



COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR FISCAL YEAR ENDED
SEPTEMBER 30, 2011**



COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR FISCAL YEAR ENDED
SEPTEMBER 30, 2011**

Prepared by the
Finance Department

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CITY OF MARBLE FALLS, TEXAS

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INTRODUCTORY SECTION

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February 20, 2012

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

The Comprehensive Annual Financial Report (CAFR) of the City of Marble Falls (the "City") for the fiscal year ended September 30, 2011, 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, 2011, are free of material misstatement. The independent audit involved examining on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Marble Falls' financial statements for fiscal year ended September 30, 2011, are presented in conformity with Generally Accepted Accounting Principles.

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

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

The City of Marble Falls' financial policy is to maintain a minimum fund balance of 25% of the current operations and maintenance budget for the City departments within the General Fund. The Utility Fund emphasis is providing sufficient funds as a relationship between revenues and expenses to meet requirements for future debt issuance. For FY 2011-2012, consideration was given to the current recession that is affecting our nation. We will monitor closely the trends on our major sources of General Fund revenues, sales taxes and property taxes; so that we may make adjustments if needed.

PROFILE OF THE CITY

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

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

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

FACTORS AFFECTING FINANCIAL CONDITION

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

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

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

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

AWARDS AND ACKNOWLEDGEMENTS

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Marble Falls for its comprehensive annual financial report for the fiscal year ended September 30, 2010. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both Generally Accepted Accounting Principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

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

Respectfully submitted,



Ralph Hendricks
City Manager



Margie Cardenas
Director of Finance

CITY OF MARBLE FALLS, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2011

MAYOR

George W. Russell

MAYOR PRO TEM

Allan Garrett

COUNCILMEMBERS

Jane Marie Hurst
Richard Lewis
Ryan Nash
John Packer
Sharon Pittard

CITY MANAGER

Ralph Hendricks

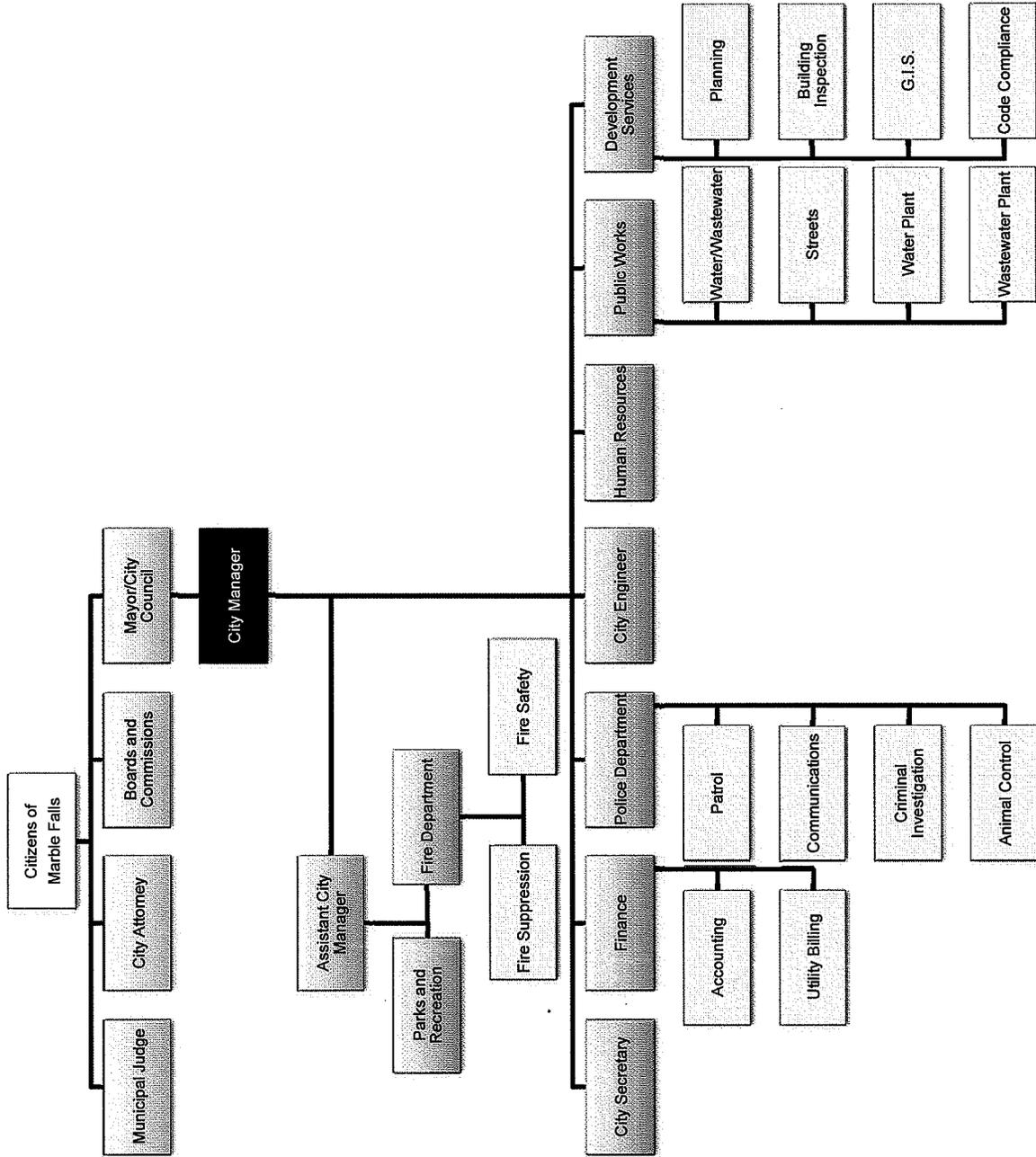
CITY ATTORNEY

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

PREPARED BY:

Finance Department
Margie Cardenas, Director of Finance

City of Marble Falls Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to
City of Marble Falls
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2010

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



Linda C. Danison

President

Jeffrey R. Enos

Executive Director

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Marble Falls, Texas, as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Marble Falls, Texas' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marble Falls, Texas, as of September 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 20, 2012, on our consideration of the City of Marble Falls, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 48 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Patillo, Brown & Hill, L.L.P.

February 20, 2012

**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, 2011. 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, 2011, by \$31,652,264 (net assets). Of this amount, \$(9,287,592) is unrestricted net assets.
- The City's net assets decreased by \$2,140,751.
- As of the close of the current fiscal year, the City of Marble Falls governmental funds reported combined ending fund balances of \$13,081,415. \$441,672 of this amount is unassigned and available for use within the City's fund designation and policy.
- As of September 30, 2011, unassigned fund balance for the General Fund was \$669,947 or 8.22% of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

The Statement of Activities presents information showing how the City's net assets changed during the fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but not used compensated absences). Both the statement of net assets and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

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

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used by state and local governments to control and manage money for particular purposes and to ensure finance-related legal requirements. The City uses two fund types – governmental and proprietary.

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

The City maintains 16 governmental funds. Information is presented separately in the governmental funds balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Economic Development Corporation Fund, Debt Service Fund, General Improvements, all of which are considered to be major funds. The other 12 funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements found in this report.

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

Reporting the City's Fiduciary Responsibility

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's net assets exceed liabilities by \$31.7 million as of September 30, 2011. The largest portion of the City's net assets reflects its investments in capital assets (e.g., land, building, equipment, improvements, construction in progress and infrastructure), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. It should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF MARBLE FALLS' NET ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 14,663,664	\$ 6,583,805	\$ 1,304,390	\$ 3,369,537	\$ 15,968,054	\$ 9,953,342
Capital assets	<u>41,192,874</u>	<u>41,753,365</u>	<u>32,464,444</u>	<u>31,853,444</u>	<u>73,657,318</u>	<u>73,606,809</u>
Total assets	<u>55,856,538</u>	<u>48,337,170</u>	<u>33,768,834</u>	<u>35,222,981</u>	<u>89,625,372</u>	<u>83,560,151</u>
Current liabilities	1,102,386	1,297,908	767,227	742,098	1,869,613	2,040,006
Noncurrent liabilities	<u>38,361,003</u>	<u>29,825,918</u>	<u>17,742,492</u>	<u>17,901,212</u>	<u>56,103,495</u>	<u>47,727,130</u>
Total liabilities	<u>39,463,389</u>	<u>31,123,826</u>	<u>18,509,719</u>	<u>18,643,310</u>	<u>57,973,108</u>	<u>49,767,136</u>
Net assets:						
Invested in capital assets, net of related debt	7,531,537	19,625,996	20,776,151	17,228,744	28,307,688	36,854,740
Restricted	12,632,168	4,511,331	-	-	12,632,168	4,511,331
Unrestricted	<u>(3,770,556)</u>	<u>(6,923,983)</u>	<u>(5,517,036)</u>	<u>(649,073)</u>	<u>(9,287,592)</u>	<u>(7,573,056)</u>
Total net assets	<u>\$ 16,393,149</u>	<u>\$ 17,213,344</u>	<u>\$ 15,259,115</u>	<u>\$ 16,579,671</u>	<u>\$ 31,652,264</u>	<u>\$ 33,793,015</u>

The restricted portion of the City's net assets (39.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets is \$(9,287,592).

Analysis of the City's Operations

The following table provides a summary of the City's operations for the year ended September 30, 2011. Governmental activities decreased the City of Marble Falls' net assets by \$(820,195), accounting for a (2.4)% decrease in net assets. The decrease in the governmental activities is mainly due to the decrease of operating grants and contributions, franchise tax, and other taxes. Business-type activities decreased the City's net assets by \$(1,320,556) accounting for (3.9)% decrease in net assets. The decrease in the business-type activities is due to the increase of expenses.

CITY OF MARBLE FALLS' CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 723,615	\$ 721,824	\$ 3,913,067	\$ 3,107,039	\$ 4,636,682	\$ 3,828,863
Operating grants and contributions	269,845	592,418	-	-	269,845	592,418
Capital grants and contributions	-	-	-	233,368	-	233,368
General revenues:						
Property taxes	4,034,744	3,995,373	-	-	4,034,744	3,995,373
Sales taxes	5,877,763	5,819,527	-	-	5,877,763	5,819,527
Franchise taxes	505,866	527,617	-	-	505,866	527,617
Other taxes	421,209	502,606	-	-	421,209	502,606
Investment earnings	51,621	21,898	602	2,643	52,223	24,541
Gain on sale of assets	215,384	225,856	-	244,723	215,384	470,579
Miscellaneous	43,166	309,554	-	-	43,166	309,554
Total revenues	<u>12,143,213</u>	<u>12,716,673</u>	<u>3,913,669</u>	<u>3,587,773</u>	<u>16,056,882</u>	<u>16,304,446</u>
Expenses:						
General government	2,448,150	2,912,799	-	-	2,448,150	2,912,799
Public safety	5,683,286	5,677,405	-	-	5,683,286	5,677,405
Public works	2,717,226	2,505,782	-	-	2,717,226	2,505,782
Culture and recreation	1,082,266	1,124,241	-	-	1,082,266	1,124,241
Interest on long-term debt	1,511,314	1,404,037	-	-	1,511,314	1,404,037
Water and wastewater	-	-	4,755,391	4,421,786	4,755,391	4,421,786
Total expenses	<u>13,442,242</u>	<u>13,624,264</u>	<u>4,755,391</u>	<u>4,421,786</u>	<u>18,197,633</u>	<u>18,046,050</u>
Increases (decreases) in net assets before transfers						
	(1,299,029)	(907,591)	(841,722)	(834,013)	(2,140,751)	(1,741,604)
Transfers						
	<u>478,834</u>	<u>(5,026,429)</u>	<u>(478,834)</u>	<u>5,026,429</u>	<u>-</u>	<u>-</u>
Change in net assets						
	(820,195)	(5,934,020)	(1,320,556)	4,192,416	(2,140,751)	(1,741,604)
Net assets, beginning						
	<u>17,213,344</u>	<u>23,147,364</u>	<u>16,579,671</u>	<u>12,387,255</u>	<u>33,793,015</u>	<u>35,534,619</u>
Net assets, ending						
	<u>\$ 16,393,149</u>	<u>\$ 17,213,344</u>	<u>\$ 15,259,115</u>	<u>\$ 16,579,671</u>	<u>\$ 31,652,264</u>	<u>\$ 33,793,015</u>

Government Funds

In the General Fund, fund balance increased by \$32,051. The increase was due mainly due to the decrease of general government expenditures and public works expenditures. The Debt Service Fund balance increased by \$137,955 due to decreased debt payments.

