



COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR FISCAL YEAR ENDED
SEPTEMBER 30, 2018**

Prepared by the
Finance Department



COMPREHENSIVE ANNUAL FINANCIAL REPORT

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SEPTEMBER 30, 2018**

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CITY OF MARBLE FALLS, TEXAS

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INTRODUCTORY SECTION

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March 14, 2019

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, 2018, 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, 2018 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 unmodified opinion that the City of Marble Falls’ financial statements for fiscal year ended September 30, 2018, 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 6,900. 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 2018, 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 May 30, 2017 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. Develop and fund a comprehensive routine street evaluation and maintenance program, including an annual street repaving plan for all city streets beginning with FY 2017-18.
2. Complete the comprehensive update to the City's zoning regulations and implement.
3. Continue to lead and support the EDC's efforts of developing the Hotel Conference Center project in the downtown.
4. Develop a multi-year staffing plan for the Police Department's Patrol Division to address chronic overtime issues.
5. Develop a 5-year Capital Improvement Plan for parks projects identified in the newly adopted Parks Master Plan.
6. Improve the quality and character of the Community with an enhanced Code Enforcement Program.
7. Begin and maintain regular dialog with the Flatrock Developer, Gregg Ranch, and Roper Developments to explore strategies to encourage south side development.
8. Expand the Community Engagement Initiative to identify unreached population groups within the community and develop an approach to foster an environment wherein all citizens feel connected to local government, the government to the citizens, and citizens to one another.

9. Develop a Housing Revitalization Strategy that will identify blighted areas and/ or neighborhoods for potential rehabilitation.

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 2018. The Zoning Ordinance Update was completed in FY 18. The Parks and Recreation program added \$30,000 of additional funds for their maintenance program and transitioned two Maintenance Technician seasonal positions to permanent positions. The Police Department added two new patrol officers to the force as well as replacement of four patrol vehicles. The Streets maintenance budget had an additional \$50,000 for maintenance of streets. The Water and Wastewater budgets were also increased by \$100,000 for use on improvements to existing infrastructure.

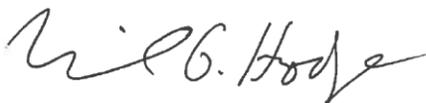
AWARDS AND ACKNOWLEDGEMENTS

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, 2017. 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,



Mike Hodge
City Manager

CITY OF MARBLE FALLS, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2018

MAYOR

John Packer

MAYOR PRO TEM

Richard Westerman

COUNCILMEMBERS

Craig Magerkurth
Dave Rhodes
William (Dee) Haddock
Celia Merrill

CITY MANAGER

Mike Hodge

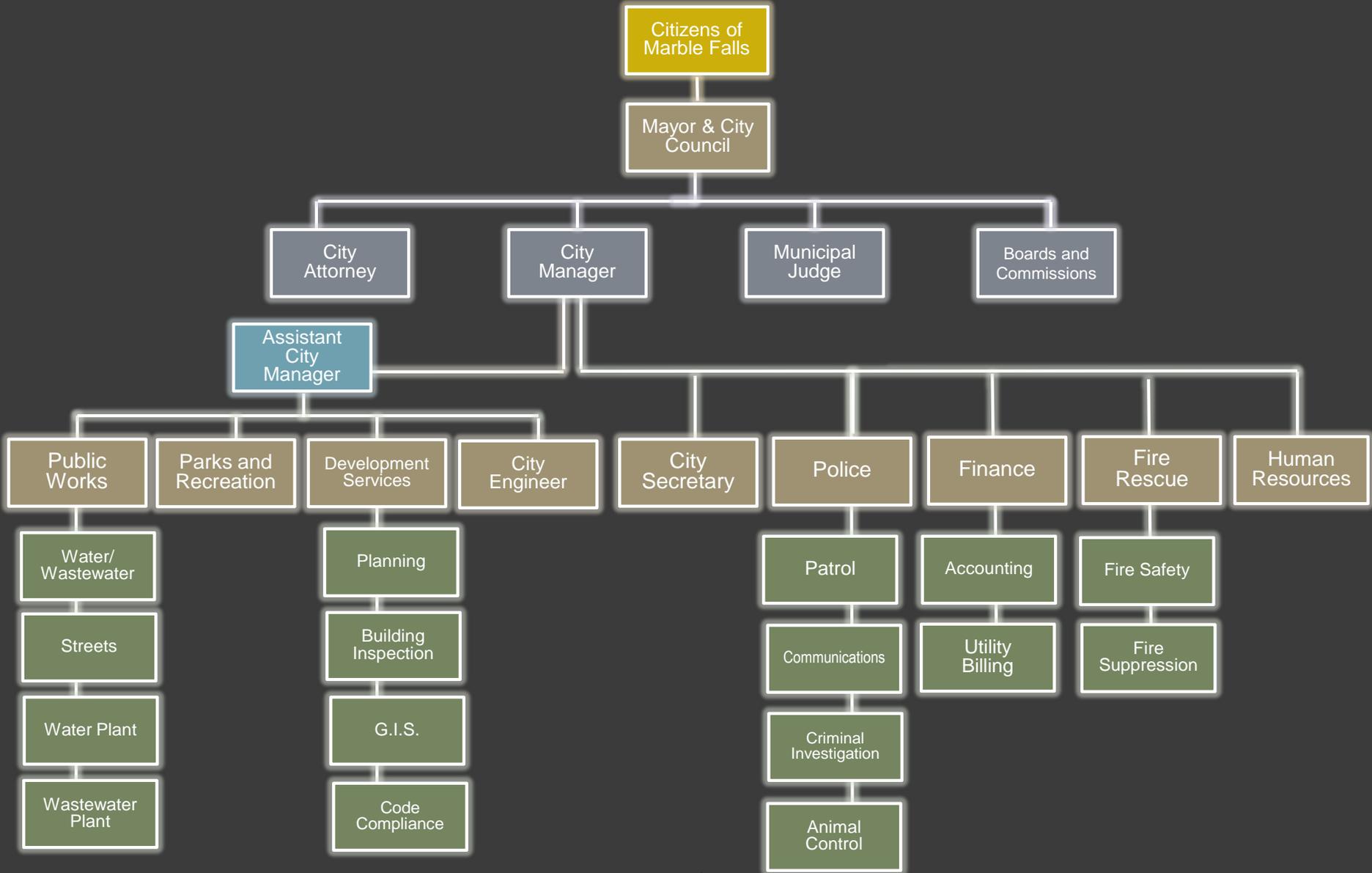
CITY ATTORNEY

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, 2017

Christopher P. Morill

Executive Director/CEO

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marble Falls, Texas, as of and for the year ended September 30, 2018, 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.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

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, 2018, 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.

Change in Accounting Principle

As discussed in the notes to the financial statements, in fiscal year 2018 the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

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, and pension and OPEB information 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 14, 2019, 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 14, 2019

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**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As Management of the City of Marble Falls, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2018. 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, 2018, by \$23,984,741 (net position). Of this amount, (\$909,098) is unrestricted net position.
- The City's net position increased by \$1,138,323.
- As of the close of the current fiscal year, the City of Marble Falls governmental funds reported combined ending fund balances of \$12,111,010. \$1,715,797 of this amount is unassigned and available for use within the City's fund designation and policy.
- As of September 30, 2018, unassigned fund balance for the General Fund was \$1,983,924 or 18.18% 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 12 governmental funds. Information is presented separately in the governmental funds balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Economic Development Corporation Fund, Debt Service Fund, and 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 and Roper Ranch PID 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 \$24.0 million as of September 30, 2018. 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	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 15,129,231	\$ 13,832,628	\$(1,065,401)	\$ 2,333,511	\$ 14,063,830	\$ 16,166,139
Capital assets	<u>35,592,604</u>	<u>36,962,544</u>	<u>39,964,513</u>	<u>37,341,196</u>	<u>75,557,117</u>	<u>74,303,740</u>
Total assets	<u>50,721,835</u>	<u>50,795,172</u>	<u>38,899,112</u>	<u>39,674,707</u>	<u>89,620,947</u>	<u>90,469,879</u>
Deferred outflows of resources	<u>877,997</u>	<u>1,708,781</u>	<u>682,562</u>	<u>891,459</u>	<u>1,560,559</u>	<u>2,600,240</u>
Current liabilities	3,451,678	1,361,206	1,419,108	951,614	4,870,786	2,312,820
Noncurrent liabilities	<u>35,967,654</u>	<u>42,334,127</u>	<u>22,765,494</u>	<u>25,054,691</u>	<u>58,733,148</u>	<u>67,388,818</u>
Total liabilities	<u>40,727,223</u>	<u>43,695,333</u>	<u>25,782,651</u>	<u>26,006,305</u>	<u>66,509,874</u>	<u>69,701,638</u>
Deferred inflows of resources	<u>588,541</u>	<u>116,714</u>	<u>98,350</u>	<u>20,032</u>	<u>686,891</u>	<u>136,746</u>
Net position:						
Net investment,						
in capital assets	4,808,202	4,356,606	16,806,620	17,061,917	21,614,822	21,418,523
Restricted	3,279,017	2,890,400	-	-	3,279,017	2,890,400
Unrestricted	<u>2,196,849</u>	<u>1,444,900</u>	<u>(3,105,947)</u>	<u>(2,522,088)</u>	<u>(909,098)</u>	<u>(1,077,188)</u>
Total net position	<u>\$ 10,284,068</u>	<u>\$ 8,691,906</u>	<u>\$ 13,700,673</u>	<u>\$ 14,539,829</u>	<u>\$ 23,984,741</u>	<u>\$ 23,231,735</u>

The restricted portion of the City's net position (13.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is (\$909,098).

Analysis of the City's Operations

The following table provides a summary of the City's operations for the year ended September 30, 2018. Governmental activities increased the City of Marble Falls' net position by \$1,910,301, accounting for a 22.8% increase in net position. Business-type activities decreased the City's net position by \$771,978 accounting for a 5.3% 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	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 986,105	\$ 1,061,707	\$ 5,162,432	\$ 4,966,903	\$ 6,148,537	\$ 6,028,610
Operating grants and contributions	665,202	222,627	-	-	665,202	222,627
Capital grants and contributions	-	-	125,260	155,000	125,260	155,000
General revenues:						
Property taxes	5,148,352	4,815,932	-	-	5,148,352	4,815,932
Sales taxes	8,762,727	8,536,450	-	-	8,762,727	8,536,450
Franchise taxes	583,840	539,247	-	-	583,840	539,247
Other taxes	755,357	737,042	-	-	755,357	737,042
Investment earnings	181,545	137,190	24,542	48,918	206,087	186,108
Gain on sale of assets	485,962	160,233	-	-	485,962	160,233
Miscellaneous	91,585	125,819	-	-	91,585	125,819
Total revenues	<u>17,660,675</u>	<u>16,336,247</u>	<u>5,312,234</u>	<u>5,170,821</u>	<u>22,972,909</u>	<u>21,507,068</u>
Expenses:						
General government	3,990,324	4,205,152	-	-	3,990,324	4,205,152
Public safety	5,587,223	5,385,714	-	-	5,587,223	5,385,714
Public works	3,630,999	3,433,441	-	-	3,630,999	3,433,441
Culture and recreation	1,592,267	1,434,383	-	-	1,592,267	1,434,383
Interest on long-term debt	1,288,511	1,736,608	-	-	1,288,511	1,736,608
Water and wastewater	-	-	5,745,262	5,787,031	5,745,262	5,787,031
Total expenses	<u>16,089,324</u>	<u>16,195,298</u>	<u>5,745,262</u>	<u>5,787,031</u>	<u>21,834,586</u>	<u>21,982,329</u>
Increases (decreases) in net assets before transfers						
	1,571,351	140,949	(433,028)	(616,210)	1,138,323	(475,261)
Transfers	<u>338,950</u>	<u>200,173</u>	<u>(338,950)</u>	<u>(200,173)</u>	<u>-</u>	<u>-</u>
Change in net assets	1,910,301	341,122	(771,978)	(816,383)	1,138,323	(475,261)
Net assets, beginning	<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>
Prior period adjustment	<u>(318,139)</u>	<u>(431,835)</u>	<u>(67,178)</u>	<u>-</u>	<u>(385,317)</u>	<u>(431,835)</u>
Net assets, ending	<u>\$ 10,284,068</u>	<u>\$ 8,691,906</u>	<u>\$ 13,700,673</u>	<u>\$ 14,539,829</u>	<u>\$ 23,984,741</u>	<u>\$ 23,231,735</u>

Government Funds

In the General Fund, fund balance increased by \$145,418. The increase was due mainly to an increase in sales taxes and property taxes for FY 2018.

The Economic Development Corporation Fund balance increased by \$327,490. The increase is due to an increase in sales tax and a decrease in expenditures for FY 2018.

The Debt Service Fund balance decreased by \$70,439 due to an increase in debt principal.

The Hotel Conference Center Fund increased by \$120,191 due to investment earnings.

