

**CITY OF MARSHALL, TEXAS**

**ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED**

**DECEMBER 31, 2020**

# CITY OF MARSHALL, TEXAS

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## **FINANCIAL SECTION**

# **KNUCKOLS • DUVALL • HALLUM & CO.**

*A Professional Corporation*

CERTIFIED PUBLIC ACCOUNTANTS

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## **INDEPENDENT AUDITORS' REPORT**

The Honorable City Commission  
City of Marshall, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Marshall, Texas (the City) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Marshall, Texas, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedules of Changes in Net Pension Liability and Related Ratios, Schedule of Contributions, and Schedules of Changes in Total OPEB Liability and Related Ratios identified as Required Supplementary Information in the table of contents 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Marshall, Texas' basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2021, on our consideration of City of Marshall, 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 solely 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 the effectiveness of City of Marshall, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Marshall, Texas' internal control over financial reporting and compliance.

Respectfully submitted,

**KNUCKOLS, DUVALL, HALLUM & CO.**

Knuckles, Duvall, Hallum & Co.  
Certified Public Accountants

Marshall, Texas

December 3, 2021

## **Management's Discussion and Analysis**

# CITY OF MARSHALL, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2020

As management of the City of Marshall, we offer readers of the City of Marshall's financial statements this narrative overview and analysis of the financial activities of the City of Marshall for the fiscal year ended December 31, 2020. We encourage readers to consider the information presented here in conjunction with the Independent Auditors' Report on page 1 and the City's Basic Financial Statements, which begin on page 12.

### Financial Highlights

- The assets of the City of Marshall exceeded its liabilities at the close of the most recent fiscal year by \$86,213,825 (net position). Of this amount, \$4,934,036 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City of Marshall's governmental funds reported combined ending fund balances of \$11,265,563. Approximately 55% of this total amount is *available for spending* at the City's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,227,982 or 31% of total General Fund expenditures.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Marshall's basic financial statements. The City of Marshall'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 of Marshall's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City of Marshall's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Marshall is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. 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).

Both of the government-wide financial statements distinguish functions of the City of Marshall that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Marshall include general government, public safety, public works, finance, parks and recreation, library, non-departmental, tax collection, purchasing, code enforcement, inspections, and tourism and conventions. The business-type activities of the City of Marshall include Water and Sewer Fund and a Business Development Center Fund.

The government-wide financial statements include not only the City of Marshall itself (known as the *primary government*), but also a legally separate Marshall Economic Development Corporation and Marshall Downtown Development Corporation for which the City is financially accountable. Financial information for the *component units* are reported separately from the financial information presented for the primary government itself.

# CITY OF MARSHALL, TEXAS

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)** **DECEMBER 31, 2020**

**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. The City of Marshall, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Marshall can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources* as well as on *balance of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Marshall maintains 26 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the other 25 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

**Proprietary funds.** The City of Marshall maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Marshall uses enterprise funds to account for its Water and Sewer Fund and Business Development Center Fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses its internal service fund to account for stores inventory and equipment replacement.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund, which is considered to be a major fund of the City of Marshall. All internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. The City uses its internal service funds to account for its stores inventory and equipment replacement and are presented in the combining statements section.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Marshall's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**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.

# CITY OF MARSHALL, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) DECEMBER 31, 2020

### Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Marshall, assets exceeded liabilities by \$86,213,825 at the close of the most recent fiscal year.

By far the largest portion of the City of Marshall's net position, reflects its investment in capital assets (e.g., land, buildings, machinery, infrastructure and water and wastewater system), less any related debt used to acquire those assets that is still outstanding. The City of Marshall uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Marshall's investment in its capital assets is reported net of related debt, 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 Marshall's Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Current and other assets	17,843,355	14,366,841	4,951,110	5,237,643	22,794,465	19,604,484
Capital assets	47,959,197	48,361,343	38,302,268	39,292,223	86,261,465	87,653,566
Total assets	<u>65,802,552</u>	<u>62,728,184</u>	<u>43,253,378</u>	<u>44,529,866</u>	<u>109,055,930</u>	<u>107,258,050</u>
Deferred outflows of resources:						
Deferred charges on refunding, net of unamortized premium	-	-	14,506	19,009	14,506	19,009
Deferred outflows related to pensions	1,380,207	3,444,492	262,896	705,498	1,643,103	4,149,990
Deferred outflows related to OPEB	203,062	116,382	38,678	23,233	241,740	139,615
Total outflows of resources	<u>1,583,269</u>	<u>3,560,874</u>	<u>316,080</u>	<u>747,740</u>	<u>1,899,349</u>	<u>4,308,614</u>
Liabilities:						
Current and other liabilities	1,722,244	1,839,996	1,605,027	1,779,263	3,327,271	3,619,259
Long-term liabilities	17,473,675	20,369,442	1,731,828	3,782,334	19,205,503	24,151,776
Total liabilities	<u>19,195,919</u>	<u>22,209,438</u>	<u>3,336,855</u>	<u>5,561,597</u>	<u>22,532,774</u>	<u>27,771,035</u>
Deferred inflows of resources:						
Deferred inflows related to pensions	1,766,142	568,957	336,408	116,534	2,102,550	685,491
Deferred inflows related to OPEB	89,149	51,914	16,981	10,373	106,130	62,287
Total inflows of resources	<u>1,855,291</u>	<u>620,871</u>	<u>353,389</u>	<u>126,907</u>	<u>2,208,680</u>	<u>747,778</u>
Net Position:						
Net invest. in capital assets	39,168,275	39,998,292	37,464,598	37,053,795	76,632,873	77,052,087
Restricted	4,646,916	2,620,069	-	-	4,646,916	2,620,069
Unrestricted	2,519,420	840,388	2,414,616	2,535,307	4,934,036	3,375,695
Total net position	<u>46,334,611</u>	<u>43,458,749</u>	<u>39,879,214</u>	<u>39,589,102</u>	<u>86,213,825</u>	<u>83,047,851</u>

An additional portion of the City of Marshall's net position (5.0%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$4,934,036) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Marshall is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

# CITY OF MARSHALL, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2020

### Governmental Activities

The City's program revenues increased when compared to the prior year by 3.8% or \$645,920. Increases in Operating Grants Contributions and Capital Grants and Contributions, \$1,695,729 and \$153,730 respectively, were offset by a \$1,203,539 reduction in charges for services.

Governmental activities increased the City of Marshall's net position by \$2,875,862 and are detailed below:

### City of Marshall's Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<b>REVENUES:</b>						
<b>Program Revenues:</b>						
Charges for Services	6,625,279	6,986,023	8,813,683	9,656,478	15,438,962	16,642,501
Operating Grants and Contributions	2,048,400	352,671	-	-	2,048,400	352,671
Capital Grants and Contributions	276,130	122,400	-	-	276,130	122,400
<b>General Revenues:</b>						
Property Taxes	5,856,718	5,879,182	-	-	5,856,718	5,879,182
Other Taxes	9,329,136	9,371,803	-	-	9,329,136	9,371,803
Other	<u>76,709</u>	<u>173,279</u>	<u>61,592</u>	<u>112,129</u>	<u>138,301</u>	<u>285,408</u>
<b>Total Revenues</b>	<b><u>24,212,372</u></b>	<b><u>22,885,358</u></b>	<b><u>8,875,275</u></b>	<b><u>9,768,607</u></b>	<b><u>33,087,647</u></b>	<b><u>32,653,965</u></b>
<b>EXPENSES:</b>						
General Government	1,113,718	932,807	-	-	1,113,718	932,807
Parks and Recreation	365,639	720,920	-	-	365,639	720,920
Finance	488,986	542,608	-	-	488,986	542,608
Public Safety	9,548,981	9,704,362	-	-	9,548,981	9,704,362
Public Works	5,631,361	5,602,675	-	-	5,631,361	5,602,675
Support Services	1,094,313	1,751,790	-	-	1,094,313	1,751,790
Non-Departmental	2,288,891	2,055,670	-	-	2,288,891	2,055,670
Tax Collection	93,308	93,487	-	-	93,308	93,487
Tourist and Cultural Arts	1,195,902	754,090	-	-	1,195,902	754,090
Community and Economic Dev.	842,353	801,762	-	-	842,353	801,762
Interest on Long-Term Debt	258,058	264,412	-	-	258,058	264,412
Water and Sewer	-	-	6,956,266	7,457,578	6,956,266	7,457,578
Business Development Center	<u>-</u>	<u>-</u>	<u>43,897</u>	<u>43,776</u>	<u>43,897</u>	<u>43,776</u>
<b>Total Expenses</b>	<b><u>22,921,510</u></b>	<b><u>23,224,583</u></b>	<b><u>7,000,163</u></b>	<b><u>7,501,354</u></b>	<b><u>29,921,673</u></b>	<b><u>30,725,937</u></b>
Increase (Decrease) in Net Position Before Transfers	1,290,862	(339,225)	1,875,112	2,267,253	3,165,974	1,928,028
Transfers	<u>1,585,000</u>	<u>1,153,861</u>	<u>(1,585,000)</u>	<u>(1,153,861)</u>	<u>-</u>	<u>-</u>
Change in Net Position	2,875,862	814,636	290,112	1,113,392	3,165,974	1,928,028
Net Position – 01/01/20	<u>43,458,749</u>	<u>42,644,113</u>	<u>39,589,102</u>	<u>38,475,710</u>	<u>83,047,851</u>	<u>81,119,823</u>
Net Position – 12/31/20	<u>46,334,611</u>	<u>43,458,749</u>	<u>39,879,214</u>	<u>39,589,102</u>	<u>86,213,825</u>	<u>83,047,851</u>

# CITY OF MARSHALL, TEXAS

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)** **DECEMBER 31, 2020**

### **Business - Type Activities**

Revenues of the City's business-type activities were \$8,875,275 for the year ending December 31, 2020. Expenses for the City's business-type activities were \$7,000,163 for the year, resulting in net income of \$1,875,112.

### **Financial Analysis of the Government's Funds**

As noted earlier, the City of Marshall uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental funds.* The focus of the City of Marshall's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Marshall's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Marshall's governmental funds reported combined ending fund balances of \$11,265,563. Approximately 55% of this total amount (\$6,227,982) constitutes *unassigned*, which is available for spending at the government's discretion. The remainder of fund balance is *restricted or non-spendable* to indicate that it is not available for new spending because it has already been committed. The portion of fund balance classified as non-spendable totals \$299,210. Restricted fund balance consists of the following: (1) promotion and tourism \$317,394, (2) public safety \$329,115, (3) purpose of grantors and donors \$10,445, (4) debt service \$379,453, (5) library \$315,420, (6) capital projects \$2,291,600, (7) other post-employment benefits \$81,009, (8) street maintenance \$440,710, and (9) public works \$573,225.

The General Fund is the chief operating fund of the City of Marshall. At the end of the current fiscal year, unassigned fund balance of the General Fund was 6,227,982, with 94% of the total fund balance (\$6,608,201) being unassigned. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 31% of total General Fund expenditures. Total fund balance represents 33% of total General Fund expenditures. The total fund balance of the City of Marshall's General Fund increased by \$1,286,379 during the current fiscal year.

*Proprietary funds.* The City of Marshall's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water and Sewer Fund at the end of the year was \$2,154,468. Other factors concerning the finances of this fund have already been addressed in the discussion of the City of Marshall's business-type activities.

### **General Fund Budgetary Highlights**

During the year, expenditures were under amended budget estimates by \$564,733.

# CITY OF MARSHALL, TEXAS

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)** **DECEMBER 31, 2020**

### **Water and Wastewater Activities**

The primary function of the Utility Division (Water and Wastewater) is to provide the following:

- An adequate supply of safe, potable drinking water to the residents and business owners within the City.
- Maintain the distribution system within the City which provides the methods of delivering the potable drinking water.
- Maintain the sanitary collection system which includes 20+ lift stations which collects and delivers untreated wastewater to the wastewater treatment plant (WWTP).
- Properly operate the City's WWTP to insure compliance with existing state permits and any applicable federal rules and regulations.
- Utilizes the latest equipment, treatment processes and piping technology to maximize the effectiveness of all water and wastewater systems.

In 2020, 1.538 billion gallons of water was treated and distributed through the City's distribution system, and 2.065 billion gallons of wastewater treated.

In 2020, the following water\sewer main projects and upgrades were started and\or completed:

1. Completed engineering design of a new 12" waterline in Travis St. which will allow for the removal of an 80+ year old watermain.
2. Completed installation of 2 – 12" insta-valves on existing 80-yr old watermain on Travis.
3. Completed a replacement of new water and sewer lines on Frazier St.
4. Continued our sanitary sewer manhole rehab program (approx. \$45,000)
5. Replaced a significant number of hydrants across the City (approx. \$25,000)
6. The City also continued on a water meter pilot project which resulted in the installation of an additional AMI Kamstrup water meters within the system. The data collected is reviewed to determine efficiency and accuracy of the new AMI meters in anticipation of embarking on a larger meter replacement program in the coming years.

In 2020, the following water treatment\wastewater treatment plant projects and upgrades were started and\or completed:

1. Replaced access gates at the Water Treatment Plant (WTP) increasing overall security and access control.
2. Upgraded streaming service monitor at the WTP.
3. Completed a master plan study of the wastewater Treatment plant (WWTP).
4. Replaced sludge pumps at WWTP.
5. Replaced "muffin monster", two pumps, and a gearbox mechanism at the primary clarifier (WWTP).

In 2020, the following equipment\vehicles were purchased in the Water\Sewer Utility:

1. Ford Transit 250 for the wastewater pretreatment program.
2. New F250 crew cab pickup w\ utility body for Water Plant Maintenance Mechanic crew.
3. Leased new backhoe for Distribution\Collection crew.

### **Drainage Division Activities:**

The City's drainage crew, started in October 2017, was able to address several storm drain repairs and improve drainage issues on several ditches and creeks throughout the City in an ongoing effort to improve overall stormwater management. Specific drainage projects include:

1. Completed cleaning and reshaping of Parker Creek at the intersection of HWY80 and HWY 59.

# CITY OF MARSHALL, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) DECEMBER 31, 2020

### Capital Assets and Debt Administration

**Capital Assets.** The City of Marshall's investment in capital assets for its governmental and business type activities as of December 31, 2020, is \$86,261,465 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, infrastructure, and water and wastewater systems. Street improvements are a primary focus of the Public Works Department.

#### City of Marshall's Capital Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Land	1,175,849	1,175,849	329,312	317,112	1,505,161	1,492,961
Buildings	27,025,912	26,902,789	3,031,435	3,031,435	3,057,347	29,934,224
Improvements other than buildings	3,917,310	3,898,240	-	-	3,917,310	3,898,240
Machinery and equipment	19,553,896	18,669,208	5,074,401	4,806,892	24,628,297	23,476,100
Infrastructure	65,374,317	64,485,720	-	-	65,374,317	64,485,720
Water and wastewater system	-	-	72,530,091	72,351,603	72,530,091	72,351,603
Construction in progress	1,639,689	954,955	584,115	533,584	2,223,804	1,488,539
Less accumulated depreciation	(70,727,776)	(67,725,418)	(43,247,086)	(41,748,402)	(113,974,862)	(109,473,820)
Total Capital Assets (Net of Accumulated Depreciation)	<u>47,959,197</u>	<u>48,361,343</u>	<u>38,302,268</u>	<u>39,292,224</u>	<u>86,261,465</u>	<u>87,653,567</u>

# CITY OF MARSHALL, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) DECEMBER 31, 2020

**Long-term debt.** At the end of the current fiscal year, the City of Marshall had total bonded debt outstanding of \$8,677,995. Of this amount, \$2,765,000 comprises debt backed by the full faith and credit of the government and \$2,801,628 is backed by the levy and collection of ad valorem taxes in the City as provided by law, and from surplus revenues in the City's Hotel Occupancy Tax Fund. The remainder of the City of Marshall's debt, \$3,111,367, represents bonds secured solely by specified revenue sources (i.e., revenue bonds and tax notes).

### City of Marshall's Outstanding Debt

#### General Obligation and Revenue Bonds

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Certificates of Obligation	1,800,000	2,290,000	-	-	1,800,000	2,290,000
General Obligation Bonds Series 2016	2,765,000	3,110,000	-	-	2,765,000	3,110,000
General Obligation Refunding Bonds, Series 2019	942,000	1,033,000	-	-	942,000	1,033,000
Limited Tax Note Series 2019	739,000	853,000	-	-	739,000	853,000
Premium Refunding Bonds Series 2016)	59,628	71,553	-	-	59,628	71,553
Limited Tax Note Series 2020	1,795,000	-	-	-	1,795,000	-
Revenue Bonds	<u>—</u>	<u>—</u>	<u>\$77,367</u>	<u>1,292,271</u>	<u>\$77,367</u>	<u>1,292,271</u>
<b>Total</b>	<b><u>8,100,628</u></b>	<b><u>7,357,553</u></b>	<b><u>\$77,367</u></b>	<b><u>1,292,271</u></b>	<b><u>8,677,995</u></b>	<b><u>8,649,824</u></b>

The City of Marshall, Texas maintains the following bond ratings:

Company	<u>Underlying Ratings</u>	
	GO Bonds	Water/Sewer Revenue Bonds
Standard & Poors	"AA-"	"A"

The City Charter of the City of Marshall, Texas, and the statutes of the State of Texas do not prescribe a legal debt limit. However, Article XI, Section 5 of the Texas Constitution, applicable to cities of more than 5,000 population, limits the ad valorem tax rate to \$2.50 per \$100 assessed valuation. The City operates under a Home Rule Charter, which also imposes a limit of \$1.35. The budgeted property tax rate was \$.54216 per \$100 valuation with a tax margin of \$.80784 per \$100 valuation based upon the maximum ad valorem tax rate noted above. Revenues up to \$8,540,935, per year could be raised before reaching the maximum allowable tax base on the current year's appraised net taxable value of \$1,057,255,807.

# **CITY OF MARSHALL, TEXAS**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)** **DECEMBER 31, 2020**

### **Economic Factors and Next Year's Budgets and Rates**

#### **Economic Factors**

- The average home price in Marshall is estimated to be \$103,800.
- The value of construction permits issued in 2020 was \$8,332,756.
- The tax rate remained at \$0.54216 per \$100 valuation.
- The City benefits from its strategic location, which is approximately 23 miles from Longview and 36 miles from Shreveport at the intersection of U.S. Hwy 59 and I-20.
- 2020 Annual unemployment for Harrison County was 7.9%.
- 2020 Median household income for Harrison County was estimated at \$51,171.

#### **Uncertainty**

On March 13, 2020, the World Health Organization declared the outbreak of a coronavirus disease (COVID-19) to constitute a "Public Health Emergency of International Concern." The COVID-19 outbreak continues to disrupt supply chains and affect production and sales across a range of industries. The extent of the impact of COVID-19 on the City's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on customers, employees and vendors all of which are uncertain and cannot be predicted.

#### **Next Year's Budgets and Rates**

The 2021 City of Marshall Annual Budget reflected an approximate 2% reduction in revenues (\$634,787) over the 2020 budget. We will closely monitor economic indicators, revenues, and expenditures in 2021 to assure that the City of Marshall maintains a balanced budget.

#### **Requests for Information**

This financial report is designed to provide a general overview of the City of Marshall's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, City of Marshall, 401 S. Alamo Marshall, Texas, 75670.

## **Basic Financial Statements**

# CITY OF MARSHALL, TEXAS

## GOVERNMENT-WIDE STATEMENT OF NET POSITION DECEMBER 31, 2020

	<i>Primary Government</i>		
	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
<b><u>ASSETS</u></b>			
Cash and Temporary Investments	6,304,586	2,105,441	8,410,027
Certificates of Deposit	3,765,231	-	3,765,231
Receivables (Net, Where Applicable, of Allowance for Uncollectibles)	5,521,350	848,398	6,369,748
Due From Other Governments	1,915,904	-	1,915,904
Prepayments	301,396	140,633	442,029
Inventory	34,888	34,817	69,705
Restricted Assets:			
Cash and Temporary Investments	-	464,529	464,529
Certificates of Deposit	-	1,356,732	1,356,732
Accrued Interest Receivable	-	560	560
Capital Assets:			
Land	1,175,849	329,312	1,505,161
Construction in Progress	1,639,689	584,115	2,223,804
Buildings	27,025,912	3,031,435	30,057,347
Machinery and Equipment	19,553,896	5,074,401	24,628,297
Improvements	3,917,310	-	3,917,310
Infrastructure	65,374,317	-	65,374,317
Water and Wastewater System	-	72,530,091	72,530,091
Accumulated Depreciation	(70,727,776)	(43,247,086)	(113,974,862)
<b>Total Assets</b>	<b>65,802,552</b>	<b>43,253,378</b>	<b>109,055,930</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Deferred Charges on Refunding	-	14,506	14,506
Deferred Outflows Related to OPEB	203,062	38,678	241,740
Deferred Outflows Related to Pensions	1,380,207	262,896	1,643,103
<b>Total Outflows of Resources</b>	<b>1,583,269</b>	<b>316,080</b>	<b>1,899,349</b>
<b><u>LIABILITIES</u></b>			
Accounts Payable	1,500,783	95,581	1,596,364
Accrued Interest Payable	26,277	-	26,277
Accrued Liabilities	195,184	41,875	237,059
Unearned Revenues	-	-	-
Payable From Restricted Assets:			
Current Portion of Bonds Payable	-	577,367	577,367
Customer Deposits	-	877,347	877,347
Accrued Liabilities	-	12,857	12,857
Security Deposits	-	-	-
Noncurrent Liabilities:			
Due Within One Year	1,114,531	112,220	1,226,751
Due In More Than One Year	16,359,144	1,619,608	17,978,752
<b>Total Liabilities</b>	<b>19,195,919</b>	<b>3,336,855</b>	<b>22,532,774</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Deferred Inflows Related to Pensions	1,766,142	336,408	2,102,550
Deferred Inflows Related to OPEB	89,149	16,981	106,130
<b>Total Inflows of Resources</b>	<b>1,855,291</b>	<b>353,389</b>	<b>2,208,680</b>
<b><u>NET POSITION</u></b>			
Invested in Capital Assets,			
Net of Related Debt	39,168,275	37,464,598	76,632,873
Restricted for:			
Debt Service	379,453	-	379,453
Capital Projects	2,291,600	-	2,291,600
Promotion and Tourism	317,394	-	317,394
Public Safety	329,114	-	329,114
Public Works	573,225	-	573,225
Street Maintenance	440,710	-	440,710
Library	315,420	-	315,420
Unrestricted	2,519,420	2,414,616	4,934,036
<b>Total Net Position</b>	<b>46,334,611</b>	<b>39,879,214</b>	<b>86,213,825</b>