The Economic Development Corporation Fund balance increased by \$322,490. The increase is due to a decrease in capital expenditures.

The General Improvements Fund balance increased by \$7,857,023. The increase was due mainly due to an increase in capital-related debt that was issued during the year.

Proprietary Fund

Unrestricted net assets of the proprietary fund (water and sewer) was \$(5,517,036). The net assets of the Water and Sewer Fund decreased by \$(1,320,556).

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 \$17,550 from the original budget of \$8,474,180 to the revised budget of \$8,491,730 or 0.2% increase. The majority of this increase was due to an increase in public safety expenditures.

The variance between the final amended budget and actual expenditures was a positive \$343,538. The General Government group actual expenditures were below budget by \$139,026. The expenses were for purchased and contracted services in the Administration Department. Additionally, Public Safety expenditures were below budget by \$259,531. This was mainly due to personnel services costs in the police department.

Capital Assets

- Completed final phase of water and wastewater lines from US 281 Bridge to Scott & White Hospital site. Total spent in FY 10/11 was \$1,283,000.
- Purchased an existing water line and wastewater line to service an area that had been annexed, at a total cost of \$466,904.
- Completed the construction of the skate park at Falls Creek. Total spent in FY 10/11 was \$31,000.
- Began an annual street improvement program and in FY 10/11 we spent \$840,000 in various street throughout the City.
- Purchased land next to Johnson Park in order to expand the existing park in the future. The cost was \$169,000.
- The Public Works Facility was 90% completed during FY 10/11. The facility is a 4,500 square feet building that will office the water and wastewater services, street department and parks maintenance. Total spent in FY 10/11 was \$753,000.
- Completed wastewater line at Avenue U, part of a grant received through the CDBG program. Total spent in FY 10/11 was \$203,000.

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

CITY OF MARBLE FALLS' CAPITAL ASSETS AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Land	\$ 5,218,085	\$ 4,948,290	\$ 681,006	\$ 210,101	\$ 5,899,091	\$ 5,158,391
Buildings and improvements	47,135,121	44,918,163	41,490,177	39,678,708	88,625,298	84,596,871
Machinery and equipment	6,607,663	6,621,835	1,150,875	1,068,875	7,758,538	7,690,710
Construction in progress	1,252,187	1,252,187	1,894,490	1,894,490	3,146,677	3,146,677
Less: accumulated depreciation	(19,020,182)	(15,987,110)	(12,752,104)	(10,998,730)	(31,772,286)	(26,985,840)
Total capital assets, net	\$ 41,192,874	\$ 41,753,365	\$ 32,464,444	\$ 31,853,444	\$ 73,657,318	\$ 73,606,809

Debt Administration

At the end of the current fiscal year, the City had total bonded debt and notes payable of \$54,880,000. Of this amount, \$37,365,000 represents bonded debt backed by the full faith and credit of the City and \$17,515,000 represents payables secured by water and wastewater revenues.

OUTSTANDING DEBT AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Certificates of obligation	\$ 36,765,000	\$ 28,075,000	\$ 15,715,000	\$ 15,700,000	\$ 52,480,000	\$ 43,775,000
Refunding bonds	-	-	1,800,000	2,000,000	1,800,000	2,000,000
Note payable	600,000	950,000	-	-	600,000	950,000
Total	\$ 37,365,000	\$ 29,025,000	\$ 17,515,000	\$ 17,700,000	\$ 54,880,000	\$ 46,725,000

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

	Standard & Poor's
General Obligation Bonds	A

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The entire area surrounding the City of Marble Falls continues to experience unprecedented growth. The City's population is estimated to be in excess of 7,200 in 2011. The City is continuing to focus on Economic Development initiatives.

The City's largest source of revenue in the General Fund is Sales Tax. The City realized an increase of 2.0% from the prior year revenue of \$4,364,645 to \$4,439,457. The 2012 estimate is conservatively projected at \$4,696,000. The Marble Falls Economic Development Corporation is funded by a voter approved, half-cent sales tax, which is used to offer grants and other economic incentives to existing and new businesses. The City's financial management policies, sets the guideline to maintain the fund balance and net assets of the various operating funds at levels sufficient to protect the City's creditworthiness as well as its financial position from unforeseeable emergencies.

The City's second largest source of revenue in the General Fund is ad valorem taxes. The City's tax rate is \$0.6435. This rate consists of a maintenance and operations (M&O) tax rate of \$0.1837 and an Interest and Sinking (debt service) tax rate of \$0.4598. The rate was set based on a net assessed value of \$577,490,755. The assessed values increased about 1% for FY 2011/2012.

Water revenues for 2012 are budgeted at \$2,328,800 which is a 1% increase over the prior year. Sewer revenues are budgeted at \$1,571,000, representing a 3% decrease over the prior year. The City of Marble Falls did not increase the water or sewer rates for FY 2011/2012.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the Finance Department; 800 Third Street; Marble Falls, Texas 78654 or call Margie Cardenas (830) 693-3615 or e-mail mcardenas@ci.marble-falls.tx.us.

**BASIC
FINANCIAL STATEMENTS**

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CITY OF MARBLE FALLS, TEXAS

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 12,471,026	\$ -	\$ 12,471,026
Receivables, net of allowances for uncollectibles			
Taxes	1,263,336	-	1,263,336
Customer accounts	174,980	588,756	763,736
Other	5,696	-	5,696
Due from other governments	141,666	-	141,666
Internal balances	95,575	(95,575)	-
Inventories	-	331,156	331,156
Prepaid items	7,575	-	7,575
Deferred charges	503,810	480,053	983,863
Capital assets:			
Land	5,218,085	681,006	5,899,091
Buildings and improvements	47,135,121	41,490,177	88,625,298
Machinery and equipment	6,607,663	1,150,875	7,758,538
Construction in progress	1,252,187	1,894,490	3,146,677
Accumulated depreciation	(19,020,182)	(12,752,104)	(31,772,286)
Total capital assets, net of accumulated depreciation	41,192,874	32,464,444	73,657,318
 Total assets	55,856,538	33,768,834	89,625,372
LIABILITIES			
Accounts payable	671,827	193,872	865,699
Accrued liabilities	119,870	24,923	144,793
Due to others	41,387	10,644	52,031
Customer deposits	21,332	415,155	436,487
Accrued interest	247,970	122,633	370,603
Noncurrent liabilities:			
Due within one year	2,168,143	793,190	2,961,333
Due in more than one year	36,192,860	16,949,302	53,142,162
Total liabilities	39,463,389	18,509,719	57,973,108
NET ASSETS			
Invested in capital assets, net of related debt	7,531,537	20,776,151	28,307,688
Restricted for:			
Economic development	1,108,127	-	1,108,127
Debt service	36,372	-	36,372
Public safety	192,902	-	192,902
Culture and recreation	359,963	-	359,963
Capital improvements	10,934,804	-	10,934,804
Unrestricted	(3,770,556)	(5,517,036)	(9,287,592)
 Total net assets	\$ 16,393,149	\$ 15,259,115	\$ 31,652,264

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, 2011

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental activities:			
General government	\$ 2,448,150	\$ 422,428	\$ 119,933
Public safety	5,683,286	125,453	88,777
Public works	2,717,226	48,583	-
Culture and recreation	1,082,266	127,151	61,135
Interest on long-term debt	<u>1,511,314</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>13,442,242</u>	<u>723,615</u>	<u>269,845</u>
Business-type activities:			
Water and sewer	<u>4,755,391</u>	<u>3,913,067</u>	<u>-</u>
Total business-type activities	<u>4,755,391</u>	<u>3,913,067</u>	<u>-</u>
Total primary government	<u>\$ 18,197,633</u>	<u>\$ 4,636,682</u>	<u>\$ 269,845</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 assets
Net assets, beginning
Net assets, ending

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

Net (Expense) Revenue and
Changes in Net Assets

Primary Government		
Governmental Activities	Business-type Activities	Total
\$(1,905,789)	\$ -	\$(1,905,789)
(5,469,056)	-	(5,469,056)
(2,668,643)	-	(2,668,643)
(893,980)	-	(893,980)
(1,511,314)	-	(1,511,314)
<u>(12,448,782)</u>	<u>-</u>	<u>(12,448,782)</u>
<u>-</u>	(842,324)	(842,324)
<u>-</u>	(842,324)	(842,324)
<u>(12,448,782)</u>	<u>(842,324)</u>	<u>(13,291,106)</u>
1,222,925	-	1,222,925
2,811,819	-	2,811,819
5,877,763	-	5,877,763
505,866	-	505,866
421,209	-	421,209
51,621	602	52,223
215,384	-	215,384
43,166	-	43,166
478,834	(478,834)	-
<u>11,628,587</u>	<u>(478,232)</u>	<u>11,150,355</u>
(820,195)	(1,320,556)	(2,140,751)
<u>17,213,344</u>	<u>16,579,671</u>	<u>33,793,015</u>
<u>\$ 16,393,149</u>	<u>\$ 15,259,115</u>	<u>\$ 31,652,264</u>

CITY OF MARBLE FALLS, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2011

	<u>General</u>	<u>Economic Development Corporation</u>	<u>Debt Service</u>
ASSETS			
Cash and investments	\$ 48,858	\$ 965,396	\$ 126,690
Receivables, net of allowances for uncollectibles:			
Property taxes	22,987	-	132,036
Other taxes	756,503	246,834	-
Accounts	174,980	-	-
Other	-	5,696	-
Due from other governments	140,166	-	-
Due from other funds	339,512	-	-
Prepaid items	<u>7,575</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 1,490,581</u>	<u>\$ 1,217,926</u>	<u>\$ 258,726</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	521,529	105,834	-
Accrued liabilities	115,905	3,965	-
Due to other funds	-	-	111,237
Due to others	41,387	-	-
Customer deposits	21,332	-	-
Deferred revenue	<u>112,906</u>	<u>-</u>	<u>111,117</u>
Total liabilities	<u>813,059</u>	<u>109,799</u>	<u>222,354</u>
Fund balances:			
Nonspendable	7,575	-	-
Restricted	-	1,108,127	36,372
Unassigned	<u>669,947</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>677,522</u>	<u>1,108,127</u>	<u>36,372</u>
Total liabilities and fund balances	<u>\$ 1,490,581</u>	<u>\$ 1,217,926</u>	<u>\$ 258,726</u>

