009	2010	2011
EXPENSES				
Governmental activities:				
General government	\$ 3,414,850	\$ 3,001,249	\$ 2,912,799	\$ 2,448,150
Public safety	5,733,824	5,646,443	5,677,405	5,683,286
Public works	1,729,376	1,885,591	2,505,782	2,717,226
Culture and recreation	907,686	1,062,156	1,124,241	1,082,266
Interest on long-term debt	751,471	1,079,296	1,404,037	1,511,314
Total governmental activities expenses	<u>12,537,207</u>	<u>12,674,735</u>	<u>13,624,264</u>	<u>13,442,242</u>
Business-type activities:				
Water and wastewater	4,623,193	4,352,380	4,421,786	4,755,391
Total business-type activities expenses	<u>4,623,193</u>	<u>4,352,380</u>	<u>4,421,786</u>	<u>4,755,391</u>
Total primary government program expenses	<u>\$ 17,160,400</u>	<u>\$ 17,027,115</u>	<u>\$ 18,046,050</u>	<u>\$ 18,197,633</u>
PROGRAM REVENUES				
Governmental activities:				
Charges for services:				
General government	\$ 629,137	\$ 555,515	\$ 544,704	\$ 422,428
Public safety	159,562	15,465	48,202	125,453
Public works	41,477	17,153	17,710	48,583
Culture and recreation	76,458	98,926	111,208	127,151
Total charges for services	<u>906,634</u>	<u>687,059</u>	<u>721,824</u>	<u>723,615</u>
Operating grants and contributions	383,994	604,032	592,418	269,845
Capital grants and contributions	918,861	346,435	-	-
Total governmental activities program revenues	<u>2,209,489</u>	<u>1,637,526</u>	<u>1,314,242</u>	<u>993,460</u>
Business-type activities:				
Charges for services	3,439,880	3,556,786	3,107,039	3,913,067
Capital grants and contributions	-	2,125,837	233,368	-
Total business-type activities program revenues	<u>3,439,880</u>	<u>5,682,623</u>	<u>3,340,407</u>	<u>3,913,067</u>
Total primary government program revenues	<u>\$ 5,649,369</u>	<u>\$ 7,320,149</u>	<u>\$ 4,654,649</u>	<u>\$ 4,906,527</u>

TABLE 2

		Fiscal Year									
		2012	2013	2014	2015	2016	2017				
\$	2,773,415	\$	2,736,605	\$	3,615,994	\$	3,909,769	\$	4,181,958	\$	4,205,152
	5,530,785		5,447,990		5,346,306		5,580,292		4,866,672		5,385,714
	3,068,214		3,210,567		3,236,700		3,222,080		3,220,604		3,433,441
	1,146,016		1,089,241		1,195,731		1,225,259		1,282,565		1,434,383
	1,494,575		1,333,648		1,355,703		1,484,261		1,285,496		1,736,608
	<u>14,013,005</u>		<u>13,818,051</u>		<u>14,750,434</u>		<u>15,421,661</u>		<u>14,837,295</u>		<u>16,195,298</u>
	<u>4,873,802</u>		<u>5,086,736</u>		<u>5,612,611</u>		<u>5,314,936</u>		<u>5,584,311</u>		<u>5,787,031</u>
	<u>4,873,802</u>		<u>5,086,736</u>		<u>5,612,611</u>		<u>5,314,936</u>		<u>5,584,311</u>		<u>5,787,031</u>
\$	<u>18,886,807</u>	\$	<u>18,904,787</u>	\$	<u>20,363,045</u>	\$	<u>20,736,597</u>	\$	<u>20,421,606</u>	\$	<u>21,982,329</u>
\$	343,192	\$	321,446	\$	351,424	\$	318,716	\$	392,483	\$	420,557
	143,310		130,912		167,384		168,410		183,732		212,896
	76,662		39,043		66,125		136,919		145,689		233,880
	<u>121,577</u>		<u>113,650</u>		<u>131,589</u>		<u>139,471</u>		<u>175,899</u>		<u>194,374</u>
	<u>684,741</u>		<u>605,051</u>		<u>716,522</u>		<u>763,516</u>		<u>897,803</u>		<u>1,061,707</u>
	78,620		272,770		499,805		201,338		236,577		222,627
	-		54,630		-		-		155,713		-
	<u>763,361</u>		<u>932,451</u>		<u>1,216,327</u>		<u>964,854</u>		<u>1,290,093</u>		<u>1,284,334</u>
	3,550,400		3,840,593		4,106,512		4,091,722		4,340,250		4,966,903
	<u>1,352,500</u>		<u>367,738</u>		<u>379,524</u>		<u>155,000</u>		<u>146,850</u>		<u>155,000</u>
	<u>4,902,900</u>		<u>4,208,331</u>		<u>4,486,036</u>		<u>4,246,722</u>		<u>4,487,100</u>		<u>5,121,903</u>
\$	<u>5,666,261</u>	\$	<u>5,140,782</u>	\$	<u>5,702,363</u>	\$	<u>5,211,576</u>	\$	<u>5,777,193</u>	\$	<u>6,406,237</u>