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

**Exhibit A-1**

<i>Discretely Presented Component Units</i>		
<i>Marshall Economic Dev. Corp.</i>	<i>Marshall Downtown Dev. Corp.</i>	<i>Marshall Conv. &amp; Vis. Bureau</i>
7,856,377	48,588	-
-	-	-
189,079	-	-
333,094	-	-
-	-	-
-	-	-
-	-	-
-	-	-
4,194,663	-	-
2,545,783	-	-
10,347,337	50,217	-
207,525	-	-
1,906,726	-	-
-	-	-
-	-	-
(2,171,727)	(10,043)	-
<u>25,408,857</u>	<u>88,762</u>	<u>-</u>
-	-	-
-	-	-
-	-	-
-	-	-
251,328	-	-
-	-	-
6,000	-	-
-	-	-
-	-	-
-	-	-
622,624	-	-
521,170	-	-
4,200,004	-	-
<u>5,601,126</u>	<u>-</u>	<u>-</u>
-	-	-
-	-	-
-	-	-
12,309,133	40,174	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
7,498,598	48,588	-
<u>19,807,731</u>	<u>88,762</u>	<u>-</u>

# CITY OF MARSHALL, TEXAS

## GOVERNMENT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2020

<u>PROGRAM ACTIVITIES</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Fees, Fines, and Charges for Services</u>	<u>Operating Grants and Contributions</u>
<b>Primary Government:</b>			
Governmental Activities:			
General Government	1,113,718	1,171,280	522,633
Finance	488,986	-	-
Tourism and Culteral Arts	1,195,902	-	-
Public Safety	9,548,981	1,635,643	1,399,146
Public Works	5,631,361	3,576,621	6,034
Community and Economic Dev.	842,353	25,466	118,543
Non-Departmental	2,288,891	-	-
Tax Collection	93,308	-	-
Support Services	1,094,313	103,326	2,044
Parks and Recreation	365,639	112,943	-
Interest on Long-Term Debt	258,058	-	-
Total Governmental Activities	<u>22,921,510</u>	<u>6,625,279</u>	<u>2,048,400</u>
Business-Type Activities:			
Water and Sewer	6,956,266	8,813,683	-
Business Development Center	43,897	-	-
Total Business-Type Activities	<u>7,000,163</u>	<u>8,813,683</u>	<u>-</u>
Total Primary Government	<u>29,921,673</u>	<u>15,438,962</u>	<u>2,048,400</u>
<b>Component Units:</b>			
Marshall Economic Develop. Corp.	1,586,910	1,242,103	-
Marshall Downtown Develop. Corp.	1,004	2,308	-
Marshall Conv. & Vis. Bureau	-	-	-
Total Component Units	<u>1,587,914</u>	<u>1,244,411</u>	<u>-</u>
<b>General Revenues:</b>			
Taxes:			
Property			
Sales			
Franchise			
Investment Earnings			
Miscellaenous			
Transfers			
Total General Revenues and Transfers			
Change in Net Position			
Net Position Beginning of Year			
Net Position End of Year			

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

**Exhibit B-1**

<i>Capital Grants and Contributions</i>	<i>Net (Expenses) Revenue and Changes in Net Position</i>					
	<i>Primary Government</i>			<i>Discretely Presented Component Units</i>		
	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>	<i>Marshall Economic Dev. Corp.</i>	<i>Marshall Downtown Dev. Corp.</i>	<i>Marshall Conv. &amp; Vis. Bureau</i>
250,000	830,195	-	830,195	-	-	-
-	(488,986)	-	(488,986)	-	-	-
3,542	(1,192,360)	-	(1,192,360)	-	-	-
22,588	(6,491,604)	-	(6,491,604)	-	-	-
-	(2,048,706)	-	(2,048,706)	-	-	-
-	(698,344)	-	(698,344)	-	-	-
-	(2,288,891)	-	(2,288,891)	-	-	-
-	(93,308)	-	(93,308)	-	-	-
-	(988,943)	-	(988,943)	-	-	-
-	(252,696)	-	(252,696)	-	-	-
-	(258,058)	-	(258,058)	-	-	-
<u>276,130</u>	<u>(13,971,701)</u>	<u>-</u>	<u>(13,971,701)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	1,857,417	1,857,417	-	-	-
-	-	(43,897)	(43,897)	-	-	-
-	-	<u>1,813,520</u>	<u>1,813,520</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>276,130</u>	<u>(13,971,701)</u>	<u>1,813,520</u>	<u>(12,158,181)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	(344,807)	-	-	-
-	-	-	-	1,304	-	-
-	-	-	(344,807)	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>(344,807)</u>	<u>1,304</u>	<u>-</u>	<u>-</u>
5,856,718	-	5,856,718	-	-	-	-
8,432,742	-	8,432,742	1,780,221	-	-	-
896,394	-	896,394	-	-	-	-
76,709	35,098	111,807	62,727	-	-	-
-	26,494	26,494	-	-	-	-
<u>1,585,000</u>	<u>(1,585,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>16,847,563</u>	<u>(1,523,408)</u>	<u>15,324,155</u>	<u>1,842,948</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>2,875,862</u>	<u>290,112</u>	<u>3,165,974</u>	<u>1,498,141</u>	<u>1,304</u>	<u>-</u>	<u>-</u>
<u>43,458,749</u>	<u>39,589,102</u>	<u>83,047,851</u>	<u>18,309,590</u>	<u>87,458</u>	<u>-</u>	<u>-</u>
<u>46,334,611</u>	<u>39,879,214</u>	<u>86,213,825</u>	<u>19,807,731</u>	<u>88,762</u>	<u>-</u>	<u>-</u>

# CITY OF MARSHALL, TEXAS

Exhibit C-1

## GOVERNMENTAL FUNDS BALANCE SHEET DECEMBER 31, 2020

	<i>General Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>ASSETS</b>			
Cash and Temporary Investments	1,630,574	4,592,175	6,222,749
Certificates of Deposit	3,732,213	33,018	3,765,231
Receivables (Net of Allowance for Uncollectible)			
Current Taxes	2,857,668	561,469	3,419,137
Delinquent Taxes	689,897	112,023	801,920
Customer	1,017,762	-	1,017,762
Franchise Taxes	209,386	-	209,386
Other	27,154	28,358	55,512
Accrued Interest	2,487	31	2,518
Prepaid Expenditures	297,954	3,442	301,396
Inventory	1,256	33,632	34,888
Due from Other Funds	154,013	109,252	263,265
Due from Other Governments	1,784,649	131,255	1,915,904
<b>TOTAL ASSETS</b>	<b>12,405,013</b>	<b>5,604,655</b>	<b>18,009,668</b>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts Payable	1,370,377	115,212	1,485,589
Accrued Liabilities	192,244	2,940	195,184
Due to Other Funds	109,252	154,013	263,265
Unearned Revenues	634,380	75,008	709,388
<b>Total Liabilities</b>	<b>2,306,253</b>	<b>347,173</b>	<b>2,653,426</b>
<b>Deferred Infloows of Resources</b>			
Unavailable Revenue-Property Taxes	3,490,559	600,120	4,090,679
<b>Total Infloows of Resources</b>	<b>3,490,559</b>	<b>600,120</b>	<b>4,090,679</b>
<b>Fund Balances</b>			
<b>Nonspendable:</b>			
Prepaid Expenditures	297,954	-	297,954
Inventory	1,256	-	1,256
<b>Restricted:</b>			
Promotion and Tourism	-	317,394	317,394
Public Safety	-	329,115	329,115
Public Works	-	573,225	573,225
Street Maintenance	-	440,710	440,710
Purpose of Grantors and Donors	-	10,445	10,445
Debt Service	-	379,453	379,453
Library	-	315,420	315,420
Capital Projects	-	2,291,600	2,291,600
Other Post-Employment Benefits	81,009	-	81,009
<b>Unassigned:</b>			
Reported in General Fund	6,227,982	-	6,227,982
<b>Total Fund Balances</b>	<b>6,608,201</b>	<b>4,657,362</b>	<b>11,265,563</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>			
	<b>12,405,013</b>	<b>5,604,655</b>	<b>18,009,668</b>

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

# CITY OF MARSHALL, TEXAS

Exhibit C-2

## **RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET POSITION DECEMBER 31, 2020**

Total Fund Balances - Total Governmental Funds	11,265,563
Amounts reported for governmental activities in the statement of net position of assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. (Includes capital assets of Internal Service Funds.)	47,959,197
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in governmental funds balance sheet.	(26,277)
Internal service funds are used by management to charge the cost of certain activities, such as equipment replacement and stores inventory to individual funds. The assets and liabilities of the Internal Service Funds are net of amount allocated to business-type activities, capital assets and long-term liabilities. The net effect of this consolidation is to increase (decrease) net position.	81,757
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	
Due Within One Year	(1,114,531)
Due in More Than One Year	(16,359,144)
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	4,800,068
Deferred outflows related to pensions.	1,380,207
Deferred outflows related to OPEB.	203,062
Deferred inflows related to pensions.	(1,766,142)
Deferred inflows related to OPEB.	(89,149)
Net Position of Governmental Activities	<u>46,334,611</u>

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

# CITY OF MARSHALL, TEXAS

## GOVERNMENTAL FUNDS STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED DECEMBER 31, 2020

	<i>General Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<b><u>REVENUE:</u></b>			
Ad Valorem Taxes	4,869,636	853,920	5,723,556
Sales Taxes	7,140,161	593,407	7,733,568
Franchise Tax	896,394	-	896,394
Motel Occupancy Tax	-	699,174	699,174
Drainage Utility Fees	-	340,178	340,178
Permits and Fees	5,131,130	-	5,131,130
Municipal Court Fines	275,187	7,509	282,696
Interest	69,896	6,681	76,577
Intergovernmental	1,692,384	843,105	2,535,489
Donations	-	26,160	26,160
Miscellaneous	229,699	346,318	576,017
<b>Total Revenue</b>	<b>20,304,487</b>	<b>3,716,452</b>	<b>24,020,939</b>
<b><u>EXPENDITURES:</u></b>			
Current:			
General Government	543,743	587,714	1,131,457
Finance	482,542	-	482,542
Public Safety	8,677,272	28,779	8,706,051
Public Works	3,820,442	166,536	3,986,978
Non-Departmental	2,327,775	-	2,327,775
Tax Collection	93,308	-	93,308
Parks and Recreation	361,674	-	361,674
Community and Economic Development	495,140	133,543	628,683
Support Services	860,409	1,012	861,421
Tourism and Cultural Arts	972,859	199,483	1,172,342
Debt Service:			
Principal Retirement	315,204	1,040,000	1,355,204
Interest and Fees	30,590	241,621	272,211
Capital Outlay	1,075,105	1,525,107	2,600,212
<b>Total Expenditures</b>	<b>20,056,063</b>	<b>3,923,795</b>	<b>23,979,858</b>

# CITY OF MARSHALL, TEXAS

Exhibit C-3  
Page 2 of 2

## GOVERNMENTAL FUNDS

### STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED DECEMBER 31, 2019

	<i>General Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<b><u>CONTINUED:</u></b>			
Excess (Deficiency) of Revenue Over Expenditures Before Other Financing Sources (Uses)	<u>248,424</u>	<u>(207,343)</u>	<u>41,081</u>
Other Financing Sources (Uses)			
Transfers In	2,033,908	891,643	2,925,551
Transfers (Out)	(995,953)	(452,595)	(1,448,548)
Proceeds From Issuance of Bonds	<u>-</u>	<u>1,795,000</u>	<u>1,795,000</u>
<b>Total Other Financing Sources (Uses)</b>	<b>1,037,955</b>	<b>2,234,048</b>	<b>3,272,003</b>
Net Change in Fund Balances	1,286,379	2,026,705	3,313,084
Fund Balances at Beginning of Year	<u>5,321,822</u>	<u>2,630,657</u>	<u>7,952,479</u>
<b>Fund Balances at End of Year</b>	<b>6,608,201</b>	<b>4,657,362</b>	<b>11,265,563</b>

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

# CITY OF MARSHALL, TEXAS

Exhibit C-4

## **RECONCILIATION OF STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2019**

Net Change in Fund Balances - Total Governmental Funds	3,313,084
Amounts reported for governmental activities in the statement of activities are different because:	
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 net amount of capital assets recorded in the current period.	2,600,211
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(3,002,358)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.	(196,642)
Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds.	2,227
Internal service funds are used by management to charge the cost of certain activities, such as equipment replacement and stores inventory to individual funds. The net revenue of the Internal Service Funds is reported with governmental activities net of amount allocated to business-type activities and depreciation expense. The net effect of this consolidation is to increase (decrease) net position.	101,992
Some property tax and intergovernmental revenues will not be collected for several months after the City's fiscal year-end. These are not considered available revenues in the governmental funds unless they are received within 60 days of the City's year-end. These are the changes in amounts deferred in the governmental funds.	176,963
Net change in TMRS expenditures, deferred resource inflows and outflows for the current year as required by GASB 68.	(55,617)
Net change in TMRS expenditures, deferred resource inflows and outflows for the current year as required by GASB 75.	(63,998)
Changes in Net Position of Governmental Activities	<u><u>2,875,862</u></u>

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

# CITY OF MARSHALL, TEXAS

Exhibit C-5

## GENERAL FUND

### STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2020

	<i>Budgeted Amounts</i>	<i>Actual GAAP Basis</i>	<i>Positive (Negative) Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>	
<b>REVENUE:</b>			
Ad Valorem Taxes	4,851,703	5,019,487	4,869,636 (149,851)
Sales Taxes	6,638,403	6,638,403	7,140,161 501,758
Franchise Tax	1,007,200	1,007,200	896,394 (110,806)
Permits and Fees	5,378,894	5,578,835	5,131,130 (447,705)
Municipal Court Fines	484,332	484,332	275,187 (209,145)
Interest	116,027	116,027	69,896 (46,131)
Intergovernmental	434,119	1,810,856	1,692,384 (118,472)
Miscellaneous	120,512	279,550	229,699 (49,851)
<b>Total Revenue</b>	<b>19,031,190</b>	<b>20,934,690</b>	<b>20,304,487 (630,203)</b>
<b>EXPENDITURES:</b>			
General Government	555,300	565,300	543,743 21,557
Finance	522,314	487,314	482,542 4,772
Public Safety	8,801,816	8,911,816	8,677,272 234,544
Public Works	3,797,445	3,706,160	3,820,442 (114,282)
Non-Departmental	2,045,370	2,396,990	2,327,775 69,215
Tax Collection	97,910	93,310	93,308 2
Parks and Recreation	511,203	365,177	361,674 3,503
Community and Economic Development	590,322	507,822	495,140 12,682
Support Services	808,251	780,657	860,409 (79,752)
Tourism and Cultural Arts	1,126,000	910,367	972,859 (62,492)
Debt Service	340,374	415,374	345,794 69,580
Capital Outlay	1,331,793	1,480,509	1,075,105 405,404
<b>Total Expenditures</b>	<b>20,528,098</b>	<b>20,620,796</b>	<b>20,056,063 564,733</b>
<b>Excess (Deficiency) of Revenue Over Expenditures Before Other Financing Sources (Uses)</b>	<b>(1,496,908)</b>	<b>313,894</b>	<b>248,424 (65,470)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers In	2,033,908	2,033,908	2,033,908 -
Transfers (Out)	(537,000)	(908,089)	(995,953) (87,864)
<b>Total Other Financing Sources (Uses)</b>	<b>1,496,908</b>	<b>1,125,819</b>	<b>1,037,955 (87,864)</b>
Net Change in Fund Balance	-	1,439,713	1,286,379 (153,334)
<b>Fund Balance at Beginning of Year</b>	<b>5,321,822</b>	<b>5,321,822</b>	<b>5,321,822 -</b>
<b>Fund Balance at End of Year</b>	<b>5,321,822</b>	<b>6,761,535</b>	<b>6,608,201 (153,334)</b>

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

# CITY OF MARSHALL, TEXAS

Exhibit D-1  
Page 1 of 2

## PROPRIETARY FUNDS STATEMENT OF NET POSITION DECEMBER 31, 2020

	Business-Type Activities - Enterprise Funds		
	Water and Sewer Fund	Nonmajor Enterprise Fund	Governmental Internal Service Funds
		Total	
<b>ASSETS</b>			
<i>Current Assets:</i>			
Cash and Temporary Investments	1,895,839	(50,546)	1,845,293
Customer Receivables (Net of Allowance for Uncollectibles)	797,852	50,546	848,398
Prepaid Expenditures	140,633	-	140,633
Inventory	34,817	-	34,817
Total Current Assets	<u>2,869,141</u>	<u>-</u>	<u>2,869,141</u>
			<u>357,099</u>
<i>Noncurrent Assets:</i>			
Restricted Assets:			
Cash and Temporary Investments	464,529	-	464,529
Certificates of Deposit	1,356,732	-	1,356,732
Accrued Interest Receivable	560	-	560
Total Restricted Assets	<u>1,821,821</u>	<u>-</u>	<u>1,821,821</u>
			<u>-</u>
Capital Assets:			
Land	248,981	80,331	329,312
Construction in Progress	584,115	-	584,115
Buildings	824,091	2,188,820	3,012,911
Machinery and Equipment	3,747,044	320,313	4,067,357
Water and Wastewater System	72,530,091	-	72,530,091
Less: Accumulated Depreciation	(41,378,969)	(1,464,674)	(42,843,643)
Total Capital Assets (Net of Accumulated Depreciation)	<u>36,555,353</u>	<u>1,124,790</u>	<u>37,680,143</u>
			<u>988,134</u>
Total Noncurrent Assets	<u>38,377,174</u>	<u>1,124,790</u>	<u>39,501,964</u>
<b>TOTAL ASSETS</b>	<b>41,246,315</b>	<b>1,124,790</b>	<b>42,371,105</b>
			<b>1,345,233</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Charges on Refundings	14,506	-	14,506
Deferred Outflows Related to Pensions	262,896	-	262,896
Deferred Outflows Related to OPEB	38,678	-	38,678
<b>TOTAL OUTFLOWS OF RESOURCES</b>	<b>316,080</b>	<b>-</b>	<b>316,080</b>
			<b>-</b>
Reconciliation to Government-Wide Statement of Net Position:			
Adjustment to Reflect the Consolidation of Internal Service Funds Activities			
Related to Enterprise Funds			882,273
Assets of Business-Type Activities			<u>43,569,458</u>

# CITY OF MARSHALL, TEXAS

Exhibit D-1  
Page 2 of 2

## PROPRIETARY FUNDS STATEMENT OF NET POSITION DECEMBER 31, 2020

### CONTINUED:

### LIABILITIES

#### *Current Liabilities:*

	Water and Sewer Fund	Nonmajor Enterprise Fund	Total	Governmental Internal Service Funds
Accounts Payable	95,581	-	95,581	15,194
Accrued Salaries and Wages	41,875	-	41,875	-
Current Portion of Capital Lease	20,492	-	20,492	-
Current Portion of Notes Payable	91,728	-	91,728	-
<b>Total Current Liabilities</b>	<b>249,676</b>	<b>-</b>	<b>249,676</b>	<b>15,194</b>

#### *Current Liabilities Payable from Restricted Assets:*

	Water and Sewer Fund	Nonmajor Enterprise Fund	Total	Governmental Internal Service Funds
Current Portion of Bonds Payable	577,367	-	577,367	-
Customer Deposits	877,347	-	877,347	-
Unearned Revenue	10,000	-	10,000	-
Accrued Liabilities	2,857	-	2,857	-
<b>Total Current Liabilities Payable from Restricted Assets</b>	<b>1,467,571</b>	<b>-</b>	<b>1,467,571</b>	<b>-</b>

#### *Other Liabilities:*

	Water and Sewer Fund	Nonmajor Enterprise Fund	Total	Governmental Internal Service Funds
Capital Lease Payable (Net of Current Portion)	68,903	-	68,903	-
Note Payable (Net of Current Portion)	93,686	-	93,686	-
Accrued Post Retirement Health Care and TMRS	1,149,268	-	1,149,268	-
Compensated Absences	307,751	-	307,751	-
<b>Total Other Liabilities</b>	<b>1,619,608</b>	<b>-</b>	<b>1,619,608</b>	<b>-</b>

### **TOTAL LIABILITIES**

	Water and Sewer Fund	Nonmajor Enterprise Fund	Total	Governmental Internal Service Funds
<b>TOTAL LIABILITIES</b>	<b>3,336,855</b>	<b>-</b>	<b>3,336,855</b>	<b>15,194</b>

### **DEFERRED INFLOWS OF RESOURCES**

	Water and Sewer Fund	Nonmajor Enterprise Fund	Total	Governmental Internal Service Funds
Deferred Inflows Related to Pensions	336,408	-	336,408	-
Deferred Inflows Related to OPEB	16,981	-	16,981	-
<b>TOTAL INFLOWS OF RESOURCES</b>	<b>353,389</b>	<b>-</b>	<b>353,389</b>	<b>-</b>

### **NET POSITION**

	Water and Sewer Fund	Nonmajor Enterprise Fund	Total	Governmental Internal Service Funds
Invested in Capital Assets, Net of Related Debt	35,717,683	1,124,790	36,842,473	988,134
Restricted for Retirement of Bonds	-	-	-	-
Unrestricted	2,154,468	-	2,154,468	341,905
<b>TOTAL NET POSITION</b>	<b>37,872,151</b>	<b>1,124,790</b>	<b>38,996,941</b>	<b>1,330,039</b>

#### Reconciliation to Government-Wide Statement of Net Position:

Adjustment to Reflect the Consolidation of Internal Service Funds Activities	
Related to Enterprise Funds	882,273
Assets of Business-Type Activities	39,879,214

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

# CITY OF MARSHALL, TEXAS

Exhibit D-2

## PROPRIETARY FUNDS STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEAR ENDED DECEMBER 31, 2020

	Business-Type Activities - Enterprise Funds			Governmental Internal Service Funds
	Water and Sewer Fund	Nonmajor Enterprise Fund	Total	
<b>OPERATING REVENUE:</b>				
Charges for Services	8,813,683	-	8,813,683	211,230
Miscellaneous	26,494	-	26,494	-
<b>Total Operating Revenue</b>	<b>8,840,177</b>	<b>-</b>	<b>8,840,177</b>	<b>211,230</b>
<b>OPERATING EXPENSES:</b>				
Administrative	351,313	-	351,313	-
Water Production	1,127,759	-	1,127,759	-
Water Distribution/ Collection	1,267,892	-	1,267,892	-
Wastewater Treatment	1,224,192	-	1,224,192	-
Water Billing	483,488	-	483,488	-
Engineering	31,497	-	31,497	-
Non-Departmental	1,013,216	-	1,013,216	-
Materials and Supplies	-	-	-	217,374
Depreciation and Amortization	1,311,794	43,897	1,355,691	161,167
Bad Debt Expense	8,001	-	8,001	-
<b>Total Operating Expenses</b>	<b>6,819,152</b>	<b>43,897</b>	<b>6,863,049</b>	<b>378,541</b>
<b>Operating Income (Loss)</b>	<b>2,021,025</b>	<b>(43,897)</b>	<b>1,977,128</b>	<b>(167,311)</b>
<b>NONOPERATING REVENUE (EXPENSES):</b>				
Interest Income	32,962	-	32,962	2,269
Interest Expense and Fees	(41,521)	-	(41,521)	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(8,559)</b>	<b>-</b>	<b>(8,559)</b>	<b>2,269</b>
<b>Income (Loss) Before Transfers</b>	<b>2,012,466</b>	<b>(43,897)</b>	<b>1,968,569</b>	<b>(165,042)</b>
Transfers In	-	-	-	199,788
Transfers (Out)	(1,676,790)	-	(1,676,790)	-
<b>Total Transfers In (Out)</b>	<b>(1,676,790)</b>	<b>-</b>	<b>(1,676,790)</b>	<b>199,788</b>
<b>Change in Net Position</b>	<b>335,676</b>	<b>(43,897)</b>	<b>291,779</b>	<b>34,746</b>
Net Position, Beginning of Year	37,536,475	1,168,687	38,705,162	1,295,293
<b>Total Net Position, End of Year</b>	<b>37,872,151</b>	<b>1,124,790</b>	<b>38,996,941</b>	<b>1,330,039</b>