Proprietary Fund

Unrestricted net position of the proprietary fund (water and utility) was (\$3,105,947). The net position of the Water and Utility Fund decreased by \$771,978. 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 \$212,425 from the original budget of \$10,169,627 to the revised budget of \$10,382,052 or 2.1% increase. The majority of this increase was due to an increase in administration expenditures.

The variance between the final amended budget and actual expenditures was a negative \$530,661. General Government actual expenditures were above budgeted expenditures by \$80,395. Additionally, Street expenditures were above the budget by \$34,889. This was mainly due to personnel services costs.

Capital Assets

The following activity represents major capital asset activity for the fiscal year ended September 30, 2018:

- Completed final engineering design of the Water Plant Upgrade. Total spent in FY 2018 was \$100,000.
- Continued the construction phase of the Water Plant Upgrade. Total spent in FY 2018 was \$3,363,946.
- Completed construction of elevated water storage tank at Via Viejo, at a cost of \$736,406
- Continued work on Purple Pipe to Meadowlakes Golf Course, at a cost of \$64,304
- Began work on replacement of Johnson Park bathroom and Main Street bathroom, at a cost of \$186,587.
- Began Downtown Project by the Economic Development Corporation total spent in FY 18 was \$131,643. Purchased property for the Downtown project at a cost of \$100,984.
- Completed construction of the Public Safety Building at a cost of \$282,040. Equipment and furniture at a cost of \$185,203 was purchased for this building as well.
- Purchased vehicles and equipment for the Police and Fire department at a cost of \$333,596.

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

CITY OF MARBLE FALLS' CAPITAL ASSETS AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Land	\$ 8,983,831	\$ 8,882,847	\$ 681,006	\$ 681,006	\$ 9,664,837	\$ 9,563,853
Buildings and improvements	59,655,770	58,428,722	64,626,601	60,361,939	124,282,371	118,790,661
Machinery and equipment	6,443,705	7,696,831	1,432,919	1,248,820	7,876,624	8,945,651
Less: accumulated depreciation	(39,490,702)	(38,045,856)	(26,776,013)	(24,950,569)	(66,266,715)	(62,996,425)
Total capital assets, net	<u>\$ 35,592,604</u>	<u>\$ 36,962,544</u>	<u>\$ 39,964,513</u>	<u>\$ 37,341,196</u>	<u>\$ 75,557,117</u>	<u>\$ 74,303,740</u>

Debt Administration

At the end of the current fiscal year, the City had total bonded debt and notes payable of \$58,795,000. Of this amount, \$36,167,840 represents bonded debt backed by the full faith and credit of the City and \$22,627,160 represents payables secured by water and wastewater revenues.

OUTSTANDING DEBT AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Bonds	\$ 36,167,840	\$ 39,332,840	\$ 22,627,160	\$ 23,712,160	\$ 58,795,000	\$ 63,045,000
Total	<u>\$ 36,167,840</u>	<u>\$ 39,332,840</u>	<u>\$ 22,627,160</u>	<u>\$ 23,712,160</u>	<u>\$ 58,795,000</u>	<u>\$ 63,045,000</u>

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

	Moody's Investors Service	Standard & Poor's
General Obligation Bonds	A3	AA-

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 – 41.

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 6,900 in 2018. 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 4.2% from the prior year revenue of \$6,402,336 to \$6,571,870. The 2019 estimate is conservatively projected at \$6,844,280. 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 \$0.6150. This rate consists of a maintenance and operations (M&O) tax rate of \$0.2479 and an Interest and Sinking (debt service) tax rate of \$0.3671. The rate was set based on a net position value of \$837,800,028. The assessed values increased about 15% for FY 2019.

Water revenues for 2019 are budgeted at \$3,399,184 which is an increase of 6% over the prior year. Wastewater revenues are budgeted at \$1,720,267, representing a 2% increase over the prior year. The City of Marble Falls increased water rates by 3% for FY 2019.

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**

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CITY OF MARBLE FALLS, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 9,294,764	\$ -	\$ 9,294,764
Receivables, net of allowances for uncollectibles			
Taxes	1,805,631	-	1,805,631
Customer accounts	1,061,088	722,435	1,783,523
Other	260	25	285
Due from other governments	25,825	-	25,825
Internal balances	2,174,708	(2,174,708)	-
Inventories	-	259,651	259,651
Prepaid items	5,792	-	5,792
Net pension asset	761,163	127,196	888,359
Capital assets:			
Land	8,983,831	681,006	9,664,837
Buildings and improvements	59,655,770	64,626,601	124,282,371
Machinery and equipment	6,443,705	1,432,919	7,876,624
Accumulated depreciation	(39,490,702)	(26,776,013)	(66,266,715)
Total capital assets, net of accumulated depreciation	35,592,604	39,964,513	75,557,117
Total assets	50,721,835	38,899,112	89,620,947
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow related to pensions	385,700	64,453	450,153
OPEB obligation - TMRS supplemental death benefit	21,019	4,359	25,378
OPEB obligation - Retiree health plan	19,616	3,278	22,894
Deferred loss on bond refunding	451,662	610,472	1,062,134
Total deferred outflows of resources	877,997	682,562	1,560,559
LIABILITIES			
Accounts payable	878,126	909,006	1,787,132
Accrued liabilities	91,483	16,348	107,831
Due to others	68,084	13,906	81,990
Customer deposits	25,958	532,179	558,137
Accrued interest	244,240	126,610	370,850
Noncurrent liabilities:			
Due within one year			
General and certificates of obligation	3,085,000	1,330,000	4,415,000
Capital lease	151,258	52,633	203,891
Compensated absences	211,201	35,600	246,801
OPEB obligation - TMRS supplemental death benefit	2,172	450	2,622
OPEB obligation - Retiree health plan	2,047	425	2,472
Due in more than one year			
General and certificates of obligation	33,082,840	22,269,924	55,352,764
Bond premiums	1,025,590	-	1,025,590
Capital lease	561,946	266,257	828,203
Compensated absences	633,604	106,800	740,404
OPEB obligation - TMRS supplemental death benefit	290,114	60,171	350,285
OPEB obligation - Retiree health plan	373,560	62,342	435,902
Total liabilities	40,727,223	25,782,651	66,509,874
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow related to pensions	588,541	98,350	686,891
Total deferred inflows of resources	588,541	98,350	686,891
NET POSITION			
Net investment in capital assets	4,808,202	16,806,620	21,614,822
Restricted for:			
Economic development	2,353,299	-	2,353,299
Debt service	100,227	-	100,227
Public safety	147,259	-	147,259
Culture and recreation	678,232	-	678,232
Unrestricted	2,196,849	(3,105,947)	(909,098)
Total net position	\$ 10,284,068	\$ 13,700,673	\$ 23,984,741

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, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 3,990,324	\$ 431,239	\$ 267,071	\$ -
Public safety	5,587,223	220,210	190,820	-
Public works	3,630,999	167,184	196,370	-
Culture and recreation	1,592,267	167,472	10,941	-
Interest on long-term debt	1,288,511	-	-	-
Total governmental activities	<u>16,089,324</u>	<u>986,105</u>	<u>665,202</u>	<u>-</u>
Business-type activities:				
Water and sewer	<u>5,745,262</u>	<u>5,162,432</u>	-	<u>125,260</u>
Total business-type activities	<u>5,745,262</u>	<u>5,162,432</u>	-	<u>125,260</u>
Total primary government	<u>\$ 21,834,586</u>	<u>\$ 6,148,537</u>	<u>\$ 665,202</u>	<u>\$ 125,260</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

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

Net (Expense) Revenue and
Changes in Net Position

Primary Government		
Governmental Activities	Business-type Activities	Total
\$(3,292,014)	\$ -	\$(3,292,014)
(5,176,193)	-	(5,176,193)
(3,267,445)	-	(3,267,445)
(1,413,854)	-	(1,413,854)
(1,288,511)	-	(1,288,511)
<u>(14,438,017)</u>	<u>-</u>	<u>(14,438,017)</u>
<u>-</u>	<u>(457,570)</u>	<u>(457,570)</u>
<u>-</u>	<u>(457,570)</u>	<u>(457,570)</u>
(14,438,017)	(457,570)	(14,895,587)
1,920,592	-	1,920,592
3,227,760	-	3,227,760
8,762,727	-	8,762,727
583,840	-	583,840
755,357	-	755,357
181,545	24,542	206,087
485,962	-	485,962
91,585	-	91,585
<u>338,950</u>	<u>(338,950)</u>	<u>-</u>
<u>16,348,318</u>	<u>(314,408)</u>	<u>16,033,910</u>
1,910,301	(771,978)	1,138,323
<u>8,691,906</u>	<u>14,539,829</u>	<u>23,231,735</u>
<u>(318,139)</u>	<u>(67,178)</u>	<u>(385,317)</u>
<u>8,373,767</u>	<u>14,472,651</u>	<u>22,846,418</u>
<u>\$ 10,284,068</u>	<u>\$ 13,700,673</u>	<u>\$ 23,984,741</u>

CITY OF MARBLE FALLS, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2018

	<u>General</u>	<u>Economic Development Corporation</u>	<u>Debt Service</u>
ASSETS			
Cash and investments	\$ -	\$ 2,008,671	\$ -
Receivables, net of allowances for uncollectibles:			
Property taxes	9,123	-	104,831
Other taxes	1,136,005	373,846	-
Accounts	188,856	-	-
Other	185	75	-
Due from other governments	25,825	-	-
Due from other funds	1,673,714	-	-
Prepaid items	<u>5,792</u>	<u>-</u>	<u>-</u>
Total assets	<u>3,039,500</u>	<u>2,382,592</u>	<u>104,831</u>
LIABILITIES			
Accounts payable	771,348	26,256	-
Accrued liabilities	88,446	3,037	-
Due to other funds	-	-	85,341
Due to others	68,084	-	-
Customer deposits	<u>25,958</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>953,836</u>	<u>29,293</u>	<u>85,341</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	6,396	-	100,227
Unavailable revenue - court fines and fees	<u>89,552</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>95,948</u>	<u>-</u>	<u>100,227</u>
FUND BALANCES			
Nonspendable	5,792	-	-
Restricted	-	2,353,299	-
Unassigned	<u>1,983,924</u>	<u>-</u>	<u>(80,737)</u>
Total fund balances	<u>1,989,716</u>	<u>2,353,299</u>	<u>(80,737)</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,039,500</u>	<u>\$ 2,382,592</u>	<u>\$ 104,831</u>

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

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

Other long-term assets are not available to pay for current-period expenditures and, therefore, are 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 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

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

Hotel Conference Center	Other Governmental	Total Governmental
\$ 6,139,322	\$ 1,021,771	\$ 9,169,764
-	-	113,954
-	181,826	1,691,677
-	-	188,856
-	-	260
-	-	25,825
547,633	226,092	2,447,439
-	-	5,792
<u>6,686,955</u>	<u>1,429,689</u>	<u>13,643,567</u>
-	80,522	878,126
-	-	91,483
-	187,390	272,731
-	-	68,084
-	-	25,958
<u>-</u>	<u>267,912</u>	<u>1,336,382</u>
-	-	106,623
<u>-</u>	<u>-</u>	<u>89,552</u>
<u>-</u>	<u>-</u>	<u>196,175</u>
-	-	5,792
6,686,955	1,349,167	10,389,421
<u>-</u>	<u>(187,390)</u>	<u>1,715,797</u>
<u>6,686,955</u>	<u>1,161,777</u>	<u>12,111,010</u>
\$ <u>6,686,955</u>	\$ <u>1,429,689</u>	
		35,592,604
		1,068,407
		125,000
		<u>(38,612,953)</u>
		\$ <u>10,284,068</u>

CITY OF MARBLE FALLS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>General</u>	<u>Economic Development Corporation</u>	<u>Debt Service</u>
REVENUES			
Property taxes	\$ 1,918,712	\$ -	\$ 3,224,444
Sales taxes	6,571,870	2,190,857	-
Hotel/motel taxes	-	-	-
Mixed beverage taxes	56,947	-	-
Franchise fees	583,840	-	-
Fines and forfeitures	162,019	-	-
Permits and fees	411,945	57,627	-
Intergovernmental	352,210	10,271	-
Investment earnings	5,055	32,599	1,760
Other	160,892	954	-
Total revenues	<u>10,223,490</u>	<u>2,292,308</u>	<u>3,226,204</u>
EXPENDITURES			
Current:			
General government	2,618,484	641,391	-
Public safety	5,146,785	-	-
Public works	1,189,947	-	-
Culture and recreation	980,732	-	-
Capital outlay	802,507	250,068	-
Debt service:			
Principal	157,964	710,000	2,455,000
Interest and fiscal charges	16,294	423,354	920,068
Bond issuance costs	-	-	4,600
Total expenditures	<u>10,912,713</u>	<u>2,024,813</u>	<u>3,379,668</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(689,223)</u>	<u>267,495</u>	<u>(153,464)</u>
OTHER FINANCING SOURCES (USES)			
Capital lease proceeds	479,387	-	-
Sale of capital assets	31,507	84,995	-
Proceeds from insurance	24,647	-	-
Transfers in	366,000	-	83,025
Transfers out	<u>(66,900)</u>	<u>(25,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>834,641</u>	<u>59,995</u>	<u>83,025</u>
NET CHANGE IN FUND BALANCES	145,418	327,490	(70,439)
FUND BALANCES, BEGINNING	<u>1,844,298</u>	<u>2,025,809</u>	<u>(10,298)</u>
FUND BALANCES, ENDING	<u>\$ 1,989,716</u>	<u>\$ 2,353,299</u>	<u>\$ (80,737)</u>

