



COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR FISCAL YEAR ENDED
SEPTEMBER 30, 2010**





COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR FISCAL YEAR ENDED
SEPTEMBER 30, 2010**

Prepared by the
Finance Department



CITY OF MARBLE FALLS, TEXAS

TABLE OF CONTENTS

SEPTEMBER 30, 2010

	<u>Page Number</u>
INTRODUCTORY SECTION	
Letter of Transmittal	i – iv
Principal Officials	v
Organization Chart.....	vi
Certificate of Achievement for Excellence in Financial Reporting.....	vii
FINANCIAL SECTION	
Independent Auditors’ Report.....	1 – 2
Management’s Discussion and Analysis	3 – 10
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets.....	11
Statement of Activities.....	12 – 13
Fund Financial Statements	
Balance Sheet – Governmental Funds	14 – 15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	16 – 17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	18

(continued)

CITY OF MARBLE FALLS, TEXAS

**TABLE OF CONTENTS
(Continued)
SEPTEMBER 30, 2010**

	<u>Page Number</u>
FINANCIAL SECTION (Continued)	
Fund Financial Statements (Continued)	
Statement of Net Assets – Proprietary Fund.....	19
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Fund.....	20
Statement of Cash Flows – Proprietary Funds.....	21
Statement of Fiduciary Net Assets – Fiduciary Funds	22
Statement of Changes in Fiduciary Net Assets.....	23
Notes to Financial Statements.....	24 – 47
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.....	48 – 51
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Economic Development Corporation Fund	52
Notes to Required Supplementary Information	53

(continued)

CITY OF MARBLE FALLS, TEXAS

**TABLE OF CONTENTS
(Continued)
SEPTEMBER 30, 2010**

			<u>Page Number</u>
FINANCIAL SECTION (Continued)			
Combining and Individual Fund Statements			
Nonmajor Governmental Funds			
Combining Balance Sheet.....			54 – 56
Combining Statement of Revenues, Expenditures and Changes in Fund Balances			57 – 59
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Debt Service Fund			60
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Hotel/Motel Tax Fund			61
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Cemetery Fund.....			62
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Police Forfeiture Fund			63
STATISTICAL SECTION (Unaudited)			
Net Assets by Component.....	Table 1		64
Changes in Net Assets	Table 2		65 – 66
Fund Balances – Governmental Funds	Table 3		67
Changes in Fund Balances – Governmental Funds	Table 4		68 – 69
Assessed Value and Estimated Actual Value of Taxable Property	Table 5		70
Direct and Overlapping Property Tax Rates	Table 6		71

(continued)

CITY OF MARBLE FALLS, TEXAS

TABLE OF CONTENTS (Continued) SEPTEMBER 30, 2010

	<u>Exhibit Number</u>	<u>Page Number</u>
STATISTICAL SECTION (Unaudited) (Continued)		
Principal Property Taxpayers.....	Table 7	72
Property Tax Levies and Collections.....	Table 8	73
Major Source of Revenue Sales Tax History.....	Table 9	74
Ratios of Outstanding Debt by Type	Table 10	75
Ratios of General Bonded Debt Outstanding.....	Table 11	76
Direct and Overlapping Governmental Activities Debt.....	Table 12	77
Legal Debt Margin Information.....	Table 13	78
Pledged Revenue Coverage	Table 14	79
Demographic and Economic Statistics	Table 15	80
Principal Employers.....	Table 16	81
Fulltime Equivalent City Government Employees.....	Table 17	82
Operating Indicators by Function/Program	Table 18	83
Capital Asset Statistics by Function/Program.....	Table 19	84
 COMPLIANCE SECTION		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>		85 – 86

INTRODUCTORY SECTION

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March 1, 2011

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, 2010, 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, 2010, 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, 2010, 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 2010-2011, 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 7,600. 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.

Cash Management. Cash temporarily idle during the year was invested in TexPool and LOGIC. The mix and terms of investments are determined based on the City's investment policy and liquidity needs. The City's investment policy is updated in September each year. Safety and liquidity are the primary goals of the investment policy followed by yield.

The City's investment policy minimizes credit and market risks while maintaining a competitive yield on its portfolio. Therefore, all deposits were either insured by Federal Depository Insurance Corporation or fully collateralized. All collateral on deposits was held either by the City, its agent or a financial institution's trust department in the City's name. All of the investments held by the City during the fiscal year ended September 30, 2010, are classified in the lowest risk category as defined by the Governmental Accounting Standards Board.