### Reconciliation to Government-Wide Statement of Net Position:

Adjustment to Reflect the Consolidation of Internal Service Funds Activities

Related to Enterprise Funds

Assets of Business-Type Activities

882,273

39,879,214

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

# CITY OF MARSHALL, TEXAS

## PROPRIETARY FUNDS STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2020

	Business-Type Activities - Enterprise Funds			
	Water and Sewer Fund	Nonmajor Enterprise Fund	Total	Internal Service Funds
<b><u>Cash Flows from Operating Activities:</u></b>				
Cash Received from Customers	9,120,874	-	9,120,874	216,494
Cash Payments to Suppliers for Goods and Services	(3,075,785)	-	(3,075,785)	(219,488)
Cash Payments to Employees for Services	(2,639,451)	-	(2,639,451)	-
Net Cash Provided (Used) by Operating Activities	3,405,638	-	3,405,638	(2,994)
<b><u>Cash Flows from Noncapital Financing Activities:</u></b>				
Transfers In	-	-	-	199,788
Transfers (Out)	(1,676,790)	-	(1,676,790)	-
Net Cash Provided (Used) by Noncapital Financing Activities	(1,676,790)	-	(1,676,790)	199,788
<b><u>Cash Flows from Capital and Related Financing Activities:</u></b>				
Acquisition and Construction of Capital Assets	(508,728)	-	(508,728)	-
Principal Paid on Bonds	(663,000)	-	(663,000)	-
Principal Paid on Loan	(779,752)	-	(779,752)	-
Proceeds from Lease	89,395	-	89,395	-
Payment of Interest on Bonds and Other Debt	(43,179)	-	(43,179)	-
Net Cash (Used) by Capital and Related Financing Activities	(1,905,264)	-	(1,905,264)	-
<b><u>Cash Flows from Investing Activities:</u></b>				
Purchase of Investments	(826,430)	-	(826,430)	-
Proceeds from Sale and Maturities of Investments	296,128	-	296,128	-
Interest on Investments	36,231	-	36,231	2,269
Net Cash Provided (Used) by Investing Activities	(494,071)	-	(494,071)	2,269
Net Increase (Decrease) in Cash and Cash Equivalents	(670,487)	-	(670,487)	199,063
Cash and Cash Equivalents (Deficit), Beginning of Year	3,030,855	(50,546)	2,980,309	142,921
Cash and Cash Equivalents (Deficit), End of Year	2,360,368	(50,546)	2,309,822	341,984

# CITY OF MARSHALL, TEXAS

Exhibit D-3  
Page 2 of 2

**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

<u>Continued</u>	<b>Business-Type Activities - Enterprise Funds</b>			
	<i>Water and Sewer Fund</i>	<i>Nonmajor Enterprise Fund</i>	<i>Total</i>	<i>Internal Service Funds</i>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</u></b>				
Operating Income (Loss)	<u>2,021,025</u>	<u>(43,897)</u>	<u>1,977,128</u>	<u>(167,311)</u>
<b><u>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</u></b>				
Depreciation and Amortization	1,311,793	43,897	1,355,690	161,167
Other Post Employment Benefits	(70,900)	-	(70,900)	-
<b>(Increase) Decrease in Assets:</b>				
Accounts Receivable	254,411	-	254,411	5,264
Prepaid Expenses	(6,478)	-	(6,478)	-
Inventory	(10,928)	-	(10,928)	-
<b>Increase (Decrease) in Liabilities:</b>				
Accounts Payable	(25,366)	-	(25,366)	(2,114)
Accrued Liabilities	(87,865)	-	(87,865)	-
Customer Deposits	26,286	-	26,286	-
Compensated Absences	(6,340)	-	(6,340)	-
Total Adjustments	<u>1,384,613</u>	<u>43,897</u>	<u>1,428,510</u>	<u>164,317</u>
Net Cash Provided (Used) by Operating Activities	<u>3,405,638</u>	<u>-</u>	<u>3,405,638</u>	<u>(2,994)</u>

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

# CITY OF MARSHALL, TEXAS

Exhibit E-1

## **FIDUCIARY FUNDS STATEMENT OF NET POSITION DECEMBER 31, 2020**

	<i>Agency Funds</i>
<b>ASSETS</b>	
Cash and Temporary Investments	128,288
<b>TOTAL ASSETS</b>	<u><u>128,288</u></u>
<b>LIABILITIES</b>	
Accounts Payable	280
Due to Employees	128,008
<b>TOTAL LIABILITIES</b>	<u><u>128,288</u></u>

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

## **Notes to Financial Statements**

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The City of Marshall, Texas (“City”) was chartered pursuant to an election in 1909 (as amended). The City operates under a commission form of government and provides the following services as authorized by its charter, public safety (police and fire), highway and streets, water and sewer, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting practices generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB’s *Codification of Governmental Accounting and Financial Reporting Standards*, the City has elected not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989.

**Pensions.** The fiduciary net position of the Texas Municipal Retirement System (TMRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TMRS’s fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Other Post-Employment Benefits (OPEB).** The fiduciary net position of the TMRS Supplemental Death and Disability Plan (SDD) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from the TMRS SDD Plan’s fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

Other more significant accounting and reporting policies and practices used by the City are described below.

### **Scope of Reporting Entity:**

As required by generally accepted accounting principles (GAAP), these financial statements present the City (the Primary Government) and its discretely presented component units, Marshall Economic Development Corporation, Marshall Higher Education Financing Corporation, Marshall Downtown Development Corporation, and Marshall Convention and Visitors Bureau in the financial statements.

Marshall Economic Development Corporation (MEDCO) was incorporated under the Development Corporation Act of 1979, as amended, Article 5190.6, Tex. Rev. Civ. Stat. Ann., as amended as a non-profit industrial development corporation. The purpose of the corporation is to promote and develop industrial and manufacturing enterprises in order to eliminate unemployment and underemployment, and to promote and encourage employment and the public welfare of, for, and on behalf of the City. The City appoints its five (5) member board of directors and all its policies for program administration must be submitted to the City for approval. Marshall Economic Development Corporation is subject to audit by the City or its representatives, and may not issue any debt without City approval. Its revenue is derived from a \$.00375 City sales tax. A separate audit for the year ended December 31, 2020, was performed and may be obtained by contacting MEDCO.

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

### **NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

Marshall Higher Education Financing Corporation (HEFCO) was incorporated as a non-profit organization to provide an instrumentality to exercise the powers granted to a higher education authority under Section 53.33 of the Texas Education Code, as authorized by Section 53.35(b) of the Texas Education Code. The Board of Directors are appointed by and subject to removal by the governing body of the City of Marshall and consists of seven (7) persons. HEFCO is authorized by the City of Marshall to carry on functions of a higher education authority for the purpose of financing educational institutions in Harrison County. HEFCO had no assets at year-end and no activity for the year. Since HEFCO had no assets or activity for 2019, it was not included in the financial statements.

The Marshall Downtown Development Corporation (MDDC) was established by resolution of the City Commission of Marshall, Texas, on March 13, 2003, to act as a non-profit corporation for the benefit of the City of Marshall, Texas, specifically to promote and assist in the development, growth, and economic well being of the downtown area. On June 3, 2004, MDDC filed amendments to Articles of Incorporation with the Secretary of State changing the status of the Corporation to a Local Government Corporation under applicable provisions of the Texas Transportation Code. The Board of Directors are appointed by and subject to removal by the governing body of the City of Marshall and consists of not more than seven (7) persons. A separate audit for the year ended December 31, 2020, was performed and may be obtained by contacting MDDC.

Marshall Convention and Visitors Bureau (MCVB) was incorporated under the Texas Business Organizations Code, Chapter 22 on October 12, 2007. MCVB also complies with Chapter 351 of the Texas Tax Code with regard to any funds granted to MCVB by the City of Marshall. The purposes of the Corporation are to promote the City of Marshall related to tourism, visitors and economic growth; solicit groups for conventions expositions and other events to increase the hotel activity; and branding and product development. MCVB has a Board of Directors comprised of seven (7) members who are all appointed by the City. Since MCVB did not have any activity for 2020, a separate audit report was not issued this year.

#### **Basis of Presentation:**

The government-wide financial statements (the statement of net position and the statement of changes in net position) report information on all of the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes, 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 program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

#### **Fund Financial Statements:**

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements.

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

#### **Governmental Funds:**

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balance of current financial resources. The City has presented the following major governmental fund:

**General Fund:** The General Fund is the main operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the General Fund.

Additionally, the City reports the following governmental fund types:

**Special Revenue Funds:** Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are restricted to expenditures for specified purposes.

**Debt Service Funds:** The Debt Service Funds are used to account for the accumulation of financial resources for the payment of general long-term debt principal, interest, and related costs. The fund balances of the debt service funds are reserved to signify the amounts that are restricted exclusively for debt service.

**Capital Projects Funds:** Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital assets (other than those financed by proprietary funds).

**Permanent Fund:** The Permanent Fund accounts for assets held by the City pursuant to a trust agreement. The Permanent Fund of the City is the Library Fund.

#### **Proprietary Funds:**

The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water and Sewer and Business Development Center. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses its internal service funds to account for its stores inventory and equipment replacement programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements, except for the Equipment Replacement Fund. The Equipment Replacement Funds are split between governmental and business-type activities. The City has presented the following major enterprise fund:

**Water and Sewer Fund:** Water and Sewer Fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations, and maintenance of the water and sewer system, and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

Additionally, the City reports the Business Development Center as a nonmajor enterprise fund type. All internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds are provided in the form of combining statements elsewhere in this report.

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

#### **Fiduciary Funds (Not Included in Government-Wide Statements):**

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for organizations. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's Agency Funds are the Police Local Relief Fund and the Firemen's Emergency Relief Fund.

#### **Measurement Focus/Basis of Accounting:**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or noncurrent) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred, regardless of the timing of related cash flows. General revenues in the government-wide statement consist of taxes and fees. Program revenues consist of charges for service, contributions, and grant revenues. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers delinquent property taxes as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for services, interest income, and intergovernmental revenues. Sales taxes collected and held by the state at year-end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

#### **Budget and Budgetary Accounting:**

Prior to the end of August, the City Commission, City Manager, and department heads meet in publicly held budget workshops and prepare a tentative budget for the following year. Duly advertised public hearings are held to obtain taxpayers comments. Prior to October 1, the budget is legally enacted. The General Fund, 2007 General Obligation and 2001 Certificate of Obligation Debt Service Funds, Motel Occupancy Tax Fund, Street Maintenance Fund, Litter Control Fund, D.A.R.E. Donations Fund, Municipal Drainage Utility Fund, EMS ESD Fund, Economic Development Fund, and the Water and Sewer Enterprise Fund are budgeted. The City budgets by departmental category. Formal budget integration into the accounting system is employed as a management control device. Encumbrance accounting is not employed.

The Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund presents a comparison of budgetary data to actual results. The General Fund utilizes the same basis of accounting for both budgetary purposes and actual results. Because the City has a policy of careful budgetary control, several amendments were necessary during the year. There were several significant amendments in the General Fund. Ad Valorem Tax revenues were increased by \$167,784; Permits and Fees revenues were increased by \$199,941; Intergovernmental revenues were increased by \$1,376,737; Miscellaneous revenues were increased by \$159,038; General Government expenditures were increased by \$10,000; Finance expenditures were decreased by \$35,000; Public Safety expenditures were increased by \$110,000; Public Works expenditures were decreased by \$91,285; Non-Departmental expenditures were increased by \$351,620; Tax

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

Collection expenditures were decreased by \$4,600; Parks and Recreation expenditures were decreased by \$146,026; Community and Economic Development expenditures were decreased by \$82,500; Support Service expenditures were decreased by \$27,594; Tourism and Cultural Arts expenditures were decreased by \$215,633; Debt Service expenditures were increased by \$75,000; and Capital Outlay expenditures were increased by \$148,716.

As noted in Exhibit C-5, Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund, Public Works expenditures exceeded the budget by \$114,282; Support Services expenditures exceeded the budget by \$79,752; and Tourism and Cultural Arts expenditures exceeded the budget by \$62,492. In the future, the City will strive to amend the budget throughout the year to adhere to the budget that is legally adopted.

The 2001 Combination Tax and Revenue and 2007 General Obligation Debt Service Funds, Motel Occupancy Tax Fund, Street Maintenance Fund, Litter Control Fund, D.A.R.E. Donations Fund, Municipal Drainage Utility Fund, EMS ESD Fund, and Economic Development Fund - Statements of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual, and the Water and Sewer Enterprise Fund - Statement of Revenue, Expenses, and Changes in Net Position - Budget and Actual are presented in the combining and individual fund financial statements section. Various amendments were made in the Water and Sewer Enterprise Fund during the year.

#### **Cash and Investments - Statement of Cash Flows:**

Cash of all funds, including restricted cash, but excluding the Payroll and the Disaster Relief cash accounts, are pooled into one common pooled account in order to maximize investment opportunities. The City pools temporary investments into pooled accounts in a public funds investment pool with TexPool. Also, the City pools investments into other authorized investments. Each fund whose monies are deposited in the pooled cash and investment account has an equity therein, and interest has an equity therein, and interest earned on the investment of these monies is allocated based on relative equity at month end. The pooled cash and temporary investments are available upon demand and are considered to be "cash equivalents" when preparing these financial statements. In addition, any marketable securities and certificates of deposit that are owned by a specific fund and that are purchased with a maturity of ninety days or less, are also considered to be "cash equivalents."

The carrying amounts of investments (which are fair value) are based on quoted market values at December 31, 2020. The market values of temporary investments are based on values provided by TexPool at December 31, 2020.

#### **Inventories and Prepaid Expenditures:**

The inventories of the Governmental and Proprietary Funds consist of supplies and are valued at cost. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid in both the government-wide and fund financial statements. Prepaid items are accounted for using the consumption method.

In Governmental Funds, reported inventories and prepaid items do not represent available spendable resources and are, therefore, equally offset by a non-spendable fund balance account.

#### **Restricted Assets:**

These assets consist of cash and investments restricted for water and sewer revenue bond debt service, customer meter deposits, and water and sewer capital projects.

#### **Interfund Receivables and Payables - Transactions Between Funds:**

Short-term amounts owed between funds are classified as "Due To/From Other Funds".

Legally authorized transfers are treated as operating transfers and are included in the results of operations of both Governmental and Proprietary Funds.

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances".

#### **Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **Reclassifications:**

Certain prior year numbers have been reclassified to conform to the current year presentation. There were no changes to net position or fund balances as previously reported.

#### **Ad Valorem Tax:**

Taxes are levied on October 1 and are due on January 1. All unpaid taxes levied on October 1 become delinquent July 1 of the following year. Property taxes are recorded when levied as Taxes Receivable in the General Fund with an offset to Unavailable Revenue – Property Taxes. Revenue is recognized as taxes are collected, except that delinquent tax collections for the first sixty days of the subsequent year are considered susceptible to accrual and recognized in the current year. Taxes levied on October 1 which are collected between October 1 and December 31 are recognized as revenue. Debt Service requirements are satisfied by allocating tax receipts between the General Fund and the Debt Service Fund.

#### **Capital Assets:**

Capital assets, which includes property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized, not including infrastructure assets, have an original cost of \$2,500 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	20-50 Years
Water and Sewer System	25-50 Years
Infrastructure	20-40 Years
Machinery and Equipment	5-12 Years
Improvements	20-25 Years

#### **Compensated Absences:**

A total of 10 to 15 days vacation and 15 days sick leave per year may be accumulated by each employee. A maximum of 2 years vacation and 90 days sick leave may be accumulated. (Civil Service employees may accumulate an unlimited amount of sick leave.) The City accrues a liability for compensated absences which meet the following criteria:

1. The City's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

In accordance with the above criteria the City has accrued a liability for paid absences, which have been earned but not taken by City employees. The City budgets an amount estimated to be paid to terminated employees each year. As a result, none

# CITY OF MARSHALL, TEXAS

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

of the liability is anticipated to be liquidated with expendable available financial resources. However, accrued compensated absences are reported on the accrual basis of accounting in the applicable governmental or business-type activity columns of the government-wide statements, and in the enterprise activities of the fund financial statements.

#### **Deferred Outflows/Inflows of Resources:**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the deferred charges on refunding reported in the government-wide and proprietary statements of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The City also has deferred outflows related to pension and OPEB activities that are reported in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City also has deferred inflows related to pension and OPEB activities that are reported in this category.

#### **Net Position:**

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

#### **Governmental Fund Balances:**

In the governmental funds financial statements, fund balances are classified as follows:

Nonspendable fund balance - amounts that are not in a spendable form or are required to be maintained intact;

Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;

Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;

Unassigned fund balance - amounts that are available for any purpose; positive amounts are reported only in the General Fund.

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

### **NOTE 2: DEPOSITS AND INVESTMENTS:**

#### **Legal and Contractual Provisions Governing Deposits and Investments:**

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 and implement 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, (9) and 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, (10) and 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.

#### **Policies Governing Deposits and Investments:**

In compliance with the Public Funds Investment Act, the City has adopted a deposit and investment policy. That policy does address the following risks:

1. Custodial Credit Risks For Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's policy regarding types of deposits allowed and collateral requirements is:

The funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect the City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

The City is exposed to custodial credit risk for its deposits as follows:

The City's deposits were fully insured or collateralized as required by the state statutes at December 31, 2020. The City utilizes a demand deposit account for its consolidated cash bank account. At year-end, the carrying amount of the City's deposits (including \$4,919 petty cash and \$5,121,963 certificates of deposit) was \$6,897,431 and the respective bank balances totaled \$7,174,104. For GASB 40 purposes, certificates of deposit are included under deposits. All of the certificates of deposit have maturity dates of one year, or less.

Of the total bank balances, \$250,500 was covered by Federal Depository Insurance for all accounts. The remainder of the accounts were covered by a Federal Home Loan of Dallas letter of credit in the amount of \$11,000,000.

# CITY OF MARSHALL, TEXAS

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

### **NOTE 2: DEPOSITS AND INVESTMENTS: (Continued)**

2. Custodial Credit Risk For Investments - This is the risk that, in the event of the failure of the counter party, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The City's investment policy for custodial credit risk is:

The laws of the State and prudent treasury management require that all purchased securities be held in safekeeping by either the City, a third party financial institution, in an insured account with a designated broker/dealer, or the City's designated depository. All safekeeping arrangements shall be designated by the Investment Officer and an agreement of the terms executed in writing. The third party custodian shall be required to issue safekeeping receipts to the City listing each specific security, rate, description, maturity, cusip number, and other pertinent information. Each safekeeping receipt will be clearly marked that the security is held for the City or pledged to the City.

All securities pledged to the City for certificates of deposit or demand deposits shall be held by an independent third party bank domiciled in Texas. The safekeeping bank may be within the same holding company as the bank from which the securities are pledged.

#### Collateralization

Collateralization shall be required on two types of investments:

- (a) certificates of deposit over the FDIC insurance coverage of \$250,000 and
- (b) repurchase agreements.

At December 31, 2020, all of the securities are in the City's name and held by the City or its agent.

3. Interest Rate Risk - The risk that changes in interest rates will adversely affect the fair value of an investment. According to the City's policy, investments shall be made in a manner which will provide the maximum security of principal invested through limitations and diversification while meeting the daily cash flows of the City and conforming to all applicable state and City statutes governing the investment of public funds. The receipt of a market rate of return will be secondary to the requirements for safety and liquidity.
4. Credit Risk and Concentration Risk - The City's main goal of their investment program is to ensure its safety and maximize financial returns within current market conditions in accordance with policy. The City's investment policy states that diversification strategies shall be established and periodically reviewed. At a minimum, diversification standards by security type and issuer shall be:

<u>Investment Types</u>	<u>Maximum Portfolio Concentration</u>
(1) Obligations of the United States or its agencies and instrumentalities	100%
(2) Direct obligations of this state or its agencies and instrumentalities	50%
(3) Fully insured or collateralized certificates of deposit	100%
(4) Fully collateralized repurchase agreements	100%
(5) Money market funds	50%
(6) Public funds investment pools	100%

# CITY OF MARSHALL, TEXAS

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

### **NOTE 2: DEPOSITS AND INVESTMENTS: (Continued)**

The Investment Officer shall be required to diversify maturities. The Investment Officer, to the extent possible, will attempt to match investment with anticipated cash flow requirements. Matching maturities with cash flow dates will reduce the need to sell securities prior to maturity, thus reducing market risk. Unless matched to a specific requirement, the Investment Officer may not invest more than 25% of the portfolio for a period greater than one (1) year. The Investment Officer may not invest any portion for a period greater than three (3) years.

5. Foreign Currency Risk - This is the risk that exchange rates will adversely affect the fair value of an investment. At year-end and during the year, the City was not exposed to foreign currency risk.

The City's investments as of December 31, 2020 are:

<u>Investment Type</u>	<u>Rating</u>	<u>Concentration of Credit Risk</u>	<u>Market Value</u>	<u>Investment Maturities (Callable In Years)</u>	
				<u>Less Than 1</u>	<u>1-5</u>
<b><i>Public Funds Investment Pool:</i></b>					
TexPool (2a7- Like Pool)	AAAm (S&P)	100%	7,227,376	7,227,376	-
<b>Total</b>		<b>100%</b>	<b>7,227,376</b>	<b>7,227,376</b>	<b>-</b>

At December 31, 2020, the public funds investment pool consisted of investments in TexPool. TexPool is duly chartered and administered by the Texas Comptroller's Office and the portfolio normally consists of U.S. T-Bills, T-Notes, collateralized certificates of deposit, and repurchase agreements. Oversight by the Texas Comptroller's Office over TexPool includes the ability to significantly influence operations, designations of management, and accountability for fiscal matters. These investments are classified as temporary investments in the City's financial statements because these investments are not subject to any restrictions for withdrawal purposes.

Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than the market value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

The City categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or it's equivalent) as a practical expedient are not classified in the fair value hierarchy.

Instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The City's investment in TexPool (statewide 2a7-like external investment pool) is not required to be measured at fair value but is measured at amortized cost. Also, the certificates of deposit held by the City are non-negotiable and are reported at cost.