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

Hotel Conference Center	Other Governmental	Total Governmental
\$ -	\$ -	\$ 5,143,156
-	-	8,762,727
-	696,135	696,135
-	-	56,947
-	-	583,840
-	70,001	232,020
-	-	469,572
-	489,513	851,994
120,191	21,940	181,545
-	-	161,846
<u>120,191</u>	<u>1,277,589</u>	<u>17,139,782</u>
-	128,997	3,388,872
-	72,415	5,219,200
-	-	1,189,947
-	441,098	1,421,830
-	1,190,492	2,243,067
-	-	3,322,964
-	-	1,359,716
-	-	4,600
<u>-</u>	<u>1,833,002</u>	<u>18,150,196</u>
<u>120,191</u>	<u>(555,413)</u>	<u>(1,010,414)</u>
-	-	479,387
-	722,887	839,389
-	-	24,647
-	42,250	491,275
-	(105,425)	(197,325)
<u>-</u>	<u>659,712</u>	<u>1,637,373</u>
120,191	104,299	626,959
<u>6,566,764</u>	<u>1,057,478</u>	<u>11,484,051</u>
<u>\$ 6,686,955</u>	<u>\$ 1,161,777</u>	<u>\$ 12,111,010</u>

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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, 2018

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)	\$ 626,959
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(1,133,278)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	10,284
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	2,767,118
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.	(95,853)
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.	45,000
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>(309,929)</u>
Change in net position of governmental activities (pages 13 - 14)	<u>\$ 1,910,301</u>

CITY OF MARBLE FALLS, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUND

SEPTEMBER 30, 2018

	Business-type Activities <u>Enterprise Fund</u> <u>Water and Utility</u>	Governmental Activities <u>Internal Service Fund</u> <u>Equipment Replacement</u>
ASSETS		
Current assets:		
Cash and investments	\$ -	\$ 125,000
Accounts receivable, net of allowance	722,435	-
Other receivable	25	-
Inventories	<u>259,651</u>	<u>-</u>
Total current assets	<u>982,111</u>	<u>125,000</u>
Noncurrent assets:		
Net pension asset	127,196	-
Capital assets:		
Land	681,006	-
Buildings and improvements	64,626,601	-
Machinery and equipment	1,432,919	40,000
Accumulated depreciation	<u>(26,776,013)</u>	<u>-</u>
Total capital assets	<u>39,964,513</u>	<u>40,000</u>
Total noncurrent assets	<u>40,091,709</u>	<u>40,000</u>
Total assets	<u>41,073,820</u>	<u>165,000</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow related to pensions	64,453	-
OPEB obligation - TMRS supplemental death benefit	4,359	-
OPEB obligation - Retiree health plan	3,278	-
Deferred loss on bond refunding	<u>610,472</u>	<u>-</u>
Total deferred outflows of resources	<u>682,562</u>	<u>-</u>
LIABILITIES		
Current liabilities:		
Accounts payable	909,006	-
Accrued liabilities	16,348	-
Due to other funds	2,174,708	-
Customer deposits	532,179	-
Due to others	13,906	-
Accrued interest	126,610	-
Compensated absences	35,600	-
Capital leases	52,633	-
Bonds payable	1,330,000	-
OPEB obligation - TMRS supplemental death benefit	450	-
OPEB obligation - Retiree health plan	<u>425</u>	<u>-</u>
Total current liabilities	<u>5,191,865</u>	<u>-</u>
Noncurrent liabilities:		
Compensated absences	106,800	-
Capital leases	266,257	-
Bonds payable	22,269,924	-
OPEB obligation - TMRS supplemental death benefit	60,171	-
OPEB obligation - Retiree health plan	<u>62,342</u>	<u>-</u>
Total noncurrent liabilities	<u>22,765,494</u>	<u>-</u>
Total liabilities	<u>27,957,359</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow related to pensions	<u>98,350</u>	<u>-</u>
Total deferred inflows of resources	<u>98,350</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	16,806,620	40,000
Unrestricted	<u>(3,105,947)</u>	<u>125,000</u>
Total net position	<u>\$ 13,700,673</u>	<u>\$ 165,000</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, 2018

	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	\$ 5,095,938	\$ -
Miscellaneous	66,494	-
Total operating revenues	<u>5,162,432</u>	<u>-</u>
OPERATING EXPENSES		
Personnel services	1,292,136	-
Supplies	507,980	-
Repairs and maintenance	717,247	-
Purchased and contracted services	423,573	-
Other services and charges	93,251	-
Depreciation	2,062,031	-
Total operating expenses	<u>5,096,218</u>	<u>-</u>
OPERATING LOSS	<u>66,214</u>	<u>-</u>
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	24,542	-
Interest and fiscal charges	(649,044)	-
Total nonoperating revenues (expenses)	<u>(624,502)</u>	<u>-</u>
CAPITAL CONTRIBUTIONS	125,260	-
INCOME BEFORE TRANSFERS	(433,028)	-
TRANSFERS OUT	(361,350)	-
TRANSFERS IN	<u>22,400</u>	<u>45,000</u>
CHANGE IN NET POSITION	(771,978)	45,000
NET POSITION, BEGINNING	<u>14,539,829</u>	<u>120,000</u>
PRIOR PERIOD ADJUSTMENT	(67,178)	-
NET POSITION, BEGINNING AS RESTATED	<u>14,472,651</u>	<u>120,000</u>
NET POSITION, ENDING	<u>\$ 13,700,673</u>	<u>\$ 165,000</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, 2018

	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	\$ 5,113,862	\$ -
Cash paid to suppliers for goods and services	894,013	-
Cash paid to employees for services	(1,291,330)	-
Net cash provided by operating activities	<u>4,716,545</u>	<u>-</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to other funds	(361,350)	-
Transfers from other funds	<u>22,400</u>	<u>45,000</u>
Net cash used by noncapital financing activities	<u>(338,950)</u>	<u>45,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(4,685,348)	(40,000)
Capital contributions	125,260	-
Principal repayments on long-term debt	(765,786)	-
Interest and fiscal charges paid on debt	<u>(712,641)</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(6,038,515)</u>	<u>(40,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and investment earnings	<u>24,542</u>	<u>-</u>
Net cash provided by investing activities	<u>24,542</u>	<u>-</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,636,378)	5,000
CASH AND CASH EQUIVALENTS, BEGINNING	<u>1,636,378</u>	<u>120,000</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ -</u>	<u>\$ 125,000</u>
Reconciliation of operating income (loss) to net cash used by operating activities:		
Operating loss	\$ 66,214	\$ -
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Depreciation and amortization	2,062,031	-
Changes in assets and liabilities:		
Decrease (increase) in assets:		
Customer receivable	(61,788)	-
Other receivable	(25)	-
Inventory	2,927	-
Net pension asset	(201,379)	-
Deferred outflow related to pensions	142,043	-
Increase (decrease) in liabilities:		
Accounts payable	686,576	-
Accrued liabilities	12,268	-
OPEB net pension obligation	(3,710)	-
Customer deposits	13,218	-
Due to others	(2,030)	-
Deferred inflow related to pensions	78,318	-
Compensated absences payable	<u>(26,734)</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 4,716,545</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, 2018

	LaVentana PID Trust Fund	Roper Ranch PID Trust Fund	Total Trust Fund
ASSETS			
Cash and cash equivalents	\$ <u>12,090</u>	\$ <u>30,000</u>	\$ <u>42,090</u>
Total assets	<u>12,090</u>	<u>30,000</u>	<u>42,090</u>
LIABILITIES			
Accounts payable	\$ <u>-</u>	\$ <u>1,663</u>	\$ <u>1,663</u>
NET POSITION			
Held in trust	\$ <u>12,090</u>	\$ <u>28,337</u>	\$ <u>40,427</u>

CITY OF MARBLE FALLS, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	LaVentana PID Trust Fund	Roper Ranch PID Trust Fund	Total Trust Fund
	<u> </u>	<u> </u>	<u> </u>
ADDITIONS			
Property tax assessment	\$ 22,684	\$ 30,000	\$ 52,684
Investment earnings	<u>9,122</u>	<u>-</u>	<u>9,122</u>
Total additions	<u>31,806</u>	<u>30,000</u>	<u>61,806</u>
DEDUCTIONS			
Miscellaneous expense	<u>20,000</u>	<u>1,663</u>	<u>21,663</u>
Total deductions	<u>20,000</u>	<u>1,663</u>	<u>21,663</u>
CHANGE IN NET POSITION	11,806	28,337	40,143
NET POSITION, BEGINNING	<u>284</u>	<u>-</u>	<u>284</u>
NET POSITION, ENDING	<u>\$ 12,090</u>	<u>\$ 28,337</u>	<u>\$ 40,427</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, 2018

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 Component unit's governing body is substantially the same as the governing body of the primary government. 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 **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 privately managed public funds investment pools (LOGIC & Texas Class).

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, 2018.

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 2017 was \$5,119,048. The tax assessment of October 1, 2017 sets a tax levy at \$0.6340 per \$100 of assessed valuation at 100% of assumed market value. Of this amount, \$0.3982 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:

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

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

Compensated Absences

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

Long-term Obligations

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

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.

Other Post-Employment Benefits

TMRS Supplemental Death Benefits Fund. The City participates in the Texas Municipal Retirement System Supplemental Death Benefit Fund (TMRS SDBF), which is an optional single-employer defined benefit life insurance plan that is administered by TMRS. It provides death benefits to active and, if elected, retired employees of participating employers. Contribution rates are determined annually for each participating municipality as a percentage of that City's covered payroll. The death benefit for retirees is considered an other-postemployment benefit (OPEB). The OPEB program is an unfunded trust because the SDBF trust covers both actives and retirees and is not segregated. The Total OPEB Liability of the plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the Total OPEB Liability, deferred inflows and outflows of resources, and OPEB expense. Benefit payments are recognized when due and payable in accordance with the benefit terms.

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 and Other Post-employment Benefit contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Difference in projected and actual earnings on pension and other post-employment benefit 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 \$(38,612,953) difference are as follows:

General obligation bonds	\$(27,022,840)
Sales tax revenue bonds	(9,145,000)
Deferred loss on refunding debt issuance	451,662
Bond premiums	(1,025,590)
TMRS net pension asset	558,322
OPEB - TMRS supplemental death benefit	(271,267)
OPEB - Retiree health plan	(355,991)
Capital lease	(713,204)
Compensated absences	(844,805)
Accrued interest payable	(244,240)
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$(38,612,953)</u>

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

The governmental fund statement of revenue, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental fund* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$(1,133,278) difference are as follows:

Capital outlay	\$ 2,241,579
Depreciation expense	(3,374,857)
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$(1,133,278)</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 \$10,284 difference are as follows:

Property taxes	\$ 5,196
Municipal court	<u>5,088</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>\$ 10,284</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 \$2,767,118 difference are as follows:

General obligation debt payments	\$ 3,165,000
Capital lease	157,964
Issuance of capital leases	(479,387)
OPEB obligation - TMRS supplemental death benefit	(22,152)
OPEB obligation - Retiree health plan	<u>(54,307)</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>\$ 2,767,118</u>

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Balances

As of September 30, 2018, the following funds had deficit fund balances:

Debt Service	\$(80,737)
Parks Improvement	(187,390)

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

4. DETAILED NOTES ON ALL FUNDS

Deposits and Investments

As of September 30, 2018, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Logic	\$ 1,724,349	31
Texas Class	7,042,832	22

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, 2018, \$560,482 of the City’s \$847,936 deposit balance was collateralized with securities held by the pledging financial institution. The remaining balance, \$287,454, 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	\$ 10,136	\$ -	\$ 116,479	\$ -	\$ -	\$ 126,615
Other taxes	1,136,005	373,846	-	181,826	-	1,691,677
Customer accounts	358,293	-	-	-	904,897	1,263,190
Other	185	75	-	-	25	285
Gross receivables	<u>1,504,619</u>	<u>373,921</u>	<u>116,479</u>	<u>181,826</u>	<u>904,922</u>	<u>3,081,767</u>
Less: allowance for uncollectibles	<u>170,450</u>	<u>-</u>	<u>11,648</u>	<u>-</u>	<u>182,462</u>	<u>364,560</u>
Net total receivables	<u>\$ 1,334,169</u>	<u>\$ 373,921</u>	<u>\$ 104,831</u>	<u>\$ 181,826</u>	<u>\$ 722,460</u>	<u>\$ 2,717,207</u>