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

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

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

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

Net assets of governmental activities

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

<u>General Improvements</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
\$ 10,875,233	\$ 454,849	\$ 12,471,026
-	-	155,023
-	104,976	1,108,313
-	-	174,980
-	-	5,696
-	1,500	141,666
95,575	-	435,087
-	-	7,575
<u>\$ 10,970,808</u>	<u>\$ 561,325</u>	<u>\$ 14,499,366</u>

37,504	6,960	671,827
-	-	119,870
-	228,275	339,512
-	-	41,387
-	-	21,332
-	-	224,023
<u>37,504</u>	<u>235,235</u>	<u>1,417,951</u>
-	-	7,575
10,933,304	554,365	12,632,168
-	(228,275)	441,672
<u>10,933,304</u>	<u>326,090</u>	<u>13,081,415</u>
<u>\$ 10,970,808</u>	<u>\$ 561,325</u>	

41,192,874

224,023

(38,105,163)

\$ 16,393,149

CITY OF MARBLE FALLS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>General</u>	<u>Economic Development Corporation</u>	<u>Debt Service</u>
REVENUES			
Property taxes	\$ 1,216,514	\$ -	\$ 2,804,709
Sales taxes	4,408,323	1,469,440	-
Hotel/motel taxes	-	-	-
Mixed beverage taxes	36,981	-	-
Franchise fees	505,866	-	-
Fines and forfeitures	228,746	-	-
Permits and fees	291,799	59,336	-
Intergovernmental	168,209	-	-
Investment earnings	9,891	1,136	759
Other	<u>76,302</u>	<u>159</u>	<u>36,720</u>
Total revenues	<u>6,942,631</u>	<u>1,530,071</u>	<u>2,842,188</u>
EXPENDITURES			
Current:			
General government	1,381,041	319,734	-
Public safety	5,145,905	-	-
Public works	857,364	-	-
Culture and recreation	663,441	-	-
Capital outlay	100,441	172,975	-
Debt service:			
Principal	-	240,000	1,405,000
Interest and fiscal charges	-	106,520	1,349,233
Bond issuance costs	-	-	-
Total expenditures	<u>8,148,192</u>	<u>839,229</u>	<u>2,754,233</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,205,561)</u>	<u>690,842</u>	<u>87,955</u>
OTHER FINANCING SOURCES (USES)			
Capital-related debt issued	-	-	-
Premium on bond issuance	-	-	-
Sale of capital assets	14,472	206,148	-
Transfers in	1,228,656	-	150,000
Transfers out	<u>(5,516)</u>	<u>(574,500)</u>	<u>(100,000)</u>
Total other financing sources (uses)	<u>1,237,612</u>	<u>(368,352)</u>	<u>50,000</u>
NET CHANGE IN FUND BALANCES	32,051	322,490	137,955
FUND BALANCES, BEGINNING	<u>645,471</u>	<u>785,637</u>	<u>(101,583)</u>
FUND BALANCES, ENDING	<u>\$ 677,522</u>	<u>\$ 1,108,127</u>	<u>\$ 36,372</u>

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

<u>General Improvements</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
\$ -	\$ -	\$ 4,021,223
-	-	5,877,763
-	381,932	381,932
-	-	36,981
-	-	505,866
-	85,713	314,459
1,467	-	352,602
-	143,246	311,455
2,571	578	14,935
-	-	113,181
<u>4,038</u>	<u>611,469</u>	<u>11,930,397</u>
-	32,566	1,733,341
79,918	3,693	5,229,516
-	-	857,364
-	289,513	952,954
2,043,830	279,831	2,597,077
-	-	1,645,000
-	-	1,455,753
225,666	-	225,666
<u>2,349,414</u>	<u>605,603</u>	<u>14,696,671</u>
(2,345,376)	5,866	(2,766,274)
9,970,000	-	9,970,000
182,399	-	182,399
-	208	220,828
200,000	70,063	1,648,719
(150,000)	(339,869)	(1,169,885)
<u>10,202,399</u>	<u>(269,598)</u>	<u>10,852,061</u>
7,857,023	(263,732)	8,085,787
<u>3,076,281</u>	<u>589,822</u>	<u>4,995,628</u>
<u>\$ 10,933,304</u>	<u>\$ 326,090</u>	<u>\$ 13,081,415</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, 2011

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

Net change in fund balances - total governmental funds (pages 16 - 17)	\$ 8,085,787
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.	(555,047)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(2,568)
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.	(8,346,811)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(1,556)
Change in net assets of governmental activities (pages 12 - 13)	<u><u>\$ (820,195)</u></u>

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

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CITY OF MARBLE FALLS, TEXAS

STATEMENT OF NET ASSETS

PROPRIETARY FUND

SEPTEMBER 30, 2011

	Business-type Activities Enterprise Fund
	<u>Water and Utility</u>
ASSETS	
Current assets:	
Cash and investments	\$ -
Accounts receivable, net of allowance	588,756
Inventories	<u>331,156</u>
Total current assets	<u>919,912</u>
Noncurrent assets:	
Deferred charges	480,053
Capital assets:	
Land	681,006
Buildings and improvements	41,490,177
Machinery and equipment	1,150,875
Construction in progress	1,894,490
Accumulated depreciation	<u>(12,752,104)</u>
Total capital assets	<u>32,464,444</u>
Total noncurrent assets	<u>32,944,497</u>
Total assets	<u>33,864,409</u>
LIABILITIES	
Current liabilities:	
Accounts payable	193,872
Accrued liabilities	24,923
Due to other funds	95,575
Customer deposits	415,155
Due to others	10,644
Accrued interest	122,633
Compensated absences	44,493
Bonds payable	<u>748,697</u>
Total current liabilities	<u>1,655,992</u>
Noncurrent liabilities:	
Compensated absences	133,480
Bonds payable	16,790,467
OPEB net pension obligation	<u>25,355</u>
Total noncurrent liabilities	<u>16,949,302</u>
Total liabilities	<u>18,605,294</u>
NET ASSETS	
Invested in capital assets, net of related debt	20,776,151
Unrestricted	<u>(5,517,036)</u>
Total net assets	<u>\$ 15,259,115</u>

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

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CITY OF MARBLE FALLS, TEXAS

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

PROPRIETARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Business-type Activities <u>Enterprise Fund</u>
	<u>Water and Utility</u>
OPERATING REVENUES	
Water and utility charges	\$ 3,913,067
Total operating revenues	<u>3,913,067</u>
OPERATING EXPENSES	
Personnel services	1,162,381
Supplies	404,388
Repairs and maintenance	313,660
Purchased and contracted services	317,134
Other services and charges	23,422
Depreciation	<u>1,753,374</u>
Total operating expenses	<u>3,974,359</u>
OPERATING LOSS	<u>(61,292)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	602
Interest and fiscal charges	<u>(781,032)</u>
Total nonoperating revenues (expenses)	<u>(780,430)</u>
INCOME BEFORE TRANSFERS	<u>(841,722)</u>
TRANSFERS OUT	<u>(914,547)</u>
TRANSFERS IN	<u>435,713</u>
CHANGE IN NET ASSETS	<u>(1,320,556)</u>
NET ASSETS, BEGINNING	<u>16,579,671</u>
NET ASSETS, ENDING	<u>\$ 15,259,115</u>

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

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CITY OF MARBLE FALLS, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Business-type Activities Enterprise Fund <u>Water and Utility</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers and users	\$ 4,224,228
Cash paid to suppliers for goods and services	(994,153)
Cash paid to employees for services	(1,141,985)
Net cash provided by operating activities	<u>2,088,090</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	(914,547)
Transfers from other funds	<u>435,713</u>
Net cash used by noncapital financing activities	<u>(478,834)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(2,364,884)
Proceeds from capital debt	745,000
Principal repayments on long-term debt	(922,334)
Interest and fiscal charges paid on debt	<u>(768,172)</u>
Net cash used by capital and related financing activities	<u>(3,310,390)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and investment earnings	<u>602</u>
Net cash provided by investing activities	<u>602</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,700,532)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>1,700,532</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ -</u>
Reconciliation of operating income (loss) to net cash used by operating activities:	
Operating loss	\$(61,292)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Changes in assets and liabilities:	
Decrease (increase) in assets:	
Customer receivable	299,359
Inventory	(45,553)
Increase (decrease) in liabilities:	
Accounts payable	14,429
Accrued liabilities	1,782
OPEB net pension obligation	5,656
Customer deposits	11,802
Compensated absences payable	<u>12,958</u>
Net cash provided by operating activities	<u>\$ 2,088,090</u>

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

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CITY OF MARBLE FALLS, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2011

	<u>LaVentana PID Trust Fund</u>
ASSETS	
Cash and cash equivalents	\$ <u>2,089</u>
Total assets	<u>2,089</u>
 NET ASSETS	
Held in trust for LaVentana PID	\$ <u>2,089</u>

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

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CITY OF MARBLE FALLS, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>LaVentana PID Trust Fund</u>
ADDITIONS	
Property tax assessment	\$ 14,976
Investment earnings	<u>13,404</u>
Total additions	<u>28,380</u>
 DEDUCTIONS	
Miscellaneous expense	<u>30,114</u>
Total deductions	<u>30,114</u>
 CHANGE IN NET ASSETS	 (1,734)
 NET ASSETS, BEGINNING	 <u>3,823</u>
 NET ASSETS, ENDING	 <u>\$ 2,089</u>

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

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CITY OF MARBLE FALLS, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

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

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major enterprise fund:

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

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

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

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

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

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Assets or Equity

Cash and Investments

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

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

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

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

Receivables and Payables

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

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 180 days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is equal to 10 percent of outstanding property taxes at September 30, 2011.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Receivables and Payables (Continued)

Ad valorem property taxes attach as enforceable liens as of January 1. The City's property tax is levied each October 1 on the assessed value listed on the previous January 1 for all real and personal property located in the City. Property taxes are payable on October 1 and are considered delinquent on February 1. The adjusted tax levy for October 2010 was \$3,973,652. The tax assessment of October 1, 2010, sets a tax levy at \$06435 per \$100 of assessed valuation at 100% of assumed market value. Of this amount, \$04503 was allocated to debt service.

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

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

Inventories and Prepaid Items

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

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

Capital Assets

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

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

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Assets (Continued)

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

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

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

Compensated Absences

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

Long-term Obligations

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

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

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

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

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Estimates

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

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains, “Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$(38,105,163) difference are as follows:

General obligation bonds	\$(35,860,000)
Refunding bonds	(905,000)
Tax notes	(600,000)
Deferred charges for issuance cost	503,810
Bond premiums	(227,100)
OPEB net pension obligation	(108,816)
Compensated absences	(660,087)
Accrued interest payable	<u>(247,970)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$(38,105,163)</u>

(continued)

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

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

The governmental fund statement of revenue, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental fund* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$(555,047) difference are as follows:

Capital outlay	\$ 2,557,085
Depreciation expense	<u>(3,112,132)</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>\$(555,047)</u>

Another element of that reconciliation states, “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this \$(2,568) difference are as follows:

Property taxes	\$ 13,521
Municipal court	<u>(16,089)</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>\$(2,568)</u>

Another element of that reconciliation states, “The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$(8,346,811) difference are as follows:

Principal repayments:	
General obligation debt	\$ 1,070,000
Refunding debt	225,000
Tax notes	350,000
Debt issued:	
Issuance of debt	(9,970,000)
OPEB net pension obligation	<u>(21,811)</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>\$(8,346,811)</u>

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Balances

As of September 30, 2011, the following funds had deficit fund balances:

Special revenue funds	
2006 TCDP Grant	(26,743)
Flood Buy Back	(76)
Capital projects	
Parks Improvement	(4,890)
2007 Flood Disaster	(196,566)

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

4. DETAILED NOTES ON ALL FUNDS

Deposits and Investments

As of September 30, 2011, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
TexPool	\$ 2,074,555	34
Logic	560,377	46
Treasury Money Market Fund	3,092,187	54

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

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Public Funds Investment Pools

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

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

Custodial Credit Risk. In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. State and City statutes require that all deposits in financial institutions be fully collateralized by U. S. Government Obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2011, \$6,378,295 of the City’s \$6,807,967 deposit balance was collateralized with securities held by the pledging financial institution. The remaining balance, \$429,672 was covered by FDIC insurance.