Risk Management. During the fiscal year 2009/10, the City maintained property, liability, workman's compensation and crime insurance through participation in the Texas Municipal League Intergovernmental Risk Pool. An interlocal agreement limits the City's contribution to the Pool to the premiums assessed, subject to coverage limitations noted in Table 15 of the statistical section of this report. The Pool maintains reinsurance coverage for protection in the event of excessive losses.

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, 2009. 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, 2010

MAYOR

George W. Russell

MAYOR PRO TEM

Dave Rhodes

COUNCILMEMBERS

Allan Garrett
David Ives
Richard Lewis
John Packer
Sharon Pittard

CITY MANAGER

Ralph Hendricks

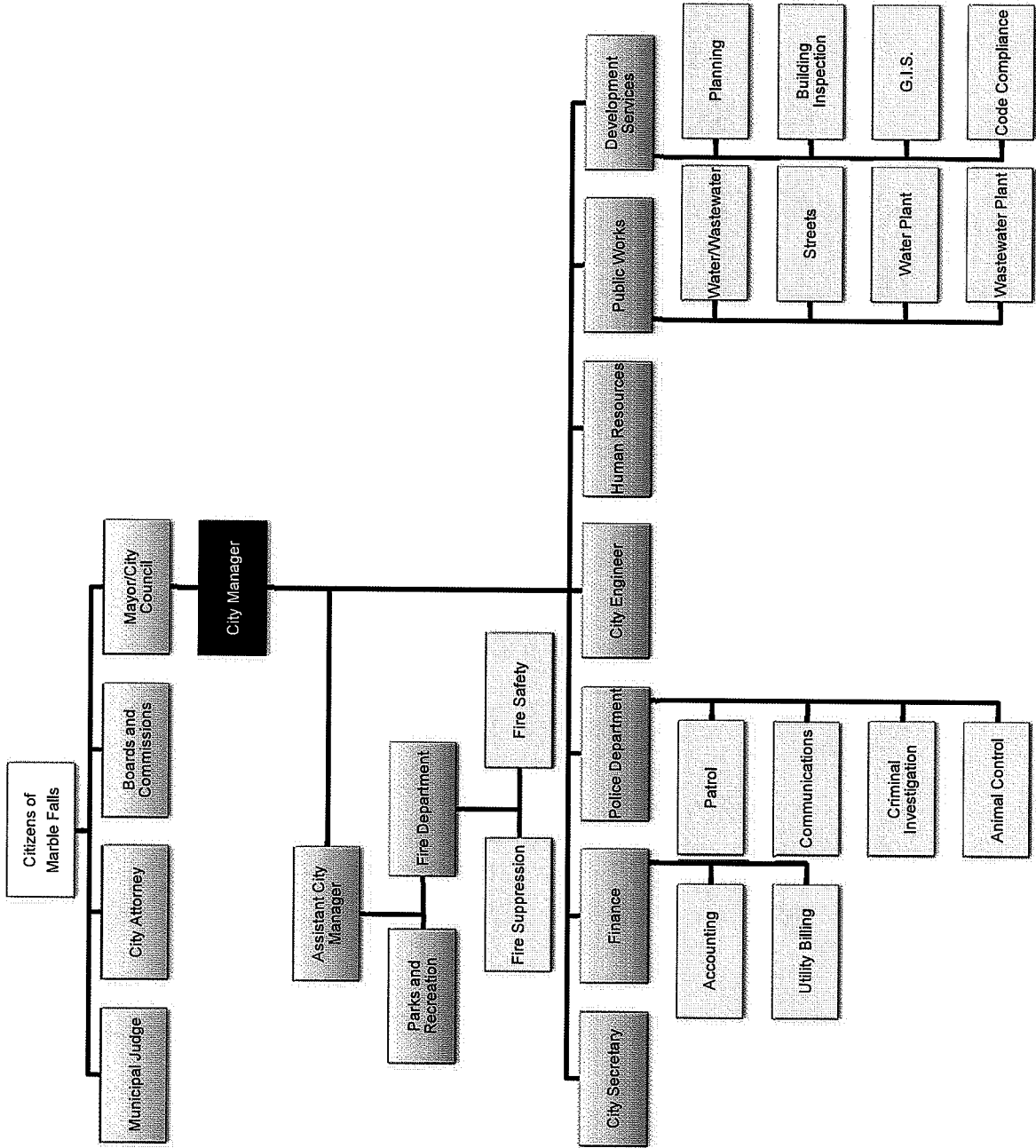
CITY ATTORNEY

Patty Akers
Bickerstaff, Heath, Smiley, Pollan, Kever & McDaniel, 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, 2009

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.