CITY OF MARBLE FALLS, TEXAS

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

	Fiscal Year			
	2008	2009	2010	2011
NET (EXPENSE) REVENUES				
Governmental activities	\$(10,327,718)	\$(11,037,209)	\$(12,310,022)	\$(12,448,782)
Business-type activities	(1,183,313)	1,330,243	(1,081,379)	(842,324)
Total primary government net expense	(11,511,031)	(9,706,966)	(13,391,401)	(13,291,106)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
Governmental activities:				
Taxes				
Property	2,571,934	3,803,048	3,995,373	4,034,744
Sales	6,296,080	6,095,187	5,819,527	5,877,763
Franchise	448,804	421,100	527,617	505,866
Other	378,395	322,280	502,606	421,209
Investment earnings	831,364	246,872	21,898	51,621
Loss/gain on sale of assets	196,587	45,077	225,856	215,384
Miscellaneous	236,042	448,573	309,554	43,166
Transfers	477,611	500,767	(5,026,429)	478,834
Total governmental activities	11,436,817	11,882,904	6,376,002	11,628,587
Business-type activities:				
Investment earnings	202,003	82,882	2,643	602
Loss/gain on sale of assets	-	-	244,723	-
Transfers	(477,611)	(500,767)	5,026,429	(478,834)
Total business-type activities	(275,608)	(417,885)	5,273,795	(478,232)
Total primary government	11,161,209	11,465,019	11,649,797	11,150,355
CHANGE IN NET POSITION				
Governmental activities	1,109,099	845,695	(5,934,020)	(820,195)
Business-type activities	(1,458,921)	912,358	4,192,416	(1,320,556)
Total primary government	\$(349,822)	\$ 1,758,053	\$(1,741,604)	\$(2,140,751)