Capital Assets

Capital asset activity for the year ended September 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Government activities:				
Capital assets, not being depreciated:				
Land	\$ 8,882,847	\$ 100,984	\$ -	\$ 8,983,831
Total assets not being depreciated	<u>8,882,847</u>	<u>100,984</u>	<u>-</u>	<u>8,983,831</u>
Capital assets, being depreciated:				
Buildings and improvements	58,428,722	1,282,457	(55,409)	59,655,770
Machinery and equipment	<u>7,696,831</u>	<u>898,138</u>	<u>(2,151,264)</u>	<u>6,443,705</u>
Total capital assets being depreciated	<u>66,125,553</u>	<u>2,180,595</u>	<u>(2,206,673)</u>	<u>66,099,475</u>
Less accumulated depreciation:				
Buildings and improvements	(31,111,079)	(2,992,239)	23,133	(34,080,185)
Machinery and equipment	<u>(6,934,777)</u>	<u>(382,618)</u>	<u>1,906,878</u>	<u>(5,410,517)</u>
Total accumulated depreciation	<u>(38,045,856)</u>	<u>(3,374,857)</u>	<u>1,930,011</u>	<u>(39,490,702)</u>
Total capital assets being depreciated, net	<u>28,079,697</u>	<u>(1,194,262)</u>	<u>(276,662)</u>	<u>26,608,773</u>
Governmental activities capital assets, net	<u>\$ 36,962,544</u>	<u>\$(1,093,278)</u>	<u>\$(276,662)</u>	<u>\$ 35,592,604</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	60,361,939	4,264,662	-	64,626,601
Machinery and equipment	<u>1,248,820</u>	<u>420,686</u>	<u>(236,587)</u>	<u>1,432,919</u>
Total capital assets being depreciated	<u>61,610,759</u>	<u>4,685,348</u>	<u>(236,587)</u>	<u>66,059,520</u>
Less accumulated depreciation:				
Buildings and improvements	(23,895,981)	(2,006,866)	-	(25,902,847)
Machinery and equipment	<u>(1,054,588)</u>	<u>(55,165)</u>	<u>236,587</u>	<u>(873,166)</u>
Total accumulated depreciation	<u>(24,950,569)</u>	<u>(2,062,031)</u>	<u>236,587</u>	<u>(26,776,013)</u>
Total capital assets being depreciated, net	<u>36,660,190</u>	<u>2,623,317</u>	<u>-</u>	<u>39,283,507</u>
Business-type activities capital assets, net	<u>\$ 37,341,196</u>	<u>\$ 2,623,317</u>	<u>\$ -</u>	<u>\$ 39,964,513</u>

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

Governmental activities:	
General government	\$ 543,951
Public safety	256,056
Public works	2,422,237
Culture and recreation	<u>152,613</u>
Total depreciation expense - governmental activities	<u>\$ 3,374,857</u>
Business-type activities:	
Water and utility	\$ <u>2,062,031</u>
Total depreciation expense - business-type activities	<u>\$ 2,062,031</u>

Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2018 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Debt Service	\$ 85,341
General	Nonmajor governmental	187,390
General	Water and utility	1,400,983
Hotel Conference Center	Water and utility	547,633
Nonmajor governmental	Water and utility	<u>226,092</u>
Total		<u>\$ 2,447,439</u>

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

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

<u>Transfers 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	\$ -	\$ -	\$ 31,900	\$ -	\$ 35,000	\$ 66,900
Economic Development Corporation	25,000	-	-	-	-	25,000
Nonmajor Governmental	-	83,025	-	22,400	-	105,425
Water and Utility	<u>341,000</u>	<u>-</u>	<u>10,350</u>	<u>-</u>	<u>10,000</u>	<u>361,350</u>
	<u>\$ 366,000</u>	<u>\$ 83,025</u>	<u>\$ 42,250</u>	<u>\$ 22,400</u>	<u>\$ 45,000</u>	<u>\$ 558,675</u>

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

Long-term Debt

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

Bonds Payable and Tax Notes

A summary of the terms of general obligation, revenue, combination tax and revenue bonds, and tax notes outstanding and their corresponding allocations to the governmental and business-type activities at September 30, 2018, 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%	\$ 950,000	\$ 520,000
2011 Series	2031	2% - 4%	<u>1,610,000</u>	<u>530,000</u>
			<u>2,560,000</u>	<u>1,050,000</u>
<u>General Obligation Refunding Bond</u>				
2011 Series	2020	2.10%	385,000	-
2012 Series	2023	3%	1,380,000	-
2013 Series	2034	3.75%-4.5%	2,340,000	-
2014 Series	2030	2% - 4%	-	4,925,000
2015 Series	2027	2%	3,617,840	5,552,160
2017 Series	2028	3%	<u>6,590,000</u>	<u>-</u>
			<u>14,312,840</u>	<u>10,477,160</u>
<u>Combination Tax and Revenue Bonds</u>				
2006 Series	2021	4.25%	495,000	-
2010 Series	2032	1% - 5%	5,405,000	-
2013 Series	2033	2 - 4%	-	2,930,000
2014 Series	2034	2 - 4%	2,580,000	865,000
2016 Series	2036	2 - 4%	-	7,305,000
2017 Series	2032	3%	<u>1,670,000</u>	<u>-</u>
			<u>10,150,000</u>	<u>11,100,000</u>
<u>Sales Tax Revenue Bonds</u>				
2014 Series	2027	4.12%	3,025,000	-
2017 Series	2036	3-4.75%	<u>6,120,000</u>	<u>-</u>
			<u>9,145,000</u>	<u>-</u>
Total Bonds			<u>\$ 36,167,840</u>	<u>\$ 22,627,160</u>

Annual debt service requirements for bonds are as follows:

Year Ending September 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	Principal	Interest	Principal	Interest
2019	\$ 3,085,000	\$ 1,389,558	\$ 1,330,000	\$ 641,959
2020	3,115,000	1,208,665	1,265,000	604,728
2021	2,915,000	1,028,915	1,400,000	571,328
2022	3,005,000	938,580	1,435,000	536,065
2023	3,040,000	844,396	1,475,000	498,740
2024-2028	13,377,840	2,809,535	8,062,160	1,829,097
2029-2033	6,025,000	1,130,538	6,005,000	581,696
2034-2037	<u>1,605,000</u>	<u>138,622</u>	<u>1,655,000</u>	<u>64,194</u>
Total	<u>\$ 36,167,840</u>	<u>\$ 9,488,809</u>	<u>\$ 22,627,160</u>	<u>\$ 5,327,805</u>

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

September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 151,258	\$ 12,522	\$ 52,633	\$ 12,522
2020	147,707	10,602	54,166	10,602
2021	151,240	8,618	56,167	8,618
2022	107,748	6,568	50,322	6,568
2023	111,177	4,450	51,806	4,450
2024	44,074	2,262	53,796	2,262
Total	<u>\$ 713,204</u>	<u>\$ 45,022</u>	<u>\$ 318,890</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, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	\$ 14,410,000	\$ -	\$ 1,700,000	\$ 12,710,000	\$ 1,370,000
General obligation refunding bond	15,067,840	-	755,000	14,312,840	1,195,000
Sales tax revenue bond	9,540,000	-	395,000	9,145,000	520,000
Sales tax revenue refunding bond	315,000	-	315,000	-	-
Premium from issuance of bonds	1,132,144	-	106,554	1,025,590	-
Capital Lease	391,781	479,387	157,964	713,204	151,258
Compensated absences	<u>812,498</u>	<u>57,778</u>	<u>25,471</u>	<u>844,805</u>	<u>211,201</u>
Governmental activities long-term liabilities	<u>\$ 41,669,263</u>	<u>\$ 537,165</u>	<u>\$ 3,454,989</u>	<u>\$ 38,751,439</u>	<u>\$ 3,447,459</u>
Business-type activities					
Tax and revenue bonds	\$ 23,712,160	\$ -	\$ 1,085,000	\$ 22,627,160	\$ 1,330,000
Premium from issuance of bonds	1,046,931	-	74,167	972,764	-
Capital Lease	-	377,164	58,274	318,890	52,633
Compensated absences	<u>169,134</u>	<u>17,756</u>	<u>44,490</u>	<u>142,400</u>	<u>35,600</u>
Business-type activities long-term liabilities	<u>\$ 24,928,225</u>	<u>\$ 394,920</u>	<u>\$ 1,261,931</u>	<u>\$ 24,061,214</u>	<u>\$ 1,418,233</u>

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

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, 2018, 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>Hotel Conference Center</u>	<u>Other Governmental</u>	<u>Totals</u>
Nonspendable:						
Prepaid items	\$ 5,792	\$ -	\$ -	\$ -	\$ -	\$ 5,792
Restricted:						
Capital acquisition and construction	-	-	-	6,686,955	516,700	7,203,655
Tourism activities	-	-	-	-	678,232	678,232
Public safety	-	-	-	-	87,088	87,088
Building security	-	-	-	-	6,379	6,379
Economic development	-	2,353,299	-	-	-	2,353,299
Police forfeiture	-	-	-	-	60,768	60,768
Unassigned	<u>1,983,924</u>	<u>-</u>	<u>(80,737)</u>	<u>-</u>	<u>(187,390)</u>	<u>1,715,797</u>
Total governmental fund balance	<u>\$ 1,989,716</u>	<u>\$ 2,353,299</u>	<u>\$ (80,737)</u>	<u>\$ 6,686,955</u>	<u>\$ 1,161,777</u>	<u>\$ 12,111,010</u>

Defined Benefit Pension Policies

Plan Descriptions. The City of Marble Falls participates as one of 883 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, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	76
Inactive employees entitled to but not yet receiving benefits	65
Active employees	<u>106</u>
	<u><u>247</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 5.83% and 5.92% in calendar years 2017 and 2018, respectively. The city’s contributions to TMRS for the year ended September 30, 2018, were \$386,566, and were equal to the required contributions.

Net Pension Liability. The City’s Net Pension Liability (NPL) was measured as of December 31, 2017, 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, 2017 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 male 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.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. 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, the actuary 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 2018 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%	3.90%
Real Return	10.0%	3.80%
Real Estate	10.0%	4.50%
Absolute Return	10.0%	3.75%
Private Equity	5.0%	7.50%
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 (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 12/31/2016	\$ 20,062,873	\$ 19,556,486	\$ 506,387
Changes for the year:			
Service cost	801,181	-	801,181
Interest	1,350,616	-	1,350,616
Difference between expected and actual experience	(46,914)	-	(46,914)
Contributions - employer	-	358,624	(358,624)
Contributions - employee	-	445,101	(445,101)
Net investment income	-	2,710,663	(2,710,663)
Benefit payments, including refunds of employee contributions	(908,687)	(908,687)	-
Administrative expense	-	(14,047)	14,047
Other changes	-	(712)	712
Net changes	<u>1,196,196</u>	<u>2,590,942</u>	<u>(1,394,746)</u>
Balance at 12/31/2017	<u>\$ 21,259,069</u>	<u>\$ 22,147,428</u>	<u>\$(888,359)</u>

The following presents the net pension asset of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability/asset 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/ (asset)	\$ 2,019,560	\$(888,359)	\$(3,278,476)

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.tmrs.org.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended September 30, 2018, the City recognized pension expense of \$495,355. At September 30, 2018, 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	\$ -	\$ 122,554
Changes in actuarial assumptions	160,055	-
Difference between projected and actual investment earnings	-	564,337
Contributions subsequent to the measurement date	<u>290,098</u>	<u>-</u>
Total	<u>\$ 450,153</u>	<u>\$ 686,891</u>

\$290,098 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, 2019. 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,		
2019	\$	96,322
2020	(53,980)
2021	(291,058)
2022	(278,120)

Defined Other Post-Employment Benefit Plans

Retiree Health Care Plan

Plan Description. The City provides health care benefits through a single-employer defined benefit OPEB, for all fulltime employees in an eligible class. All full-time employees of the City may participate in the retiree health plan upon retirement. Eligible retirees are required to pay 100% of the plan's blended premium. The City's GASB 75 liability is entirely attributable to the implicit rate subsidy.

Benefits Provided

Plan Participants

All full-time employees of the City may participate in the retiree health plan upon retirement. Eligible retirees are required to pay 100% of the plan's blended premium. The City's GASB 75 liability is entirely attributable to the implicit rate subsidy.

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	3
Active Plan Members	<u>106</u>
Total	<u><u>109</u></u>

Normal Retirement Benefits

Members of the Texas Municipal Retirement System (TMRS) are eligible for normal retirement upon reaching age 60 with 5 years of service, or at any age with 20 years of service. The health care benefits are identical to the coverage offered to active employees.

Deferred Retirement Benefits

Employees who terminate service prior to retirement are not eligible for retiree medical coverage.

Death-in-Service Retirement Benefits

Surviving spouses of active employees who die while employed are allowed continued coverage through COBRA only.

Disability Retirement Benefits

Members who retire through disability retirement are eligible for retiree medical coverage.