President

Executive Director

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FINANCIAL SECTION

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

INDEPENDENT AUDITORS' REPORT

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

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, 2010, 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, 2010, 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 23, 2011, 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 23, 2011

**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, 2010. 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, 2010, by \$33,793,015 (net assets). Of this amount, \$(7,573,056) is unrestricted net assets.
- The City's net assets decreased by \$1,741,604.
- As of the close of the current fiscal year, the City of Marble Falls governmental funds reported combined ending fund balances of \$4,995,628. \$4,994,309 of this amount is unreserved and available for use within the City's fund designation and policy.
- As of September 30, 2010, unreserved fund balance for the General Fund was \$610,076 or 7.19% 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 17 governmental funds. Information is presented separately in the governmental funds balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Economic Development Corporation Fund, Debt Service Fund, General Improvements, all of which are considered to be major funds. The other 13 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 \$33.8 million as of September 30, 2010. 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	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 6,583,805	\$ 12,274,431	\$ 3,369,537	\$ 12,625,521	\$ 9,953,342	\$ 24,899,952
Capital assets	<u>41,753,365</u>	<u>36,463,063</u>	<u>31,853,444</u>	<u>24,293,566</u>	<u>73,606,809</u>	<u>60,756,629</u>
Total assets	<u>48,337,170</u>	<u>48,737,494</u>	<u>35,222,981</u>	<u>36,919,087</u>	<u>83,560,151</u>	<u>85,656,581</u>
Current liabilities	1,297,908	895,989	742,098	1,243,970	2,040,006	2,139,959
Noncurrent liabilities	<u>29,825,918</u>	<u>24,694,141</u>	<u>17,901,212</u>	<u>23,287,862</u>	<u>47,727,130</u>	<u>47,982,003</u>
Total liabilities	<u>31,123,826</u>	<u>25,590,130</u>	<u>18,643,310</u>	<u>24,531,832</u>	<u>49,767,136</u>	<u>50,121,962</u>
Net assets:						
Invested in capital assets, net of related debt	19,625,996	21,720,097	17,228,744	6,203,895	36,854,740	27,923,992
Restricted	4,511,331	10,691,542	-	-	4,511,331	10,691,542
Unrestricted	<u>(6,923,983)</u>	<u>(9,264,275)</u>	<u>(649,073)</u>	<u>6,183,360</u>	<u>(7,573,056)</u>	<u>(3,080,915)</u>
Total net assets	<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>

The restricted portion of the City's net assets (13.3% percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets is \$(7,573,056).

Analysis of the City's Operations

The following table provides a summary of the City's operations for the year ended September 30, 2010. Governmental activities decreased the City of Marble Falls' net assets by \$5,934,020, accounting for 16.7% decrease in net assets. The decrease in the governmental activities is mainly due to the decrease of operating grants and contributions, sales tax, and investment earnings. Business-type activities increased the City's net assets by \$4,192,416 accounting for 11.8% increase in net assets. The increase in the business-type activities is due to the decrease of expenses.