TABLE 2

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$(13,249,644)	\$(12,885,600)	\$(13,534,107)	\$(14,456,807)	\$(13,547,202)	\$(14,910,964)
<u>29,098</u>	<u>(878,405)</u>	<u>(1,126,575)</u>	<u>(1,068,214)</u>	<u>(1,097,211)</u>	<u>(665,128)</u>
<u>(13,220,546)</u>	<u>(13,764,005)</u>	<u>(14,660,682)</u>	<u>(15,525,021)</u>	<u>(14,644,413)</u>	<u>(15,576,092)</u>
4,074,096	4,104,048	4,281,225	4,500,973	4,701,079	4,815,932
6,014,725	6,754,361	7,185,011	7,436,165	7,856,341	8,536,450
519,081	508,627	521,249	595,443	578,961	539,247
418,000	637,407	584,337	675,904	691,646	737,042
20,734	17,644	7,975	7,376	61,500	137,190
-	-	117,589	80,571	106,824	160,233
116,511	183,678	125,269	143,445	88,702	125,819
<u>(1,947,172)</u>	<u>356,143</u>	<u>237,986</u>	<u>(1,337,745)</u>	<u>116,213</u>	<u>200,173</u>
<u>9,215,975</u>	<u>12,561,908</u>	<u>13,060,641</u>	<u>12,102,132</u>	<u>14,201,266</u>	<u>15,252,086</u>
4,713	1,531	17,620	17,544	21,450	48,918
-	-	-	-	-	-
<u>1,947,172</u>	<u>(356,143)</u>	<u>(237,986)</u>	<u>1,337,745</u>	<u>(91,213)</u>	<u>(200,173)</u>
<u>1,951,885</u>	<u>(354,612)</u>	<u>(220,366)</u>	<u>1,355,289</u>	<u>(69,763)</u>	<u>(151,255)</u>
<u>11,167,860</u>	<u>12,207,296</u>	<u>12,840,275</u>	<u>13,457,421</u>	<u>14,131,503</u>	<u>15,100,831</u>
(4,033,669)	(323,692)	(473,466)	(2,354,675)	654,064	341,122
<u>1,980,983</u>	<u>(1,233,017)</u>	<u>(1,346,941)</u>	<u>287,075</u>	<u>(1,166,974)</u>	<u>(816,383)</u>
<u>\$(2,052,686)</u>	<u>\$(1,556,709)</u>	<u>\$(1,820,407)</u>	<u>\$(2,067,600)</u>	<u>\$(512,910)</u>	<u>\$(475,261)</u>

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF MARBLE FALLS, TEXAS

FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General fund										
Non-spendable	\$ -	\$ 2,564	\$ 1,319	\$ 7,575	\$ 2,881	\$ 8,841	\$ 13,229	\$ 15,681	\$ 1,248	\$ 1,248
Unassigned	<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>	<u>1,283,714</u>	<u>1,501,853</u>	<u>1,696,473</u>	<u>1,843,050</u>
Total general fund	<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>	<u>\$ 1,296,943</u>	<u>\$ 1,517,534</u>	<u>\$ 1,697,721</u>	<u>\$ 1,844,298</u>
All other governmental funds										
Restricted	\$ -	\$ -	\$ -	\$ 12,632,168	\$ 5,224,633	\$ 4,273,668	\$ 8,552,944	\$ 7,125,338	\$ 6,671,902	\$ 9,650,051
Unassigned, reported in:										
Special revenue funds	1,855,202	2,484,578	1,422,918	(26,819)	(26,924)	(58,872)	(26,918)	(242,145)	(223,746)	(10,298)
Capital projects funds	5,321,588	8,183,155	3,062,898	(201,456)	(236,409)	(250,872)	(196,829)	-	-	-
Debt service funds	<u>5,533</u>	<u>(43,368)</u>	<u>(101,583)</u>	<u>-</u>	<u>(22,862)</u>	<u>21,328</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<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>	<u>\$ 8,329,197</u>	<u>\$ 6,883,193</u>	<u>\$ 6,448,156</u>	<u>\$ 9,639,753</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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
REVENUES										
Taxes	\$ 9,703,686	\$ 13,219,657	\$ 10,863,137	\$ 10,823,765	\$ 11,001,107	\$ 12,025,271	\$ 12,590,100	\$ 13,219,657	\$ 13,809,199	\$ 14,627,627
Intergovernmental	1,278,337	349,410	581,306	311,455	182,098	364,980	636,107	349,410	367,320	322,480
Charges for services	376,128	358,531	367,448	352,602	332,242	309,488	380,285	358,531	427,991	484,352
Fines	406,959	256,367	331,153	314,459	241,594	226,467	196,119	256,367	295,414	338,164
Investment earnings	831,364	7,376	21,898	14,935	20,734	17,644	7,975	7,376	61,500	137,190
Other revenues	272,740	151,999	337,293	113,181	131,944	102,130	61,881	151,999	275,432	253,868
Total revenues	<u>12,869,214</u>	<u>14,343,340</u>	<u>12,502,235</u>	<u>11,930,397</u>	<u>11,909,719</u>	<u>13,045,980</u>	<u>13,872,467</u>	<u>14,343,340</u>	<u>15,236,856</u>	<u>16,163,681</u>
EXPENDITURES										
General government	2,820,730	3,518,051	2,286,980	1,733,341	1,821,845	2,273,190	2,464,981	3,518,051	3,272,101	3,267,055
Public safety	5,323,499	5,308,174	5,224,806	5,229,516	5,097,359	5,004,539	5,008,527	5,308,174	4,699,878	5,123,752
Public works	1,089,717	1,006,873	1,048,398	857,364	876,789	858,697	923,402	1,006,873	1,066,985	1,148,508
Culture and recreation	864,512	1,074,557	1,009,801	952,954	1,010,830	952,838	1,049,905	1,074,557	1,154,898	1,283,656
Capital outlay	4,638,124	457,186	7,901,676	2,597,077	6,046,967	1,625,889	4,171,869	457,186	1,501,203	6,260,333
Debt service										
Principal	957,409	2,580,000	1,935,000	1,645,000	1,990,000	2,180,000	2,045,000	2,580,000	2,769,860	3,128,669
Interest	747,771	1,541,739	1,290,891	1,455,753	1,479,735	1,318,475	1,245,728	1,541,339	1,268,136	1,311,244
Bond issuance cost	-	-	-	225,666	118,729	-	131,618	400	51,892	387,363
Total expenditures	<u>16,441,762</u>	<u>15,486,580</u>	<u>20,697,552</u>	<u>14,696,671</u>	<u>18,442,254</u>	<u>14,213,628</u>	<u>17,041,030</u>	<u>15,486,580</u>	<u>15,784,953</u>	<u>21,910,580</u>