Benefits for Spouses of Retired Employees

Spouses of eligible retirees are allowed coverage under the plan. Spouse coverage will end once the member is no longer covered.

Medicare – Eligible Provisions

Qualified retirees and eligible spouses are required to enroll in Medicare once eligible.

Dental and Vision Coverage

The City offers dental and vision coverage for retirees and their dependents. Retirees are 100% responsible for the dental and vision premiums.

Life Insurance Coverage

The City does not offer life insurance coverage for retirees and dependents.

Retiree Opt-out

The City does not provide any financial reward to retirees who opt-out.

Monthly Retiree Premiums Effective October 1, 2017

Health Plan	Employee Only	Employee & Spouse	Employee & Child(ren)	Employee & Family
HSA	\$461.63	\$925.05	\$775.75	\$1,123.13
Plan 1	\$541.14	\$1,084.38	\$912.46	\$1,312.47

The City does not contribute to HSA accounts.

Actuarial Assumptions. The Total OPEB Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Measurement year ended December 31,	2017
Actuarial cost method	Individual Entry-Age
Inflation rate	2.50% per annum
Discount rate	3.31%
Salary Increases	3.50% to 10.5% including inflation
Demographic Assumptions	Based on the experience study covering the four year period ending December 31, 2014 as conducted for the Texas Municipal Retirement System (TMRS)
Mortality	For healthy retirees, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used 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.
Health Care Trend Rates	Initial rate of 7.50% declining to an ultimate rate of 4.25% after 15 years
Participation Rates	20% for retirees that are at least 50 years old at retirement; 0% for retirees that are less than 50 years old at retirement

Discount Rate. The municipal bond rate is 3.31% (based on the daily rate closest to but not later than the measurement date of the Fidelity “20-Year Municipal GO AA Index”). The discount rate was 3.81% as of the prior measurement date.

Sensitivity of Total OPEB Liability to the Discount Rate Assumption. Regarding the sensitivity of the total OPEB liability to changes in the discount rate, the following presents the plan's total OPEB liability, calculated using a discount rate of 3.31%, as well as what the plan's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

	<u>1% Decrease in Discount Rate (2.31%)</u>	<u>Current Discount Rate Assumption (3.31%)</u>	<u>1% Increase in Discount Rate (4.31%)</u>
Total OPEB Liability	\$ 483,480	\$ 438,374	\$ 397,616

Sensitivity of Total OPEB Liability to the Healthcare Cost Trend Rate Assumption. Regarding the sensitivity of the total OPEB liability to changes in the healthcare cost trend rates, the following presents the plan's total OPEB liability, calculated using the assumed trend rates as well as what the plan's total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

	<u>1% Decrease in Discount Rate (2.31%)</u>	<u>Current Healthcare Trend Rate Assumption</u>	<u>1% Increase in Discount Rate (4.31%)</u>
Total OPEB Liability	\$ 388,893	\$ 438,374	\$ 496,082

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEB. At September 30, 2018, the City reported a liability of \$438,374 for its Total OPEB Liability. The Total OPEB Liability was determined by an actuarial valuation as of December 31, 2017. For the year ended September 30, 2018, the City recognized OPEB expense of \$32,007. There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at 12/31/2016	\$ 390,395
Changes for the year:	
Service cost	14,432
Interest	15,102
Changes of assumptions	20,917
Benefit payments	<u>(2,472)</u>
Net changes	<u>47,979</u>
Balance at 12/31/2017	<u>\$ 438,374</u>

At September 30, 2018, the City reported deferred outflows of resources related to other post-employment benefits from the following sources:

	<u>Deferred Outflows of Resources</u>
Changes in actuarial assumptions	\$ 18,444
Contributions subsequent to the measurement date	<u>4,450</u>
Totals	<u>\$ 22,894</u>

\$4,450 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB Liability for the year ending September 30, 2019. Other amounts of the reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>For the Year Ended September 30,</u>	
2019	\$ 2,473
2020	2,473
2021	2,473
2022	2,473
2023	2,473
Thereafter	6,079

TMRS Supplemental Death Benefits Fund

Plan Description. The City voluntarily participates in the Texas Municipal Retirement System Supplemental Death Benefits Fund (TMRS SDBF). The SDBF is a single-employer defined benefit Other Postemployment Benefit (OPEB) plan as defined by GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. It is established and administered in accordance with the TMRS Act identically to the City’s pension plan.

Benefits Provided. The SDBF provides group-term life insurance to City employees who are active members in TMRS, including or not including retirees. The City Council opted into this program via an ordinance, and 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.

Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. 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). The death benefit for retirees is considered an other employment benefit and is a fixed amount of \$7,500.

The number of employees currently covered by the benefit terms is as follows:

Inactive employees or beneficiaries currently receiving benefits	54
Inactive employees entitled to but not yet receiving benefits	20
Active employees	<u>106</u>
Total	<u><u>180</u></u>

Contributions. The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.19% for 2018 and 0.19% for 2017, of which 0.04% and 0.04%, respectively, represented the retiree-only portion for each year, as a percentage of annual covered payroll. 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 prefund retiree term life insurance during employees' entire careers. The City's contributions to the SDBF for the years ended September 30, 2018 and 2017 were \$2,622 and \$2,511, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

Actuarial Assumptions. The Total OPEB Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Measurement year ended December 31,	2017
Inflation rate	2.50% per annum
Discount rate	3.31%
Actuarial cost method	Entry Age Normal Method
Projected salary increases	3.50% to 10.5% including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the following:

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 male 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 became disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor. Administrative expenses for the SDBF are paid through the TMRS Pension Trust Fund and are wholly accounted for under the provisions of GASB Statement No. 68.

Changes in assumptions reflect the annual change in the municipal bond rate. The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

Discount Rate. The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. As such, a single discount rate of 3.31% was used to measure the Total OPEB Liability. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of December 31, 2017.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Total OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.31%) in measuring the Total OPEB Liability.

	1% Decrease in Discount Rate (2.31%)	Discount Rate (3.31%)	1% Increase in Discount Rate (4.31%)
Total OPEB Liability	\$ 428,229	\$ 352,907	\$ 294,961

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEBs. At September 30, 2018, the City reported a liability of \$352,907 for its Total OPEB Liability. The Total OPEB Liability was determined by an actuarial valuation as of December 31, 2017. For the year ended September 30, 2018, the City recognized OPEB expense of \$29,368. There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period.

Changes in the Total OPEB Liability

Balance at 12/31/2016	\$ 302,684
Changes for the year:	
Service cost	12,081
Interest	11,622
Changes of assumptions	29,063
Benefit payments	(2,543)
Net changes	50,223
Balance at 12/31/2017	\$ 352,907

At September 30, 2018, the City reported deferred outflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources
Changes in actuarial assumptions	\$ 23,398
Contributions subsequent to the measurement date	1,980
Totals	\$ 25,378

\$1,980 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB Liability for the year ending September 30, 2019. Other amounts of the reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>For the Year</u>		
<u>Ended September 30,</u>		
2019	\$	5,665
2020		5,665
2021		5,665
2022		5,665
2023		738

Risk Management

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

Prior Period Adjustment – Change in Accounting Principles

During fiscal year 2018, the City adopted GASB Statement No. 75, *Accounting and Reporting for Post-Employment Benefits Other Than Pensions*. With GASB 75, the City must assume its Total OPEB Liability in connection with the TMRS SDBF and retiree health care plan. Adoption of GASB 75 required a prior period adjustment to report the effect of the standard retroactively. As such, beginning net position was restated by \$318,139 for governmental activities and \$67,178 for business-type activities.

Subsequent Event

On October 9, 2018, the City issued \$6,265,000 of Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2018. The debt will be used for city park improvements, acquisition and installation of water meter replacements, LED lighting for City facilities, downtown beautification, and payment of cost of issuance and professional services.

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**REQUIRED
SUPPLEMENTARY INFORMATION**

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CITY OF MARBLE FALLS, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

Plan Year	2014	2015	2016	2017
A. Total pension liability				
Service Cost	\$ 621,054	\$ 691,029	\$ 750,228	\$ 801,181
Interest (on the Total Pension Liability)	1,123,420	1,207,848	1,281,912	1,350,616
Difference between expected and actual experience	(12,961)	(34,356)	(153,085)	(46,914)
Change of assumptions	-	570,455	-	-
Benefit payments, including refunds of employee contributions	(528,946)	(591,804)	(864,720)	(908,687)
Net change in total pension liability	<u>1,202,567</u>	<u>1,843,172</u>	<u>1,014,335</u>	<u>1,196,196</u>
Total pension liability - beginning	<u>16,002,799</u>	<u>17,205,366</u>	<u>19,048,538</u>	<u>20,062,873</u>
Total pension liability - ending (a)	<u>\$ 17,205,366</u>	<u>\$ 19,048,538</u>	<u>\$ 20,062,873</u>	<u>\$ 21,259,069</u>
B. Plan fiduciary net position				
Contributions - Employer	\$ 259,082	\$ 258,552	\$ 261,288	\$ 358,624
Contributions - Employee	395,979	408,547	420,464	445,101
Net Investment Income	990,420	27,179	1,250,675	2,710,663
Benefit payments, including refunds of employee contributions	(528,946)	(591,804)	(864,720)	(908,687)
Administrative Expenses	(10,340)	(16,554)	(14,123)	(14,047)
Other	(850)	(817)	(761)	(712)
Net change in plan fiduciary net position	<u>1,105,345</u>	<u>85,103</u>	<u>1,052,823</u>	<u>2,590,942</u>
Plan fiduciary net position - beginning	<u>17,313,215</u>	<u>18,418,560</u>	<u>18,503,663</u>	<u>19,556,486</u>
Plan fiduciary net position - ending (b)	<u>\$ 18,418,560</u>	<u>\$ 18,503,663</u>	<u>\$ 19,556,486</u>	<u>\$ 22,147,428</u>
C. Net pension liability/ (asset) - ending (a) - (b)	<u>\$ (1,213,194)</u>	<u>\$ 544,875</u>	<u>\$ 506,387</u>	<u>\$ (888,359)</u>
D. Plan fiduciary net position as a percentage of total pension liability/ (asset)	107.05%	97.14%	97.48%	104.18%
E. Covered payroll	\$ 5,656,837	\$ 5,836,390	\$ 6,006,626	\$ 6,358,583
F. Net position liability/ (asset) as a percentage of covered payroll	-21.45%	9.34%	8.43%	-13.97%

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, 2018

Fiscal Year	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarial determined contribution	\$ 248,771	\$ 259,903	\$ 270,623	\$ 334,622	\$ 383,566
Contributions in relation to the actuarially determined contribution	<u>248,771</u>	<u>259,903</u>	<u>270,623</u>	<u>334,622</u>	<u>383,566</u>
Contribution deficiency (excess)	-	-	-	-	-
Covered payroll	5,563,255	5,809,989	6,189,840	6,278,742	6,554,197
Contributions as a percentage of covered payroll	4.47%	4.47%	4.37%	5.33%	5.85%

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	23 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 or rates that are specific to the City's plan or 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

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS**

TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFITS FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2018

Plan Year ended December 31,	<u>2017</u>
A. Total OPEB liability	
Service Cost	\$ 12,081
Interest (on the Total OPEB Liability)	11,622
Changes of assumptions	29,063
Benefit payments, including refunds of employee contributions	<u>(2,543)</u>
Net change in Total OPEB liability	50,223
Total OPEB liability - beginning	<u>302,684</u>
Total OPEB liability - ending (a)	<u>352,907</u>
B. Covered payroll	\$ 6,358,583
C. Total OPEB liability as a percentage of covered payroll	5.55%

Note: This schedule is required to have 10 years of information, but the information prior to 2017 is not available.

Note: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

CITY OF MARBLE FALLS, TEXAS

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS
RETIREE INSURANCE BENEFITS PLAN**

FOR THE YEAR ENDED SEPTEMBER 30, 2018

Plan Year ended December 31,	<u>2017</u>
A. Total OPEB liability	
Service Cost	\$ 14,432
Interest (on the Total OPEB Liability)	15,102
Changes of assumptions	20,917
Benefit payments, including refunds of employee contributions	<u>(2,472)</u>
Net change in Total OPEB liability	47,979
Total OPEB liability - beginning	<u>390,395</u>
Total OPEB liability - ending (a)	<u>438,374</u>
B. Covered employee payroll	\$ 6,107,242
C. Total OPEB liability as a percentage of covered employee payroll	7.18%

Note: This schedule is required to have 10 years of information, but the information prior to 2017 is not available.