CITY OF MARBLE FALLS' CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 721,824	\$ 687,059	\$ 3,107,039	\$ 3,556,786	\$ 3,828,863	\$ 4,243,845
Operating grants and contributions	592,418	604,032	-	-	592,418	604,032
Capital grants and contributions	-	346,435	233,368	2,125,837	233,368	2,472,272
General revenues:						
Property taxes	3,995,373	3,803,048	-	-	3,995,373	3,803,048
Sales taxes	5,819,527	6,095,187	-	-	5,819,527	6,095,187
Franchise taxes	527,617	421,100	-	-	527,617	421,100
Other taxes	502,606	322,280	-	-	502,606	322,280
Investment earnings	21,898	246,872	2,643	82,882	24,541	329,754
Gain on sale of assets	225,856	45,077	244,723	-	470,579	45,077
Miscellaneous	309,554	448,573	-	-	309,554	448,573
Total revenues	<u>12,716,673</u>	<u>13,019,663</u>	<u>3,587,773</u>	<u>5,765,505</u>	<u>16,304,446</u>	<u>18,785,168</u>
Expenses:						
General government	2,912,799	3,001,249	-	-	2,912,799	3,001,249
Public safety	5,677,405	5,646,443	-	-	5,677,405	5,646,443
Public works	2,505,782	1,885,591	-	-	2,505,782	1,885,591
Culture and recreation	1,124,241	1,062,156	-	-	1,124,241	1,062,156
Interest on long-term debt	1,404,037	1,079,296	-	-	1,404,037	1,079,296
Water and wastewater	-	-	4,421,786	4,352,380	4,421,786	4,352,380
Total expenses	<u>13,624,264</u>	<u>12,674,735</u>	<u>4,421,786</u>	<u>4,352,380</u>	<u>18,046,050</u>	<u>17,027,115</u>
Increases (decreases) in net assets before transfers						
	(907,591)	344,928	(834,013)	1,413,125	(1,741,604)	1,758,053
Transfers						
	(5,026,429)	500,767	5,026,429	(500,767)	-	-
Change in net assets						
	(5,934,020)	845,695	4,192,416	912,358	(1,741,604)	1,758,053
Net assets, beginning						
	<u>23,147,364</u>	<u>22,301,669</u>	<u>12,387,255</u>	<u>11,474,897</u>	<u>35,534,619</u>	<u>33,776,566</u>
Net assets, ending						
	<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>

Government Funds

In the General Fund, fund balance increased by \$274,242. The increase was due mainly due to the decrease of general government expenditures. These amounts are included as part of the reservation of fund balance. The Debt Service Fund balance decreased by \$58,215 due to increased debt payments.

The Economic Development Corporation Fund balance decreased by \$999,726. The decrease is due to an increase in capital expenditures.

The General Improvements Fund balance decreased by \$4,589,308. The decrease was due mainly due to an increase in capital expenditures.

Proprietary Fund

Unrestricted net assets of the proprietary fund (water and sewer) was \$(649,073). The net assets of the Water and Sewer Fund increased by \$4,192,416.

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 \$108,850 from the original budget of \$8,787,222 to the revised budget of \$8,896,072 or 1.2% increase. The majority of this increase was due to an increase in capital outlay.

The variance between the final amended budget and actual expenditures was a positive \$411,147. The General Government group actual expenditures were below budget by \$228,272. The expenses were for purchased and contracted services in the Administration Department.

Capital Assets

- Completion of Manzano Mile. This is a 1.8 mile, 5-lane street project including water and wastewater improvements, sidewalks and illumination. Total spent in FY 09/10 was \$2,040,000.
- Completed 90% of Mormon Mill Phase 3A. This project entails 1,800 feet of street, water, wastewater, sidewalk on one side, storm sewer and 2 lift stations. Total spent in FY 09/10 was \$2,607,000.
- Completed the elevated storage tank at Flatrock which will service the south side of the lake along with the new hospital. The tank holds 1 million gallons of water. Total spent in FY 09/10 was \$1,251,000.
- The public works facility was started and should be completed in FY 10/11. This facility will office the water and wastewater services, street department and parks maintenance. The facility is a 4,500 square feet building. Total spent in FY 09/10 was \$92,000.
- Completed water lines from US 281 Bridge to Scott & White Hospital site and Flatrock development. Total spent in FY 09/10 was \$3,852,000.
- Completed 90% on wastewater lines from US 281 Bridge to Scott & White Hospital site and Flatrock development. Total spent in FY 09/10 was \$1,825,000.
- Began work on the relocation of utility lines at US 281 Bridge for TxDOT bridge construction project. Total spent in FY 09/10 was \$394,000.
- Purchased a 76,000 square feet building for a future vocational tech school and began remodeling of the building. Total spent in FY 09/10 was \$2,700,000.

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	
	2010	2009	2010	2009	2010	2009
Land	\$ 4,948,290	\$ 4,912,764	\$ 210,101	\$ 210,101	\$ 5,158,391	\$ 5,122,865
Buildings and improvements	44,918,163	37,526,263	39,678,708	30,835,272	84,596,871	68,361,535
Machinery and equipment	6,621,835	6,351,159	1,068,875	1,035,397	7,690,710	7,386,556
Construction in progress	1,252,187	1,252,187	1,894,490	1,894,490	3,146,677	3,146,677
Less: accumulated depreciation	(15,987,110)	(13,579,310)	(10,998,730)	(9,681,694)	(26,985,840)	(23,261,004)
Total capital assets, net	<u>\$ 41,753,365</u>	<u>\$ 36,463,063</u>	<u>\$ 31,853,444</u>	<u>\$ 24,293,566</u>	<u>\$ 73,606,809</u>	<u>\$ 60,756,629</u>

Debt Administration

At the end of the current fiscal year, the City had total bonded debt and notes payable of \$46,725,000. Of this amount, \$29,025,000 represents bonded debt backed by the full faith and credit of the City and \$17,700,000 represents payables secured by water and wastewater revenues.