CITY OF MARBLE FALLS, TEXAS

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (3,572,548)</u>	<u>\$ (1,143,240)</u>	<u>\$ (8,195,317)</u>	<u>\$ (2,766,274)</u>	<u>\$ (6,532,535)</u>	<u>\$ (1,167,648)</u>	<u>\$ (3,168,563)</u>	<u>\$ (1,143,240)</u>	<u>\$ (548,097)</u>	<u>\$ (5,746,899)</u>
OTHER FINANCING SOURCES (USES)										
Bonds issued	565,000	10,165,000	2,500,000	9,970,000	4,395,000	-	7,000,000	-	3,762,700	14,895,000
Premium on bond issue	-	39,735	-	182,399	138,990	-	89,483	-	61,571	644,277
Payment to escrow agen	-	-	-	-	(4,415,261)	-	-	-	(3,782,686)	(6,919,367)
Capital lease proceeds	-	-	-	-	-	-	-	-	-	23,615
Sale of asset proceeds	196,671	45,077	225,856	220,828	154,536	145,721	263,675	80,571	106,824	266,894
Proceeds from insurance	-	-	-	-	-	120,529	74,090	-	11,602	14,481
Transfers in	1,833,315	1,317,647	1,327,300	1,648,719	1,248,269	941,946	1,022,775	630,347	577,043	833,820
Transfers out	(1,355,704)	(816,880)	(1,823,729)	(1,169,885)	(645,941)	(585,803)	(809,789)	(793,092)	(490,830)	(673,647)
Total other financing sources (uses)	<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>	<u>7,640,234</u>	<u>(82,174)</u>	<u>246,224</u>	<u>9,085,073</u>
NET CHANGE IN FUND BALANCES	<u>\$ (2,333,266)</u>	<u>\$ 9,607,339</u>	<u>\$ (5,965,890)</u>	<u>\$ 8,085,787</u>	<u>\$ (5,656,942)</u>	<u>\$ (545,255)</u>	<u>\$ 4,471,671</u>	<u>\$ (1,225,414)</u>	<u>\$ (301,873)</u>	<u>\$ 3,338,174</u>
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	<u>14.45%</u>	<u>23.70%</u>	<u>25.21%</u>	<u>25.63%</u>	<u>25.63%</u>	<u>27.79%</u>	<u>25.75%</u>	<u>30.39%</u>	<u>28.27%</u>	<u>25.58%</u>