Note: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Property taxes	\$ 1,932,071	\$ 1,932,071	\$ 1,918,712	\$(13,359)
Sales taxes	6,528,638	6,581,038	6,571,870	(9,168)
Franchise taxes	605,368	605,368	583,840	(21,528)
Mixed beverage taxes	58,000	58,000	56,947	(1,053)
Fines and forfeitures	216,500	216,500	162,019	(54,481)
Permits and fees	430,865	432,865	411,945	(20,920)
Intergovernmental	209,950	316,966	352,210	35,244
Interest on investments	1,600	1,600	5,055	3,455
Other	<u>127,810</u>	<u>141,310</u>	<u>160,892</u>	<u>19,582</u>
Total revenues	<u>10,110,802</u>	<u>10,285,718</u>	<u>10,223,490</u>	<u>(62,228)</u>
EXPENDITURES				
GENERAL GOVERNMENT				
Administration:				
Personnel services	524,382	524,382	527,628	(3,246)
Supplies	36,200	32,000	32,285	(285)
Maintenance	38,900	71,875	64,461	7,414
Purchased and contracted services	241,970	273,637	312,320	(38,683)
Other services and charges	<u>45,500</u>	<u>45,500</u>	<u>83,580</u>	<u>(38,080)</u>
Total administration	<u>886,952</u>	<u>947,394</u>	<u>1,020,274</u>	<u>(72,880)</u>
Finance:				
Personnel services	333,139	333,139	332,792	347
Supplies	18,500	18,500	19,000	(500)
Maintenance	27,000	27,000	35,402	(8,402)
Purchased and contracted services	34,870	34,870	33,840	1,030
Other services and charges	<u>9,650</u>	<u>9,650</u>	<u>5,339</u>	<u>4,311</u>
Total finance	<u>423,159</u>	<u>423,159</u>	<u>426,373</u>	<u>(3,214)</u>
Human resources:				
Personnel services	104,010	104,010	104,073	(63)
Supplies	8,650	8,650	7,226	1,424
Maintenance	11,300	11,300	16,706	(5,406)
Purchased and contracted services	5,160	5,160	5,932	(772)
Other services and charges	<u>40,400</u>	<u>40,400</u>	<u>28,362</u>	<u>12,038</u>
Total human resources	<u>169,520</u>	<u>169,520</u>	<u>162,299</u>	<u>7,221</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
GENERAL GOVERNMENT (Continued)				
Mayor and City Council:				
Personnel services	\$ 11,630	\$ 11,630	\$ 11,677	\$(47)
Other services and charges	<u>12,000</u>	<u>12,000</u>	<u>9,335</u>	<u>2,665</u>
Total Mayor and City Council	<u>23,630</u>	<u>23,630</u>	<u>21,012</u>	<u>2,618</u>
Communication Services:				
Personnel services	654,331	654,331	691,948	(37,617)
Supplies	15,700	15,700	8,278	7,422
Maintenance	93,750	93,750	61,261	32,489
Purchased and contracted services	18,325	18,325	14,614	3,711
Other services and charges	<u>12,700</u>	<u>12,700</u>	<u>6,413</u>	<u>6,287</u>
Total finance	<u>794,806</u>	<u>794,806</u>	<u>782,514</u>	<u>12,292</u>
Non-departmental:				
Purchased and contracted services	152,580	152,580	152,579	1
Other services and charges	<u>27,000</u>	<u>27,000</u>	<u>53,433</u>	<u>(26,433)</u>
Total non-departmental	<u>179,580</u>	<u>179,580</u>	<u>206,012</u>	<u>(26,432)</u>
Total general government	<u>2,477,647</u>	<u>2,538,089</u>	<u>2,618,484</u>	<u>(80,395)</u>
PUBLIC SAFETY				
Court:				
Personnel services	177,610	189,610	184,019	5,591
Supplies	18,620	19,220	26,691	(7,471)
Purchased and contracted services	26,250	26,250	21,487	4,763
Other services and charges	<u>12,380</u>	<u>12,380</u>	<u>6,576</u>	<u>5,804</u>
Total court	<u>234,860</u>	<u>247,460</u>	<u>238,773</u>	<u>8,687</u>
Police department:				
Personnel services	2,094,591	2,094,591	2,044,533	50,058
Supplies	138,100	138,100	142,313	(4,213)
Maintenance	166,200	166,200	148,812	17,388
Purchased and contracted services	132,245	135,981	141,962	(5,981)
Other operating	<u>34,230</u>	<u>34,230</u>	<u>35,867</u>	<u>(1,637)</u>
Total police department	<u>2,565,366</u>	<u>2,569,102</u>	<u>2,513,487</u>	<u>55,615</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, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
EXPENDITURES (Continued)				
PUBLIC SAFETY (Continued)				
Fire department:				
Personnel services	\$ 1,345,224	\$ 1,342,224	\$ 1,304,644	\$ 37,580
Supplies	121,662	121,662	132,981	(11,319)
Maintenance	86,132	80,132	70,522	9,610
Purchased and contracted services	60,834	60,834	56,578	4,256
Other operating	<u>39,496</u>	<u>38,496</u>	<u>36,995</u>	<u>1,501</u>
Total fire department	<u>1,653,348</u>	<u>1,643,348</u>	<u>1,601,720</u>	<u>41,628</u>
Engineering department:				
Personnel services	1,345,224	1,342,224	63,878	1,278,346
Supplies	121,662	121,662	7,861	113,801
Maintenance	86,132	80,132	12,352	67,780
Purchased and contracted services	60,834	60,834	28,107	32,727
Other operating	<u>39,496</u>	<u>38,496</u>	<u>2,174</u>	<u>36,322</u>
Total fire department	<u>1,653,348</u>	<u>1,643,348</u>	<u>114,372</u>	<u>1,528,976</u>
Code enforcement:				
Personnel services	617,773	604,273	553,863	50,410
Supplies	36,055	38,035	37,609	426
Repairs and maintenance	22,780	21,780	18,017	3,763
Purchased and contracted services	22,964	50,556	54,857	(4,301)
Other services and charges	<u>19,900</u>	<u>19,900</u>	<u>14,087</u>	<u>5,813</u>
Total code enforcement	<u>719,472</u>	<u>734,544</u>	<u>678,433</u>	<u>56,111</u>
Total public safety	<u>5,173,046</u>	<u>5,194,454</u>	<u>5,146,785</u>	<u>47,669</u>
PUBLIC WORKS				
Streets:				
Personnel services	673,198	673,198	697,957	(24,759)
Supplies	54,000	54,000	65,832	(11,832)
Maintenance	304,000	304,000	298,349	5,651
Purchased and contracted services	119,660	119,660	122,683	(3,023)
Other services and charges	<u>4,200</u>	<u>4,200</u>	<u>5,126</u>	<u>(926)</u>
Total streets	<u>1,155,058</u>	<u>1,155,058</u>	<u>1,189,947</u>	<u>(34,889)</u>
Total public works	<u>1,155,058</u>	<u>1,155,058</u>	<u>1,189,947</u>	<u>(34,889)</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
CULTURE AND RECREATION				
Parks and recreation:				
Personnel services	\$ 657,712	\$ 643,712	\$ 602,395	\$ 41,317
Supplies	45,650	45,650	47,423	(1,773)
Maintenance	151,500	168,000	187,237	(19,237)
Purchased and contracted services	118,600	118,600	124,432	(5,832)
Other services and charges	<u>8,700</u>	<u>8,700</u>	<u>13,678</u>	<u>(4,978)</u>
Total parks and recreation	<u>982,162</u>	<u>984,662</u>	<u>975,165</u>	<u>9,497</u>
Cemetery:				
Maintenance	5,000	5,000	4,998	2
Purchased and contracted services	1,000	1,000	565	435
Other services and charges	<u>100</u>	<u>100</u>	<u>4</u>	<u>96</u>
Total cemetery	<u>6,100</u>	<u>6,100</u>	<u>5,567</u>	<u>533</u>
Total culture and recreation	<u>988,262</u>	<u>990,762</u>	<u>980,732</u>	<u>10,030</u>
CAPITAL OUTLAY	<u>297,197</u>	<u>425,272</u>	<u>802,507</u>	<u>(377,235)</u>
DEBT SERVICE				
Principal	64,197	64,197	157,964	(93,767)
Interest and fiscal charges	<u>14,220</u>	<u>14,220</u>	<u>16,294</u>	<u>(2,074)</u>
Total debt service	<u>78,417</u>	<u>78,417</u>	<u>174,258</u>	<u>(95,841)</u>
Total expenditures	<u>10,169,627</u>	<u>10,382,052</u>	<u>10,912,713</u>	<u>(530,661)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(58,825)</u>	<u>(96,334)</u>	<u>(689,223)</u>	<u>(592,889)</u>
OTHER FINANCING SOURCES (USES)				
Capital lease proceeds	-	-	479,387	479,387
Transfers in	366,000	366,000	366,000	-
Transfers out	(56,900)	(56,900)	(66,900)	(10,000)
Proceeds from insurance	12,000	22,000	24,647	2,647
Proceeds from sale of capital assets	<u>7,200</u>	<u>22,303</u>	<u>31,507</u>	<u>9,204</u>
Total other financing sources	<u>328,300</u>	<u>353,403</u>	<u>834,641</u>	<u>481,238</u>
NET CHANGE IN FUND BALANCE	269,475	257,069	145,418	(111,651)
FUND BALANCE, BEGINNING	<u>1,844,298</u>	<u>1,844,298</u>	<u>1,844,298</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 2,113,773</u>	<u>\$ 2,101,367</u>	<u>\$ 1,989,716</u>	<u>\$ (111,651)</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Sales taxes	\$ 1,964,085	\$ 2,134,112	\$ 2,190,857	\$ 56,745
Permits and fees	55,000	55,000	57,627	2,627
Intergovernmental	-	18,000	10,271	(7,729)
Interest on investments	13,300	13,300	32,599	19,299
Other	<u>375,000</u>	<u>375,000</u>	<u>954</u>	<u>(374,046)</u>
Total revenues	<u>2,407,385</u>	<u>2,595,412</u>	<u>2,292,308</u>	<u>(303,104)</u>
EXPENDITURES				
Current:				
Personnel services	233,035	233,035	232,778	257
Supplies	4,500	4,500	1,952	2,548
Maintenance	27,540	27,540	16,630	10,910
Purchased and contracted services	434,510	539,005	319,526	219,479
Other services and charges	77,500	77,500	70,505	6,995
Capital outlay	1,180,000	1,180,000	250,068	929,932
Debt service				
Principal	710,000	710,000	710,000	-
Interest	<u>423,354</u>	<u>423,354</u>	<u>423,354</u>	<u>-</u>
Total expenditures	<u>3,090,439</u>	<u>3,194,934</u>	<u>2,024,813</u>	<u>1,170,121</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(683,054)</u>	<u>(599,522)</u>	<u>267,495</u>	<u>867,017</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	855,134	541,634	84,995	(456,639)
Transfers out	<u>(25,000)</u>	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>830,134</u>	<u>516,634</u>	<u>59,995</u>	<u>(456,639)</u>
NET CHANGE IN FUND BALANCE	147,080	(82,888)	327,490	410,378
FUND BALANCE, BEGINNING	<u>2,025,809</u>	<u>2,025,809</u>	<u>2,025,809</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 2,172,889</u>	<u>\$ 1,942,921</u>	<u>\$ 2,353,299</u>	<u>\$ 410,378</u>

CITY OF MARBLE FALLS, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED SEPTEMBER 30, 2018

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.

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

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

General Improvements– to account for debt issues that were received for streets and drainage, public works, parks, water and sewer capital projects.

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

CITY OF MARBLE FALLS, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2018

	Special Revenue			
	Hotel/Motel Tax	Police Forfeiture	Trunked Radio System	Impact Fee Fund
ASSETS				
Cash and investments	\$ 566,490	\$ 60,768	\$ 91,213	\$ 4,658
Other taxes receivable	181,826	-	-	-
Due from other funds	-	-	-	-
	<u>748,316</u>	<u>60,768</u>	<u>91,213</u>	<u>4,658</u>
LIABILITIES				
Accounts payable	70,084	-	4,722	4,658
Due to other funds	-	-	-	-
Total liabilities	<u>70,084</u>	<u>-</u>	<u>4,722</u>	<u>4,658</u>
FUND BALANCES				
Restricted	678,232	60,768	86,491	-
Unassigned	-	-	-	-
Total fund balances	<u>678,232</u>	<u>60,768</u>	<u>86,491</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 748,316</u>	<u>\$ 60,768</u>	<u>\$ 91,213</u>	<u>\$ 4,658</u>

<u>Special Revenue</u>		<u>Capital Projects</u>		<u>Total Nonmajor Governmental Funds</u>
<u>Building Security Fund</u>	<u>CDBG 2016 Grant</u>	<u>Parks Improvement</u>	<u>General Improvements</u>	
\$ 7,437	\$ 597	\$ -	\$ 290,608	\$ 1,021,771
-	-	-	-	181,826
-	-	-	226,092	226,092
<u>7,437</u>	<u>597</u>	<u>-</u>	<u>516,700</u>	<u>1,429,689</u>
1,058	-	-	-	80,522
-	-	187,390	-	187,390
<u>1,058</u>	<u>-</u>	<u>187,390</u>	<u>-</u>	<u>267,912</u>
6,379	597	-	516,700	1,349,167
-	-	(187,390)	-	(187,390)
<u>6,379</u>	<u>597</u>	<u>(187,390)</u>	<u>516,700</u>	<u>1,161,777</u>
<u>\$ 7,437</u>	<u>\$ 597</u>	<u>\$ -</u>	<u>\$ 516,700</u>	<u>\$ 1,429,689</u>