# CITY OF MARSHALL, TEXAS

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

### NOTE 3: RECEIVABLES:

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

	<u>General</u>	<u>Water and Sewer</u>	<u>Nonmajor Governmental</u>	<u>Nonmajor Enterprise</u>	<u>Internal Service</u>	<u>Total</u>
<b>Receivables:</b>						
Interest	2,487	560	31	-	-	3,078
Taxes	3,943,665	-	706,385	-	-	4,650,050
Accounts	1,024,307	819,217	-	50,546	15,115	1,909,185
Other	27,154	-	28,358	-	-	55,512
<b>Gross</b>	<b>4,997,613</b>	<b>819,777</b>	<b>734,774</b>	<b>50,546</b>	<b>15,115</b>	<b>6,617,825</b>
<b>Receivables Less:</b>						
Allowance for Uncollectibles	(193,259)	(21,365)	(32,893)	-	-	(247,517)
<b>Net Total Receivables</b>	<b>4,804,354</b>	<b>798,412</b>	<b>701,881</b>	<b>50,546</b>	<b>15,115</b>	<b>6,370,308</b>

### NOTE 4: CAPITAL ASSETS:

	<u>December 31, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2020</u>
<b>Governmental Activities:</b>				
Capital Assets Not Being Depreciated:				
Land	1,175,849	-	-	1,175,849
Construction in Progress	954,955	761,729	(76,995)	1,639,689
Total Capital Assets Not Being Depreciated	<u>2,130,804</u>	<u>761,729</u>	<u>(76,995)</u>	<u>2,815,538</u>
Capital Assets Being Depreciated:				
Buildings	26,902,789	123,123	-	27,025,912
Machinery and Equipment	18,669,208	884,688	-	19,553,896
Improvements	3,898,240	19,070	-	3,917,310
Infrastructure	64,485,720	888,597	-	65,374,317
Total Capital Assets, Being Depreciated	<u>113,955,957</u>	<u>1,915,478</u>	<u>-</u>	<u>115,871,435</u>
Less: Accumulated Depreciation For:				
Buildings	9,716,755	486,233	-	10,202,988
Equipment	13,064,962	906,509	-	13,971,471
Improvements	2,006,788	199,740	-	2,206,528
Infrastructure	42,936,913	1,409,876	-	44,346,789
Total Accumulated Depreciation	<u>67,725,418</u>	<u>3,002,358</u>	<u>-</u>	<u>70,727,776</u>
Total Capital Assets, Being Depreciated, Net	<u>46,230,539</u>	<u>(1,086,880)</u>	<u>-</u>	<u>45,143,659</u>
Governmental Activities Capital Assets, Net	<u>48,361,343</u>	<u>(325,151)</u>	<u>(76,995)</u>	<u>47,959,197</u>

# CITY OF MARSHALL, TEXAS

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

### NOTE 4: CAPITAL ASSETS: (Continued)

	<u>December 31,</u>			<u>December 31,</u>
	<u>2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>2020</u>
<b>Business-Type Activities:</b>				
Capital Assets Not Being Depreciated:				
Land	317,112	12,200	-	329,312
Construction in Progress	<u>533,584</u>	<u>64,706</u>	<u>(14,175)</u>	<u>584,115</u>
Total Capital Assets Not Being Depreciated	<u>850,696</u>	<u>76,906</u>	<u>(14,175)</u>	<u>913,427</u>
Capital Assets Being Depreciated:				
Buildings	3,031,435	-	-	3,031,435
Machinery and Equipment	4,806,892	267,509	-	5,074,401
Water and Wastewater System	<u>72,351,603</u>	<u>178,488</u>	<u>-</u>	<u>72,530,091</u>
Total Capital Assets, Being Depreciated	<u>80,189,930</u>	<u>445,997</u>	<u>-</u>	<u>80,635,927</u>
Less: Accumulated Depreciation For:				
Buildings and Improvements	1,627,539	59,737	-	1,687,276
Machinery and Equipment	3,567,101	209,725	-	3,776,826
Water and Wastewater System	<u>36,553,762</u>	<u>1,229,222</u>	<u>-</u>	<u>37,782,984</u>
Total Accumulated Depreciation	<u>41,748,402</u>	<u>1,498,684</u>	<u>-</u>	<u>43,247,086</u>
Total Capital Assets, Being Depreciated, Net	<u>38,441,528</u>	<u>(1,052,687)</u>	<u>-</u>	<u>37,388,841</u>
Business-Type Activities Capital Assets, Net	<u>39,292,224</u>	<u>(975,781)</u>	<u>(14,175)</u>	<u>38,302,268</u>

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

#### Governmental Activities:

General Government	147,833
Tourist and Convention Development	203,444
Support Services	226,826
Public Safety	773,672
Public Works	1,636,894
Community and Economic Development	1,703
Non-Departmental	11,986
Total Depreciation Expense - Governmental Activities	<u>3,002,358</u>

#### Business-Type Activities:

Water and Sewer	1,454,788
Business Development Center	43,896
Total Depreciation Expense - Business-Type Activities	<u>1,498,684</u>

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

### **NOTE 5: LONG-TERM DEBT AND CAPITAL LEASES PAYABLE:**

#### **Prior Year Loan Defeased-Governmental Activities:**

On May 17, 2005, the City defeased a Section 108 Loan in the amount of \$380,000, by placing the proceeds of the loan in an irrevocable trust to provide for all future debt service payments of the loan. Accordingly, the trust account assets and liabilities for the defeased loan are not included in the City's financial statements. On December 31, 2020, \$76,000 of the loan considered defeased is still outstanding.

#### **General Obligation Debt:**

Bonded indebtedness of the City is accounted for in the Statement of Net Position in governmental activities. Payments on the bonds are made by the Debt Service Fund and the Motel Occupancy Tax Fund.

On January 28, 2010, the City passed an ordinance authorizing the issuance of \$1,140,000 Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2010. The proceeds of issuance are to be used for the purpose of improvements to municipal buildings (energy efficiency improvements). The bonds were issued on March 4, 2010, with interest payable June 15 and December 15 of each year, commencing June 15, 2010. The City reserves the right, at its option, to redeem bonds maturing June 15, 2019, and thereafter, in whole or in part, in the principal amount of \$5,000 or any integral multiple thereof (and within a maturity by lot) on June 15, 2018 or any date thereafter, plus accrued interest to the date fixed for redemption. The City also entered into an energy services contract with the Schneider Electric Buildings Americas, Inc., which guarantees energy savings over 15 years. The City plans to repay the certificates of obligation with the energy savings. This bond was paid off this year.

On March 10, 2016, the City passed an ordinance authorizing the issuance of \$3,845,000 General Obligation Refunding Bonds, Series 2016. The proceeds of issuance are to be used for the purpose of refunding \$3,895,000 of the 2018 through 2027 maturities of the City's currently outstanding General Obligation Bonds, Series 2007. The City refunded the General Obligations Bonds, Series 2007 in order to realize interest cost savings. The bonds were issued on April 15, 2016, with interest payable June 15 and December 15 of each year commencing June 15, 2016, until maturity or prior redemption. The City reserves the right, at its option, to redeem the bonds maturing on and after June 15, 2026, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof (and, if within a stated maturity, selected at random and by lot by the Paying Agent/Registrar), at the redemption price of par plus accrued interest to the date fixed for redemption, at any time beginning June 15, 2025.

The proceeds from the refunded existing bond maturities and interest thereon were placed with an escrow agent. The escrowed funds, together with investment earnings thereon, will be sufficient to discharge the Refunding Bonds. Under the escrow agreement, the Escrow Fund is irrevocably pledged to the payment of principal and interest on the Refunding Bonds. On June 15, 2017, there was a full call on all of the General Obligation Bonds, Series 2007.

On June 22, 2017, the City passed an ordinance authorizing the issuance of \$2,000,000 Combination Tax and Revenue Certificates of Obligation, Series 2017. The proceeds of the issuance are to be used as additional funding to complete the renovation of Memorial City Hall, as well as covering the cost of issuing the certificates of obligations. The bonds were issued on July 13, 2017, with interest payable December 15, 2017, and on each June 15 and December 15 thereafter to the date of the final maturity hereof or to the date of redemption prior to maturity. The cost of issuance of the bonds was \$42,500, which has been added to the cost of construction of Memorial City Hall.

# CITY OF MARSHALL, TEXAS

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

### **NOTE 5: LONG-TERM DEBT AND CAPITAL LEASES PAYABLE: (Continued)**

On August 8, 2019, the City approved an ordinance authorizing the issuance and sale of \$1,033,000 General Obligation Refunding Bonds, Series 2019, (Bonds) with an interest rate of 2.34%. The proceeds of issuance are to be used for the purpose of redeeming the Combination Tax and Limited Surplus Revenue Certificates of Obligation Series 2010A and to realize a net present value savings of approximately \$10,274. The Bonds constitutes a direct obligation of the City and are payable from an annual ad valorem tax levied against all taxable property in the City, within the limits prescribed by law. The Bonds are expected to be self-supported by hotel/motel taxes. The Bonds are payable over 10 years with annual principal payments on June 15 of each year beginning June 15, 2020, and semiannual interest payments beginning December 15, 2019 and each June 15 and December 15 thereafter until maturity or prior redemption.

On August 8, 2019, the City approved an ordinance authorizing the issuance and sale of City of Marshall, Texas, Limited Tax Note, Series 2019, (Note) for \$853,000, with an interest rate of 2.33% for 7 years. The Note will constitute a direct obligation of the City, payable both as to principal and interest from the pledge of ad valorem taxes levied and collected. The purpose of the Note is to fund the remaining amount required to complete Memorial City Hall renovations and payment of costs of issuance. The Note is payable over 7 years with annual principal payments beginning August 15, 2020, and semiannual interest payments beginning February 15, 2020, and on each August 15 and February 15 thereafter to the date of maturity or redemption prior to maturity.

On August 13, 2020, the City approved an ordinance authorizing the issuance and sale of City of Marshall, Texas, Limited Tax Note, Series 2020, for \$1,795,000 with an interest rate of 1.160%. The Note will constitute a direct obligation to the City, payable both as principal and interest from the pledge of ad valorem taxes levied and collected. The purpose of the note is to fund the constructing, improving, and expansion of public works, including streets and roads, fencing and parking improvements at Airport Park, repairs and improvements for fire stations and police stations, repairs and improvements at Marshall City Arena, Marshall Convention Center, and City Library, upgrading the City's data center and information technology system, and payment of costs of issuance. The Note is payable over 7 years, with annual principal payments beginning June 1, 2021, with semiannual interest payments beginning June 1, 2021, and on each December 1 and June 1 thereafter to the date of maturity.

### **Water and Sewer Revenue Debt:**

On June 14, 2018, the City approved an ordinance authorizing the issuance and sale of City of Marshall, Texas, General Obligation Refunding Bond, Series, 2018, levying an annual ad valorem tax and providing for the security for and payment of the bonds in the amount of \$3,652,000 with an interest rate of 2.649%. The sole purpose of the bonds are to refund the City of Marshall, Texas, Waterworks and Sewer System Revenue Refunding Bonds, Series 2006 for \$2,430,000, and City of Marshall, Texas, Waterworks and Sewer System Revenue Bonds, Series 2012 for \$2,385,000, and for acquiring equipment and working on projects for the water and wastewater system and paying related expenses for issuing the bonds for a tax savings of approximately \$1,419,150.

The proceeds from the refunded existing bonds maturities and interest thereon were placed with an escrow agent. The escrowed funds, together with investment earnings thereon, will be sufficient to discharge the Refunding Bonds. Under the escrow agreement, the Escrow Fund is irrevocably pledged to the payment of principal and interest on the Refunding Bonds.

Accordingly, pursuant to the terms of the ordinance authorizing the issuance of the refunded bonds in accordance with Texas Law, the refunded bonds are deemed to be no longer outstanding obligations payable from the Water and Sewer System or for any other purpose except for the purpose of being paid from the funds held in such Escrow Fund. On December 31, 2020, \$3,330,000 of the bonds considered defeased are still outstanding.

# CITY OF MARSHALL, TEXAS

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

### **NOTE 5: LONG-TERM DEBT AND CAPITAL LEASES PAYABLE: (Continued)**

A summary of the refunded bond maturities is as follows:

<u>Schedule of Refunded Bonds</u>		<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Amount</u>
Waterworks and Sewer System Revenue Bonds, Series 2006		June 15, 2019-2022	4.000%	325,000
Waterworks and Sewer System Revenue Bonds, Series 2012		June 15, 2019-2023	3.500%	1,480,000
			3.600% -	
Waterworks and Sewer System Revenue Bonds, Series 2003		June 15, 2014-2023	4.500%	<u>1,525,000</u>
				<u>3,330,000</u>

# CITY OF MARSHALL, TEXAS

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

### NOTE 5: LONG-TERM DEBT AND CAPITAL LEASES PAYABLE: (Continued)

A summary of changes in long-term debt for the year ended December 31, 2020 is as follows:

<u>Description</u>	<u>Interest Rate Payable</u>	Refunded/								
		<u>Original Issued</u>	<u>Amounts Outstanding 1/1/2020</u>	<u>Issued Current Year</u>	<u>Retired Current Year</u>	<u>Amounts Outstanding 12/31/2020</u>	<u>Interest Current Year</u>	<u>Due Within One Year</u>		
<b><u>Governmental Activities:</u></b>										
<b><u>Bonded Indebtedness</u></b>										
Certificate of Obligation, Series 2010	2.75-4.50%	1,140,000	415,000	-	(415,000)	-	10,440	-		
Combination Tax and Revenue Certificates of Obligation, Series 2017	2.173%	2,000,000	1,875,000	-	(75,000)	1,800,000	39,929	75,000		
General Obligation Refunding Bonds, Series 2016	2.00-4.00%	3,845,000	3,110,000	-	(345,000)	2,765,000	95,200	350,000		
Premium (Refunding Bonds, Series 2016)	N/A	119,253	71,553	-	(11,925)	59,628	-	-		
General Obligation Refunding Bonds, Series 2019	2.34%	1,033,000	1,033,000	-	(91,000)	942,000	23,106	95,000		
Limited Tax Note, Series 2019	2.33%	853,000	853,000	-	(114,000)	739,000	19,102	116,000		
Limited Tax Note, Series 2020	1.16%	<u>1,795,000</u>	-	<u>1,795,000</u>	-	<u>1,795,000</u>	-	<u>252,000</u>		
<b>Total Governmental Activities</b>		<b><u>10,785,253</u></b>	<b><u>7,357,553</u></b>	<b><u>1,795,000</u></b>	<b><u>(1,051,925)</u></b>	<b><u>8,100,628</u></b>	<b><u>187,777</u></b>	<b><u>888,000</u></b>		
<b><u>Business-Type Activities:</u></b>										
<b><u>Bonded Indebtedness</u></b>										
General Obligation Refunding Bonds Series 2018	2.649%	3,652,000	1,184,000	-	(663,000)	521,000	22,583	521,000		
Premium (Refunding Bonds, Series 2010)	N/A	31,250	8,925	-	(2,232)	6,693	-	6,693		
Premium (Refunding Bonds, Series 2006)	N/A	<u>745,082</u>	<u>99,346</u>	-	<u>(49,672)</u>	<u>49,674</u>	-	<u>49,674</u>		
<b>Total Business-Type Bonded Indebtedness</b>		<b><u>4,428,332</u></b>	<b><u>1,292,271</u></b>		<b><u>(714,904)</u></b>	<b><u>577,367</u></b>	<b><u>22,583</u></b>	<b><u>577,367</u></b>		
<b>Total Bonded Indebtedness</b>		<b><u>15,213,585</u></b>	<b><u>8,649,824</u></b>	<b><u>1,795,000</u></b>	<b><u>(1,766,829)</u></b>	<b><u>8,677,995</u></b>	<b><u>210,360</u></b>	<b><u>1,465,367</u></b>		

# CITY OF MARSHALL, TEXAS

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

### NOTE 5: LONG-TERM DEBT AND CAPITAL LEASES PAYABLE: (Continued)

Debt service requirements are as follows:

#### General Obligation Bonds:

Year Ended <u>December 31,</u>	Governmental Activities			<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Requirements</u>	
2021	445,000	107,431	552,431	
2022	460,000	94,483	554,483	
2023	484,000	80,980	564,980	
2024	499,000	68,896	567,896	
2025	508,000	54,425	562,425	
2026-2029	<u>1,311,000</u>	<u>61,139</u>	<u>1,372,139</u>	
<b>Total</b>	<b><u>3,707,000</u></b>	<b><u>467,354</u></b>	<b><u>4,174,354</u></b>	

#### Certificates of Obligation, Revenue Bonds, and Limited Tax Note:

Year Ended <u>December 31,</u>	Governmental Activities			<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Requirements</u>	
2021	443,000	80,026	523,026	
2022	449,000	67,579	516,579	
2023	450,000	60,205	510,205	
2024	461,000	52,727	513,727	
2025	470,000	45,040	515,040	
2026-2030	<u>1,636,000</u>	<u>109,438</u>	<u>1,745,438</u>	
2031-2032	<u>425,000</u>	<u>9,290</u>	<u>434,290</u>	
<b>Total</b>	<b><u>4,334,000</u></b>	<b><u>424,305</u></b>	<b><u>4,758,305</u></b>	

#### Water and Sewer General Obligation Refunding Bonds:

Year Ended <u>December 31,</u>	Business-Type Activities			<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Requirements</u>	
2021	521,000	6,901	527,901	
<b>Total</b>	<b><u>521,000</u></b>	<b><u>6,901</u></b>	<b><u>527,901</u></b>	

# CITY OF MARSHALL, TEXAS

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

### **NOTE 5: LONG-TERM DEBT AND CAPITAL LEASES PAYABLE: (Continued)**

#### **Capital Leases Payable - Governmental Activities:**

On August 14, 2017, the City entered into a lease agreement with Frost Bank (Lessor). The agreement was to assist the City in financing the acquisition of six Ford Interceptor SUVs and 1 Dodge Charger. The City has legal title to the property during the lease term subject to the security interest of the Lessor in all the property. The lease agreement totals \$281,829 and requires three annual payments of \$93,943.

On January 23, 2019, the City entered into a lease agreement with JP Morgan Chase Bank, N.A. (Lessor). The agreement was to assist the City in financing the acquisition of twelve 2019 Ford Interceptors. The City has legal title to the property during the lease term subject to the security interest of the Lessor in all the property. The lease agreement totals \$612,297 and requires five annual payments of \$122,459.

The assets acquired through the capital leases are as follows:

<b><u>Assets:</u></b>	<b><u>Amount</u></b>
2019 Ford Interceptors (12)	612,292
2018 Ford Interceptor SUVs	244,132
2018 Dodge Charger	21,403
Total	877,827
Less: Accumulated Depreciation	(699,133)
Total	<u>178,694</u>

The future minimum lease payments under the capital leases and the present value of the net minimum lease payments at December 31, 2020, were as follows:

<b><u>Year Ended</u></b>	<b><u>Various Equipment</u></b>
<b><u>December 31,</u></b>	
2021	122,459
2022	122,459
2023	<u>122,459</u>
 Total Minimum Lease Payments	 367,377
 Less: Amount Representing Interest Costs	 (22,083)
 Present Value of Minimum Lease Payments	 <u>345,294</u>

# CITY OF MARSHALL, TEXAS

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

### **NOTE 5: LONG-TERM DEBT AND CAPITAL LEASES PAYABLE: (Continued)**

#### **Capital Leases Payable - Business Type Activities:**

On December 28, 2020, the City entered into a lease agreement with Associated Supply Company to assist the City in financing a backhoe. The City does not have legal title to the property during the lease term. This lease agreement totals \$89,395 and requires two payments of \$24,490 with a purchase option price of \$49,290. No depreciation was taken on the backhoe in 2020.

The future minimum lease payments under the capital leases and the present value of the net minimum lease payments at December 31, 2020, are as follows:

<u>Year Ended December 31,</u>	<u>Equipment</u>
2021	24,290
2022	24,290
2023	<u>49,563</u>
Total Minimum Lease Payments	98,143
Less: Amount Representing Interest Costs	<u>(8,748)</u>
Present Value of Minimum Lease Payments	<u>89,395</u>

# CITY OF MARSHALL, TEXAS

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

### **NOTE 5: LONG-TERM DEBT AND CAPITAL LEASES PAYABLE: (Continued)**

#### **Notes Payable - Governmental Activities:**

On November 15, 2016, the City entered into a loan agreement with Panola National Bank in the amount of \$690,000 for the purchase of a fire truck. In 2016, the City spent \$626,757 of the loan proceeds. The rest of the loan proceeds (\$61,439) was spent in 2017 for add-ons to the fire trucks. Five principal payments of \$115,000 plus interest are due annually beginning January 20, 2018 and one payment of \$117,243 is due on January 20, 2023. The interest rate on the loan is fixed at 1.950%. Interest paid on this loan in 2020 was \$6,752.

#### **Long-Term Debt Notes Payable:**

<b>Year Ended</b> <b><u>December 31,</u></b>	<b>Governmental Activities</b>			<b>Total</b> <b>Requirements</b>
	<b>Principal</b>	<b>Interest</b>		
2021	115,000	6,728		121,728
2022	115,000	4,485		119,485
2023	115,000	2,243		117,243
<b>Total</b>	<b>345,000</b>	<b>13,456</b>		<b>358,456</b>

#### **Notes Payable - Business Type Activities:**

On August 21, 2015, the City entered into a loan agreement with Texas Bank and Trust in the amount of \$614,844 for the purchase of a bio-tower media filter for the Water and Sewer Fund. Payments are due annually in 7 payments of \$95,880 (includes principal and interest) beginning on August 21, 2016, and on the same day each year thereafter. The interest rate on the loan is fixed at 2.238%. Interest paid on this loan in 2020 was \$6,129.

Also, on June 14, 2018, the City approved an ordinance authorizing the issuance and sale of City of Marshall, Texas, Limited Tax Note, Series 2018, levying an annual ad valorem tax and providing for the security for and payment of the note in the amount of \$785,000 with an interest rate of 2.92%. The purpose of the Note is to acquire equipment for the Public Services Department consisting of wash trucks, sweep arms, and supervisory control and data acquisition (SCADA). This Note is issuable in the form of one fully-registered note without coupons. Payments are due annually in 6 principal payments and interest will be paid semiannually on June 15 and December 15 thereafter to the date of maturity or redemption prior to maturity. Interest paid on this note in 2020 was \$14,498. This note was paid off this year.