TABLE 5

CITY OF MARBLE FALLS, TEXAS

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Residential Property</u>	<u>Commercial Property</u>	<u>Industrial Property</u>	<u>Less: Tax-exempt Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>
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	2.3234	625,665,424
2014	507,944,535	345,561,505	16,636,105	81,886,092	788,256,053	2.3423	675,881,626
2015	546,541,560	362,210,449	19,205,994	101,114,663	826,843,340	2.3519	691,359,702
2016	669,887,911	369,579,204	20,393,671	149,103,303	910,757,483	2.3399	725,164,073
2017	716,529,053	374,129,771	19,187,025	164,271,764	945,574,085	2.3343	743,445,866

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
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
2014	0.6483	38,115,000	2.3423	1.2800	0.4140
2015	0.6483	37,293,633	2.3399	1.2800	0.4025
2016	0.6483	34,741,998	2.3399	1.2800	0.3969
2017	0.6340	39,332,840	2.3180	1.2786	0.3969

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	2017		2008	
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
HTA-Marble Falls Mob LLC	\$ 14,616,860	2.012%	**	**
Huber J M Corp	13,193,298	1.816%	4,637,882	0.938%
Wal-Mart Stores Inc 01-0781	9,919,467	1.366%	**	**
Worldmark the Club	9,000,000	1.239%	**	**
L Dor V Dor LLC	6,864,973	0.733%	**	**
Lowe's Home Center	6,096,009	0.839%	**	**
Johnson-Sewell Family Partnership	5,844,233	0.805%	10,376,283	2.099%
Johnson Ross H	5,391,529	0.742%	**	**
Wal-Mart Stores East LP	5,327,606	0.733%	14,511,258	2.936%
Panhandle Hospitality LTD	4,974,145	0.685%	**	**
	<u>\$ 81,228,120</u>	<u>10.970%</u>	<u>\$ 29,525,423</u>	<u>5.973%</u>

Source: Burnet County Appraisal office

** Unable to calculate due to incomplete data. Many taxpayers did not exist in 2007.

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

<u>Fiscal Year Ended</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Collected With the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
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	3,931,482	3,909,526	98.39%	21,956	3,931,482	100.00%
2012	4,021,309	3,953,241	98.30%	68,068	4,021,309	100.00%
2013	4,050,862	3,995,294	98.63%	55,568	4,050,862	100.00%
2014	4,228,317	4,177,438	98.80%	-	4,177,438	98.80%
2015	4,469,891	4,426,411	99.03%	-	4,426,411	99.03%
2016	4,673,677	4,657,916	99.66%	15,761	4,673,677	100.00%
2017	4,792,210	4,781,916	99.79%	-	4,781,916	99.79%

TABLE 9

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>
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%
2013-14	7,185,011	8.25%
2014-15	7,436,166	8.25%
2015-16	7,856,341	8.25%
2016-17	8,536,450	8.25%

TABLE 10

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	Premiums / Discounts	Water Revenue Bonds	Tax Notes	Notes Payable	Premiums / Discounts			
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
2014	38,115,000	-	-	-	611,836	19,730,000	-	-	201,462	58,658,298	0.001	9,256
2015	36,735,000	-	-	-	558,633	17,770,000	-	-	594,262	55,657,895	0.002	8,864
2016	34,177,840	-	-	-	564,158	24,757,160	-	-	1,121,098	60,620,256	0.002	9,584
2017	39,332,840	-	-	391,781	1,132,144	23,712,160	-	-	1,046,931	65,615,856	0.002	10,257

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		
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%	4,395.83
2014	38,115,000	38,115,000	5.64%	6,014.68
2015	37,293,633	37,293,633	5.39%	5,939.42
2016	34,741,998	34,741,998	4.79%	5,492.81
2017	39,332,840	39,332,840	5.29%	6,148.64