CITY OF MARBLE FALLS, TEXAS

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

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Special Revenue			
	Hotel/Motel Tax	Police Forfeiture	Trunked Radio System	Impact Fee Fund
REVENUES				
Hotel/motel taxes	\$ 696,135	\$ -	\$ -	\$ -
Fines and fees	-	4,255	-	62,400
Intergovernmental	-	-	36,343	-
Investment earnings	-	548	-	-
Total revenues	696,135	4,803	36,343	62,400
EXPENDITURES				
Current:				
General government	-	-	-	40,000
Public safety	-	9,303	29,337	-
Culture and recreation	441,098	-	-	-
Capital outlay	148,607	-	-	-
Total expenditures	589,705	9,303	29,337	40,000
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	106,430	(4,500)	7,006	22,400
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	31,900	-
Transfers out	(83,025)	-	-	(22,400)
Total other financing sources (uses)	(83,025)	-	31,900	(22,400)
NET CHANGE IN FUND BALANCES	23,405	(4,500)	38,906	-
FUND BALANCES, BEGINNING	654,827	65,268	47,585	-
FUND BALANCES, ENDING	\$ 678,232	\$ 60,768	\$ 86,491	\$ -

<u>Special Revenue</u>		<u>Capital Projects</u>		<u>Total Nonmajor Governmental Funds</u>
<u>Building Security Fund</u>	<u>CDBG 2016 Grant</u>	<u>Parks Improvement</u>	<u>General Improvements</u>	
\$ -	\$ -	\$ -	\$ -	\$ 696,135
3,346	-	-	-	70,001
-	256,800	-	196,370	489,513
-	-	-	21,392	21,940
<u>3,346</u>	<u>256,800</u>	<u>-</u>	<u>217,762</u>	<u>1,277,589</u>
41,094	-	-	47,903	128,997
-	33,775	-	-	72,415
-	-	-	-	441,098
-	263,203	191,289	587,393	1,190,492
<u>41,094</u>	<u>296,978</u>	<u>191,289</u>	<u>635,296</u>	<u>1,833,002</u>
(37,748)	(40,178)	(191,289)	(417,534)	(555,413)
-	-	-	722,887	722,887
-	10,350	-	-	42,250
-	-	-	-	(105,425)
<u>-</u>	<u>10,350</u>	<u>-</u>	<u>722,887</u>	<u>659,712</u>
(37,748)	(29,828)	(191,289)	305,353	104,299
<u>44,127</u>	<u>30,425</u>	<u>3,899</u>	<u>211,347</u>	<u>1,057,478</u>
<u>\$ 6,379</u>	<u>\$ 597</u>	<u>\$(187,390)</u>	<u>\$ 516,700</u>	<u>\$ 1,161,777</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Hotel/motel taxes	\$ 660,000	\$ 660,000	\$ 696,135	\$ 36,135
Investment earnings	<u>100</u>	<u>100</u>	<u>-</u>	<u>(100)</u>
Total revenues	<u>660,100</u>	<u>660,100</u>	<u>696,135</u>	<u>36,035</u>
EXPENDITURES				
Current:				
Services	368,262	368,262	375,710	(7,448)
Other	250	250	388	(138)
Local assistance	49,000	66,500	65,000	1,500
Capital outlay	<u>138,805</u>	<u>148,310</u>	<u>148,607</u>	<u>(297)</u>
Total expenditures	<u>556,317</u>	<u>583,322</u>	<u>589,705</u>	<u>(6,383)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>103,783</u>	<u>76,778</u>	<u>106,430</u>	<u>29,652</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(83,005)</u>	<u>(83,005)</u>	<u>(83,025)</u>	<u>(20)</u>
Total other financing sources (uses)	<u>(83,005)</u>	<u>(83,005)</u>	<u>(83,025)</u>	<u>(20)</u>
NET CHANGE IN FUND BALANCE	20,778	(6,227)	23,405	29,632
FUND BALANCE, BEGINNING	<u>654,827</u>	<u>654,827</u>	<u>654,827</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 675,605</u>	<u>\$ 648,600</u>	<u>\$ 678,232</u>	<u>\$ 29,632</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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines and fees	\$ -	\$ -	\$ 4,255	\$ 4,255
Investment earnings	<u>278</u>	<u>278</u>	<u>548</u>	<u>270</u>
Total revenues	<u>278</u>	<u>278</u>	<u>4,803</u>	<u>4,525</u>
EXPENDITURES				
Current:				
Supplies	30,000	30,000	7,850	22,150
Other services and charges	<u>5,000</u>	<u>5,000</u>	<u>1,453</u>	<u>3,547</u>
Total expenditures	<u>35,000</u>	<u>35,000</u>	<u>9,303</u>	<u>25,697</u>
NET CHANGE IN FUND BALANCE	(34,722)	(34,722)	(4,500)	30,222
FUND BALANCE, BEGINNING	<u>65,268</u>	<u>65,268</u>	<u>65,268</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 30,546</u>	<u>\$ 30,546</u>	<u>\$ 60,768</u>	<u>\$ 30,222</u>

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STATISTICAL SECTION

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STATISTICAL SECTION

(Unaudited)

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

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

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TABLE 1

CITY OF MARBLE FALLS, TEXAS

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities:										
Net investment in capital assets	\$ 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	\$ 4,808,202
Restricted	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	3,279,017
Unrestricted	(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	2,196,849
Total governmental activities net position	\$ <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>	\$ <u>10,284,068</u>
Business-type activities:										
Net investment in capital assets	\$ 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	\$ 16,806,620
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	6,183,360	(649,073)	(5,517,036)	(167,021)	(3,193,075)	(3,708,817)	(3,708,817)	(120,647)	(2,522,088)	(3,105,947)
Total business-type activities net position	\$ <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>	\$ <u>13,700,673</u>
Primary government:										
Net investment in capital assets	\$ 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	\$ 21,614,822
Restricted	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	3,279,017
Unrestricted	(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)	(909,098)
Total primary government net position	\$ <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>	\$ <u>23,984,741</u>

CITY OF MARBLE FALLS, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

	Fiscal Year			
	2009	2010	2011	2012
EXPENSES				
Governmental activities:				
General government	\$ 3,001,249	\$ 2,912,799	\$ 2,448,150	\$ 2,773,415
Public safety	5,646,443	5,677,405	5,683,286	5,530,785
Public works	1,885,591	2,505,782	2,717,226	3,068,214
Culture and recreation	1,062,156	1,124,241	1,082,266	1,146,016
Interest on long-term debt	1,079,296	1,404,037	1,511,314	1,494,575
Total governmental activities expenses	<u>12,674,735</u>	<u>13,624,264</u>	<u>13,442,242</u>	<u>14,013,005</u>
Business-type activities:				
Water and wastewater	4,352,380	4,421,786	4,755,391	4,873,802
Total business-type activities expenses	<u>4,352,380</u>	<u>4,421,786</u>	<u>4,755,391</u>	<u>4,873,802</u>
Total primary government program expenses	<u>\$ 17,027,115</u>	<u>\$ 18,046,050</u>	<u>\$ 18,197,633</u>	<u>\$ 18,886,807</u>
PROGRAM REVENUES				
Governmental activities:				
Charges for services:				
General government	\$ 555,515	\$ 544,704	\$ 422,428	\$ 343,192
Public safety	15,465	48,202	125,453	143,310
Public works	17,153	17,710	48,583	76,662
Culture and recreation	98,926	111,208	127,151	121,577
Total charges for services	<u>687,059</u>	<u>721,824</u>	<u>723,615</u>	<u>684,741</u>
Operating grants and contributions	604,032	592,418	269,845	78,620
Capital grants and contributions	346,435	-	-	-
Total governmental activities program revenues	<u>1,637,526</u>	<u>1,314,242</u>	<u>993,460</u>	<u>763,361</u>
Business-type activities:				
Charges for services	3,556,786	3,107,039	3,913,067	3,550,400
Capital grants and contributions	2,125,837	233,368	-	1,352,500
Total business-type activities program revenues	<u>5,682,623</u>	<u>3,340,407</u>	<u>3,913,067</u>	<u>4,902,900</u>
Total primary government program revenues	<u>\$ 7,320,149</u>	<u>\$ 4,654,649</u>	<u>\$ 4,906,527</u>	<u>\$ 5,666,261</u>

TABLE 2

		Fiscal Year									
		2013	2014	2015	2016	2017	2018				
\$	2,736,605	\$	3,615,994	\$	3,909,769	\$	4,181,958	\$	4,205,152	\$	3,990,324
	5,447,990		5,346,306		5,580,292		4,866,672		5,385,714		5,587,223
	3,210,567		3,236,700		3,222,080		3,220,604		3,433,441		3,630,999
	1,089,241		1,195,731		1,225,259		1,282,565		1,434,383		1,592,267
	1,333,648		1,355,703		1,484,261		1,285,496		1,736,608		1,288,511
	<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>16,089,324</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>5,745,262</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>5,745,262</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>	\$	<u>21,834,586</u>
\$	321,446	\$	351,424	\$	318,716	\$	392,483	\$	420,557	\$	431,239
	130,912		167,384		168,410		183,732		212,896		220,210
	39,043		66,125		136,919		145,689		233,880		167,184
	<u>113,650</u>		<u>131,589</u>		<u>139,471</u>		<u>175,899</u>		<u>194,374</u>		<u>167,472</u>
	<u>605,051</u>		<u>716,522</u>		<u>763,516</u>		<u>897,803</u>		<u>1,061,707</u>		<u>986,105</u>
	272,770		499,805		201,338		236,577		222,627		665,202
	54,630		-		-		155,713		-		-
	<u>932,451</u>		<u>1,216,327</u>		<u>964,854</u>		<u>1,290,093</u>		<u>1,284,334</u>		<u>1,651,307</u>
	3,840,593		4,106,512		4,091,722		4,340,250		4,966,903		5,162,432
	<u>367,738</u>		<u>379,524</u>		<u>155,000</u>		<u>146,850</u>		<u>155,000</u>		<u>125,260</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>5,287,692</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>	\$	<u>6,938,999</u>

CITY OF MARBLE FALLS, TEXAS

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

	Fiscal Year			
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
NET (EXPENSE) REVENUES				
Governmental activities	\$(11,037,209)	\$(12,310,022)	\$(12,448,782)	\$(13,249,644)
Business-type activities	<u>1,330,243</u>	<u>(1,081,379)</u>	<u>(842,324)</u>	<u>29,098</u>
Total primary government net expense	<u>(9,706,966)</u>	<u>(13,391,401)</u>	<u>(13,291,106)</u>	<u>(13,220,546)</u>
 GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
Governmental activities:				
Taxes				
Property	3,803,048	3,995,373	4,034,744	4,074,096
Sales	6,095,187	5,819,527	5,877,763	6,014,725
Franchise	421,100	527,617	505,866	519,081
Other	322,280	502,606	421,209	418,000
Investment earnings	246,872	21,898	51,621	20,734
Loss/gain on sale of assets	45,077	225,856	215,384	-
Miscellaneous	448,573	309,554	43,166	116,511
Transfers	<u>500,767</u>	<u>(5,026,429)</u>	<u>478,834</u>	<u>(1,947,172)</u>
Total governmental activities	<u>11,882,904</u>	<u>6,376,002</u>	<u>11,628,587</u>	<u>9,215,975</u>
Business-type activities:				
Investment earnings	82,882	2,643	602	4,713
Loss/gain on sale of assets	-	244,723	-	-
Transfers	<u>(500,767)</u>	<u>5,026,429</u>	<u>(478,834)</u>	<u>1,947,172</u>
Total business-type activities	<u>(417,885)</u>	<u>5,273,795</u>	<u>(478,232)</u>	<u>1,951,885</u>
Total primary government	<u>11,465,019</u>	<u>11,649,797</u>	<u>11,150,355</u>	<u>11,167,860</u>
 CHANGE IN NET POSITION				
Governmental activities	845,695	(5,934,020)	(820,195)	(4,033,669)
Business-type activities	<u>912,358</u>	<u>4,192,416</u>	<u>(1,320,556)</u>	<u>1,980,983</u>
Total primary government	<u>\$ 1,758,053</u>	<u>\$(1,741,604)</u>	<u>\$(2,140,751)</u>	<u>\$(2,052,686)</u>