#### **Long-Term Debt Notes Payable:**

<b>Year Ended</b> <b><u>December 31,</u></b>	<b>Business-Type Activities</b>			<b>Total</b> <b>Requirements</b>
	<b>Principal</b>	<b>Interest</b>		
2021	91,728	4,152		95,880
2022	93,686	2,194		95,880
<b>Total</b>	<b>185,414</b>	<b>6,346</b>		<b>191,760</b>

# CITY OF MARSHALL, TEXAS

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

### **NOTE 5: LONG-TERM DEBT AND CAPITAL LEASES PAYABLE: (Continued)**

#### **Changes In Long-Term Liabilities:**

Long-term debt activity for the year ended December 31, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b><u>Governmental Activities:</u></b>					
Bonds Payable:					
General Obligation Bonds	4,214,553	-	(447,925)	3,766,628	445,000
Certificate of Obligations, Tax Note, and					
Revenue Bonds	3,143,000	1,795,000	(604,000)	4,334,000	443,000
Total Bonds Payable	<u>7,357,553</u>	<u>1,795,000</u>	<u>(1,051,925)</u>	<u>8,100,628</u>	<u>888,000</u>
Other Liabilities:					
Capital Leases Payable	545,498	-	(200,204)	345,294	111,531
Notes Payable	460,000	-	(115,000)	345,000	115,000
Accrued Post Retirement Health Care, OPEB, and TMRS	9,180,821	-	(3,147,178)	6,033,643	-
Compensated Absences	2,825,570	-	(176,460)	2,649,110	-
Total Other Liabilities	<u>13,011,889</u>	<u>-</u>	<u>(3,638,842)</u>	<u>9,373,047</u>	<u>226,531</u>
Total Governmental Activities	<u>20,369,442</u>	<u>1,795,000</u>	<u>(4,690,767)</u>	<u>17,473,675</u>	<u>1,114,531</u>
<b><u>Business-Type Activities:</u></b>					
Revenue and General Obligation Bonds Payable	1,292,271	-	(714,904)	577,367	577,367
Total Bonds Payable	<u>1,292,271</u>	<u>-</u>	<u>(714,904)</u>	<u>577,367</u>	<u>577,367</u>
Other Liabilities:					
Capital Leases Payable	-	89,395	-	89,395	20,492
Notes Payable	965,166	-	(779,752)	185,414	91,728
Accrued Post Retirement Health Care, OPEB, and TMRS	1,873,806	-	(724,538)	1,149,268	-
Compensated Absences	314,091	-	(6,340)	307,751	-
Total Other Liabilities	<u>3,153,063</u>	<u>89,395</u>	<u>(1,510,630)</u>	<u>1,731,828</u>	<u>112,220</u>
Total Business-Type Activities	<u>4,445,334</u>	<u>89,395</u>	<u>(2,225,534)</u>	<u>2,309,195</u>	<u>689,587</u>
Total Government	<u>24,814,776</u>	<u>1,884,395</u>	<u>(6,916,301)</u>	<u>19,782,870</u>	<u>1,804,118</u>

# CITY OF MARSHALL, TEXAS

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

### NOTE 6: INTERFUND BALANCES, NET POSITION (DEFICIT), AND TRANSFERS:

Interfund balances at December 31, 2020, consisted of the following amounts:

Due to General Fund (Major Governmental Fund) From:

Motel Occupancy Tax Fund (Nonmajor Governmental Fund)	153,915
Controlled Substance Fund (Nonmajor Governmental Fund)	98
<b>Total Due to General Fund</b>	<b>154,013</b>

Due to Street Maintenance Fund (Nonmajor Governmental Fund) From:

General Fund (Major Governmental Fund)	109,252
<b>Total Due to Street Maintenance Fund</b>	<b>109,252</b>

Interfund transfers for the year ended December 31, 2020, consisted of the following amounts:

Transfers to General Fund From (Major Governmental Fund):

Motel Occupancy Tax Fund (Nonmajor Governmental Fund)	298,908
Water and Sewer Fund (Major Enterprise Fund)	1,585,000
Police Special Projects Fund (Nonmajor Governmental Fund)	150,000
<b>Total Transfers to General Fund (Major Governmental Fund)</b>	<b>2,033,908</b>

Transfers to 2001 & 2007 Debt Service Fund (Nonmajor Governmental Fund):

General Fund (Major Governmental Fund)	318,543
<b>Total Transfers to 2001 &amp; 2007 Debt Service Fund</b>	<b>318,543</b>

Transfers to Capital Improvement Fund (Nonmajor Governmental Fund):

General Fund (Major Governmental Fund)	537,000
<b>Total Transfers to Capital Improvement Fund</b>	<b>537,000</b>

Transfers to 2010 Memorial City Hall Fund (Nonmajor Governmental Fund):

Old City Hall Restoration Fund (Nonmajor Governmental Fund)	3,542
General Fund (Major Governmental Fund)	31,000
<b>Total Transfers to 2010 Memorial City Hall Fund</b>	<b>34,542</b>

Transfers to Police Special Projects Fund (Nonmajor Governmental Fund):

General Fund (Major Governmental Fund)	1,556
<b>Total Transfers to Police Special Projects Fund</b>	<b>1,556</b>

### Net Position (Deficit):

In the current year, the following individual fund has a deficit as indicated:

#### Internal Service Fund:

Stores Inventory Fund **(50,384)**

The deficit in the Stores Inventory Fund was due to expenses exceeding operating revenue for the current and/or prior years. Management will strive to generate more charges for services than operating expenses for this fund in the future.

# CITY OF MARSHALL, TEXAS

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

### NOTE 7: BUDGET RECONCILIATION OF FUND BALANCES:

The City does not legally adopt a budget for all special revenue. In the Combining Budgetary Comparison Schedules for Budgeted Special Revenue Funds, only the budgeted special revenue funds are presented.

A reconciliation of fund balances for both budgeted and non-budgeted special revenue funds is as follows:

<u>Fund Balance</u>	<u>December 31, 2020</u>
<b><u>Budgeted Special Revenue Funds:</u></b>	
Motel Occupancy Tax Fund	305,415
Street Maintenance Fund	440,710
Litter Control Fund	4,629
D.A.R.E. Donations Fund	27,267
Municipal Drainage Utility Fund	568,596
EMS ESD Fund	23,131
Economic Development Fund	10,466
<b>Total</b>	<b><u>1,380,214</u></b>
<b><u>Non-budgeted Special Revenue Funds:</u></b>	
Controlled Substance Fund	218,463
Art Center Projects Fund	3,266
Muni Court Tech Fund	-
Park Trails Fund	4,533
Disaster Relief Fund	2,646
Police Special Projects Fund	60,254
State Grant Fund	-
Main Street Fund	1,513
Old City Hall Restoration Fund	-
Coronavirus Emergency Fund	-
<b>Total</b>	<b><u>290,675</u></b>
<b>All Special Revenue Funds</b>	<b><u>1,670,889</u></b>

# CITY OF MARSHALL, TEXAS

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

### **NOTE 8 - PENSION PLANS:**

*Texas Municipal Retirement System –*

#### **TMRS Plan Description:**

The City of Marshall participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmrs.com](http://www.tmrs.com).

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

#### **Benefits Provided:**

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

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

The 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 2019</u>	<u>Plan Year 2018</u>
Employee deposit rate	7%	7%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	20 years at any age, 5 years at age 60 and above	20 years at any age, 5 years at age 60 and above
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	50% of CPI Repeating	50% of CPI Repeating

# CITY OF MARSHALL, TEXAS

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

### **NOTE 8 - PENSION PLANS: (Continued)**

#### **Employees Covered by Benefit Terms:**

At the December 31, 2019, valuation and measurement date, the following employees were covered by the benefit terms:

	<u>12/31/2019</u>	<u>12/31/2018</u>
Inactive employees or beneficiaries currently receiving benefits	184	178
Inactive employees entitled to but not yet receiving benefits	86	77
Active employees	194	185
Total	<u>464</u>	<u>440</u>

#### **Contributions:**

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

Employees for the City of Marshall were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Marshall were 16.17% and 16.12% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended December 31, 2020, were \$1,465,013, and satisfied the required contributions.

#### **Net Pension Liability:**

The City's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

#### ***Actuarial assumptions:***

The Total Pension Liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions:

- Inflation at 2.5% per year
- Overall payroll growth at 2.15% per year
- Investment Rate of Return at 6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements. For disabled annuitants, the mortality tables for healthy retirees is used with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

# CITY OF MARSHALL, TEXAS

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

### **NOTE 8 - PENSION PLANS:** (Continued)

#### **Net Pension Liability:** (Continued)

Actuarial assumptions used in the December 2019, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2014 through December 31, 2018. These assumptions were first used in the December 31, 2019, valuation. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

<b><u>Asset Class</u></b>	<b><u>Target Allocation</u></b>	<b><u>Long-term Expected Real Rate of Return (Arithmetic)</u></b>
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.90%
Real Return	10.0%	3.80%
Real Estate	10.0%	4.50%
Absolute Return	10.0%	3.70%
Private Equity	5.0%	7.50%
	<b><u>100.0%</u></b>	

#### **Discount Rate:**

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will remain at the current 7% and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

# CITY OF MARSHALL, TEXAS

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

### NOTE 8 - PENSION PLANS: (Continued)

#### Changes in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset Liability (a)-(b)
<b>Balance at December 31, 2018</b>	<b>58,495,130</b>	<b>48,795,393</b>	<b>9,699,737</b>
<b>Changes for the year:</b>			
Service cost	1,498,701	-	1,498,701
Interest	3,882,459	-	3,882,459
Difference between expected and actual experience	(35,575)	-	(35,575)
Changes of assumptions	264,805	-	264,805
Contributions - employer	-	1,429,734	(1,429,734)
Contributions - employee	-	618,932	(618,932)
Net investment income	-	7,537,593	(7,537,593)
Benefit payments, including refunds of employee Contributions	(3,453,140)	(3,453,140)	-
Administrative expense	-	(42,625)	42,625
Other changes	-	(1,280)	1,280
<b>Net changes</b>	<b>2,157,250</b>	<b>6,089,214</b>	<b>(3,931,964)</b>
<b>Balance at December 31, 2019</b>	<b><u>60,652,380</u></b>	<b><u>54,884,607</u></b>	<b><u>5,767,773</u></b>

#### Sensitivity of the Net Pension Liability to Changes in the Discount Rate:

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	<u>13,546,227</u>	<u>5,767,773</u>	<u>(667,751)</u>

# CITY OF MARSHALL, TEXAS

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

### **NOTE 8 - PENSION PLANS: (Continued)**

#### **Pension Plan Fiduciary Net Pension:**

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at [www.tmrs.com](http://www.tmrs.com).

#### **Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:**

For the year ended December 31, 2020, the City recognized pension expense of \$1,435,503.

At December 31, 2020, the City reported deferred outflows of resource and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual economic experience (net of current year amortization)	-	408,313
Changes in actuarial assumptions	199,582	-
Contributions paid to TMRS subsequent to the measurement date	1,443,521	-
Differences between projected and actual investment earnings (Net of current year amortization)	-	1,694,237
<b>Total</b>	<b><u>1,643,103</u></b>	<b><u>2,102,550</u></b>

\$1,443,521 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending December 31, 2021.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Net Deferred Outflows (Inflows) of Resources</u>
2021	(707,136)
2022	(563,980)
2023	213,542
2024	(845,394)
<b>Total</b>	<b><u>(1,902,968)</u></b>

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

### **NOTE 8: PENSION PLANS: (Continued)**

#### ***Firemen's Relief and Retirement Fund –***

##### **Plan Description:**

The City contributes to the Firemen's Relief and Retirement Fund ("Fund") a single employer public employee retirement system (PERS). The City's payroll for employees covered by the Fund for the year ended December 31, 2020, was \$2,910,050. All active City Firefighters are eligible to participate in the Fund. Benefits vest after 20 years of service or 10 years of service for members hired on or before December 31, 2018. Retirement benefits are based upon years of service and salary. The Fund also provides death and disability benefits. Benefit provisions and all other requirements are established by State statute, City ordinance and the Marshall Firemen's Relief and Retirement Fund Board of Trustees.

Firefighters contribute 14.00% of their annual salary to the Fund. The City contributes a matching 19.80% of annual covered payroll to the Fund.

##### **Funding Status and Contributions:**

The latest actuarial study of the Fund was made as of December 31, 2020. The actuarial cost method used in the valuation was a variation of the Entry Age Normal Actuarial Cost Method. Significant actuarial assumptions used included a rate of return on investments of 7.25% per year, and projected salary increases based on a graded scale based on service. The market value of the Firemen's Relief and Retirement Fund at December 31, 2020 was \$8,905,327, 134%, of the book value as of December 31, 2020.

The December 31, 2020, actuarial valuation determined that contributions at the rates effective for January 1, 2021, (16.00% for firefighters and 21.80% for the City of Marshall) will amortize the unfunded liability, based on certain actuarial assumptions, in approximately 41 years. Guidelines published by the Texas State Pension Review Board specify that the amortization period of the unfunded actuarial accrued liability should never exceed 30 years, with a 10 to 25 year period being preferable. Plans, such as this Fund, with amortization periods in excess of 30 years should reduce their amortization period to 30 years or less as soon as practicable, but not later than June 30, 2025 ("transition rule"). The 2020 valuation indicates the current financing arrangement continues to be outside of the transition rule in the PRB funding policy guidelines.

Contributions for 2020 totaling \$991,089 were made in accordance with the contribution requirements established by State statute.

##### **Net Pension Liability:**

The total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of December 31, 2020. The components of net pension liability at December 31, 2020 are as follows:

Total Pension Liability	22,158,263
Plan Fiduciary Net Position	<u>8,905,327</u>
<b>Net Pension Liability</b>	<b><u>13,252,936</u></b>

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

### **NOTE 9: POST-RETIREMENT HEALTH BENEFITS:**

#### **Plan Description and Funding Policy:**

City Policy allows the City to provide health and dental insurance for all active employees and qualified retirees with Blue Cross/Blue Shield of Texas. The current rate for active employees is \$691 and retirees is \$800 per month. Employees who have retired, completed 20 years of service, and have reached age 60 and wish to continue on the City's health plan must pay the difference between the retiree blended rate and the amount the City currently pays for active employee coverage. The current rate for these retirees is \$782 per month, which is intended to be the blended rate that does not create an implicit subsidy. Retiree medical and dental coverage ends at age 65. Retirees pay for any dependent coverage and for dental coverage. Employees hired after August 1, 2005 will not be eligible to remain on the health plan upon retirement.

Employees covered by benefit terms. At December 31, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments:	7
Inactive employees entitled to but not yet receiving benefit payments:	-
Active employees:	<u>49</u>
Total	<u><u>56</u></u>

#### **Total OPEB Liability:**

The City's total OPEB liability of \$494,743 was measured as of December 31, 2020, and was determined by a simplified actuarial valuation as of December 31, 2020.

#### **Actuarial Assumptions:**

The City's annual other post employment benefit cost is calculated based on an actuarial valuation. The actuarial method utilized was the projected unit credit method. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and 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 reflect a long-term perspective and 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. Projections of benefits are based on the types of benefits provided under the substantive plan at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members to that point. Projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

The City had a simplified actuarial valuation performed on December 31, 2020. The City has elected to have a full valuation performed every two years. The allocation of the total liability was based upon straight years of service ratio and was amortized over a 20 year period, using a 2.12% discount rate. The participation percentage is the assumed rate of future eligible retirees who elect to continue health coverage at retirement. It is assumed 50% of future retirees elect the benefit. Medical inflation was taken at 5.5% for pre-Medicare grading down to 4.5% is the ultimate. Post Medicare benefits were not considered since the plan provides for no post-Medicare coverage or subsidy.

# CITY OF MARSHALL, TEXAS

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

### **NOTE 9: POST-RETIREMENT HEALTH BENEFITS: (Continued)**

#### **Actuarial Assumptions and Methods:**

The total OPEB liability in the December 31, 2020, simplified actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement, unless otherwise specified:

*Valuation Date:* December 31, 2020

#### *Methods and Assumptions:*

Discount Rate 2.12% per annum  
Salary Increases: 3.50% per annum  
Healthcare cost trend rates: 5.50% pre-medicare medical and RX benefits decreasing to an ultimate rate of 4.50%

Mortality rates were updated and are based upon the Pub-2010 mortality table with generational scale MP-2019.

#### **Discount Rate:**

The discount rate of 2.12% is based upon the yield of 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The other financial assumptions for long-term inflation, payroll growth, and salary scale were taken from the TMRS actuary study. The per capita claims costs and how these costs are expected to escalate in the future were set by HUB International who develops the funding rates.

#### **Changes in the Total OPEB Liability:**

Service Cost	12,239
Interest	14,030
Changes of benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions	17,024
Benefit payments	<u>(96,692)</u>
Net change in total OPEB liability	(53,399)
Total OPEB liability at 12/31/2019	<u>548,142</u>
Total OPEB liability at 12/31/2020	<u>494,743</u>

#### **Sensitivity of the Total OPEB Liability to Changes in the Discount Rate:**

The following presents the plan's total OPEB liability, calculated using a discount rate of 2.12%, as well as what the plan's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

	Current Discount Rate		
	1% Decrease to 1.12%	Assumption 2.12%	1% Increase to 3.12%
	<u>522,000</u>	<u>494,743</u>	<u>470,000</u>

# CITY OF MARSHALL, TEXAS

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

### **NOTE 9: POST-RETIREMENT HEALTH BENEFITS: (Continued)**

#### **Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates:**

The following presents the plan's total OPEB liability, calculated using the assumed trend rates as well as what the plan's total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher.

<b>1% Decrease to 4.50%</b>	<b>Current Healthcare Cost Trend Rate Assumption 5.50%</b>	<b>1% Increase to 6.50%</b>
<u>456,000</u>	<u>494,743</u>	<u>540,000</u>

#### **OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:**

For the year ended December 31, 2020, the City recognized a OPEB expense of \$31,490. At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	36,363	-
Changes of assumptions/inputs	<u>22,941</u>	<u>(18,919)</u>
Total	<u>59,304</u>	<u>(18,919)</u>

Amounts currently reported as deferred outflows of resources related to OPEB, excluding contributions subsequent to the measurement date, will be recognized in OPEB expense as follows:

<b>Fiscal Year</b>	<b>Net Deferred Outflows (Inflows) of Resources</b>
2021	5,221
2022	5,221
2023	5,221
2024	5,221
2025	5,221
Thereafter	<u>14,280</u>
Total	<u>40,385</u>

# CITY OF MARSHALL, TEXAS

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

### **NOTE 10: HEALTH INSURANCE COVERAGE:**

The City provides health and dental insurance for all active employees and qualified retirees with Blue Cross/Blue Shield of Texas. Employees who retire and wish to continue on the City's health plan must pay the difference between the retiree blended rate of \$782 and \$691, which is the amount the City currently pays for active employee coverage. Currently, the City contributes \$691 per employee and \$800 for retirees per month, and the employee, at their option, may authorize payroll withholdings to pay dependent premiums if applicable.

### **NOTE 11: POST-EMPLOYMENT BENEFITS (OPEB) - TMRS SUPPLEMENTAL DEATH BENEFITS FUND:**

#### **Plan Description:**

The City also participates in a single 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.

TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmrs.com](http://www.tmrs.com).

#### **Benefits Provided:**

Payments from this fund are similar to group term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an "other postemployment benefit" (OPEB) and is a fixed amount of \$7,500. The obligations of this plan are payable only from the SDBF and are not an obligation of, or claim against, the TMRS Pension Trust Fund.

#### **Employees Covered by Benefit Terms:**

At the December 31, 2019, valuation and measurement date, the following employees were covered by the benefit terms:

	<u>12/31/19</u>
Inactive employees currently receiving benefits	138
Inactive employees entitled to but not yet receiving benefits	27
Active employees	<u>194</u>
	<u>359</u>

#### **Contributions:**

The member cities contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. 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 life insurance during employees' entire careers.

As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

### **NOTE 11: POST-EMPLOYMENT BENEFITS (OPEB) - TMRS SUPPLEMENTAL DEATH BENEFITS FUND: (Continued)**

For the calendar years 2019 and 2020, the total SDB contributions rate for the City was 0.25% and 0.24%, respectively, while the retiree portion of the SDB contribution was 0.09% and 0.10%. The City's retiree-only portion of contributions for the years ended December 31, 2020 and 2019, were \$21,492 and \$22,105, respectively. Due to the SDBF being considered an unfunded OPEB plan, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

#### **Total OPEB Liability:**

The City's total OPEB liability was measured as of December 31, 2019, and was determined by an actuarial valuation as of that date.

#### **Actuarial Assumptions**

The total OPEB liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Overall	3.50% to 11.5% including inflation
Discount rate *	2.75%
Retiree's share of benefit-related costs	-
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables with rates projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

\* The discount rate was based on the Fidelity Index's "20-Year Municipal GOAA Index" rate as of December 31, 2019.

# CITY OF MARSHALL, TEXAS

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

### **NOTE 11: POST-EMPLOYMENT BENEFITS (OPEB) - TMRS SUPPLEMENTAL DEATH BENEFITS FUND: (Continued)**

#### **Total OPEB Liability: (Continued)**

The actuarial cost method being used is known as the Entry Age Normal Method. This method develops the annual cost of the Plan in two parts: that attributable to benefits accruing in the current year, known as the normal cost, and that due to service earned prior to the current year, known as the amortization of the unfunded actuarial accrued liability. The normal cost and the actuarial accrued liability are calculated individually for each member. The normal cost rate for an employee is the contribution rate which, if applied to a member's compensation through their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The normal cost is calculated using an entry age based on benefit service with the City. If a member has additional time-only vesting service through service with other TMRS cities or other public agencies, they retain this for determination of benefit eligibility and decrement rates. The salary-weighted average of these rates is the total normal cost rate. The unfunded actuarial accrued liability reflects the difference between the portion of projected benefits attributable to service credited prior to the valuation date and assets already accumulated.

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four period from December 31, 2014 to December 31, 2018.

#### **Changes in the Total OPEB Liability:**

	<b><u>Total OPEB Liability</u></b>
<b>Balance at December 31, 2018</b>	806,749
<b>Changes for the year</b>	
Service cost	22,105
Interest	30,193
Change of benefit terms	-
Difference between expected and actual experience	(69,485)
Changes of assumptions or other inputs	138,792
Benefit payments	(7,958)
Net changes	<u>113,647</u>
<b>Balance at December 31, 2019</b>	<u>920,396</u>

# CITY OF MARSHALL, TEXAS

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

### **NOTE 11: POST-EMPLOYMENT BENEFITS (OPEB) - TMRS SUPPLEMENTAL DEATH BENEFITS FUND: (Continued)**

#### **Sensitivity of the Total OPEB Liability to Changes in the Discount Rate:**

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.75%, would be if it were calculated using a discount rate that is 1-percentage-point lower (1.75%) or 1-percentage-point higher (3.75%) than the current rate:

	<u>1% Decrease in Discount Rate (1.75%)</u>	<u>Discount Rate (2.75%)</u>	<u>1% Increase in Discount Rate (3.75%)</u>
Total OPEB Liability	<u>1,101,453</u>	<u>920,396</u>	<u>779,103</u>

#### **OPEB Expense and Deferred Outflow of Resources and Deferred Inflows of Resources Related to OPEB:**

For the year ended December 31, 2020, the City recognized OPEB expense of \$74,512.