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

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

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4. DETAILED NOTES ON ALL FUNDS (Continued)

Receivables

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

	Governmental			Proprietary		Total
	General	Economic Development Corporation	Debt Service	Nonmajor Governmental	Water and Utility	
Receivables:						
Property taxes	\$ 25,541	\$ -	\$ 136,209	\$ -	\$ -	\$ 161,750
Other taxes	756,503	246,834	-	104,976	-	1,108,313
Customer accounts	354,418	-	-	-	694,058	1,048,476
Other	-	5,696	9,448	-	830	15,974
Gross receivables	1,136,462	252,530	145,657	104,976	694,888	2,334,513
Less: allowance for uncollectibles	181,992	-	13,621	-	106,132	301,745
Net total receivables	\$ <u>954,470</u>	\$ <u>252,530</u>	\$ <u>132,036</u>	\$ <u>104,976</u>	\$ <u>588,756</u>	\$ <u>2,032,768</u>

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

	Unavailable
General fund:	
Delinquent property taxes receivable	\$ 18,066
Municipal court receivable	94,840
Total general fund	<u>112,906</u>
Debt service fund:	
Delinquent property taxes receivable	<u>111,117</u>
Total debt service fund	<u>111,117</u>
Total governmental funds	\$ <u>224,023</u>

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4. DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets

Capital asset activity for the year ended September 30, 2011, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Government activities:				
Capital assets, not being depreciated:				
Land	\$ 4,948,290	\$ 269,795	\$ -	\$ 5,218,085
Construction in progress	<u>1,252,187</u>	<u>-</u>	<u>(84,504)</u>	<u>1,167,683</u>
Total assets not being depreciated	<u>6,200,477</u>	<u>269,795</u>	<u>(84,504)</u>	<u>6,385,768</u>
Capital assets, being depreciated:				
Buildings and improvements	44,918,163	2,216,958	-	47,135,121
Machinery and equipment	<u>6,621,835</u>	<u>70,332</u>	<u>79,060</u>	<u>6,771,227</u>
Total capital assets being depreciated	<u>51,539,998</u>	<u>2,287,290</u>	<u>79,060</u>	<u>53,906,348</u>
Less accumulated depreciation:				
Buildings and improvements	(11,582,210)	(2,576,884)	-	(14,159,094)
Machinery and equipment	<u>(4,404,900)</u>	<u>(535,248)</u>	<u>-</u>	<u>(4,940,148)</u>
Total accumulated depreciation	<u>(15,987,110)</u>	<u>(3,112,132)</u>	<u>-</u>	<u>(19,099,242)</u>
Total capital assets being depreciated, net	<u>35,552,888</u>	<u>(824,842)</u>	<u>79,060</u>	<u>34,807,106</u>
Governmental activities capital assets, net	<u>\$ 41,753,365</u>	<u>\$ (555,047)</u>	<u>\$ (5,444)</u>	<u>\$ 41,192,874</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 210,101	\$ 470,905	\$ -	\$ 681,006
Construction in progress	<u>1,894,490</u>	<u>-</u>	<u>-</u>	<u>1,894,490</u>
Total assets not being depreciated	<u>2,104,591</u>	<u>470,905</u>	<u>-</u>	<u>2,575,496</u>
Capital assets, being depreciated:				
Buildings and improvements	39,678,708	1,811,469	-	41,490,177
Machinery and equipment	<u>1,068,875</u>	<u>82,000</u>	<u>-</u>	<u>1,150,875</u>
Total capital assets being depreciated	<u>40,747,583</u>	<u>1,893,469</u>	<u>-</u>	<u>42,641,052</u>
Less accumulated depreciation:				
Buildings and improvements	(10,083,993)	(1,707,818)	-	(11,791,811)
Machinery and equipment	<u>(914,737)</u>	<u>(45,556)</u>	<u>-</u>	<u>(960,293)</u>
Total accumulated depreciation	<u>(10,998,730)</u>	<u>(1,753,374)</u>	<u>-</u>	<u>(12,752,104)</u>
Total capital assets being depreciated, net	<u>29,748,853</u>	<u>140,095</u>	<u>-</u>	<u>29,888,948</u>
Business-type activities capital assets, net	<u>\$ 31,853,444</u>	<u>\$ 611,000</u>	<u>\$ -</u>	<u>\$ 32,464,444</u>

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (Continued)

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

Governmental activities:	
General government	\$ 665,205
Public safety	462,739
Public works	1,856,784
Culture and recreation	<u>127,404</u>
Total depreciation expense - governmental activities	<u>\$ 3,112,132</u>
Business-type activities:	
Water and utility	<u>\$ 1,753,374</u>
Total depreciation expense - business-type activities	<u>\$ 1,753,374</u>

Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2011, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Debt service	\$ 111,237
General	Nonmajor governmental	228,275
General improvements	Water and utility	<u>95,575</u>
Total		<u>\$ 435,087</u>

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

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

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General	Economic Development Corporation	\$ 124,500
General	Nonmajor governmental	254,156
General	Water and utility	850,000
Debt service	General improvements	150,000
General improvements	Economic Development Corporation	200,000
Nonmajor governmental	General	5,516
Nonmajor governmental	Water and utility	64,547
Water and utility	Debt service	100,000
Water and utility	Economic Development Corporation	250,000
Water and utility	Nonmajor governmental	<u>85,713</u>
Total		<u>\$ 2,084,432</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.

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Long-term Debt

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

Bonds Payable and Tax Notes

A summary of the terms of general obligation, revenue, combination tax and revenue bonds, and tax notes outstanding and their corresponding allocations to the governmental and business-type activities at September 30, 2011, follows:

Series and Original Issue Amount	Final Maturity	Interest Rate	Governmental Activities	Business-type Activities	
<u>General Obligation Bonds</u>					
2003 Series	\$ 4,225,000	2023	3.9% - 4.5%	\$ 3,020,000	\$ -
2007 Series	21,780,000	2030	4% - 5%	6,930,000	12,710,000
2011 Series	3,715,000	2031	2% - 4%	<u>2,970,000</u>	<u>745,000</u>
				<u>12,920,000</u>	<u>13,455,000</u>
<u>General Obligation Refunding Bond</u>					
2010 Series	1,130,000	2015	1.75% - 3.05%	<u>905,000</u>	<u>-</u>
<u>Revenue Bonds</u>					
2002 Refunding Bonds	4,915,000	2020	3% - 4.3%	-	1,800,000
<u>Combination Tax and Revenue Bonds</u>					
2004 Series	4,950,000	2026	3.75% - 4.75%	3,980,000	-
2005 Series	2,950,000	2025	1.7% - 3.7%	-	2,260,000
2006 Series	1,900,000	2021	4.25%	1,425,000	-
2008 Series	9,950,000	2028	4% - 4.6%	8,595,000	-
2010 Series	7,000,000	2032	1% - 5%	<u>6,955,000</u>	<u>-</u>
				<u>20,955,000</u>	<u>2,260,000</u>
<u>Sales Tax Revenue Bonds</u>					
2009 Series	2,500,000	2013	2.8% - 5.74%	<u>1,985,000</u>	<u>-</u>
Total Bonds				<u>\$ 36,765,000</u>	<u>\$ 17,515,000</u>
<u>Tax Notes</u>					
2005 Series	405,000	2012	3.74%	70,000	
2006 Series	620,000	2013	3.70%	125,000	
2007 Series	750,000	2014	4.03%	295,000	
2009 Series	204,050	2015	2.25% - 3%	<u>110,000</u>	
Total Tax Notes				<u>\$ 600,000</u>	

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Long-term Debt (Continued)

Annual debt service requirements for bonds are as follows:

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2012	\$ 1,685,000	\$ 1,458,523	\$ 750,000	\$ 739,686
2013	1,915,000	1,400,254	740,000	713,997
2014	1,925,000	1,333,214	785,000	686,448
2015	2,070,000	1,259,936	810,000	657,112
2016	2,100,000	1,181,717	825,000	626,617
2017-2021	10,510,000	4,750,459	4,370,000	2,617,274
2022-2026	10,605,000	2,539,133	4,205,000	2,239,112
2027-2031	5,335,000	620,177	5,030,000	518,345
2032	<u>620,000</u>	<u>15,500</u>	-	-
Total	\$ <u>36,765,000</u>	\$ <u>14,558,913</u>	\$ <u>17,515,000</u>	\$ <u>8,798,591</u>

Annual debt service requirements for tax notes are as follows:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2012	\$ 305,000	\$ 19,469
2013	205,000	9,209
2014	<u>90,000</u>	<u>3,627</u>
Total	\$ <u>600,000</u>	\$ <u>32,305</u>

Federal Arbitrage

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

(continued)

4. **DETAILED NOTES ON ALL FUNDS (Continued)**

Long-term Debt (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
General obligation bonds	\$ 28,075,000	\$ 9,970,000	\$ 2,185,000	\$ 35,860,000	\$ 1,205,000
General obligation refunding bond	1,130,000	-	225,000	905,000	230,000
Tax notes	950,000	-	350,000	600,000	305,000
Premium from issuance of bonds	37,644	193,834	4,378	227,100	13,121
Compensated absences	676,269	411,528	427,710	660,087	165,022
OPEB net pension obligation	<u>87,005</u>	<u>21,811</u>	<u>-</u>	<u>108,816</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 30,955,918</u>	<u>\$ 10,597,173</u>	<u>\$ 3,192,088</u>	<u>\$ 38,361,003</u>	<u>\$ 1,918,143</u>
Business-type activities					
Tax and revenue bonds	\$ 15,700,000	\$ 745,000	\$ 730,000	\$ 15,715,000	\$ 550,000
Revenue refunding bonds	2,000,000	-	200,000	1,800,000	200,000
Loss on refunding bonds	(77,758)	(5,101)	(7,775)	(75,084)	(8,030)
Premium from issuance of bonds	94,256	11,161	6,169	99,248	6,727
Compensated absences	165,015	94,932	81,974	177,973	44,493
OPEB net pension obligation	<u>19,699</u>	<u>5,646</u>	<u>-</u>	<u>25,345</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 17,901,212</u>	<u>\$ 851,638</u>	<u>\$ 1,010,368</u>	<u>\$ 17,742,482</u>	<u>\$ 793,190</u>

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

Employee Retirement System

Plan Description

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

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Employee Retirement System (Continued)

Plan Description (Continued)

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

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

	<u>Plan Year 2009</u>	<u>Plan Year 2010</u>	<u>Plan Year 2011</u>
Employee deposit rate	7.0%	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1	2 to 1
Years required for vesting	5	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20	60/5, 0/20
Updated service credit	0%	0%, transfers	0%
Annuity increase (to retirees)	0% of CPI	0% of CPI	0% of CPI

Contributions

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

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

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Employee Retirement System (Continued)

Contributions (Continued)