OUTSTANDING DEBT AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Certificates of obligation	\$ 28,075,000	\$ 22,835,000	\$ 15,700,000	\$ 20,700,000	\$ 43,775,000	\$ 43,535,000
Refunding bonds	-	-	2,000,000	2,210,000	2,000,000	2,210,000
Note payable	<u>950,000</u>	<u>1,095,000</u>	<u>-</u>	<u>195,000</u>	<u>950,000</u>	<u>1,290,000</u>
Total	<u>\$ 29,025,000</u>	<u>\$ 23,930,000</u>	<u>\$ 17,700,000</u>	<u>\$ 23,105,000</u>	<u>\$ 46,725,000</u>	<u>\$ 47,035,000</u>

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

General Obligation Bonds	Standard & Poor's
	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 7,695 in 2010. 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 a decrease of 4.5% from the prior year revenue of \$4,571,390 to \$4,364,645. The 2011 estimate is conservatively projected at \$4,582,000. 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 .6435. This rate consists of a maintenance and operations (M&O) tax rate of .1932 and an Interest and Sinking (debt service) tax rate of .4503. The rate was set based on a net assessed value of \$572,437,375. The assessed values decreased about 10% for FY 2010/2011; this was the first year where the tax freeze for over 65 and \$50,000 homestead exemption will be effective.

Water revenues for 2011 are budgeted at \$2,304,700 which is a 10% increase over the prior year. Sewer revenues are budgeted at \$1,625,000, representing a 8% increase over the prior year. The City of Marble Falls increased the water and sewer rates by 9% and 10% for FY 2010/2011.

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, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 4,581,328	\$ 1,700,532	\$ 6,281,860
Receivables, net of allowances for uncollectibles			
Taxes	1,276,275	-	1,276,275
Customer accounts	186,471	888,115	1,074,586
Other	1,814	-	1,814
Due from other governments	264,235	-	264,235
Inventories	-	285,603	285,603
Prepaid items	1,319	-	1,319
Deferred charges	272,363	495,287	767,650
Capital assets:			
Land	4,948,290	210,101	5,158,391
Buildings and improvements	44,918,163	39,678,708	84,596,871
Machinery and equipment	6,621,835	1,068,875	7,690,710
Construction in progress	1,252,187	1,894,490	3,146,677
Accumulated depreciation	(15,987,110)	(10,998,730)	(26,985,840)
Total capital assets, net of accumulated depreciation	<u>41,753,365</u>	<u>31,853,444</u>	<u>73,606,809</u>
Total assets	<u>48,337,170</u>	<u>35,222,981</u>	<u>83,560,151</u>
LIABILITIES			
Accounts payable	910,924	179,443	1,090,367
Accrued liabilities	107,641	23,141	130,782
Due to others	39,756	11,154	50,910
Customer deposits	30,902	403,353	434,255
Accrued interest	208,685	125,007	333,692
Noncurrent liabilities:			
Due within one year	1,753,908	969,648	2,723,556
Due in more than one year	<u>28,072,010</u>	<u>16,931,564</u>	<u>45,003,574</u>
Total liabilities	<u>31,123,826</u>	<u>18,643,310</u>	<u>49,767,136</u>
NET ASSETS			
Invested in capital assets, net of related debt	19,625,996	17,228,744	36,854,740
Restricted for:			
Economic development	785,637	-	785,637
Public safety	256,258	-	256,258
Culture and recreation	406,538	-	406,538
Capital improvements	3,062,898	-	3,062,898
Unrestricted	<u>(6,923,983)</u>	<u>(649,073)</u>	<u>(7,573,056)</u>
Total net assets	<u>\$ 17,213,344</u>	<u>\$ 16,579,671</u>	<u>\$ 33,793,015</u>