#### **Components of OPEB Expense**

Service Cost	22,105
Interest on total OPEB liability	30,193
Changes in benefit terms	-
Employer administrative costs	-
Recognition of deferred outflows/inflows of resources:	
Differences between expected and actual experience	(5,462)
Changes in assumptions or other inputs	<u>27,676</u>
Total OPEB expense	<u>74,512</u>

#### **Deferred Outflows of Resources and Deferred Inflows of Resources to be Recognized in OPEB Expense in Future Years:**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience (net of current year amortization)	24,562	56,275
Changes in actuarial assumptions	136,382	30,936
Difference between projected and actual investment earnings	-	-
Contributions subsequent to the measurement date	<u>21,492</u>	<u>-</u>
<b>Total</b>	<b><u>182,436</u></b>	<b><u>87,211</u></b>

# CITY OF MARSHALL, TEXAS

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

### **NOTE 11: POST-EMPLOYMENT BENEFITS (OPEB) - TMRS SUPPLEMENTAL DEATH BENEFITS FUND: (Continued)**

The City had \$21,492 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the total OPEB liability for the year ending December 31, 2021. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>Deferred Outflow of Resources</u>
2021	22,214
2022	22,214
2023	13,043
2024	12,835
2025	3,427
Thereafter	-
<b>Total</b>	<b><u>73,733</u></b>

### **NOTE 12: RISK MANAGEMENT:**

The City places all of its property, liability and workers' compensation coverage with Texas Municipal League, a public entity risk pool currently operating as a common risk management and insurance program. The City pays an annual premium to Texas Municipal League for its general insurance coverage. The risk pool is self-sustaining through member premiums and reinsures through commercial companies. The limits of liability and deductibles are:

	<u>Limit</u>	<u>Deductible</u>
General Liability	2,000,000	Each Occurrence
	4,000,000	Annual Aggregate
Auto Liability	1,000,000	Each Occurrence
Law Enforcement Liability	2,000,000	Each Occurrence
	4,000,000	Annual Aggregate
Errors and Omissions Liability	1,000,000	Each Wrongful Act
	2,000,000	Annual Aggregate
Real & Personal Property	88,685,518	1,000
Mobile Equipment	2,681,749	500
Boiler & Machinery	5,531,392	5,000
Supplemental Sewage Backup	25,000	Each Structure
	50,000	Each Occurrence
Cyber Liability and Data Breach Response:		
Information Security and Privacy		
Liability and Website Media		
Content Liability	1,000,000	Aggregate Limit
All Damages, Expenses, Loss and Costs	100,000	Aggregate Limit
Notified Individuals	10,000	Aggregate Limit
Breach Response: Professional Services	50,000	Aggregate Limit

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

### **NOTE 13: SOLID WASTE COLLECTION CONTRACT:**

The City has contracted for solid waste collection with a third party. The contract began January 1, 2019, and terminates December 31, 2025, with no extension. Under the terms of the agreement the City bills customers and collects payments and retains a percentage of the charges.

### **NOTE 14: NORTHEAST TEXAS MUNICIPAL WATER DISTRICT RAW WATER PURCHASE CONTRACT:**

The City entered into an agreement with Northeast Texas Municipal Water District on February 1, 2006. The District shall sell and deliver water from Lake of The Pines in amounts up to and including 9,000 acre-feet per annum to the City. Payments made to the District are based on schedules, quantities, and rates detailed in the contract. The term of the agreement is for fifty years. At the expiration of the agreement, it may be renewed and extended up to an additional period of fifty years. In accordance with the termination event provisions of the agreement, the parties may terminate it within three months after acquiring knowledge of such events with written notice specifying the date on which supplying raw water under the agreement is to terminate, which shall be at least six months from the date of the written notice.

### **NOTE 15: LITIGATION:**

The City is not a defendant in any significant litigation as of December 31, 2020.

### **NOTE 16: CONTINGENT LIABILITIES:**

The City participates in State and Federally assisted grant programs. These programs are subject to audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although such amounts, if any, are expected to be immaterial.

### **NOTE 17: COMMITMENTS:**

The City has entered into various contracts for improvements and extensions to the sewer system, water supply and treatment facilities. Funds for these contracts will be provided by various bond issues.

### **NOTE 18: SUBSEQUENT EVENTS:**

The City has evaluated subsequent events through December 3, 2021, the date which the financial statements were available for issue and the following items were noted:

On March 13, 2020, the World Health Organization has declared the outbreak of a coronavirus disease (COVID-19) to constitute a "Public Health Emergency of International Concern." The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the City's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on customers, employees and vendors all of which are uncertain and cannot be predicted. As of December 3, 2021, the extent to which COVID-19 may impact the City's financial condition or results of operations is uncertain.

On January 5, 2021, the City entered into a five year loan agreement with VeraBank in the amount of \$376,852, with a fixed interest rate of 2.000%. The proceeds of the loan will be used to finance the purchase of police vehicles.

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

### **NOTE 19: COMPONENT UNIT DISCLOSURES – MARSHALL ECONOMIC DEVELOPMENT CORPORATION:**

#### **Deposits And Investments:**

##### **Legal and Contractual Provisions Governing Deposits and Investments:**

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 MEDCO to adopt and implement 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, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize MEDCO 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, (10) and common trust funds. The Act also requires MEDCO to have independent auditors perform test procedures related to investment practices as provided by the Act. MEDCO is in substantial compliance with the requirements of the Act and with local policies.

#### **Policies Governing Deposits and Investments:**

In compliance with the Public Funds Investment Act, MEDCO has adopted a deposit and investment policy. That policy does address the following risks:

1. Custodial Credit Risks For Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. MEDCO's policy regarding types of deposits allowed and collateral requirements is:

The funds of MEDCO must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with MEDCO's agent bank in an amount sufficient to protect MEDCO funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

MEDCO is exposed to custodial credit risk for its deposits as follows:

At December 31, 2020, the carrying amount of MEDCO's deposits (including \$200 petty cash and \$2,071,088 certificate of deposit) was \$2,553,288, and the respective bank balance was \$2,579,007. For GASB 40 purposes, the certificate of deposit that totaled \$2,071,088 with an interest rate of 0.99% that matures June 27, 2021, is included under deposits. MEDCO's cash deposits at December 31, 2020, were entirely covered by FDIC insurance and pledged securities.

2. Custodial Credit Risk For Investments - This is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

At December 31, 2020, MEDCO was not exposed to custodial credit risk. MEDCO only had investments in TexPool, a state investment pool, which is not subject to custodial credit risk.

# CITY OF MARSHALL, TEXAS

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

### **NOTE 19: COMPONENT UNIT DISCLOSURES – MARSHALL ECONOMIC DEVELOPMENT CORPORATION:** (Continued)

3. Interest Rate Risk - The risk that changes in interest rates will adversely affect the fair value of an investment. According to MEDCO's policy, investments shall be made in a manner which will provide the maximum security of principal invested through limitations and diversification while meeting the daily cash flows of MEDCO and conforming to all applicable state and MEDCO statutes governing the investment of public funds. The receipt of a market rate of return will be secondary to the requirements for safety and liquidity. MEDCO had investments in TexPool, which is classified as a 2a-7 like pool and is not subject to reporting interest rate risk.
4. Credit Risk and Concentration Risk - MEDCO's main goal of their investment program is to ensure its safety and maximize financial returns within current market conditions in accordance with policy. MEDCO's investment policy states that diversification strategies shall be established and periodically reviewed. At a minimum, diversification standards by security type and issuer shall be:

<u>Investment Types</u>	<u>Maximum Portfolio Concentration</u>
(1) Obligations of the United States or its agencies and instrumentalities	100%
(2) Direct obligations of this state or its agencies and instrumentalities	50%
(3) Fully insured or collateralized certificates of deposit	100%
(4) Fully collateralized repurchase agreements	100%
(5) Money market funds	50%
(6) Public funds investment pools	100%

The Investment Officer shall be required to diversify maturities. The Investment Officer, to the extent possible, will attempt to match investment with anticipated cash flow requirements. Matching maturities with cash flow dates will reduce the need to sell securities prior to maturity, thus reducing market risk. Unless matched to a specific requirement, the Investment Officer may not invest more than 25% of the portfolio for a period greater than one (1) year. The Investment Officer may not invest any portion for a period greater than three (3) years.

The only investments of MEDCO are in TexPool, a local government investment pool, which is excluded from disclosing concentration risk under GASB 40.

MEDCO's investments as of December 31, 2020 are:

	<u>Rating</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Public Funds Investment Pools (TexPool)	AAAm (S&P)	<u>5,303,089</u>	<u>5,303,089</u>

At December 31, 2020, the public funds investment pools consisted of investments in TexPool. TexPool is duly chartered and administered by the Texas Comptroller's Office and the portfolio normally consists of U.S. T-Bills, T-Notes, collateralized certificates of deposit, and repurchase agreements. Oversight by the Texas Comptroller's Office over TexPool includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. These investments are classified as temporary investments in MEDCO's financial statements because these investments are not subject to any restrictions for withdrawal purposes.

Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than the market value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

# CITY OF MARSHALL, TEXAS

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

### **NOTE 19: COMPONENT UNIT DISCLOSURES – MARSHALL ECONOMIC DEVELOPMENT CORPORATION:** **(Continued)**

#### **Receivables:**

Receivables as of year-end for MEDCO's general fund and individual major enterprise funds, including the applicable allowances for uncollectible accounts, are as follows:

	<b>General Economic Dev. Fund</b>	<b>Business Development Center</b>	<b>Center For Applied Technology</b>	<b>Total</b>
<b>Receivables:</b>				
Accounts	<u>173,643</u>	<u>12,342</u>	<u>20,711</u>	<u>206,696</u>
Gross	<u>173,643</u>	<u>12,342</u>	<u>20,711</u>	<u>206,696</u>
<b>Receivables Less:</b>				
Allowance for Uncollectibles	<u>-</u>	<u>(7,046)</u>	<u>(10,571)</u>	<u>(17,617)</u>
Net Total Receivables	<u>173,643</u>	<u>5,296</u>	<u>10,140</u>	<u>189,079</u>

#### **Due From Other Governments:**

The City is required to contribute to MEDCO, \$.00375 of the \$.0825 sales tax levied on taxable sales. Monthly, the City receives sales tax remittances from the State of Texas for taxes collected by the State on behalf of the City. Because of the time allowed by the State for merchants to file Sales Tax Returns, a lag exists between when the tax is earned by the City and when it is received. At December 31, 2020, the amount due to MEDCO from the City for its portion of sales tax revenue was \$333,094, including \$5,339 due from the City from previous years.

#### **Capital Assets:**

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized, not including infrastructure assets, have an original cost of \$2,500 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	20-50 Years
Machinery and Equipment	5-10 Years
Improvements	10-20 Years

# CITY OF MARSHALL, TEXAS

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

### **NOTE 19: COMPONENT UNIT DISCLOSURES – MARSHALL ECONOMIC DEVELOPMENT CORPORATION:** **(Continued)**

Capital asset activity for the year ended December 31, 2020, was as follows:

<u>Component Unit Activities:</u>	<u>December 31,</u> <u>2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31,</u> <u>2020</u>
Capital Assets Not Being Depreciated:				
Land	4,235,720	-	(41,057)	4,194,663
Construction In Progress	<u>3,598,768</u>	<u>-</u>	<u>(1,052,985)</u>	<u>2,545,783</u>
Total Capital Assets Not Being Depreciated	<u>7,834,488</u>	<u>-</u>	<u>(1,094,042)</u>	<u>6,740,446</u>
Capital Assets Being Depreciated:				
Buildings	10,347,337	-	-	10,347,337
Improvements	808,400	1,098,326	-	1,906,726
Machinery, Tools, and Equipment	<u>207,525</u>	<u>-</u>	<u>-</u>	<u>207,525</u>
Total Capital Assets Being Depreciated	<u>11,363,262</u>	<u>1,098,326</u>	<u>-</u>	<u>12,461,588</u>
Less Accumulated Depreciation For:				
Buildings	(1,352,483)	(258,683)	-	(1,611,166)
Improvements	(294,411)	(59,853)	-	(354,264)
Machinery, Tools, and Equipment	<u>(197,125)</u>	<u>(9,172)</u>	<u>-</u>	<u>(206,297)</u>
Total Accumulated Depreciation	<u>(1,844,019)</u>	<u>(327,708)</u>	<u>-</u>	<u>(2,171,727)</u>
Total Capital Assets, Being Depreciated, Net	<u>9,519,243</u>	<u>770,618</u>	<u>-</u>	<u>10,289,861</u>
Component Unit Activities Capital Assets, Net	<u>17,353,731</u>	<u>770,618</u>	<u>(1,094,042)</u>	<u>17,030,307</u>

# CITY OF MARSHALL, TEXAS

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

### NOTE 19: COMPONENT UNIT DISCLOSURES – MARSHALL ECONOMIC DEVELOPMENT CORPORATION: (Continued)

#### **Notes Payable:**

On October 8, 2009, MEDCO executed a note with Texas Bank and Trust in the amount of \$1,000,000 to purchase land, building, and improvements. Payments are due quarterly at \$33,173 (includes principal and interest) for the next nine years at a fixed interest rate of 5.83%. On June 3, 2014, the balance of the loan was \$616,270 plus interest of \$8,662 for a total of \$624,932 that was rolled into a new loan with Texas Bank and Trust as explained below.

On May 22, 2014, MEDCO entered into a loan agreement for \$6,540,000 with Texas Bank and Trust. The interest rate of the loan is 3.25% and the payment terms are: accrued interest shall be payable monthly starting June 1, 2014, and continuing each month until and including December 31, 2014. Principal and interest shall be payable in monthly installments of \$46,100 including interest, starting February 1, 2015, and continuing each month until the entire principal balance is due on January 1, 2025. The entire unpaid interest and principal shall be due and payable in full with a balloon payment on January 1, 2025, the scheduled maturity date. The purposes of the loan are to provide funds to pay for a project relating to a Performance Agreement and lease between MEDCO and Rio Ammunition, Inc. to the extent of \$5,900,000 and to the extent of \$624,932 the loan represents a refinance and renewal of an existing loan. MEDCO pledges and grants a security interest and a first lien on pledged revenues (sales tax). Interest paid on this loan for the year ending December 31, 2020, was \$146,829.

On December 31, 2014, MEDCO entered into a loan agreement for \$967,965 with Bancorp South Bank. The interest rate of the loan is 3.950% and the payment terms are: principal and interest shall be payable in monthly installments of \$9,814 including interest, starting February 10, 2015, and continuing each month for 120 months. The purpose of the loan is to provide additional funding for the construction of Rio Ammunition, Inc. This loan is secured by real estate. Interest paid on this loan for the year ending December 31, 2020, was \$19,485.

Debt service requirements are as follows:

<u>Year Ended December 31,</u>	<u>Governmental Activities</u>			<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>		
2021	521,170	149,798		670,968
2022	539,102	131,867		670,969
2023	557,655	113,313		670,968
2024	576,852	94,117		670,969
2025	2,526,395	6,956		2,533,351
<b>TOTAL</b>	<b>4,721,174</b>	<b>496,051</b>		<b>5,217,225</b>

Long-term debt activity for the year ended December 31, 2020, was as follows:

<u>Component Unit Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Other Liabilities:					
Notes Payable	5,225,829	-	(504,655)	4,721,174	521,170
Total Other Liabilities	<u>5,225,829</u>	<u>-</u>	<u>(504,655)</u>	<u>4,721,174</u>	<u>521,170</u>
Total Governmental Activities					
Long-Term Liabilities	5,225,829	-	(504,655)	4,721,174	521,170

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

### **NOTE 19: COMPONENT UNIT DISCLOSURES – MARSHALL ECONOMIC DEVELOPMENT CORPORATION:** (Continued)

#### **Pension Plan:**

##### **Texas Municipal Retirement System:**

The employees of MEDCO are covered by the City of Marshall's pension plan, which is with the Texas Municipal Retirement System. Under mutual agreements by both entities, all salaries and related benefits are reimbursed by MEDCO to the City. The contribution rate for the employees is 7%, and the City and/or MEDCO's matching percent is currently 200%, as adopted by the governing body of the City.

### **NOTE 20: COMPONENT UNIT DISCLOSURES – MARSHALL DOWNTOWN DEVELOPMENT CORPORATION:**

#### **Deposits And Investments:**

##### **Legal and Contractual Provisions Governing Deposits and Investments:**

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 MDDC to adopt and implement 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, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize MDDC 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, (10) and common trust funds. The Act also requires MDDC to have independent auditors perform test procedures related to investment practices as provided by the Act. MDDC is in substantial compliance with the requirements of the Act and with local policies.

#### **Policies Governing Deposits and Investments:**

In compliance with the Public Funds Investment Act, MDDC has adopted a deposit and investment policy. That policy does address the following risk:

**Custodial Credit Risks For Deposits** - In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. MDDC's policy regarding types of deposits allowed and collateral requirements is:

The funds of MDDC must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with MDDC's agent bank in an amount sufficient to protect MDDC funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

MDDC is exposed to custodial credit risk for its deposits as follows:

At December 31, 2020, the carrying amount of MDDC's deposits was \$48,588 and the respective bank balances were \$48,588. MDDC's cash consists of demand deposits. For GASB 40 purposes, all of MDDC's deposits and investments are covered under deposits. Also, all of MDDC's cash deposits at December 31, 2020, were entirely covered by FDIC insurance.

# CITY OF MARSHALL, TEXAS

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

### NOTE 20: COMPONENT UNIT DISCLOSURES – MARSHALL DOWNTOWN DEVELOPMENT CORPORATION: (Continued)

#### Capital Assets:

Capital asset activity for the year ended December 31, 2020, was as follows:

<u>Component Unit Activities:</u>	<u>December 31,</u>		<u>December 31,</u> <u>2020</u>
	<u>2019</u>	<u>Additions</u>	
Capital Assets Being Depreciated:			
Building	<u>50,217</u>	<u>-</u>	<u>50,217</u>
Total Capital Assets Being Depreciated	<u>50,217</u>	<u>-</u>	<u>50,217</u>
Less Accumulated Depreciation For:			
Building	<u>9,039</u>	<u>1,004</u>	<u>10,043</u>
Total Accumulated Depreciation	<u>9,039</u>	<u>1,004</u>	<u>10,043</u>
Total Capital Assets Being Depreciated, Net	<u>41,178</u>	<u>(1,004)</u>	<u>40,174</u>
Component Unit Activities Capital Assets, Net	<u>41,178</u>	<u>(1,004)</u>	<u>40,174</u>

**Required Supplementary Information**

# CITY OF MARSHALL, TEXAS

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS TEXAS MUNICIPAL RETIREMENT SYSTEM FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	Plan Year Ended December 31,
<b><u>Total Pension Liability:</u></b>							
Service Cost	1,498,701	1,395,937	1,360,160	1,349,774	1,317,472	1,305,622	
Interest (on the Total Pension Liability)	3,882,459	3,777,242	3,692,623	3,561,898	3,556,882	3,496,478	
Changes in Benefit Terms	-	-	-	-	-	-	
Difference Between Expected and Actual Results	(35,575)	(340,293)	(735,674)	(25,089)	(575,781)	(852,294)	
Change of Assumptions	264,805	-	-	-	695,565	-	
Benefit Payments, Including Refunds of Employee Contributions	<u>(3,453,140)</u>	<u>(3,197,858)</u>	<u>(2,964,912)</u>	<u>(2,945,304)</u>	<u>(3,162,757)</u>	<u>(3,022,865)</u>	
Net Change in Total Pension Liability	2,157,250	1,635,028	1,352,197	1,941,279	1,831,381	926,941	
Total Pension Liability - Beginning	<u>58,495,130</u>	<u>56,860,102</u>	<u>55,507,905</u>	<u>53,566,626</u>	<u>51,735,245</u>	<u>50,808,304</u>	
Total Pension Liability - Ending (a)	<u>60,652,380</u>	<u>58,495,130</u>	<u>56,860,102</u>	<u>55,507,905</u>	<u>53,566,626</u>	<u>51,735,245</u>	
<b><u>Plan Fiduciary Net Position:</u></b>							
Contributions - Employer	1,429,734	1,380,365	1,336,984	1,280,192	1,311,982	1,334,649	
Contributions - Employee	618,932	573,785	560,308	553,510	548,947	541,924	
Net Investment Income	7,537,593	(1,545,251)	6,415,707	3,003,122	67,466	2,537,589	
Benefit Payments, Including Refunds of Employee Contributions	(3,453,140)	(3,197,858)	(2,964,912)	(2,945,304)	(3,162,757)	(3,022,865)	
Administrative Expense	(42,625)	(29,882)	(33,258)	(33,924)	(41,096)	(26,495)	
Other	<u>(1,280)</u>	<u>(1,561)</u>	<u>(1,685)</u>	<u>(1,828)</u>	<u>(2,030)</u>	<u>(2,178)</u>	
Net Change in Plan Fiduciary Net Position	6,089,214	(2,820,402)	5,313,144	1,855,768	(1,277,488)	1,362,624	
Plan Fiduciary Net Position - Beginning	<u>48,795,393</u>	<u>51,615,795</u>	<u>46,302,651</u>	<u>44,446,883</u>	<u>45,724,371</u>	<u>44,361,747</u>	
Plan Fiduciary Net Position - Ending (b)	<u>54,884,607</u>	<u>48,795,393</u>	<u>51,615,795</u>	<u>46,302,651</u>	<u>44,446,883</u>	<u>45,724,371</u>	
Net Pension Liability (Asset) - Ending (a)-(b)	<u>5,767,773</u>	<u>9,699,737</u>	<u>5,244,307</u>	<u>9,205,254</u>	<u>9,119,743</u>	<u>6,010,874</u>	
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	90.49%	83.42%	90.78%	83.42%	82.97%	88.38%	
Covered Employee Payroll	8,841,891	8,196,928	7,991,538	7,907,289	7,842,093	7,719,153	
Net Pension Liability as a Percentage of Covered Employee Payroll	65.23%	118.33%	65.62%	116.41%	116.29%	77.87%	

# CITY OF MARSHALL, TEXAS

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CONTRIBUTIONS TEXAS MUNICIPAL RETIREMENT SYSTEM FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution	1,443,521	1,429,734	1,380,364	1,336,984	1,280,192	1,311,982
Contribution in Relation to the Actuarially Determined Contributions	(1,443,521)	(1,429,734)	(1,380,364)	(1,336,984)	(1,280,192)	(1,311,982)
Contribution Deficiency	—	—	—	—	—	—
Covered Employee Payroll	8,954,843	8,841,892	8,196,933	7,991,538	7,907,289	7,842,903
Contributions as a Percentage of Covered Employee Payroll	16.12%	16.17%	16.84%	16.73%	16.19%	16.73%

### NOTES TO SCHEDULE OF CONTRIBUTIONS:

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

### Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	26 years
Asset Valuation Method	10 Year smoothed marked; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-Retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-Retirement: Pub (10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.
Other Information:	There were no benefit changes during the year.

# CITY OF MARSHALL, TEXAS

## REQUIRED SUPPLEMENTARY INFORMATION

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

### TEXAS MUNICIPAL RETIREMENT SYSTEM SUPPLEMENTAL DEATH BENEFITS PLAN FOR THE YEAR ENDED DECEMBER 31, 2020

	Measurement Year 2019	Measurement Year 2018	Measurement Year 2017
<b><u>Total OPEB Liability:</u></b>			
Service Cost	22,105	24,591	20,778
Interest	30,193	25,905	25,850
Changes of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	(69,485)	40,058	-
Changes of Assumptions	138,792	(50,454)	57,123
Benefit Payments	<u>(7,958)</u>	<u>(7,377)</u>	<u>(6,393)</u>
Net Change in Total OPEB Liability	113,647	32,723	97,358
Total OPEB liability - Beginning	<u>806,749</u>	<u>774,026</u>	<u>676,668</u>
Total OPEB liability - Ending	<u>920,396</u>	<u>806,749</u>	<u>774,026</u>
Covered employee payroll	8,841,891	8,196,928	7,991,538
Total OPEB liability as a percentage of covered employee payroll	10.41%	9.84%	9.69%

Until a full 10-year trend is completed, we will present information for those years for which information is available.