Fiscal year	2011
Annual required contribution (ARC)	\$ 361,956
Interest on net pension obligation	-
Adjustment to ARC	-
Annual pension cost	361,956
Contributions made	(361,956)
Net pension obligation (asset), beginning of year	-
Change in net pension obligation (asset)	-
Net pension obligation (asset), end of year	\$ -
Percentage of APC contributed	100.0%

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost	Actual Contribution Made	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
09/30/09	\$ 393,979	\$ 393,979	100%	\$ -
09/30/10	361,259	361,259	100%	-
09/30/11	361,956	361,956	100%	-

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

Actuarial Valuation Information

Actuarial Valuation Date	12/31/08	12/31/09	12/31/10 - prior to restructuring	12/31/10
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll	Level percent of payroll
GASB 25 equivalent single amortization period	24 years; closed period	23.4 years; closed period	24.9 years; closed period	24.9 years; closed period
Amortization period for new gains/losses	25 years	25 years	25 years	25 years
Asset valuation method	Amortized cost	10 - year smoothed market	Amortized cost	Amortized cost
Actuarial Assumptions:				
Investment rate of return*	7.5%	7.5%	7.5%	7.5%
Projected salary increases*	varies by age and service	varies by age and service	varies by age and service	varies by age and service

(continued)

4. **DETAILED NOTES ON ALL FUNDS** (Continued)

Employee Retirement System (Continued)

Funded Status and Funding Progress

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

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

Year	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2008	\$ 8,184,513	\$ 8,796,894	\$ 612,381	93.04%	\$ 5,738,816	10.67%
2009	8,434,203	9,151,059	716,856	92.17%	5,949,510	12.05%
2010 ¹	9,150,687	9,828,787	678,100	93.10%	5,646,832	12.01%
2010 ²	12,938,581	12,452,053	(486,528)	103.91%	5,646,832	(8.62%)

(1) Actuarial valuation performed under the original fund structure

(2) Actuarial valuation performed under the new fund structure

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

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

Other Postemployment Benefits

Postemployment Benefits Other than Pension Benefits

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

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Other Postemployment Benefits (Continued)

Postemployment Benefits Other than Pension Benefits (Continued)

Plan Participants

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

Normal Retirement Benefits

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

Early Retirement Benefits

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

Deferred Retirement Benefits

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

Death-in-Service Retirement Benefits

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

Duty and Non-duty Death in Service Retirement Benefits

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

Duty and Non-duty Death Disabled Retirement Benefits

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

Benefits for Spouses of Retired Employees

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

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

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Other Postemployment Benefits (Continued)

Postemployment Benefits Other than Pension Benefits (Continued)

Continuation ends after the earliest of the following:

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

Non-Medicare and Medicare – Eligible Provisions

Loss of Coverage

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

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

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

Retiree Opt-out

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

Funding Policy and Annual OPEB Cost

The City's annual other postemployment benefits (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameter of GASB Statement No. 45. The ARC represents a level of accrual that is projected to recognize the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The City does not issue separate financial statements for the plan and the City has not established a trust to fund the plan. The City's annual OPEB cost for the fiscal year ended September 30, 2011, is as follows:

(continued)

4. **DETAILED NOTES ON ALL FUNDS (Continued)**

Other Postemployment Benefits (Continued)

Annual required contribution	\$ 22,665
Interest on OPEB obligation	4,802
Adjustment to the ARC	
Annual OPEB cost (expense) end of year	27,467
Net estimated employer contributions	-
Increase in net OPEB obligation	27,467
Net OPEB obligation - as of beginning of year	<u>106,704</u>
Net OPEB obligation (asset) as of end of year	<u>\$ 134,171</u>

Funding Status and Funding Progress

The funded status of the City's retiree health care plan, under GASB Statement No. 45 as of October 1, 2010, is as follows:

Actuarial Valuation Date as of December 31,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)
2010	\$ -	\$ 134,171	\$ 134,171	- %

Under the reporting parameters, the City's retiree health care plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$159,949 at October 1, 2010.

Actuarial Methods and Assumptions

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

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

(continued)

4. **DETAILED NOTES ON ALL FUNDS (Continued)**

Other Postemployment Benefits (Continued)

Actuarial Methods and Assumptions (Continued)

Actuarial Methods and Assumptions

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

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

Fiscal Year Ended	Employer Annual Required Contribution	Employer Amount Contributed (estimate)	Interest on NOO (9) x 4.5%	ARC Adjustment (9) / (6)	Amortization Factor	OPEB Cost (2)+(4)-(5)	Change in NOO (7) - (3)	NOO Balance NOO + (8)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
09/30/10	\$ 63,622	\$ -	\$ 1,932	\$ 1,776	24.16630	\$ 67,330	\$ 63,778	\$ 106,704
09/30/11	27,467	-	-	-	24.16630	27,467	27,467	134,171

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

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
09/30/10	\$ 63,778	\$ -	0%	\$ 6,704
09/30/11	27,467	-	0%	134,171

Supplemental Death Benefits Fund

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

(continued)

4. **DETAILED NOTES ON ALL FUNDS (Continued)**

Other Postemployment Benefits (Continued)

Supplemental Death Benefits Fund (Continued)

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

City of Marble Falls offers supplemental death to:

	<u>Plan Year 2009</u>	<u>Plan Year 2010</u>	<u>Plan Year 2011</u>
Active employees	Yes	Yes	Yes
Retirees	Yes	Yes	Yes

Contributions

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

The City's contributions to the TMRS SDBF for the years ended 2011, 2010 and 2009, were \$12,443, \$12,193 and \$13,684, respectively, which equaled the required contributions each year.

Schedule of Contribution Rates

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

Risk Management

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

**REQUIRED
SUPPLEMENTARY INFORMATION**

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Property taxes	\$ 1,247,500	\$ 1,247,500	\$ 1,216,514	\$(30,986)
Sales taxes	4,582,000	4,582,000	4,408,323	(173,677)
Franchise taxes	536,000	536,000	505,866	(30,134)
Other taxes	29,000	29,000	36,981	7,981
Fines and forfeitures	355,000	355,000	228,746	(126,254)
Permits and fees	341,915	341,915	291,799	(50,116)
Intergovernmental	179,215	191,429	168,209	(23,220)
Interest on investments	3,000	7,000	9,891	2,891
Other	246,300	249,505	76,302	(173,203)
Total revenues	<u>7,519,930</u>	<u>7,539,349</u>	<u>6,942,631</u>	<u>(596,718)</u>
EXPENDITURES				
GENERAL GOVERNMENT				
Administration:				
Personnel services	307,050	341,500	338,626	2,874
Supplies	23,100	37,800	23,385	14,415
Maintenance	18,400	18,400	14,468	3,932
Purchased and contracted services	423,802	363,802	308,659	55,143
Other services and charges	16,150	18,150	16,416	1,734
Total administration	<u>788,502</u>	<u>779,652</u>	<u>701,554</u>	<u>78,098</u>
Finance:				
Personnel services	320,510	320,510	290,861	29,649
Supplies	10,150	11,150	7,970	3,180
Maintenance	17,000	17,800	15,841	1,959
Purchased and contracted services	36,420	34,620	30,288	4,332
Other services and charges	2,400	2,400	1,773	627
Total finance	<u>386,480</u>	<u>386,480</u>	<u>346,733</u>	<u>39,747</u>
Human resources:				
Personnel services	144,240	144,240	137,873	6,367
Supplies	4,750	4,750	1,493	3,257
Maintenance	6,700	6,700	1,400	5,300
Purchased and contracted services	2,705	2,705	4,311	(1,606)
Other services and charges	26,740	26,740	17,282	9,458
Total human resources	<u>185,135</u>	<u>185,135</u>	<u>162,359</u>	<u>22,776</u>

(continued)

CITY OF MARBLE FALLS, TEXAS

GENERAL FUND

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

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
EXPENDITURES (Continued)				
GENERAL GOVERNMENT (Continued)				
Mayor and City Council:				
Personnel services	\$ 1,400	\$ 1,400	\$ 1,290	\$ 110
Other services and charges	<u>7,500</u>	<u>7,500</u>	<u>9,205</u>	<u>(1,705)</u>
Total Mayor and City Council	<u>8,900</u>	<u>8,900</u>	<u>10,495</u>	<u>(1,595)</u>
Non-departmental:				
Purchased and contracted services	128,000	128,000	128,000	-
Other services and charges	<u>31,900</u>	<u>31,900</u>	<u>31,900</u>	<u>-</u>
Total non-departmental	<u>159,900</u>	<u>159,900</u>	<u>159,900</u>	<u>-</u>
Total general government	<u>1,528,917</u>	<u>1,520,067</u>	<u>1,381,041</u>	<u>139,026</u>
PUBLIC SAFETY				
Court:				
Personnel services	176,075	176,075	167,137	8,938
Supplies	3,100	3,100	3,938	(838)
Purchased and contracted services	24,500	24,500	23,245	1,255
Other services and charges	<u>42,000</u>	<u>42,000</u>	<u>10,921</u>	<u>31,079</u>
Total court	<u>245,675</u>	<u>245,675</u>	<u>205,241</u>	<u>40,434</u>
Police department:				
Personnel services	2,712,575	2,725,575	2,608,356	117,219
Supplies	140,120	140,120	132,048	8,072
Maintenance	161,900	161,900	141,592	20,308
Purchased and contracted services	134,952	134,952	141,600	(6,648)
Other operating	<u>30,700</u>	<u>30,700</u>	<u>30,507</u>	<u>193</u>
Total police department	<u>3,180,247</u>	<u>3,193,247</u>	<u>3,054,103</u>	<u>139,144</u>

(continued)

CITY OF MARBLE FALLS, TEXAS

GENERAL FUND

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

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
EXPENDITURES (Continued)				
PUBLIC SAFETY (Continued)				
Fire department:				
Personnel services	\$ 1,179,122	\$ 1,170,122	\$ 1,192,956	\$(22,834)
Supplies	49,540	59,978	54,280	5,698
Maintenance	36,900	41,982	33,415	8,567
Purchased and contracted services	55,221	49,001	42,827	6,174
Other operating	<u>29,400</u>	<u>32,400</u>	<u>21,811</u>	<u>10,589</u>
Total fire department	<u>1,350,183</u>	<u>1,353,483</u>	<u>1,345,289</u>	<u>8,194</u>
Code enforcement:				
Personnel services	513,721	513,721	450,300	63,421
Supplies	26,350	26,350	19,956	6,394
Repairs and maintenance	6,500	5,725	4,159	1,566
Purchased and contracted services	42,560	52,435	56,566	(4,131)
Other services and charges	<u>14,800</u>	<u>14,800</u>	<u>10,291</u>	<u>4,509</u>
Total code enforcement	<u>603,931</u>	<u>613,031</u>	<u>541,272</u>	<u>71,759</u>
Total public safety	<u>5,380,036</u>	<u>5,405,436</u>	<u>5,145,905</u>	<u>259,531</u>
PUBLIC WORKS				
Streets:				
Personnel services	657,037	657,037	624,871	32,166
Supplies	44,860	44,860	57,155	(12,295)
Maintenance	56,000	56,000	13,342	42,658
Purchased and contracted services	96,735	96,735	161,216	(64,481)
Other services and charges	<u>1,000</u>	<u>1,000</u>	<u>780</u>	<u>220</u>
Total streets	<u>855,632</u>	<u>855,632</u>	<u>857,364</u>	<u>(1,732)</u>
Total public works	<u>855,632</u>	<u>855,632</u>	<u>857,364</u>	<u>(1,732)</u>

(continued)