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

CITY OF MARBLE FALLS, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 2,912,799	\$ 544,704	\$ 241,361	\$ -
Public safety	5,677,405	48,202	243,241	-
Public works	2,505,782	17,710	38,604	-
Culture and recreation	1,124,241	111,208	69,212	-
Interest on long-term debt	1,404,037	-	-	-
Total governmental activities	13,624,264	721,824	592,418	-
Business-type activities:				
Water and sewer	4,421,786	3,107,039	-	233,368
Total business-type activities	4,421,786	3,107,039	-	233,368
Total primary government	\$ 18,046,050	\$ 3,828,863	\$ 592,418	\$ 233,368

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
\$(2,126,734)	\$ -	\$(2,126,734)
(5,385,962)	-	(5,385,962)
(2,449,468)	-	(2,449,468)
(943,821)	-	(943,821)
(1,404,037)	-	(1,404,037)
<u>(12,310,022)</u>	<u>-</u>	<u>(12,310,022)</u>
<u>-</u>	<u>(1,081,379)</u>	<u>(1,081,379)</u>
<u>-</u>	<u>(1,081,379)</u>	<u>(1,081,379)</u>
<u>(12,310,022)</u>	<u>(1,081,379)</u>	<u>(13,391,401)</u>
1,187,507	-	1,187,507
2,807,866	-	2,807,866
5,819,527	-	5,819,527
527,617	-	527,617
502,606	-	502,606
21,898	2,643	24,541
225,856	244,723	470,579
309,554	-	309,554
<u>(5,026,429)</u>	<u>5,026,429</u>	<u>-</u>
<u>6,376,002</u>	<u>5,273,795</u>	<u>11,649,797</u>
(5,934,020)	4,192,416	(1,741,604)
<u>23,147,364</u>	<u>12,387,255</u>	<u>35,534,619</u>
<u>\$ 17,213,344</u>	<u>\$ 16,579,671</u>	<u>\$ 33,793,015</u>

CITY OF MARBLE FALLS, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2010

	<u>General</u>	<u>Economic Development Corporation</u>	<u>Debt Service</u>
ASSETS			
Cash and investments	\$ -	\$ 567,936	\$ -
Receivables, net of allowances for uncollectibles:			
Property taxes	29,563	-	103,900
Other taxes	770,055	251,072	-
Accounts	186,471	-	-
Other	1,704	75	-
Due from other governments	120,868	-	-
Due from other funds	581,691	-	-
Prepaid items	<u>1,319</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 1,691,671</u>	<u>\$ 819,083</u>	<u>\$ 103,900</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	299,721	29,640	-
Accrued liabilities	104,985	2,656	-
Due to other funds	470,656	-	114,298
Due to others	38,606	1,150	-
Customer deposits	30,902	-	-
Deferred revenue	<u>135,406</u>	<u>-</u>	<u>91,185</u>
Total liabilities	<u>1,080,276</u>	<u>33,446</u>	<u>205,483</u>
Fund balances:			
Reserved for:			
Prepays	1,319	-	-
Unreserved, reported in:			
General fund	610,076	-	-
Special revenue funds	-	785,637	-
Debt service fund	-	-	(101,583)
Capital projects	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>611,395</u>	<u>785,637</u>	<u>(101,583)</u>
Total liabilities and fund balances	<u>\$ 1,691,671</u>	<u>\$ 819,083</u>	<u>\$ 103,900</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.

Transfer of long term debt from the business-type activiteis to the governmental activities.

Net assets of governmental activities

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

<u>General Improvements</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
\$ 3,057,551	\$ 955,841	\$ 4,581,328
-	-	133,463
-	121,685	1,142,812
-	-	186,471
-	35	1,814
-	143,367	264,235
541,343	-	1,123,034
-	-	1,319
<u>\$ 3,598,894</u>	<u>\$ 1,220,928</u>	<u>\$ 7,434,476</u>
522,613	58,950	910,924
-	-	107,641
-	538,080	1,123,034
-	-	39,756
-	-	30,902
-	-	226,591
<u>522,613</u>	<u>597,030</u>	<u>2,438,848</u>
-	-	1,319
-	-	610,076
-	637,281	1,422,918
-	-	(101,583)
<u>3,076,281</u>	<u>(13,383)</u>	<u>3,062,898</u>
<u>3,076,281</u>	<u>623,898</u>	<u>4,995,628</u>
<u>\$ 3,598,894</u>	<u>\$ 1,220,928</u>	
		41,753,365
		226,591
		(25,232,240)
		(4,530,000)
		<u>\$ 17,213,344</u>