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, 2017

<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	\$ 60,170,000	23.790%	\$ 14,314,443
Burnet County General Obligation Debt	19,335,000	16.310%	3,153,539
Subtotal overlapping debt			
City direct debt	39,724,621	100.000%	<u>39,724,621</u>
Total direct and overlapping debt			<u>\$ 57,192,603</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 2017

Assessed value	\$ 726,407,494
Debt applicable to limit:	
General obligation bonds	
Less: Amount set aside for repayment of general obligation debt	39,332,840
Total net debt applicable to limit	(39,332,840)
Legal debt margin	<u>\$ 765,740,334</u>

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit	\$ 523,522,685	\$ 596,081,363	\$ 638,075,046	\$ 572,437,375	\$ 577,490,755	\$ 575,499,669	\$ 600,546,263	\$ 635,518,195	\$ 672,759,187	\$ 726,407,494
Total net debt applicable to limit	<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>	<u>38,115,000</u>	<u>37,293,633</u>	<u>34,741,998</u>	<u>39,332,840</u>
Legal debt margin	<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>	<u>\$ 562,431,263</u>	<u>\$ 598,224,562</u>	<u>\$ 638,017,189</u>	<u>\$ 687,074,654</u>
Total net debt applicable to the limit as a percentage of debt limit.	2.75%	3.83%	4.40%	6.26%	5.77%	5.76%	6.35%	5.87%	5.164%	5.415%

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		
2008	\$ 2,933,098	\$ 2,204,332	\$ 728,766	\$ 740,000	\$ 403,390	0.64	
2009	3,439,880	2,645,229	794,651	785,000	1,093,252	0.42	
2010	3,523,144	2,409,754	1,113,390	1,175,000	1,014,268	0.51	
2011	3,107,039	2,313,375	793,664	875,000	777,636	0.48	
2012	3,550,400	2,328,678	1,221,722	750,000	712,063	0.84	
2013	3,667,973	2,284,656	1,383,317	755,000	668,087	0.97	
2014	4,034,129	2,623,404	1,410,725	795,000	785,973	0.89	
2015	3,990,243	2,465,718	1,524,525	760,000	369,720	1.35	
2016	4,261,258	2,855,403	1,405,855	450,140	667,024	1.26	
2017	4,815,277	2,915,508	1,899,769	2,250,000	953,714	0.59	

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

Calendar Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
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%
2014	6,337	43,199	23,194	5.4%
2015	6,279	43,199	21,689	3.6%
2016	6,325	39,713	22,254	3.6%
2017	6,397	54,170	23,377	3.6%

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

Unemployment rate obtained from Texas Workforce Commission website.

CITY OF MARBLE FALLS, TEXAS

PRINCIPAL EMPLOYERS

CURRENT AND NINE YEARS AGO

Employer	2017		2008	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Marble Falls ISD	670	7.27%	625	**
Baylor Scott & White	400	4.34%	**	**
Wal-Mart	320	3.47%	390	**
H.E.B. Grocery Company	200	2.17%	189	**
Lowe's	125	1.36%	**	**
Granite Mesa	115	1.25%	**	**
City of Marble Falls	107	1.16%	120	**
Johnson-Sewell Ford Lincoln Mercury	105	1.14%	96	**
The Home Depot	86	0.93%	119	**
Chick-fil-A	80	0.87%	**	**
Total	<u>2,208</u>		<u>1,539</u>	

Source: Marble Falls Economic Development Corporation and personal telephone interviews

** Data not available for employer in 2008.

TABLE 17

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

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government										
Management services	2	2	2	2	3	5	4	4	4	4
Finance	4	5	5	5	5	5	4	4	4	4
Planning	6	6	6	6	6	5	4	4	4	5
Building	5	5	5	5	6	7	4	4	4	5
Other	6	3	3	4	4	-	-	-	-	-
Human resources	NA	1	1	1	2	2	1	1	1	1
Court	3	3	3	3	3	3	2	2	2	3
Police										
Officers	26	27	26	25	24	20	19	19	19	20
Civilians	16	13	13	15	15	15	12	12	12	12
Fire										
Firefighters and officers	16	17	15	15	15	15	15	15	15	15
Other public works										
Other	13	13	13	13	13	13	12	11	11	11
Parks and recreation	10	11	11	11	11	11	9	9	9	9
Water	14	14	14	14	14	14	11	11	11	12
Wastewater	11	10	10	10	10	10	9	10	10	10
Total	132	130	127	129	131	125	106	106	106	111