#### NOTES TO SCHEDULE

Valuation Date	Actuarially determined contribution rates are calculated as of December 31, and become effective in January 13 months later.
<b>Methods and Assumptions Used to Determine Contribution Rates:</b>	
Actuarial Cost Method	N/A
Amortization Method	N/A
Remaining Amortization Period	N/A
Asset Valuation Method	N/A
Inflation	2.5%
Salary Increases	3.5% to 11.5% including inflation
Investment Rate of Return	2.75%
Retirement Age	N/A
Mortality	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP
Other Information:	There were no benefit changes during the year.

# CITY OF MARSHALL, TEXAS

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS  
CITY OF MARSHALL RETIREE HEALTH CARE PLAN  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<b>Measurement Year 2020</b>	<b>Measurement Year 2019</b>	<b>Measurement Year 2018</b>
<b><u>Total OPEB Liability – Retiree Health Care Plan:</u></b>			
Service Cost	12,239	11,283	12,393
Interest	14,030	21,605	21,351
Changes of Benefit Terms	-	-	-
Difference Between Expected and Actual			
Experience	-	46,014	-
Changes of Assumptions	17,024	(3,685)	(22,867)
Benefit Payments	<u>(96,692)</u>	<u>(88,060)</u>	<u>(116,353)</u>
Net Change in Total OPEB Liability	(53,399)	(12,843)	(105,476)
Total OPEB Liability - Beginning	<u>548,142</u>	<u>560,985</u>	<u>666,461</u>
Total OPEB Liability - Ending	<u>494,743</u>	<u>548,142</u>	<u>560,985</u>
Covered employee payroll	9,679,000	9,397,023	10,515,495
Total OPEB liability as a percentage of covered payroll	5%	6%	5%

## NOTES TO SCHEDULE

Amounts presented are for each measurement year, which is the same as the City's fiscal year end.

Total OPEB liability is calculated using a new methodology and will be presented prospectively  
in accordance with GASB 75.

Ten years of data should be presented in this schedule but data was unavailable prior to 2018.

## **Combining and Individual Fund Financial Statements**

# CITY OF MARSHALL, TEXAS

Exhibit F-1

**GENERAL FUND  
BALANCE SHEET  
DECEMBER 31, 2020**

	<i>General Fund</i>
<b>ASSETS</b>	
Cash and Temporary Investments	1,630,574
Certificates of Deposit	3,732,213
Receivables (Net of Allowance for Uncollectible)	
Current Taxes	2,857,668
Delinquent Taxes	689,897
Customer:	
Sanitation	311,040
Ambulance	<u>706,722</u>
Franchise Taxes	209,386
Other	27,154
Accrued Interest	<u>2,487</u>
Total Receivables	4,804,354
Prepaid Expenditures	297,954
Inventory	1,256
Due from Other Funds	154,013
Due from Other Governments	<u>1,784,649</u>
<b>TOTAL ASSETS</b>	<u>12,405,013</u>

**LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE**

<b>Liabilities</b>	
Accounts Payable	1,370,377
Accrued Liabilities	192,244
Due to Other Funds	109,252
Unearned Revenues	<u>634,380</u>
<b>Total Liabilities</b>	<u>2,306,253</u>
 <b>Deferred Inflows of Resources</b>	
Unavailable Revenue-Property Taxes	<u>3,490,559</u>
<b>Total Inflows of Resources</b>	<u>3,490,559</u>
 <b>Fund Balances:</b>	
<b>    Nonspendable:</b>	
Prepaid Expenditures	297,954
Inventory	1,256
<b>    Restricted:</b>	
Other Post-Employment Benefits	81,009
<b>    Unassigned</b>	<u>6,227,982</u>
<b>Total Fund Balance</b>	<u>6,608,201</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE</b>	<u>12,405,013</u>

# CITY OF MARSHALL, TEXAS

Exhibit F-2

Page 1 of 2

## GENERAL FUND

### STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED DECEMBER 31, 2020

	<i>General Fund</i>
<b><u>REVENUE:</u></b>	
Ad Valorem Taxes	4,869,636
Sales Taxes	7,140,161
Franchise Tax	896,394
Permits and Fees:	
Refuse Collections	3,233,345
Ambulance Fees	1,203,833
Other Fees and Permits	<u>693,952</u>
Total Permits and Fees	5,131,130
Municipal Court Fines	275,187
Interest	69,896
Intergovernmental	1,692,384
Miscellaneous	<u>229,699</u>
 Total Revenue	 <u>20,304,487</u>
<b><u>EXPENDITURES:</u></b>	
Current:	
General Government:	
Legislative	82,535
Legal	105,061
Administrative	236,809
Human Resources	117,423
Purchasing	<u>1,915</u>
Total General Government	<u>543,743</u>
Finance:	
Finance	193,418
City Secretary	91,502
Municipal Court	<u>197,622</u>
Total Finance	482,542
Public Safety:	
Police Department	4,643,360
Fire Department	<u>4,033,912</u>
Total Public Safety	8,677,272
Public Works	3,820,442
Non-Departmental	2,327,775
Tax Collection	93,308
Parks and Recreation	361,674
Community and Economic Development	495,140
Support Services	860,409
Tourism and Cultural Arts	972,859
Debt Service	345,794
Capital Outlay	<u>1,075,105</u>
 Total Expenditures	 <u>20,056,063</u>

# CITY OF MARSHALL, TEXAS

Exhibit F-2

Page 2 of 2

## GENERAL FUND

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED DECEMBER 31, 2020

	<i>General Fund</i>
<b><u>CONTINUED:</u></b>	
Excess (Deficiency) of Revenue Over Expenditures Before Other Financing Sources	<u>248,424</u>
Other Financing Sources	
Transfers In	2,033,908
Transfers (Out)	<u>(995,953)</u>
<b>Total Other Financing Sources</b>	<u>1,037,955</u>
Net Change in Fund Balance	1,286,379
Fund Balance at Beginning of Year	<u>5,321,822</u>
<b>Fund Balance at End of Year</b>	<b><u>6,608,201</u></b>

# CITY OF MARSHALL, TEXAS

## NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET DECEMBER 31, 2020

Special Revenue																
	<i>Match Occupancy Tax Fund</i>	<i>Community Development Fund</i>	<i>Municipal Court Tech Fund</i>	<i>Street Maintenance Fund</i>	<i>Litter Control Fund</i>	<i>D.A.R.E. Donations Fund</i>	<i>Controlled Substance Fund</i>	<i>Art Center Projects Fund</i>	<i>Park Trails Fund</i>	<i>Disaster Relief Fund</i>	<i>Main Street Fund</i>	<i>State Grant Fund</i>	<i>Municipal Drainage Utility Fund</i>	<i>EMS ESD Fund</i>	<i>Police Special Projects Fund</i>	
<b>ASSETS</b>																
Cash and Temporary Investments	365,786	(84,758)	-	331,458	4,629	27,267	199,956	3,266	4,533	2,646	1,513	-	571,613	98,141	60,254	
Certificates of Deposit	63,437	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Receivable- Current Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Receivable- Delinquent Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other Receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Accrued Interest	3,442	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Prepaid Expenditures	33,632	-	-	109,252	-	-	-	18,641	-	-	-	-	-	-	-	
Inventory	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Due from Other Funds	-	-	90,026	-	-	-	-	-	-	-	-	-	-	-	-	
Due from Other Governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>TOTAL ASSETS</b>	<b>466,297</b>	<b>5,268</b>	<b>-</b>	<b>440,710</b>	<b>4,629</b>	<b>27,267</b>	<b>218,597</b>	<b>3,266</b>	<b>4,533</b>	<b>2,646</b>	<b>1,513</b>	<b>-</b>	<b>599,971</b>	<b>98,141</b>	<b>60,254</b>	
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>																
Liabilities																
Accounts Payable	5,917	5,268	-	-	-	-	-	36	-	-	-	-	29,477	10	-	
Accrued Liabilities	1,042	-	-	-	-	-	-	-	-	-	-	-	1,898	-	-	
Due to Other Funds	153,915	-	-	-	-	-	-	98	-	-	-	-	-	-	-	
Unearned Revenues	8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Total Liabilities</b>	<b>160,882</b>	<b>5,268</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>134</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31,375</b>	<b>-</b>	<b>75,010</b>	
Deferred Inflows of Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Unavailable Revenue-Property Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Inflows of Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Fund Balances (Deficit)																
Restricted:																
Promotion and Tourism	305,415	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Public Safety	-	-	-	-	4,629	27,267	218,463	-	-	-	-	-	568,396	23,131	60,254	
Public Works	-	-	-	-	440,710	-	-	-	-	-	-	-	-	-	-	
Street Maintenance	-	-	-	-	-	-	-	-	3,266	4,533	2,646	-	-	-	-	
Purpose of Grantors and Donors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Debt Service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Library	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Capital Projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Total Fund Balances (Deficit)</b>	<b>305,415</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>440,710</b>	<b>4,629</b>	<b>27,267</b>	<b>218,463</b>	<b>3,266</b>	<b>4,533</b>	<b>2,646</b>	<b>1,513</b>	<b>-</b>	<b>568,396</b>	<b>23,131</b>	<b>60,254</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>	<b>466,297</b>	<b>5,268</b>	<b>-</b>	<b>440,710</b>	<b>4,629</b>	<b>27,267</b>	<b>218,597</b>	<b>3,266</b>	<b>4,533</b>	<b>2,646</b>	<b>1,513</b>	<b>-</b>	<b>599,971</b>	<b>98,141</b>	<b>60,254</b>	

# CITY OF MARSHALL, TEXAS

NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2020

CONTINUED:	Special Revenue		Debt Service		Capital Projects		Permanent		
	Old City Hall Restoration Fund	Coronavirus Emergency Fund	2001 & 2007 Debt Service Funds	2007 Capital Imp. Fund	2010 Utility Conserv. Fund	2010 Memorial City Hall Fund	Capital Improvement Fund	Library Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>									
Cash and Temporary Investments									
Certificates of Deposit									
Receivable- Current Taxes				498,032					
Receivable- Delinquent Taxes				112,023					
Other Receivables									
Accrued Interest									
Prepaid Expenditures									
Inventory									
Due from Other Funds									
Due from Other Governments		22,588							
<b>TOTAL ASSETS</b>			10,466	979,573	13,957	1,557,536	24,548	31,589	738,474
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>									
<b>Liabilities</b>									
Accounts Payable									
Accrued Liabilities									
Due to Other Funds									
Unearned Revenues									
<b>Total Liabilities</b>					57,038				
<b>Deferred Inflows of Resources</b>									
Unavailable Revenue-Property Taxes									
<b>Total Inflows of Resources</b>				600,120					
<b>Fund Balances (Deficit)</b>									
Restricted:									
Promotion and Tourism									
Public Safety									
Public Works									
Street Maintenance									
Purpose of Grantors and Donors									
Debt Service				379,453					
Library									
Capital Projects									
<b>Total Fund Balances (Deficit)</b>			10,466	379,453	13,957	1,500,478	24,548	29,402	723,215
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>									
			10,466	979,573	13,957	1,557,536	24,548	31,589	738,474
									315,420
									5,604,655

# CITY OF MARSHALL, TEXAS

## NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED DECEMBER 31, 2020

Special Revenue															
	Motel Occupancy Tax Fund	Community Development Fund	Municipal Court Tech Fund	Street Maintenance Fund	Inter Control Fund	D.A.R.E. Donations Fund	Controlled Substance Fund	Art Center Projects Fund	Park Trails Fund	Disaster Relief Fund	Municipal Drainage Utility Fund	State Grant Fund	Municipal Drainage Utility Fund	EMS ESF Fund	Police Special Projects Fund
<b>REVENUE:</b>															
Ad Valorem Taxes															
Sales Taxes		641,176			593,407										
Intergovernmental		639,174													
Motel Occupancy Tax															
Drainage Utility Fees															
Municipal Court Fines															
Interest		131			7,509		1,458								
Donations															
Miscellaneous		708													
<b>Total Revenue</b>	<b>700,013</b>	<b>641,176</b>	<b>7,509</b>	<b>594,865</b>	<b>9,132</b>	<b>998</b>	<b>68,071</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>340,178</b>	<b>160,700</b>	<b>-</b>
<b>EXPENDITURES:</b>															
Current:															
General Government		522,633	10,385												
Public Safety															
Public Works															
Tourism and Cultural Arts		174,897													
Community and Economic Development			118,543												
Support Services-Library															
Debt Service- Principal Retirement															
Debt Service- Interest and Fees															
Capital Outlay															
<b>Total Expenditures</b>	<b>174,897</b>	<b>641,176</b>	<b>10,285</b>	<b>427,813</b>	<b>4,503</b>	<b>2,000</b>	<b>50,252</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>191,433</b>	<b>186,259</b>	<b>199,915</b>
<b>Excess (Deficiency) of Revenue Over Expenditures</b>	<b>525,116</b>	<b>-</b>	<b>(2,776)</b>	<b>167,052</b>	<b>4,629</b>	<b>(1,002)</b>	<b>17,819</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>148,745</b>	<b>(25,559)</b>	<b>(199,915)</b>
Before Other Financing Sources (Uses)															
Other Financing Sources (Uses)															
Transfers In															
Transfers Out		(298,908)													
Proceeds From Issuance of Bonds															
<b>Total Other Financing Sources (Uses)</b>	<b>(298,908)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(143)</b>	<b>-</b>	<b>(148,444)</b>
Net Change in Fund Balances		236,208		(2,776)	167,052	4,629	(1,002)	17,819							
Fund Balances (Deficit) at Beginning of Year		79,207		2,776	273,658			28,269	200,644	3,266	4,533	2,646	1,513	143	419,851
Fund Balances (Deficit) at End of Year		305,415		-	440,710		4,629	27,267	218,463	3,266	4,533	2,646	1,513	-	568,596
															23,131
															60,254

**CITY OF MARSHALL, TEXAS**

**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	Special Revenue		Debt Service		Capital Projects				Permanent		Total Nonmajor Governmental Funds
	Old City Hall Restoration Fund	Coronavirus Emergency Fund	Economic Development Fund	2001 & 2007 Debt Service Funds	1995 Capital Imp. Fund	2007 Capital Imp. Fund	2010 Utility Conserv. Fund	2010 Memorial City Hall Fund	Capital Improvement Fund	Library Fund	
<b>REVENUE:</b>											
Ad Valorem Taxes					853,920						853,920
Sales Taxes		22,588									593,407
Intergovernmental											843,105
Motel Occupancy Tax											699,174
Drainage Utility Fees											340,178
Municipal Court Fines											7,509
Interest											6,981
Donations	3,542										26,160
Miscellaneous			25,466								346,518
<b>Total Revenue</b>	<b>3,542</b>	<b>22,588</b>	<b>25,466</b>	<b>856,721</b>							<b>3,716,452</b>
<b>EXPENDITURES:</b>											
Current:											
General Government											
Public Safety											
Public Works											
Tourism and Cultural Arts											
Community and Economic Development											
Support Services-Library											
Debt Service-Principal Retirement											
Debt Service-Interest and Fees											
Capital Outlays											
<b>Total Expenditures</b>	<b>3,542</b>	<b>22,588</b>	<b>15,000</b>	<b>1,236,966</b>							<b>3,923,795</b>
<b>Excess (Deficiency) of Revenue Over Expenditures Before Other Financing Sources (Uses)</b>	<b>3,542</b>	<b>-</b>	<b>10,466</b>	<b>(380,245)</b>							<b>(207,343)</b>
Other Financing Sources (Uses)											
Transfers In											
Transfers Out											
Proceeds From Issuance of Bonds											
<b>Total Other Financing Sources (Uses)</b>	<b>(3,542)</b>	<b>-</b>	<b>-</b>	<b>318,543</b>							<b>2,234,048</b>
Net Change in Fund Balances											
Fund Balances (Deficit) at Beginning of Year											
Fund Balances (Deficit) at End of Year											

# CITY OF MARSHALL, TEXAS

## BUDGETED SPECIAL REVENUE FUNDS COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2020

	<i>Motel Occupancy Tax Fund</i>				<i>Street Maintenance Fund</i>			
	<i>Budgeted Amounts</i>		<i>Actual GAAP Basis</i>	<i>Positive (Negative) Variance with Final Budget</i>	<i>Budgeted Amounts</i>		<i>Actual GAAP Basis</i>	<i>Positive (Negative) Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>			<i>Original</i>	<i>Final</i>		
<b>REVENUE:</b>								
Motel Occupancy Tax	760,000	700,000	699,174	(826)	-	-	-	-
Drainage Utility Fees	-	-	-	-	535,937	560,937	593,407	32,470
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Interest	-	-	131	131	-	-	1,458	1,458
Donations	-	-	-	-	-	-	-	-
Miscellaneous	-	-	708	708	-	-	-	-
<b>Total Revenue</b>	<b>760,000</b>	<b>700,000</b>	<b>700,013</b>	<b>13</b>	<b>535,937</b>	<b>560,937</b>	<b>594,865</b>	<b>33,928</b>
<b>EXPENDITURES:</b>								
Current:								
Public Safety	-	-	-	-	-	-	-	-
Public Works	-	-	-	-	-	-	-	-
Tourism and Cultural Arts	397,861	337,861	174,897	162,964	-	-	-	-
Community and Economic Development	-	-	-	-	-	-	-	-
Debt Service	63,231	63,231	-	63,231	535,937	575,937	427,813	148,124
Capital Outlay	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>461,092</b>	<b>401,092</b>	<b>174,897</b>	<b>226,195</b>	<b>535,937</b>	<b>575,937</b>	<b>427,813</b>	<b>148,124</b>
Excess (Deficiency) of Revenue Over Expenditures Before Other Financing Sources (Uses)	298,908	298,908	525,116	226,208	-	(15,000)	167,052	182,052
Other Financing Sources (Uses)								
Transfers In								
Transfers Out								
<b>Total Other Financing Sources (Uses)</b>	<b>(298,908)</b>	<b>(298,908)</b>	<b>(298,908)</b>	<b></b>	<b></b>	<b></b>	<b></b>	<b></b>
Net Change in Fund Balances	-	-	226,208	226,208	-	(15,000)	167,052	182,052
Fund Balances (Deficit), Beginning of Year	79,207	79,207	79,207	-	273,658	273,658	273,658	-
<b>Fund Balances (Deficit), End of Year</b>	<b>79,207</b>	<b>79,207</b>	<b>305,415</b>	<b>226,208</b>	<b>273,658</b>	<b>258,658</b>	<b>440,710</b>	<b>182,052</b>

**Exhibit F-5**  
**Page 1 of 2**

<i>Litter Control Fund</i>			<i>D.A.R.E. Donations Fund</i>		
<i>Budgeted Amounts</i>		<i>Actual GAAP Basis</i>	<i>Budgeted Amounts</i>		<i>Actual GAAP Basis</i>
<i>Original</i>	<i>Final</i>		<i>Original</i>	<i>Final</i>	
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
6,700	6,700	6,034	(666)	1,000	1,000
48,700	-	3,098	3,098	-	892
55,400	6,700	9,132	2,432	1,000	998
					(2)
-	-	-	-	-	-
55,400	6,700	4,503	2,197	6,200	6,200
-	-	-	-	-	2,000
-	-	-	-	-	4,200
55,400	6,700	4,503	2,197	6,200	6,200
					2,000
					4,200
-	-	4,629	4,629	(5,200)	(5,200)
-	-	-	-	-	(1,002)
-	-	4,629	4,629	(5,200)	(5,200)
-	-	-	-	(1,002)	4,198
-	-	-	-	28,269	28,269
-	-	4,629	4,629	23,069	23,069
-	-	-	-	27,267	27,267
					4,198

# CITY OF MARSHALL, TEXAS

**BUDGETED SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<i>Municipal Drainage Utility Fund</i>				<i>EMS ESD Fund</i>			
	<i>Budgeted Amounts</i>		<i>Actual GAAP Basis</i>	<i>Positive (Negative) Variance with Final Budget</i>	<i>Budgeted Amounts</i>		<i>Actual GAAP Basis</i>	<i>Positive (Negative) Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>			<i>Original</i>	<i>Final</i>		
<b>REVENUE:</b>								
Motel Occupancy Tax								
Drainage Utility Fees								
Sales Taxes	380,100	350,100	340,178	(9,922)				
Intergovernmental								
Interest					160,700	160,700	160,700	
Donations								
Miscellaneous								
<b>Total Revenue</b>	<b>380,100</b>	<b>350,100</b>	<b>340,178</b>	<b>(9,922)</b>	<b>160,700</b>	<b>160,700</b>	<b>160,700</b>	<b>-</b>
<b>EXPENDITURES:</b>								
Current								
Public Safety					38,000	2,000	-	2,000
Public Works	188,197	188,197	162,033	26,164	-	-	-	-
Tourism and Cultural Arts								
Community and Economic Development								
Debt Service								
Capital Outlay	191,903	111,903	29,400	82,503		185,223	186,259	(1,036)
<b>Total Expenditures</b>	<b>380,100</b>	<b>300,100</b>	<b>191,433</b>	<b>108,667</b>	<b>38,000</b>	<b>187,223</b>	<b>186,259</b>	<b>964</b>
Excess (Deficiency) of Revenue Over Expenditures Before Other Financing Sources (Uses)		50,000	148,745	98,745	122,700	(26,523)	(25,559)	964
<b>Other Financing Sources (Uses)</b>								
Transfers In								
Transfers Out								
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	-	50,000	148,745	98,745	122,700	(26,523)	(25,559)	964
Fund Balances (Deficit), Beginning of Year	419,851	419,851	419,851	-	48,690	48,690	48,690	-
<b>Fund Balances (Deficit), End of Year</b>	<b>419,851</b>	<b>469,851</b>	<b>568,596</b>	<b>98,745</b>	<b>171,390</b>	<b>22,167</b>	<b>23,131</b>	<b>964</b>

**Exhibit F-5**  
**Page 2 of 2**

<i>Economic Development Fund</i>				<i>Total</i>			
<i>Budgeted Amounts</i>		<i>Actual GAAP Basis</i>	<i>Positive (Negative) Variance with Final Budget</i>	<i>Budgeted Amounts</i>		<i>Actual GAAP Basis</i>	<i>Positive (Negative) Variance with Final Budget</i>
<i>Original</i>	<i>Final</i>			<i>Original</i>	<i>Final</i>		
-	-	-	-	760,000	700,000	699,174	(826)
-	-	-	-	380,100	350,100	340,178	(9,922)
-	-	-	-	535,937	560,937	593,407	32,470
-	-	-	-	160,700	160,700	160,700	-
-	-	-	-	-	-	1,695	1,695
-	-	-	-	7,700	7,700	6,926	(774)
-	25,466	25,466	-	48,700	25,466	29,272	3,806
-	25,466	25,466	-	1,893,137	1,804,903	1,831,352	26,449
-	-	-	-	44,200	8,200	2,000	6,200
-	-	-	-	243,597	194,897	166,536	28,361
-	-	-	-	397,861	337,861	174,897	162,964
-	10,466	15,000	(4,534)	-	10,466	15,000	(4,534)
-	-	-	-	63,231	63,231	-	63,231
-	-	-	-	727,840	873,063	643,472	229,591
-	10,466	15,000	(4,534)	1,476,729	1,487,718	1,001,905	485,813
-	15,000	10,466	(4,534)	416,408	317,185	829,447	512,262
-	-	-	-	(298,908)	(298,908)	(298,908)	-
-	-	-	-	(298,908)	(298,908)	(298,908)	-
-	15,000	10,466	(4,534)	117,500	18,277	530,539	512,262
-	-	-	-	849,675	849,675	849,675	-
-	15,000	10,466	(4,534)	967,175	867,952	1,380,214	512,262