CITY OF MARBLE FALLS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	General	Economic Development Corporation	Debt Service
REVENUES			
Property taxes	\$ 1,192,911	\$ -	\$ 2,820,476
Sales taxes	4,364,645	1,454,882	-
Hotel/motel taxes	-	-	-
Mixed beverage taxes	32,462	-	-
Franchise fees	527,617	-	-
Fines and forfeitures	310,258	-	-
Permits and fees	311,298	56,150	-
Intergovernmental	389,148	-	-
Investment earnings	2,072	2,721	757
Other	171,352	150,000	505
Total revenues	7,301,763	1,663,753	2,821,738
EXPENDITURES			
Current:			
General government	1,554,162	652,747	-
Public safety	5,118,884	-	-
Public works	1,048,398	-	-
Culture and recreation	670,214	-	-
Capital outlay	93,267	2,713,971	-
Debt service:			
Principal	-	275,000	1,660,000
Interest and fiscal charges	-	70,938	1,219,953
Total expenditures	8,484,925	3,712,656	2,879,953
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,183,162)	(2,048,903)	(58,215)
OTHER FINANCING SOURCES (USES)			
Capital-related debt issued	-	2,500,000	-
Sale of capital assets	130,104	74,152	-
Transfers in	1,327,300	-	-
Transfers out	-	(1,524,975)	-
Total other financing sources (uses)	1,457,404	1,049,177	-
NET CHANGE IN FUND BALANCES	274,242	(999,726)	(58,215)
FUND BALANCES, BEGINNING	337,153	1,785,363	(43,368)
FUND BALANCES, ENDING	\$ 611,395	\$ 785,637	\$(101,583)

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>
\$ -	\$ -	\$ 4,013,387
-	-	5,819,527
-	470,144	470,144
-	-	32,462
-	-	527,617
-	20,895	331,153
-	-	367,448
-	192,158	581,306
15,253	1,095	21,898
<u>15,312</u>	<u>124</u>	<u>337,293</u>
<u>30,565</u>	<u>684,416</u>	<u>12,502,235</u>
-	80,071	2,286,980
104,962	960	5,224,806
-	-	1,048,398
-	339,587	1,009,801
4,514,911	579,527	7,901,676
-	-	1,935,000
-	-	<u>1,290,891</u>
<u>4,619,873</u>	<u>1,000,145</u>	<u>20,697,552</u>
(4,589,308)	(315,729)	(8,195,317)
-	-	2,500,000
-	21,600	225,856
-	-	1,327,300
-	(298,754)	(1,823,729)
-	(277,154)	<u>2,229,427</u>
(4,589,308)	(592,883)	(5,965,890)
<u>7,665,589</u>	<u>1,216,781</u>	<u>10,961,518</u>
<u>\$ 3,076,281</u>	<u>\$ 623,898</u>	<u>\$ 4,995,628</u>

CITY OF MARBLE FALLS, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2010

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

Net change in fund balances - total governmental funds (pages 16 - 17)	\$(5,965,890)
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.	5,290,302
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(11,418)
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.	(617,148)
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.	(99,866)
Transfer of long term debt from the business-type activiteis to the governmental activities.	(<u>4,530,000</u>)
Change in net assets of governmental activities (pages 12 - 13)	\$(<u>5,934,020</u>)

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

CITY OF MARBLE FALLS, TEXAS

STATEMENT OF NET ASSETS

PROPRIETARY FUND

SEPTEMBER 30, 2010

	Business-type Activities Enterprise Fund
	<u>Water and Utility</u>
ASSETS	
Current assets:	
Cash and investments	\$ 1,700,532
Accounts receivable, net of allowance	888,115
Inventories	<u>285,603</u>
Total current assets	<u>2,874,250</u>
Noncurrent assets:	
Deferred charges	495,287
Capital assets:	
Land	210,101
Buildings and improvements	39,678,708
Machinery and equipment	1,068,875
Construction in progress	1,894,490
Accumulated depreciation	<u>(10,998,730)</u>
Total capital assets	<u>31,853,444</u>
Total noncurrent assets	<u>32,348,731</u>
Total assets	<u>35,222,981</u>
LIABILITIES	
Current liabilities:	
Accounts payable	179,443
Accrued liabilities	23,141
Customer deposits	403,353
Due to others	11,154
Accrued interest	125,007
Compensated absences	41,254
Bonds payable	<u>928,394</u>
Total current liabilities	<u>1,711,746</u>
Noncurrent liabilities:	
Compensated absences	123,761
Bonds payable	16,788,104
OPEB net pension obligation	<u>19,699</u>
Total noncurrent liabilities	<u>16,931,564</u>
Total liabilities	<u>18,643,310</u>
NET ASSETS	
Invested in capital assets, net of related debt	17,228,744
Unrestricted	<u>(649,073)</u>
Total net assets	<u>\$ 16,579,671</u>