CITY OF MARBLE FALLS, TEXAS

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
EXPENDITURES (Continued)				
CULTURE AND RECREATION				
Parks and recreation:				
Personnel services	\$ 523,050	\$ 523,050	\$ 492,359	\$ 30,691
Supplies	44,820	50,820	45,225	5,595
Maintenance	67,575	64,575	66,368	(1,793)
Purchased and contracted services	64,900	62,900	51,112	11,788
Other services and charges	3,050	3,050	5,982	(2,932)
Total parks and recreation	<u>703,395</u>	<u>704,395</u>	<u>661,046</u>	<u>43,349</u>
Cemetery:				
Maintenance	3,500	3,500	1,940	1,560
Purchased and contracted services	2,500	2,500	401	2,099
Other services and charges	200	200	54	146
Total cemetery	<u>6,200</u>	<u>6,200</u>	<u>2,395</u>	<u>3,805</u>
Total culture and recreation	<u>709,595</u>	<u>710,595</u>	<u>663,441</u>	<u>47,154</u>
CAPITAL OUTLAY	<u>-</u>	<u>-</u>	<u>100,441</u>	<u>(100,441)</u>
Total expenditures	<u>8,474,180</u>	<u>8,491,730</u>	<u>8,148,192</u>	<u>343,538</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(954,250)</u>	<u>(952,381)</u>	<u>(1,205,561)</u>	<u>(253,180)</u>
OTHER FINANCING SOURCES				
Transfers in	770,000	770,000	1,228,656	458,656
Transfers out	-	-	(5,516)	(5,516)
Proceeds from sale of capital assets	32,000	32,000	14,472	(17,528)
Total other financing sources	<u>802,000</u>	<u>802,000</u>	<u>1,237,612</u>	<u>435,612</u>
NET CHANGE IN FUND BALANCE	<u>(152,250)</u>	<u>(150,381)</u>	<u>32,051</u>	<u>182,432</u>
FUND BALANCE, BEGINNING	<u>645,471</u>	<u>645,471</u>	<u>645,471</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 493,221</u>	<u>\$ 495,090</u>	<u>\$ 677,522</u>	<u>\$ 182,432</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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Sales taxes	\$ 1,527,000	\$ 1,527,000	\$ 1,469,440	\$(57,560)
Interest on investments	3,000	3,000	1,136	(1,864)
Permits and fees	55,000	55,000	59,336	4,336
Other	-	-	159	159
Total revenues	<u>1,585,000</u>	<u>1,585,000</u>	<u>1,530,071</u>	<u>(54,929)</u>
EXPENDITURES				
Current:				
Personnel services	77,000	141,290	73,659	67,631
Supplies	7,000	8,000	6,569	1,431
Maintenance	56,010	56,010	25,483	30,527
Services	194,630	240,330	195,892	44,438
Other	18,300	36,100	18,131	17,969
Capital outlay	350,000	165,000	172,975	(7,975)
Debt service				
Principal	240,000	240,000	240,000	-
Interest	106,116	106,116	106,520	(404)
Total expenditures	<u>1,049,056</u>	<u>992,846</u>	<u>839,229</u>	<u>153,617</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>535,944</u>	<u>592,154</u>	<u>690,842</u>	<u>98,688</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	50,000	160,000	206,148	46,148
Transfers out	(275,000)	(574,500)	(574,500)	-
Total other financing sources (uses)	<u>(225,000)</u>	<u>(414,500)</u>	<u>(368,352)</u>	<u>46,148</u>
NET CHANGE IN FUND BALANCE	310,944	177,654	322,490	144,836
FUND BALANCE, BEGINNING	<u>785,637</u>	<u>785,637</u>	<u>785,637</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 1,096,581</u>	<u>\$ 963,291</u>	<u>\$ 1,108,127</u>	<u>\$ 144,836</u>

CITY OF MARBLE FALLS, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED SEPTEMBER 30, 2011

Budgetary Information

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

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

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

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**COMBINING AND
INDIVIDUAL FUND STATEMENTS**

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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CAPITAL PROJECTS FUND

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

Series 2006 Tax Note – to account for funds received for medical equipment, vehicles, off road equipment and radio equipment.

Series 2007 Tax Note – to account for the construction of projects funded by the Series 2007 Tax Note.

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

Series 2008 Certificates of Obligation Fund – to account for construction of street improvements and park improvements.

Series 2009 Tax Note – to account for funding of vehicles and fingerprint equipment.

CITY OF MARBLE FALLS, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2011

	<u>Special Revenue</u>	
	<u>Hotel/Motel Tax</u>	<u>Police Forfeiture</u>
ASSETS		
Cash and investments	\$ 257,487	\$ 197,362
Receivables		
Other taxes	104,976	-
Due from other governments	<u>-</u>	<u>-</u>
Total assets	<u>\$ 362,463</u>	<u>\$ 197,362</u>
LIABILITIES		
Accounts payable	\$ 2,500	\$ 4,460
Due to other funds	<u>-</u>	<u>-</u>
Total liabilities	<u>2,500</u>	<u>4,460</u>
FUND BALANCES		
Restricted	359,963	192,902
Unassigned	<u>-</u>	<u>-</u>
Total fund balances	<u>359,963</u>	<u>192,902</u>
Total liabilities and fund balances	<u>\$ 362,463</u>	<u>\$ 197,362</u>

Special Revenue				Capital Projects		
2006 TCDP Grant	Flood Buy Back	Impact Fee Fund	CDBG 2009 Avenue U	Parks Improvement	Series 2006 Tax Note	Series 2007 Tax Note
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	1,500	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
26,743	76	-	-	4,890	-	-
<u>26,743</u>	<u>76</u>	<u>-</u>	<u>-</u>	<u>4,890</u>	<u>-</u>	<u>-</u>
-	-	-	1,500	-	-	-
(26,743)	(76)	-	-	(4,890)	-	-
<u>(26,743)</u>	<u>(76)</u>	<u>-</u>	<u>1,500</u>	<u>(4,890)</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)

CITY OF MARBLE FALLS, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

(Continued)

SEPTEMBER 30, 2011

	Capital Projects			
	2007 Flood Disaster	Series 2008 Certificates of Obligation	Series 2009 Tax Note	Total Nonmajor Governmental Funds
ASSETS				
Cash and investments	\$ -	\$ -	\$ -	\$ 454,849
Receivables				
Other taxes	-	-	-	104,976
Due from other governments	-	-	-	1,500
Total assets	\$ -	\$ -	\$ -	\$ 561,325
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 6,960
Due to other funds	196,566	-	-	228,275
Total liabilities	196,566	-	-	235,235
FUND BALANCES				
Restricted	-	-	-	554,365
Unassigned	(196,566)	-	-	(228,275)
Total fund balances	(196,566)	-	-	326,090
Total liabilities and fund balances	\$ -	\$ -	\$ -	\$ 561,325

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CITY OF MARBLE FALLS, TEXAS

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

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Special Revenue	
	Hotel/Motel Tax	Police Forfeiture
REVENUES		
Hotel/motel taxes	\$ 381,932	\$ -
Fines and fees	-	-
Intergovernmental	-	
Investment earnings	82	417
Total revenues	382,014	417
EXPENDITURES		
Current:		
General government	-	
Public safety	-	3,693
Culture and recreation	289,513	-
Capital outlay	-	60,288
Total expenditures	289,513	63,981
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	92,501	(63,564)
OTHER FINANCING SOURCES (USES)		
Proceeds from sale of capital assets	-	208
Transfers in	-	-
Transfers out	(105,000)	-
Total other financing sources (uses)	(105,000)	208
NET CHANGE IN FUND BALANCES	(12,499)	(63,356)
FUND BALANCES, BEGINNING	372,462	256,258
FUND BALANCES, ENDING	\$ 359,963	\$ 192,902

Special Revenue				Capital Projects		
2006 TCDP Grant	Flood Buy Back	Impact Fee Fund	CDBG 2009 Avenue U	Parks Improvement	Series 2006 Tax Note	Series 2007 Tax Note
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	85,713	-	-	-	-
-	-	-	140,496	2,750	-	-
-	79	-	-	-	-	-
<u>-</u>	<u>79</u>	<u>85,713</u>	<u>140,496</u>	<u>2,750</u>	<u>-</u>	<u>-</u>
-	1,383	-	15,000	-	-	368
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	188,543	31,000	-	-
<u>-</u>	<u>1,383</u>	<u>-</u>	<u>203,543</u>	<u>31,000</u>	<u>-</u>	<u>368</u>
<u>-</u>	<u>(1,304)</u>	<u>85,713</u>	<u>(63,047)</u>	<u>(28,250)</u>	<u>-</u>	<u>(368)</u>
-	-	-	-	-	-	-
-	-	-	64,547	-	870	-
-	-	(85,713)	-	-	-	(812)
<u>-</u>	<u>-</u>	<u>(85,713)</u>	<u>64,547</u>	<u>-</u>	<u>870</u>	<u>(812)</u>
-	(1,304)	-	1,500	(28,250)	870	(1,180)
<u>(26,743)</u>	<u>1,228</u>	<u>-</u>	<u>-</u>	<u>23,360</u>	<u>(870)</u>	<u>1,180</u>
<u>\$(26,743)</u>	<u>\$(76)</u>	<u>\$ -</u>	<u>\$ 1,500</u>	<u>\$(4,890)</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)

CITY OF MARBLE FALLS, TEXAS

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

**NONMAJOR GOVERNMENTAL FUNDS
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	Capital Projects			
	2007 Flood Disaster	Series 2008 Certificates of Obligation	Series 2009 Tax Note	Total Nonmajor Governmental Funds
REVENUES				
Hotel/motel taxes	\$ -	\$ -	\$ -	\$ 381,932
Fines and fees	-	-	-	85,713
Intergovernmental	-	-	-	143,246
Investment earnings	-	-	-	578
Total revenues	-	-	-	611,469
EXPENDITURES				
Current:				
General government	15,815	-	-	32,566
Public safety	-	-	-	3,693
Culture and recreation	-	-	-	289,513
Capital outlay	-	-	-	279,831
Total expenditures	15,815	-	-	605,603
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(15,815)	-	-	5,866
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	-	208
Transfers in	-	-	4,646	70,063
Transfers out	(140,000)	(8,344)	-	(339,869)
Total other financing sources (uses)	(140,000)	(8,344)	4,646	(269,598)
NET CHANGE IN FUND BALANCES	(155,815)	(8,344)	4,646	(263,732)
FUND BALANCES, BEGINNING	(40,751)	8,344	(4,646)	589,822
FUND BALANCES, ENDING	\$(196,566)	\$ -	\$ -	\$ 326,090

CITY OF MARBLE FALLS, TEXAS

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

DEBT SERVICE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
REVENUES				
Property taxes	\$ 2,854,000	\$ 2,854,000	\$ 2,804,709	\$(49,291)
Investment earnings	900	900	759	(141)
Other	-	-	36,720	36,720
Total revenues	2,854,900	2,854,900	2,842,188	(12,712)
EXPENDITURES				
Debt service:				
Principal	1,460,000	1,460,000	1,405,000	55,000
Interest and fiscal charges	1,367,726	1,367,726	1,349,233	18,493
Total expenditures	2,827,726	2,827,726	2,754,233	73,493
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	27,174	27,174	87,955	60,781
OTHER FINANCING SOURCES				
Transfers in	-	-	150,000	150,000
Transfers out	-	-	(100,000)	(100,000)
Total other financing sources	-	-	50,000	50,000
NET CHANGE IN FUND BALANCE	27,174	27,174	137,955	110,781
FUND BALANCE, BEGINNING	(101,583)	(101,583)	(101,583)	-
FUND BALANCE, ENDING	\$(74,409)	\$(74,409)	\$ 36,372	\$ 110,781