TABLE 2

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$(12,885,600)	\$(13,534,107)	\$(14,456,807)	\$(13,547,202)	\$(14,910,964)	\$(14,438,017)
<u>(878,405)</u>	<u>(1,126,575)</u>	<u>(1,068,214)</u>	<u>(1,097,211)</u>	<u>(665,128)</u>	<u>(457,570)</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>	<u>(14,895,587)</u>
4,104,048	4,281,225	4,500,973	4,701,079	4,815,932	5,148,352
6,754,361	7,185,011	7,436,165	7,856,341	8,536,450	8,762,727
508,627	521,249	595,443	578,961	539,247	583,840
637,407	584,337	675,904	691,646	737,042	755,357
17,644	7,975	7,376	61,500	137,190	181,545
-	117,589	80,571	106,824	160,233	485,962
183,678	125,269	143,445	88,702	125,819	91,585
356,143	237,986	<u>(1,337,745)</u>	116,213	200,173	338,950
<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>	<u>16,348,318</u>
1,531	17,620	17,544	21,450	48,918	24,542
-	-	-	-	-	-
<u>(356,143)</u>	<u>(237,986)</u>	<u>1,337,745</u>	<u>(91,213)</u>	<u>(200,173)</u>	<u>(338,950)</u>
<u>(354,612)</u>	<u>(220,366)</u>	<u>1,355,289</u>	<u>(69,763)</u>	<u>(151,255)</u>	<u>(314,408)</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>	<u>16,033,910</u>
(323,692)	(473,466)	(2,354,675)	654,064	341,122	1,910,301
<u>(1,233,017)</u>	<u>(1,346,941)</u>	<u>287,075</u>	<u>(1,166,974)</u>	<u>(816,383)</u>	<u>(771,978)</u>
<u>\$(1,556,709)</u>	<u>\$(1,820,407)</u>	<u>\$(2,067,600)</u>	<u>\$(512,910)</u>	<u>\$(475,261)</u>	<u>\$ 1,138,323</u>

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CITY OF MARBLE FALLS, TEXAS

**FUND BALANCES
GOVERNMENTAL FUNDS**

LAST TEN FISCAL YEARS

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General fund										
Non-spendable	\$ 2,564	\$ 1,319	\$ 7,575	\$ 2,881	\$ 8,841	\$ 13,229	\$ 15,681	\$ 1,248	\$ 1,248	\$ 5,792
Unassigned	<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>	<u>1,983,924</u>
Total general fund	<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>	<u>\$ 1,989,716</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	\$ 10,389,421
Unassigned, reported in:										
Special revenue funds	2,484,578	1,422,918	(26,819)	(26,924)	(58,872)	(26,918)	(242,145)	(223,746)	(10,298)	(187,390)
Capital projects funds	8,183,155	3,062,898	(201,456)	(236,409)	(250,872)	(196,829)	-	-	-	-
Debt service funds	<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>	<u>(80,737)</u>
Total all other governmental funds	<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>	<u>\$ 10,121,294</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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
REVENUES										
Taxes	\$ 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	\$ 15,242,805
Intergovernmental	349,410	581,306	311,455	182,098	364,980	636,107	349,410	367,320	322,480	851,994
Charges for services	358,531	367,448	352,602	332,242	309,488	380,285	358,531	427,991	484,352	469,572
Fines	256,367	331,153	314,459	241,594	226,467	196,119	256,367	295,414	338,164	232,020
Investment earnings	7,376	21,898	14,935	20,734	17,644	7,975	7,376	61,500	137,190	181,545
Other revenues	151,999	337,293	113,181	131,944	102,130	61,881	151,999	275,432	253,868	161,846
Total revenues	<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>	<u>17,139,782</u>
EXPENDITURES										
General government	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	3,388,872
Public safety	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	5,219,200
Public works	1,006,873	1,048,398	857,364	876,789	858,697	923,402	1,006,873	1,066,985	1,148,508	1,189,947
Culture and recreation	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	1,421,830
Capital outlay	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	2,243,067
Debt service										
Principal	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	3,322,964
Interest	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	1,359,716
Bond issuance cost	-	-	225,666	118,729	-	131,618	400	51,892	387,363	4,600
Total expenditures	<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>	<u>18,150,196</u>

TABLE 4

CITY OF MARBLE FALLS, TEXAS

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
EXCESS OF REVENUES OVER (UNDER)										
EXPENDITURES	<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>	<u>\$(1,010,414)</u>
OTHER FINANCING SOURCES (USES)										
Bonds issued	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 agent	-	-	-	(4,415,261)	-	-	-	(3,782,686)	(6,919,367)	-
Capital lease proceeds	-	-	-	-	-	-	-	-	23,615	479,387
Sale of asset proceeds	45,077	225,856	220,828	154,536	145,721	263,675	80,571	106,824	266,894	839,389
Proceeds from insurance	-	-	-	-	120,529	74,090	-	11,602	14,481	24,647
Transfers in	1,317,647	1,327,300	1,648,719	1,248,269	941,946	1,022,775	630,347	577,043	833,820	491,275
Transfers out	(816,880)	(1,823,729)	(1,169,885)	(645,941)	(585,803)	(809,789)	(793,092)	(490,830)	(673,647)	(197,325)
Total other financing sources (uses)	<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>	<u>1,637,373</u>
NET CHANGE IN FUND BALANCES	<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>	<u>\$ 626,959</u>
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	<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>28.53%</u>	<u>29.43%</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>
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
2018	818,119,036	400,002,343	28,583,160	194,893,192	1,051,811,347	2.3180	815,061,904

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
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	40,464,984	2.3180	1.2786	0.3969
2018	0.6150	37,193,430	2.2816	1.2686	0.3900

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	2018		2009	
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
Worldmark the Club	\$ 16,030,944	1.913%	**	**
HTA- Marble Falls MOB LLC	14,321,840	1.709%	4,637,882	0.938%
Bray Spaar Partnership	14,000,000	1.671%	**	**
Huber Carbonates LLC	12,109,409	1.445%	**	**
Wal-Mart Stores Inc 01-0781	9,662,147	1.153%	**	**
Perdernaes Electric Co-Op	9,640,372	1.150%	**	**
L Dor V Dor LLC	7,300,021	0.871%	10,376,283	2.099%
Marble Falls TX Arbor House Lp	6,603,205	0.788%	**	**
Heritage Hotels Marble Falls Ltd	6,598,816	0.787%	14,511,258	2.936%
Lowe's Home Centers Inc	<u>6,305,000</u>	<u>0.752%</u>	**	**
	<u>\$ 102,571,754</u>	<u>12.239%</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 2009.

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

Fiscal Year Ended	Taxes Levied for the Fiscal Year	Collected With the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
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%
2018	5,119,048	5,079,790	99.23%	-	5,079,790	99.23%

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>
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%
2017-18	8,762,727	8.25%

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

Fiscal Year	Governmental Activities					Business-type Activities					Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Tax Notes	Notes Payable	Capital Lease	Premiums / Discounts	Water Revenue Bonds	Tax Notes	Notes Payable	Capital Lease	Premiums / Discounts			
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
2018	36,167,840	-	-	713,204	1,025,590	22,627,160	-	-	318,890	972,764	61,825,448	0.002	8,954

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		
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	40,464,984	40,464,984	5.44%	6,325.62
2018	37,193,430	37,193,430	4.56%	5,386.45

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, 2018

<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	\$ 55,065,000	24.340%	\$ 13,402,821
Burnet County General Obligation Debt	17,990,000	16.490%	2,966,551
Subtotal overlapping debt			
City direct debt	58,795,000	100.000%	<u>58,795,000</u>
Total direct and overlapping debt			<u>\$ 75,164,372</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	\$ 837,800,028
Debt applicable to limit:	
General obligation bonds	
Less: Amount set aside for repayment of general obligation debt	37,193,430
Total net debt applicable to limit	(37,193,430)
Legal debt margin	<u>\$ 800,606,598</u>

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt limit	\$ 596,081,363	\$ 638,075,046	\$ 572,437,375	\$ 577,490,755	\$ 575,499,669	\$ 600,546,263	\$ 635,518,195	\$ 672,759,187	\$ 837,800,028	\$ 837,800,028
Total net debt applicable to limit	<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>	<u>37,193,430</u>
Legal debt margin	<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>\$ 798,467,188</u>	<u>\$ 800,606,598</u>
Total net debt applicable to the limit as a percentage of debt limit.	3.83%	4.40%	6.26%	5.77%	5.76%	6.35%	5.87%	5.164%	4.695%	4.439%

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		
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	
2018	5,095,938	3,034,187	2,061,751	2,455,000	920,068	0.61	

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
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%
2018	6,905	59,434	24,994	1.7%

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	2018		2009	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Marble Falls ISD	680	12.84%	625	**
Baylor Scott & White	445	8.40%	**	**
H.E.B. Grocery Company	340	6.42%	390	**
Wal-Mart Corporation	285	5.38%	189	**
Lowe's	125	2.36%	**	**
Granite Mesa	115	2.17%	**	**
City of Marble Falls	111	2.10%	120	**
The Home Depot	110	2.08%	96	**
Johnson-Sewell Ford Lincoln Mercury	105	1.98%	119	**
Gibraltar	85	1.61%	**	**
Total	<u>2,401</u>		<u>1,539</u>	

Source: Marble Falls Economic Development Corporation and personal telephone interviews

** Data not available for employer in 2009.

TABLE 17

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

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government										
Management services	2	2	2	3	5	4	4	4	4	4
Finance	5	5	5	5	5	4	4	4	4	4
Planning	6	6	6	6	5	4	4	4	5	4
Building	5	5	5	6	7	4	4	4	5	5
Other	3	3	4	4	-	-	-	-	-	-
Human resources	1	1	1	2	2	1	1	1	1	1
Court	3	3	3	3	3	2	2	2	3	3.5
Police										
Officers	27	26	25	24	20	19	19	19	20	21
Civilians	13	13	15	15	15	12	12	12	12	13
Fire										
Firefighters and officers	17	15	15	15	15	15	15	15	15	15
Other public works										
Other	13	13	13	13	13	12	11	11	11	11
Parks and recreation	11	11	11	11	11	9	9	9	9	11
Water	14	14	14	14	14	11	11	11	12	13
Wastewater	10	10	10	10	10	9	10	10	10	10
Total	130	127	129	131	125	106	106	106	111	116

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	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government										
Building permits issued	952	662	564	564	259	259	641	793	726	726
Building inspections conducted	1,490	1,201	1,108	3,289	1,515	1,377	938	2,700	1,479	1,751
Police										
Physical arrests	1,154	661	993	959	934	837	718	739	665	503
Parking violations	60	26	22	35	31	25	20	12	25	7
Traffic violations	3,840	2,508	1,650	1,062	2,101	1,762	998	1,317	1,195	1,278
Fire										
Emergency responses	1,212	765	821	821	1,215	1,234	1,291	1,538	1,746	1,601
Fires extinguished	17	9	12	12	10	6	4	7	40	49
Inspections	874	849	771	840	239	211	357	392	309	597
Other public works										
Street resurfacing (miles)	5	3	4	2	1	2	5	2	1	2
Tonnage to repair potholes	1,200	1,993	1,240	600	160	150	204	500	450	475
Parks and recreation										
Community center admissions	128	130	139	240	186	160	191	266	213	191
Library										
Volumes in collection	46,487	44,323	43,512	43,512	39,590	39,590	41,109	40,594	41,851	40,507
Total volumes borrowed	158,005	148,999	149,229	149,229	198,785	198,785	106,585	136,317	114,200	117,698
Water										
New connections	565	593	1,131	490	582	582	590	497	424	538
Water main breaks	65	210	208	200	104	125	108	150	110	126
Average daily consumption (thousands of gallons)	1,612	1,233	1,445	1,500	1,500	1,522	1,416	1,352	1,419	1,421
Peak daily consumption (thousands of gallons)	2,810	2,058	2,397	2,400	2,132	2,005	2,066	2,555	2,800	2,458
Wastewater										
Average daily sewage treatment (thousands of gallons)	621	625	636	675	820	860	998	981	1,024	1,189

Source: Various City departments

TABLE 19

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

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	20	25	25	25	11	15	15	15	15	27
Fire										
Stations	1	1	1	1	1	1	1	1	1	1
Public works										
Streets (miles)	52	60	60	60	62	62	62	64	64	65
Highways (miles)	14	14	14	14	15.2	15.2	15.2	15.2	15.2	15.2
Streetlights	364	448	448	448	448	448	595	599	599	606
Traffic signals	14	14	14	14	14	14	14	15	15	15
Parks and recreation										
Acreage	99	123	123	123	127	127	130	130	150	153
Playgrounds	4	6	6	6	6	4	4	4	4	6
Baseball/softball diamonds	8	8	8	8	8	4	4	4	4	4
Soccer/football fields	9	9	3	3	3	8	8	8	8	8
Community centers	1	1	1	1	1	1	1	2	2	2
Water										
Water mains (miles)	55	83	83	83	84	84	95	95	96	98
Fire hydrants	544	544	544	544	544	544	582	589	606	626
Storage capacity (thousands of gallons)	1,889	2,939	2,739	2,739	2,939	2,939	3,479	3,419	3,419	3,488
Wastewater										
Sanitary sewers (miles)	56	63	63	63	63	63	68	68	68	68
Storm sewers (miles)	12	12	12	12	12	12	12	12	12	12
Treatment capacity (thousands of gallons)	980	980	980	980	980	980	980	1,500	1,500	1,500

Source: Various City departments

COMPLIANCE SECTION

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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, 2018, 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 14, 2019.

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 14, 2019