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

CITY OF MARBLE FALLS, TEXAS

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

PROPRIETARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Business-type Activities <u>Enterprise Fund</u>
	<u>Water and Utility</u>
OPERATING REVENUES	
Water and utility charges	\$ 3,107,039
Total operating revenues	<u>3,107,039</u>
OPERATING EXPENSES	
Personnel services	1,145,597
Supplies	390,412
Repairs and maintenance	349,438
Purchased and contracted services	389,661
Other services and charges	38,267
Depreciation	<u>1,330,775</u>
Total operating expenses	<u>3,644,150</u>
OPERATING LOSS	<u>(537,111)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	2,643
Interest and fiscal charges	<u>(777,636)</u>
Gain on sale of assets	<u>244,723</u>
Total nonoperating revenues (expenses)	<u>(530,270)</u>
CAPITAL CONTRIBUTIONS	4,763,368
INCOME BEFORE TRANSFERS	3,695,987
TRANSFERS OUT	<u>(1,024,000)</u>
TRANSFERS IN	<u>1,520,429</u>
CHANGE IN NET ASSETS	4,192,416
NET ASSETS, BEGINNING	<u>12,387,255</u>
NET ASSETS, ENDING	<u>\$ 16,579,671</u>

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

CITY OF MARBLE FALLS, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Business-type Activities Enterprise Fund <u>Water and Utility</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers and users	\$ 2,745,364
Cash paid to suppliers for goods and services	(4,610,977)
Cash paid to employees for services	(1,129,925)
Net cash used by operating activities	<u>(2,995,538)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash received from other funds	14,265,272
Cash paid to others	1,609
Transfers to other funds	(1,024,000)
Transfers from other funds	<u>1,520,429</u>
Net cash provided by noncapital financing activities	<u>14,763,310</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(8,890,653)
Capital contributions	4,763,368
Principal repayments on long-term debt	(5,403,394)
Interest and fiscal charges paid on debt	(783,927)
Disposal of capital assets	<u>244,723</u>
Net cash used by capital and related financing activities	<u>(10,069,883)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and investment earnings	<u>2,643</u>
Net cash provided by investing activities	<u>2,643</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,700,532
CASH AND CASH EQUIVALENTS, BEGINNING	<u>-</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 1,700,532</u>
Reconciliation of operating income (loss) to net cash used by operating activities:	
Operating loss	\$(537,111)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Depreciation and amortization	1,330,775
Changes in assets and liabilities:	
Decrease (increase) in assets:	
Customer receivable	(375,835)
Inventory	7,921
Increase (decrease) in liabilities:	
Accounts payable	(478,166)
Accrued liabilities	(1,072)
OPEB net pension obligation	11,630
Due to other funds	(2,972,954)
Customer deposits	14,160
Compensated absences payable	<u>5,114</u>
Net cash used by operating activities	<u>\$(2,995,538)</u>

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

CITY OF MARBLE FALLS, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2010

	<u>LaVentana PID Trust Fund</u>
ASSETS	
Cash and cash equivalents	\$ <u>3,823</u>
Total assets	<u>3,823</u>
NET ASSETS	
Held in trust for LaVentana PID	\$ <u><u>3,823</u></u>

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

CITY OF MARBLE FALLS, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<u>LaVentana PID Trust Fund</u>
ADDITIONS	
Property tax assessment	\$ 54,417
Investment earnings	<u>13,057</u>
Total additions	<u>67,474</u>
DEDUCTIONS	
Miscellaneous expense	<u>67,613</u>
Total deductions	<u>67,613</u>
CHANGE IN NET ASSETS	(139)
NET ASSETS, BEGINNING	<u>3,962</u>
NET ASSETS, ENDING	<u>\$ 3,823</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, 2010

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.

(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.

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