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Hotel/motel taxes	\$ 350,000	\$ 350,000	\$ 381,932	\$ 31,932
Investment earnings	<u>100</u>	<u>100</u>	<u>82</u>	(18)
Total revenues	<u>350,100</u>	<u>350,100</u>	<u>382,014</u>	<u>31,914</u>
EXPENDITURES				
Current:				
Services	87,500	87,500	87,500	-
Other	145,000	163,125	174,763	(11,638)
Local assistance	<u>29,875</u>	<u>32,250</u>	<u>27,250</u>	<u>5,000</u>
Total expenditures	<u>262,375</u>	<u>282,875</u>	<u>289,513</u>	<u>(6,638)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>87,725</u>	<u>67,225</u>	<u>92,501</u>	<u>25,276</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(105,000)	(105,000)	(105,000)	-
Total other financing sources (uses)	<u>(105,000)</u>	<u>(105,000)</u>	<u>(105,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(17,275)	(37,775)	(12,499)	25,276
FUND BALANCE, BEGINNING	<u>372,462</u>	<u>372,462</u>	<u>372,462</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 355,187</u>	<u>\$ 334,687</u>	<u>\$ 359,963</u>	<u>\$ 25,276</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, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Investment earnings	\$ 200	\$ 200	\$ 417	\$ 217
Total revenues	200	200	417	217
EXPENDITURES				
Current:				
Services	90	90	694	(604)
Public safety	20,110	20,110	2,999	17,111
Capital outlay	55,000	55,000	60,288	(5,288)
Total expenditures	75,200	75,200	63,981	11,219
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	(75,000)	(75,000)	(63,564)	11,436
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets	208	208	208	-
Total other financing sources	208	208	208	-
NET CHANGE IN FUND BALANCE	(74,792)	(74,792)	(63,356)	11,436
FUND BALANCE, BEGINNING	256,258	256,258	256,258	-
FUND BALANCE, ENDING	\$ 181,466	\$ 181,466	\$ 192,902	\$ 11,436

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STATISTICAL SECTION

STATISTICAL SECTION

(Unaudited)

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

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	63
Revenue Capacity These schedules contain trend information to help the reader assess the City's most significant local revenue resource.	69
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.	74
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.	79
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.	81

CITY OF MARBLE FALLS, TEXAS

NET ASSETS BY COMPONENT

LAST EIGHT FISCAL YEARS

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

CITY OF MARBLE FALLS, TEXAS

CHANGES IN NET ASSETS

LAST EIGHT FISCAL YEARS

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

TABLE 2

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

(continued)

CITY OF MARBLE FALLS, TEXAS

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

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

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

TABLE 2

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

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CITY OF MARBLE FALLS, TEXAS

FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General fund										
Non-spendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,564	\$ 1,319	\$ 7,575
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	<u>3,124,671</u>	<u>2,973,743</u>	<u>3,319,391</u>	<u>3,001,388</u>	<u>2,926,057</u>	<u>2,138,981</u>	<u>1,381,263</u>	<u>337,153</u>	<u>610,076</u>	<u>669,947</u>
Total general fund	\$ <u>3,124,671</u>	\$ <u>2,973,743</u>	\$ <u>3,319,391</u>	\$ <u>3,001,388</u>	\$ <u>2,926,057</u>	\$ <u>2,138,981</u>	\$ <u>1,381,263</u>	\$ <u>339,717</u>	\$ <u>611,395</u>	\$ <u>677,522</u>
All other governmental funds										
Non-spendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	1,254,030	1,272,183	-	-	-	-	-	-	-	12,632,168
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned, reported in:										
Special revenue funds	1,814,008	1,050,752	1,320,385	1,719,781	1,697,204	1,916,758	1,855,202	2,484,578	1,422,918	(26,819)
Capital projects funds	-	-	4,596,475	1,806,544	578,282	6,868,916	5,321,588	8,183,155	3,062,898	(201,456)
Debt service funds	-	-	(111,237)	(94,345)	(122,028)	(27,803)	5,533	(43,368)	(101,583)	-
Total all other governmental funds	\$ <u>3,068,038</u>	\$ <u>2,322,935</u>	\$ <u>5,805,623</u>	\$ <u>3,431,980</u>	\$ <u>2,153,458</u>	\$ <u>8,757,871</u>	\$ <u>7,182,323</u>	\$ <u>10,624,365</u>	\$ <u>4,384,233</u>	\$ <u>12,403,893</u>

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

CITY OF MARBLE FALLS, TEXAS

CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
REVENUES										
Taxes	\$ 5,724,773	\$ 6,122,052	\$ 6,663,600	\$ 7,650,897	\$ 7,897,791	\$ 9,001,573	\$ 9,703,686	\$ 10,570,664	\$ 10,863,137	\$ 10,823,765
Intergovernmental	1,179,299	798,249	743,736	778,489	699,383	1,809,787	1,278,337	871,973	581,306	311,455
Charges for services	27,523	36,598	149,184	124,758	157,545	282,335	376,128	333,749	367,448	352,602
Fines	290,470	294,191	272,837	255,109	390,893	469,246	406,959	348,925	331,153	314,459
Investment earnings	153,900	95,585	123,199	181,350	286,433	509,835	831,364	246,872	21,898	14,935
Other revenues	259,201	626,787	179,126	339,644	136,034	153,858	272,740	538,486	337,293	113,181
Total revenues	7,635,166	7,973,462	8,131,682	9,330,247	9,568,079	12,226,634	12,869,214	12,910,669	12,502,235	11,930,397
EXPENDITURES										
General government	874,176	1,099,446	1,833,888	1,540,298	1,976,762	3,228,265	2,820,730	2,481,159	2,286,980	1,733,341
Public safety	3,204,616	3,177,761	3,543,867	3,999,397	3,764,953	4,607,457	5,323,499	5,254,648	5,224,806	5,229,516
Public works	503,206	562,523	756,065	829,906	1,080,497	955,095	1,089,717	981,985	1,048,398	857,364
Culture and recreation	527,940	559,316	373,768	411,905	371,615	777,969	864,512	961,312	1,009,801	952,954
Capital outlay	2,186,149	2,724,952	1,656,353	4,275,169	4,366,639	3,244,170	4,638,124	8,577,215	7,901,676	2,597,077
Debt service										
Principal	535,715	650,892	425,054	377,522	364,546	924,407	957,409	1,800,000	1,935,000	1,645,000
Interest	-	-	558,236	616,634	824,178	549,939	747,771	1,206,997	1,290,891	1,455,753
Bond issuance cost	-	-	-	-	-	-	-	-	-	225,666
Total expenditures	7,831,802	8,774,890	9,147,231	12,050,831	12,749,190	14,287,302	16,441,762	21,263,316	20,697,552	14,696,671

(continued)

CITY OF MARBLE FALLS, TEXAS
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
(Continued)
LAST TEN FISCAL YEARS

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (196,636)	\$ (801,428)	\$ (1,015,549)	\$ (2,720,584)	\$ (3,181,111)	\$ (2,060,668)	\$ (3,572,548)	\$ (8,352,647)	\$ (8,195,317)	\$ (2,766,274)
OTHER FINANCING SOURCES (USES)										
Bonds issued	-	431,091	4,344,340	540,000	2,140,000	7,915,818	565,000	10,165,000	2,500,000	9,970,000
Premium on bond issuance	-	-	-	-	-	-	-	39,735	-	182,399
Capital lease proceeds	-	-	-	-	-	-	-	-	-	-
Sale of asset proceeds	25,079	19,139	148,442	34,400	149,048	323,822	196,671	45,077	225,856	220,828
Transfers in	515,373	201,742	-	538,461	161,031	414,107	1,833,315	1,317,647	1,327,300	1,648,719
Transfers out	(630,058)	(747,705)	(422,175)	(948,042)	(622,821)	(775,742)	(1,355,704)	(816,880)	(1,823,729)	(1,169,885)
Total other financing sources (uses)	(89,606)	(95,733)	4,070,607	164,819	1,827,258	7,878,005	1,239,282	10,750,579	2,229,427	10,852,061
NET CHANGE IN FUND BALANCES	\$ (286,242)	\$ (897,161)	\$ 3,055,058	\$ (2,555,765)	\$ (1,353,853)	\$ 5,817,337	\$ (2,333,266)	\$ 2,397,932	\$ (5,965,890)	\$ 8,085,787
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	9.49%	10.76%	13.13%	12.79%	14.18%	15.41%	14.45%	20.64%	25.14%	25.54%

CITY OF MARBLE FALLS, TEXAS

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Less: Tax-exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
2002	\$ 161,947,165	\$ 128,624,327	\$ 5,038,845	\$ 3,321,873	\$ 292,288,464	\$ 2.2407	\$ 292,288,464
2003	184,041,313	143,394,617	8,195,923	9,780,955	325,850,898	2.4072	325,850,898
2004	191,287,621	170,040,035	7,899,266	6,150,628	363,076,294	2.4577	363,076,294
2005	204,787,541	193,239,931	8,465,089	4,652,997	401,839,564	2.4602	401,839,564
2006	221,293,227	211,862,592	8,683,227	8,457,633	433,381,413	2.2638	433,381,413
2007	262,655,429	237,905,440	9,666,576	16,466,668	493,760,777	2.1130	493,760,777
2008	263,203,464	265,492,315	9,186,803	14,359,897	523,522,685	2.2614	523,522,685
2009	344,259,070	283,441,857	13,545,518	595,477,516	595,477,516	2.2614	595,477,516
2010	431,611,806	299,990,332	15,323,397	52,294,519	694,631,016	2.2742	638,671,384
2011	449,282,544	303,980,627	13,900,757	59,117,775	708,046,153	2.3135	617,612,731

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
2002	\$ 0.3825	\$ 3,761,000	\$ 2.2407	\$ 1.4730	\$ 0.3852
2003	0.3825	3,773,116	2.4072	1.6420	0.3827
2004	0.4170	7,162,000	2.4577	1.6550	0.3857
2005	0.4200	6,855,000	2.4602	1.6400	0.4002
2006	0.3950	8,310,000	2.2638	1.4716	0.3972
2007	0.4850	15,030,000	2.1130	1.2350	0.3930
2008	0.6300	14,380,000	2.2614	1.2550	0.3627
2009	0.6134	22,835,000	2.2742	1.2850	0.3627
2010	0.6435	28,075,000	2.3135	1.2900	0.3692
2011	0.6435	35,860,000	2.3135	1.2900	0.3724

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

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

CITY OF MARBLE FALLS, TEXAS

PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR

Taxpayer	2011		2002	
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
Huber JM Corp	\$ 11,157,504	1.75%	\$ -	- %
Wal-Mart Store Inc 01-0781	9,384,112	1.47%	-	- %
Wal-Mart Stores East LP	7,924,657	1.24%	-	- %
Lowe's Home Centers Inc	7,527,957	1.18%	-	- %
Johnson-Sewell Family Partnership	7,181,750	1.13%	-	- %
HD Development Properties LP	5,493,850	0.86%	-	- %
Lowe's Home Centers Inc	4,665,545	0.73%	-	- %
Panhandle Hospitality LTD	4,534,523	0.71%	-	- %
Highland Lakes RP LTD	4,339,883	0.68%	-	- %
Home Depot USA - Inc	4,241,457	0.66%	-	- %
	<u>\$ 66,451,238</u>	<u>10.41%</u>	<u>\$ -</u>	<u>- %</u>

Source: Burnet County Appraisal office

Note: Many of the principal property taxpayers did not exist in 2002.