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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government										
Building permits issued	872	952	662	564	564	259	259	641	793	726
Building inspections conducted	5,700	1,490	1,201	1,108	3,289	1,515	1,377	938	2,700	1,479
Police										
Physical arrests	1,067	1,154	661	993	959	934	837	718	739	665
Parking violations	825	60	26	22	35	31	25	20	12	25
Traffic violations	4,677	3,840	2,508	1,650	1,062	2,101	1,762	998	1,317	1,195
Fire										
Emergency responses	1,200	1,212	765	821	821	1,215	1,234	1,291	1,538	1,746
Fires extinguished	60	17	9	12	12	10	6	4	7	40
Inspections	1,800	874	849	771	840	239	211	357	392	309
Other public works										
Street resurfacing (miles)	2.50	4.80	3.00	3.50	2.00	1	2	5	2	1
Tonnage to repair potholes	500	1,200	1,993	1,240	600	160	150	204	500	450
Parks and recreation										
Community center admissions	198	128	130	139	240	186	160	191	266	213
Library										
Volumes in collection	47,083	46,487	44,323	43,512	43,512	39,590	39,590	41,109	40,594	41,851
Total volumes borrowed	144,800	158,005	148,999	149,229	149,229	198,785	198,785	106,585	136,317	114,200
Water										
New connections	439	565	593	1,131	490	582	582	590	497	424
Water main breaks	175	65	210	208	200	104	125	108	150	110
Average daily consumption (thousands of gallons)	1,168	1,612	1,233	1,445	1,500	1,500	1,522	1,416	1,352	1,419
Peak daily consumption (thousands of gallons)	2,700	2,810	2,058	2,397	2,400	2,132	2,005	2,066	2,555	2,800
Wastewater										
Average daily sewage treatment (thousands of gallons)	740	621	625	636	675	820	860	998	981	1,024

Source: Various City departments

TABLE 19

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

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	18	20	25	25	25	11	15	15	15	15
Fire										
Stations	1	1	1	1	1	1	1	1	1	1
Public works										
Streets (miles)	52	52	60	60	60	62	62	62	64	64
Highways (miles)	8	14	14	14	14	15.2	15.2	15.2	15.2	15.2
Streetlights	364	364	448	448	448	448	448	595	599	599
Traffic signals	13	14	14	14	14	14	14	14	15	15
Parks and recreation										
Acreage	68	99	123	123	123	126.7	126.7	129.7	130	150
Playgrounds	2	4	6	6	6	6	4	4	4	4
Baseball/softball diamonds	4	8	8	8	8	8	4	4	4	4
Soccer/football fields	7	9	9	3	3	3	8	8	8	8
Community centers	1	1	1	1	1	1	1	1	2	2
Water										
Water mains (miles)	50	55	83	83	83	84	84	95	95	96
Fire hydrants	406	544	544	544	544	544	544	582	589	606
Storage capacity (thousands of gallons)	1,889	1,889	2,939	2,739	2,739	2,939	2,939	3,479	3419	3419
Wastewater										
Sanitary sewers (miles)	51	56	63	63	63	63	63	68	68	68
Storm sewers (miles)	10	12	12	12	12	12	12	12	12	12
Treatment capacity (thousands of gallons)	980	980	980	980	980	980	980	980	1,500	1,500

Source: Various City departments

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

COMPLIANCE SECTION

THIS PAGE LEFT BLANK INTENTIONALLY



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, 2017, 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 date March 13, 2018.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City 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
March 13, 2018