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
2002	\$ 1,081,467	\$ 1,052,897	97.36%	\$ 24,172	\$ 1,077,069	99.59%
2003	1,287,763	1,210,245	93.98%	29,410	1,239,655	96.26%
2004	1,524,920	1,516,132	99.42%	8,788	1,524,920	100.00%
2005	1,675,671	1,632,397	97.42%	33,109	1,665,506	99.39%
2006	1,820,611	1,768,558	97.14%	35,886	1,804,444	99.11%
2007	1,952,358	1,906,012	97.63%	30,284	1,936,296	99.18%
2008	2,539,085	2,499,612	98.45%	2,037	2,501,649	98.53%
2009	3,755,312	3,633,761	96.76%	76,907	3,710,668	98.81%
2010	3,913,952	3,857,118	98.55%	56,834	3,913,952	100.00%
2011	3,973,652	3,909,526	98.39%	-	3,909,526	98.39%

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>
2001-02	\$ 3,050,232	8.75%
2002-03	3,225,753	8.75%
2003-04	3,464,663	8.75%
2004-05	3,885,132	8.75%
2005-06	5,692,747	8.75%
2006-07	6,212,036	8.75%
2007-08	6,305,601	8.75%
2008-09	6,111,541	8.25%
2009-10	5,798,120	8.25%
2010-11	5,877,763	8.25%

CITY OF MARBLE FALLS, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities				Business-type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Tax Notes	Notes Payable	Capital Lease	Water Revenue Bonds	Tax Notes	Notes Payable	Capital Leases			
2002	\$ 3,761,000	\$ -	\$ -	\$ -	\$ 2,970,000	\$ -	\$ -	\$ -	\$ 6,731,000	0.006	\$ 1,076
2003	3,773,116	-	-	156,807	4,835,884	-	-	-	8,765,807	0.005	1,270
2004	7,162,000	461,533	119,095	-	4,290,000	198,467	60,000	-	12,291,095	0.004	1,781
2005	6,855,000	579,610	231,384	-	11,740,000	135,390	45,000	-	19,586,384	0.002	2,839
2006	8,310,000	621,696	50,120	-	11,050,000	213,304	30,000	-	20,275,120	0.002	2,816
2007	15,030,000	915,000	12,409	-	24,810,000	125,000	15,000	-	40,907,409	0.001	5,681
2008	14,380,000	1,185,000	-	-	24,025,000	255,000	-	-	39,845,000	0.002	5,534
2009	22,835,000	1,095,000	-	-	22,910,000	195,000	-	-	47,035,000	0.001	6,533
2010	28,075,000	950,000	-	-	17,700,000	-	-	-	46,725,000	0.001	6,072
2011	36,765,000	600,000	-	-	17,515,000	-	-	-	54,880,000	0.002	7,622

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		
2002	\$ 3,761,000	\$ 3,761,000	1.29%	\$ 601.47
2003	3,773,116	3,773,116	1.16%	546.83
2004	7,162,000	7,162,000	1.97%	1,037.97
2005	6,855,000	6,855,000	1.71%	993.48
2006	8,310,000	8,310,000	1.68%	1,154.17
2008	14,380,000	14,380,000	2.75%	1,997.22
2009	22,835,000	22,835,000	3.83%	3,171.53
2010	28,075,000	28,075,000	4.39%	3,648.47
2011	36,765,000	36,765,000	5.95%	5,106.25

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, 2011

<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	\$ 81,886,963	21.000%	\$ 17,196,262
Burnet County General Obligation Debt	7,420,000	16.000%	1,187,200
Subtotal overlapping debt			15,923,241
City direct debt	35,860,000	100.000%	<u>35,860,000</u>
Total direct and overlapping debt			<u>\$ 51,783,241</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 2011									
		Fiscal Year									
		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt limit		\$ 292,288,464	\$ 325,850,898	\$ 363,076,294	\$ 368,465,476	\$ 433,381,413	\$ 493,760,771	\$ 523,522,685	\$ 596,081,363	\$ 572,437,375	\$ 577,490,755
Total net debt applicable to limit		3,731,260	3,399,151	7,734,771	7,768,955	8,310,000	15,030,000	14,380,000	22,835,000	28,075,000	35,860,000
Legal debt margin		\$ 288,557,204	\$ 322,451,747	\$ 355,341,523	\$ 360,696,521	\$ 425,071,413	\$ 478,730,771	\$ 509,142,685	\$ 573,246,363	\$ 544,362,375	\$ 541,630,755
Total net debt applicable to the limit as a percentage of debt limit.		1.28%	1.04%	2.13%	2.11%	1.92%	3.04%	2.75%	3.83%	4.90%	6.21%

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					
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2002	\$ 1,979,979	\$ 1,512,891	\$ 467,088	\$ 425,000	\$ 193,892	0.76
2003	2,023,005	1,674,976	348,029	305,000	170,863	0.73
2004	2,304,402	1,916,578	387,824	435,000	151,790	0.66
2005	2,715,995	2,047,125	668,870	450,000	138,515	1.14
2006	3,029,155	2,236,767	792,388	690,000	471,261	0.68
2007	2,933,098	2,204,332	728,766	740,000	403,390	0.64
2008	3,439,880	2,645,229	794,651	785,000	1,093,252	1.01
2009	3,523,144	2,409,754	1,113,390	1,175,000	1,014,268	0.95
2010	3,107,039	2,313,375	793,664	875,000	777,636	0.91
2011	3,913,067	2,220,985	1,692,082	930,000	781,032	1.82

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
2002	6,253	\$ 41,017	\$ 22,530	1.8%
2003	6,900	44,399	24,687	1.8%
2004	6,900	45,050	26,046	1.6%
2005	6,900	39,915	19,927	- %
2006	7,200	45,889	20,873	3.0%
2007	7,200	40,715	21,702	3.3%
2008	7,200	62,245	25,356	3.7%
2009	7,200	47,528	22,368	5.8%
2010	7,695	48,442	27,008	1.5%
2011	7,200	43,329	22,679	7.1%

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

Unemployment rate obtained from Texas Workforce Commission website.

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

CITY OF MARBLE FALLS, TEXAS

PRINCIPAL EMPLOYERS

CURRENT AND NINE YEARS AGO

Employer	2011		2002	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Marble Falls ISD	621	13.60%	**	**
Wal-Mart	373	8.17%	**	**
H.E.B. Grocery Company	189	4.14%	**	**
City of Marble Falls	124	2.72%	**	**
Lowe's	100	2.19%	**	**
American Bank of Texas, N.A.	100	2.19%	**	**
Johnson-Sewell Ford Lincoln Mercury	116	2.54%	**	**
The Home Depot	100	2.19%	**	**
Cold Spring Texas Granite	80	1.75%	**	**
Pedernales Electric Cooperative	72	1.58%		
Total	<u>1,875</u>			

Source: Marble Falls Economic Development Corporation and personal telephone interviews

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

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

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

Function/Program	Fulltime Equivalent Employees as of September 30th									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government										
Management services	2	2	2	2	2	2	2	2	2	2
Finance	1	3	4	4	4	4	4	5	5	5
Planning	1	1	2	3	3	3	6	6	6	6
Building	1	2	1	2	2	5	5	5	5	5
Other	8	5	8	6	6	19	6	3	3	4
Human resources	NA	NA	NA	NA	NA	NA	NA	1	1	1
Court	NA	NA	NA	NA	NA	NA	3	3	3	3
Police										
Officers	22	17	20	23	25	30	26	27	26	25
Civilians	12	11	12	12	14	-	16	13	13	15
Fire										
Firefighters and officers	7	7	7	7	10	16	16	17	15	15
Other public works										
Other	8	10	10	10	11	13	13	13	13	13
Parks and recreation	4	4	3	5	6	10	10	11	11	11
Water	11	11	10	12	11	16	14	14	14	14
Wastewater	11	9	10	10	11	11	11	10	10	10
Total	88	82	89	96	105	129	132	130	127	129

Source: City Finance Department

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

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

Function/Program	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government										
Building permits issued	643	817	808	898	984	1,206	872	952	662	564
Building inspections conducted	3,677	4,673	4,621	5,136	5,628	6,898	5,700	1,490	1,201	1,108
Police										
Physical arrests	858	860	842	715	970	770	1,067	1,154	661	993
Parking violations	16	35	39	47	85	72	825	60	26	22
Traffic violations	4,116	4,247	4,173	3,182	4,890	5,174	4,677	3,840	2,508	1,650
Fire										
Emergency responses	648	737	611	809	1,033	1,199	1,200	1,212	765	821
Fires extinguished	-	-	-	-	97	43	60	17	9	12
Inspections	-	-	-	-	-	480	1,800	874	849	771
Other public works										
Street resurfacing (miles)	-	2.00	1.50	1.50	1.50	-	2.50	4.80	3.00	3.50
Tonnage to repair potholes	-	-	450	500	500	536	500	1,200	1,993	1,240
Parks and recreation										
Community center admissions	-	-	-	-	72	98	198	128	130	139
Library										
Volumes in collection	-	38,123	39,000	42,218	45,432	46,247	47,083	46,487	44,323	43,512
Total volumes borrowed	-	-	-	-	139,463	144,885	144,800	158,005	148,999	149,229
Water										
New connections	-	-	-	-	415	413	439	565	593	1,131
Water main breaks	-	-	-	-	147	152	175	65	210	208
Average daily consumption (thousands of gallons)	-	-	-	1,077	1,090	966	1,168	1,612	1,233	1,445
Peak daily consumption (thousands of gallons)	-	-	-	-	1,267	1,910	2,700	2,810	2,058	2,397
Wastewater										
Average daily sewage treatment (thousands of gallons)	738	713	708	679	624	660	740	621	625	636

Source: Various City departments

TABLE 19

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

Function/Program	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Police										
Stations	-	1	1	1	1	1	1	1	1	1
Patrol units	-	15	15	15	15	27	18	20	25	25
Fire										
Stations	-	1	1	1	1	1	1	1	1	1
Public works										
Streets (miles)	-	47	47	47	48	52	52	52	60	60
Highways (miles)	-	-	-	-	8	8	8	14	14	14
Streetlights	-	12	12	364	364	364	364	364	448	448
Traffic signals	-	-	-	-	13	13	13	14	14	14
Parks and recreation										
Acreage	50	50	50	50	65	68	68	99	123	123
Playgrounds	2	2	2	2	2	2	2	4	6	6
Baseball/softball diamonds	1	1	1	1	1	4	4	8	8	8
Soccer/football fields	7	7	7	7	7	7	7	9	9	9
Community centers	1	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	-	38	42	42	49	49	50	55	83	83
Fire hydrants	-	281	299	315	390	406	406	544	544	544
Storage capacity (thousands of gallons)	-	-	-	2,089	2,089	2,089	1,889	1,889	2,939	2,739
Wastewater										
Sanitary sewers (miles)	-	34	34	34	34	49	51	56	63	63
Storm sewers (miles)	-	10	10	10	10	10	10	12	12	12
Treatment capacity (thousands of gallons)	980	980	980	980	980	980	980	980	980	380

Source: Various City departments

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

COMPLIANCE SECTION

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Marble Falls, Texas (the “City”) as of and for the year ended September 30, 2011, which collectively comprise the City’s basic financial statements and have issued our report thereon dated February 20, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Patillo, Brown & Hill, L.L.P.

February 20, 2012