# CITY OF MARSHALL, TEXAS

Exhibit F-6

## 2001 COMBINATION TAX AND REVENUE AND 2007 GENERAL OBLIGATION DEBT SERVICE FUNDS - STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2020

	<i>Budgeted Amounts</i>		<i>Actual GAAP Basis</i>	<i>Positive (Negative) Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUE:</b>				
Ad Valorem Taxes	852,152	852,152	853,920	1,768
Interest	1,000	1,000	2,801	1,801
<b>Total Revenue</b>	<b>853,152</b>	<b>853,152</b>	<b>856,721</b>	<b>3,569</b>
<b>EXPENDITURES:</b>				
Principal Retirement	661,769	976,769	1,040,000	(63,231)
Interest and Fees	196,383	199,926	196,966	2,960
<b>Total Expenditures</b>	<b>858,152</b>	<b>1,176,695</b>	<b>1,236,966</b>	<b>(60,271)</b>
<b>Excess (Deficiency) of Revenue Over Expenditures Before Other Financing Sources (Uses)</b>	<b>(5,000)</b>	<b>(323,543)</b>	<b>(380,245)</b>	<b>(56,702)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In	-	318,543	318,543	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>318,543</b>	<b>318,543</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>(5,000)</b>	<b>(5,000)</b>	<b>(61,702)</b>	<b>(56,702)</b>
<b>Fund Balance, Beginning of Year</b>	<b>441,155</b>	<b>441,155</b>	<b>441,155</b>	<b>-</b>
<b>Fund Balance, End of Year</b>	<b>436,155</b>	<b>436,155</b>	<b>379,453</b>	<b>(56,702)</b>

# CITY OF MARSHALL, TEXAS

Exhibit G-1

## WATER AND SEWER ENTERPRISE FUND STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2020

	<i>Budgeted Amounts</i>	<i>Actual GAAP Basis</i>	<i>Positive (Negative) Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>	
<b>OPERATING REVENUE:</b>			
Charges for Services	10,313,254	9,113,254	8,813,683
Miscellaneous	26,500	26,500	26,494
<b>Total Operating Revenue</b>	<b>10,339,754</b>	<b>9,139,754</b>	<b>(299,577)</b>
<b>OPERATING EXPENSES:</b>			
Administrative	398,310	351,424	351,313
Water Production	1,264,910	1,258,839	1,127,759
Water Distribution/ Collection	1,288,274	1,225,179	1,267,892
Wastewater Treatment	1,351,282	1,310,666	1,224,192
Water Billing	512,884	512,884	483,488
Engineering	31,576	36,576	31,497
Non-Departmental	988,007	1,047,509	1,013,216
Depreciation and Amortization	-	-	1,311,794
Bad Debt Expense	-	-	8,001
<b>Total Operating Expenses</b>	<b>5,835,243</b>	<b>5,743,077</b>	<b>6,819,152</b>
<b>Operating Income (Loss)</b>	<b>4,504,511</b>	<b>3,396,677</b>	<b>2,021,025</b>
			<b>(1,375,652)</b>
<b>NONOPERATING REVENUE (EXPENSES):</b>			
Interest Income	45,500	25,500	32,962
Interest Expense and Fees	(40,848)	(40,848)	(41,521)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>4,652</b>	<b>(15,348)</b>	<b>(8,559)</b>
			<b>6,789</b>
<b>Income (Loss) Before Transfers</b>	<b>4,509,163</b>	<b>3,381,329</b>	<b>2,012,466</b>
Transfers In	-	-	-
Transfers (Out)	<b>(1,585,000)</b>	<b>(1,585,000)</b>	<b>(1,676,790)</b>
			<b>(91,790)</b>
<b>Change in Net Position</b>	<b>2,924,163</b>	<b>1,796,329</b>	<b>335,676</b>
			<b>(1,460,653)</b>
<b>ADDITIONAL BUDGETED AMOUNTS:</b>			
Lease Proceeds	-	113,670	89,395
Capital Outlay	(2,034,783)	(685,263)	(522,903)
Principal Retirement	(889,380)	(1,450,380)	(1,442,752)
	<b>(2,924,163)</b>	<b>(2,021,973)</b>	<b>(1,876,260)</b>
			<b>7,628</b>
			<b>145,713</b>

NOTE: This schedule does not include revenue, operating expenses, nonoperating revenue or expenses, capital contributions, contributions, transfers in or out, or additional budgeted amounts from the Water Revenue or Sewer Revenue Bond Funds.

# CITY OF MARSHALL, TEXAS

Exhibit H-1

## INTERNAL SERVICE FUNDS STATEMENT OF NET POSITION DECEMBER 31, 2020

	<i>Equipment Replacement Fund - W&amp;S</i>	<i>Equipment Replacement Fund - GF</i>	<i>Stores Inventory Fund</i>	<i>Total</i>
<b><u>ASSETS</u></b>				
<i>Current Assets:</i>				
Cash and Temporary Investments	260,148	132,141	(50,305)	341,984
Accounts Receivable	-	-	15,115	15,115
Total Current Assets	<u>260,148</u>	<u>132,141</u>	<u>(35,190)</u>	<u>357,099</u>
<i>Noncurrent Assets:</i>				
Capital Assets:				
Buildings	18,524	-	122,596	141,120
Machinery and Equipment	1,007,044	662,224	20,660	1,689,928
Less: Accumulated Depreciation	<u>(403,443)</u>	<u>(296,215)</u>	<u>(143,256)</u>	<u>(842,914)</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>622,125</u>	<u>366,009</u>	<u>-</u>	<u>988,134</u>
Total Noncurrent Assets	<u>622,125</u>	<u>366,009</u>	<u>-</u>	<u>988,134</u>
<b>TOTAL ASSETS</b>	<u>882,273</u>	<u>498,150</u>	<u>(35,190)</u>	<u>1,345,233</u>
<b><u>LIABILITIES</u></b>				
<i>Current Liabilities:</i>				
Accounts Payable	-	-	15,194	15,194
<b>TOTAL CURRENT LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>15,194</u>	<u>15,194</u>
<b>NET POSITION (DEFICIT)</b>				
Invested in Capital Assets, Net of Related Debt	622,125	366,009	-	988,134
Unrestricted (Deficit)	<u>260,148</u>	<u>132,141</u>	<u>(50,384)</u>	<u>341,905</u>
<b>TOTAL NET POSITION (DEFICIT)</b>	<u>882,273</u>	<u>498,150</u>	<u>(50,384)</u>	<u>1,330,039</u>

# CITY OF MARSHALL, TEXAS

Exhibit H-2

## INTERNAL SERVICE FUNDS STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEAR ENDED DECEMBER 31, 2020

	<i>Equipment Replacement Fund - W&amp;S</i>	<i>Equipment Replacement Fund - GF</i>	<i>Stores Inventory Fund</i>	<i>Total</i>
<b><u>OPERATING REVENUE:</u></b>				
Charges for Services	-	-	211,230	211,230
<b>Total Operating Revenue</b>	<b>-</b>	<b>-</b>	<b>211,230</b>	<b>211,230</b>
<b><u>OPERATING EXPENSES:</u></b>				
Materials and Supplies	-	-	217,374	217,374
Depreciation	95,593	65,574	-	161,167
<b>Total Operating Expenses</b>	<b>95,593</b>	<b>65,574</b>	<b>217,374</b>	<b>378,541</b>
<b>Operating (Loss)</b>	<b>(95,593)</b>	<b>(65,574)</b>	<b>(6,144)</b>	<b>(167,311)</b>
<b><u>NONOPERATING REVENUE:</u></b>				
Interest Income	2,136	133	-	2,269
<b>Total Nonoperating Revenue</b>	<b>2,136</b>	<b>133</b>	<b>-</b>	<b>2,269</b>
<b>Income (Loss) Before Transfers</b>	<b>(93,457)</b>	<b>(65,441)</b>	<b>(6,144)</b>	<b>(165,042)</b>
Transfers In	91,790	107,998	-	199,788
<b>Change in Net Position</b>	<b>(1,667)</b>	<b>42,557</b>	<b>(6,144)</b>	<b>34,746</b>
<b>Total Net Position (Deficit), Beginning of Year</b>	<b>883,940</b>	<b>455,593</b>	<b>(44,240)</b>	<b>1,295,293</b>
<b>Total Net Position (Deficit), End of Year</b>	<b>882,273</b>	<b>498,150</b>	<b>(50,384)</b>	<b>1,330,039</b>

# CITY OF MARSHALL, TEXAS

Exhibit H-3

## INTERNAL SERVICE FUNDS STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2020

	<i>Equipment Replacement Fund - W&amp;S</i>	<i>Equipment Replacement Fund - GF</i>	<i>Stores Inventory Fund</i>	<i>Total</i>
<b><u>Cash Flows from Operating Activities:</u></b>				
Cash Received from Customers	-	-	216,494	216,494
Cash Payments to Suppliers for Goods and Services	-	-	(219,488)	(219,488)
Net Cash (Used) by Operating Activities	-	-	(2,994)	(2,994)
<b><u>Cash Flows from Noncapital Financing Activities:</u></b>				
Transfers In (Out)	91,790	107,998	-	199,788
Net Cash Provided by Noncapital Financing Activities	91,790	107,998	-	199,788
<b><u>Cash Flows from Investing Activities:</u></b>				
Interest on Investments	2,136	133	-	2,269
Net Cash Provided by Investing Activities	2,136	133	-	2,269
Net Increase (Decrease) in Cash and Cash Equivalents	93,926	108,131	(2,994)	199,063
Cash and Cash Equivalents (Deficit), Beginning of Year	166,222	24,010	(47,311)	142,921
Cash and Cash Equivalents (Deficit), End of Year	260,148	132,141	(50,305)	341,984
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</u></b>				
Operating (Loss)	(95,593)	(65,574)	(6,144)	(167,311)
<b><u>Adjustments to Reconcile Operating Income (Loss) to Net Cash (Used) by Operating Activities:</u></b>				
Depreciation	95,593	65,574	-	161,167
(Increase) Decrease in Assets:				
Accounts Receivable	-	-	5,264	5,264
Increase (Decrease) in Liabilities:				
Accounts Payable	-	-	(2,114)	(2,114)
Total Adjustments	95,593	65,574	3,150	164,317
Net Cash (Used) by Operating Activities	-	-	(2,994)	(2,994)

# CITY OF MARSHALL, TEXAS

Exhibit I-1

## AGENCY FUNDS COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES DECEMBER 31, 2020

	<i>Balance December 31, 2019</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance December 31, 2020</i>
<b>POLICE LOCAL RELIEF FUND:</b>				
<b>ASSETS</b>				
Cash and Temporary Investments	69,168	4,108	3,854	69,422
<b>TOTAL ASSETS</b>	<b>69,168</b>	<b>4,108</b>	<b>3,854</b>	<b>69,422</b>
<b>LIABILITIES</b>				
Due to Employees	69,168	4,108	3,854	69,422
<b>TOTAL LIABILITIES</b>	<b>69,168</b>	<b>4,108</b>	<b>3,854</b>	<b>69,422</b>
<b>FIREMEN'S EMERGENCY RELIEF FUND:</b>				
<b>ASSETS</b>				
Cash and Temporary Investments	57,536	11,114	9,784	58,866
<b>TOTAL ASSETS</b>	<b>57,536</b>	<b>11,114</b>	<b>9,784</b>	<b>58,866</b>
<b>LIABILITIES</b>				
Accounts Payable	33	280	33	280
Due to Employees	57,503	10,834	9,751	58,586
<b>TOTAL LIABILITIES</b>	<b>57,536</b>	<b>11,114</b>	<b>9,784</b>	<b>58,866</b>
<b>TOTAL AGENCY FUNDS:</b>				
<b>ASSETS</b>				
Cash and Temporary Investments	126,704	15,222	13,638	128,288
<b>TOTAL ASSETS</b>	<b>126,704</b>	<b>15,222</b>	<b>13,638</b>	<b>128,288</b>
<b>LIABILITIES</b>				
Accounts Payable	33	280	33	280
Due to Employees	126,671	14,942	13,605	128,008
<b>TOTAL LIABILITIES</b>	<b>126,704</b>	<b>15,222</b>	<b>13,638</b>	<b>128,288</b>

## **Supplemental Schedules**

# CITY OF MARSHALL, TEXAS

Exhibit SS-1

## SCHEDULE OF GENERAL OBLIGATION DEBT

DECEMBER 31, 2020

<u>Description</u>	<u>Issue</u>	<u>Original</u>	<u>Balance</u>	<u>Issued</u>	<u>Refunded/Retired</u>	<u>Balance</u>	<u>Requirements</u>	
	<u>Year</u>	<u>Amount</u>	<u>January 1, 2020</u>			<u>Dec. 31, 2020</u>	<u>Calendar Year 2021</u>	
		<u>Issued</u>	<u>2020</u>				<u>Interest</u>	<u>Principal</u>
Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2010								
January 28, 2010								
Rate 2.75% - 4.5%	2010	1,140,000	415,000		-	(415,000)	-	-
General Obligation Bonds								
April 15, 2016								
Rate 2.00% - 4.00%	2016	3,845,000	3,110,000		-	(345,000)	2,765,000	86,500
Combination Tax and Revenue Certificates of Obligations, Series 2017								
July 13, 2017								
Rate 2.173%	2017	2,000,000	1,875,000		-	(75,000)	1,800,000	38,299
General Obligation Refunding Bonds, Series 2019								
Series 2019								
August 8, 2019								
Rate 2.34%	2019	1,033,000	1,033,000		-	(91,000)	942,000	20,931
Limited Tax Note, Series 2019								
Series 2019								
August 9, 2019								
Rate 2.33%	2019	853,000	853,000			(114,000)	739,000	17,219
Limited Tax Note, Series 2020								
Series 2020								
September 2, 2020								
Rate 1.16%	2020	1,795,000	-	1,795,000	-	1,795,000	24,508	252,000
<b>TOTAL GENERAL</b>								
<b>OBLIGATION DEBT</b>		<u>10,666,000</u>	<u>7,286,000</u>	<u>1,795,000</u>	<u>(1,040,000)</u>	<u>8,041,000</u>	<u>187,457</u>	<u>888,000</u>

# CITY OF MARSHALL, TEXAS

Exhibit SS-2

## SCHEDULE OF WATER AND SEWER REVENUE BONDS DECEMBER 31, 2020

<u>Description</u>	<u>Issue Year</u>	<u>Original Amount Issued</u>	<u>Balance January 1, 2020</u>	<u>Issued 2020</u>	<u>Retired 2020</u>	<u>Balance Dec. 31, 2020</u>	<u>Requirements Calendar Year 2021</u>
							<u>Interest</u> <u>Principal</u>
General Obligation Refunding Bonds July 10, 2018 Rate 2.649%	2018	3,652,000	1,184,000	-	(663,000)	521,000	6,901      521,000
<b>TOTAL WATER AND SEWER REVENUE BONDS</b>		<b>3,652,000</b>	<b>1,184,000</b>	<b>-</b>	<b>(663,000)</b>	<b>521,000</b>	<b>6,901      521,000</b>

# CITY OF MARSHALL, TEXAS

Exhibit SS-3

## SCHEDULE OF DELINQUENT TAXES RECEIVABLE DECEMBER 31, 2020

<u>Year</u>	<u>Amount</u>
1995	1,423
1996	924
1997	1,255
1998	1,710
1999	2,008
2000	5,620
2001	6,441
2002	7,733
2003	8,949
2004	11,804
2005	13,075
2006	14,881
2007	16,112
2008	19,981
2009	23,063
2010	25,428
2011	26,260
2012	30,229
2013	35,471
2014	41,853
2015	62,792
2016	73,865
2017	97,726
2018	121,294
2019	<u>194,229</u>
Total Delinquent Taxes Receivable	844,126
Less: Allowance for Uncollectibles	<u>(42,206)</u>
<b>NET DELINQUENT TAXES RECEIVABLE</b>	<b><u>801,920</u></b>

# CITY OF MARSHALL, TEXAS

Exhibit SS-4

## COMPARISON OF ASSESSED VALUATIONS FROM 1991 THROUGH 2020

<u>Tax Levy Year</u>	<u>Tax Rate</u>	<u>Assessed Value</u>
1991	.7025	404,487,140
1992	.5100	391,811,409
1993	.5100	390,340,453
1994	.5100	394,297,185
1995	.50766	412,191,439
1996	.50604	451,539,855
1997	.50256	463,076,601
1998	.49955	487,240,124
1999	.49455	521,508,117
2000	.49455	523,921,037
2001	.49455	533,820,564
2002	.49455	573,043,522
2003	.49455	594,090,057
2004	.49455	598,079,884
2005	.49455	653,807,222
2006	.49455	715,900,782
2007	.49455	772,503,458
2008	.47604	901,805,181
2009	.47604	941,928,201
2010	.47604	1,003,101,961
2011	.47604	1,009,699,851
2012	.47604	1,048,205,882
2013	.47604	1,049,190,644
2014	.47604	983,273,367
2015	.47604	974,498,318
2016	.54216	967,774,068
2017	.54216	971,310,928
2018	.54216	990,431,364
2019	.54216	1,013,143,032
2020	.54216	1,070,962,450

**FEDERAL AWARDS SECTION**

# KNUCKOLS • DUVALL • HALLUM & CO. A Professional Corporation

CERTIFIED PUBLIC ACCOUNTANTS

204 S. WELLINGTON STREET  
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## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable City Commission  
Marshall, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Marshall, Texas, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise City of Marshall, Texas' basic financial statements, and have issued our report thereon dated December 3, 2021.

### Internal Control Over Financial Reporting

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

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

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

### Compliance and Other Matters

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

**Purpose of this Report**

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

Respectfully submitted,

**KNUCKOLS, DUVALL, HALLUM & CO.**

Knuckles, Duvall, Hallum & Co.

Certified Public Accountants

Marshall, Texas

December 3, 2021

# **KNUCKOLS • DUVALL • HALLUM & CO.**

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## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

The Honorable City Commission  
Marshall, Texas

### **Report on Compliance for Each Major Federal Program**

We have audited the City of Marshall, Texas' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Marshall, Texas' major federal programs for the year ended December 31, 2020. The City of Marshall, Texas' major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

#### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the City of Marshall, Texas' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Marshall, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Marshall, Texas' compliance.

#### **Opinion on Each Major Federal Program**

In our opinion, the City of Marshall, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

## Report On Internal Control Over Compliance

Management of the City of Marshall, Texas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Marshall, Texas' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Marshall, Texas' internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

**KNUCKOLS, DUVALL, HALLUM & CO.**

Knuckles, Duvall, Hallum & Co.

Certified Public Accountants

Marshall, Texas

December 3, 2021

# CITY OF MARSHALL, TEXAS

Exhibit FA-1

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2020**

### **I. Summary of the Auditors' Results:**

- a) The type of report issued on the financial statements of the City of Marshall, Texas was an unmodified opinion.
- b) No deficiencies in internal control over financial reporting that we considered to be a material weakness relating to the audit of financial statements were reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
- c) No instance of noncompliance or other matters which is material to the financial statements of City of Marshall, Texas were disclosed during the audit.
- d) No deficiencies in internal control over compliance that we considered to be a material weakness relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required By the Uniform Guidance.
- e) The type of report City of Marshall, Texas received on compliance for major programs was an unmodified opinion on all major federal programs.
- f) The audit did not disclose any audit findings which the auditor is required to report in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200.
- g) The major programs for City of Marshall, Texas as listed in the Schedule of Expenditures of Federal Awards, Exhibit FA-4, were:

Community Development Block Grant-Entitlement, CFDA No. 14.218  
Coronavirus Relief Fund, CFDA No. 21.019

- h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- i) City of Marshall, Texas did not qualify as a low-risk auditee for the 2020 fiscal year.

**II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.**

NONE

**III. Findings and Questioned Costs for Federal Awards Including Audit Findings as Described in I.f Above.**

NONE

# CITY OF MARSHALL, TEXAS

Exhibit FA-2

## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2020**

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NONE

# **CITY OF MARSHALL, TEXAS**

**Exhibit FA-3**

## **CORRECTIVE ACTION PLAN – FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2020**

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**N/A**

# CITY OF MARSHALL, TEXAS

Exhibit FA-4

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2020

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b><u>U.S. Department of Health and Human Services</u></b>			
Passed-Through Texas Health and Human Services Commission: Coronavirus Relief Fund-HHS Stimulus	21.019	N/A	<u>32,317</u>
Total U.S. Department of Health and Human Services			<u>32,317</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>			
Community Development Block Grant-Entitlement (Note 3)	14.218	B18MC480034	109,316
Community Development Block Grant-Entitlement (Note 3)	14.218	B19MC480034	272,578
Community Development Block Grant-Entitlement (Note 3)	14.218	B20MC480034	<u>259,282</u>
Total U.S. Department of Housing and Urban Development			<u>641,176</u>
<b><u>U.S. Department of Justice</u></b>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2019-DJ-BX-0579	10,287
Coronavirus Emergency Supplemental Funding Program	16.034	2020-VD-BX-0847	8,354
Coronavirus Emergency Supplemental Funding Program	16.034	2020-VD-BX-0002	<u>22,588</u>
Total U.S. Department of Justice			<u>41,229</u>
<b><u>U.S. Department of the Treasury</u></b>			
Passed-Through Texas Department of Emergency Management: Coronavirus Relief Fund	21.019	2020-F#S#237	<u>1,344,420</u>
Total U.S. Department of the Treasury			<u>1,344,420</u>
<b>Total Expenditures of Federal Awards</b>			<b><u>2,059,142</u></b>

# CITY OF MARSHALL, TEXAS

Exhibit FA-5

## **NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2020**

### **NOTE 1: BASIS OF PRESENTATION:**

The accompanying Schedule of Expenditures of Federal Awards ("the Schedule") includes the federal grant activity of City of Marshall, Texas (the City). The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

1. Expenditures reported on the Schedule of Expenditures of Federal Awards are reported on the modified accrual basis of accounting. These expenditures are accounted for in the General and Special Revenue Funds and are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.
2. The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.
3. The Community Development Block Grant (CDBG) has a fiscal year ending in May. For the June 1, 2020/May 31, 2021 year, there were \$361,250 (Project Number B-20-MC-48-0034) funds available. For the June 1, 2019/May 31, 2020 year, there were \$353,629 (Project Number B-19-MC-48-0034) funds available. Various expenditures were budgeted and funded from previous years grant awards.

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## **COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE**

The Honorable City Commission  
City of Marshall, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Marshall, Texas for the year ended December 31, 2020, and have issued our report thereon dated December 3, 2021. Professional standards require that we provide you information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter dated December 3, 2021. Professional standards also require that we communicate to you the following information related to our audit.

### **Our Responsibilities Under U.S. Generally Accepted Auditing Standards and the Uniform Guidance:**

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of City of Marshall, Texas. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of City of Marshall, Texas' compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Also, in accordance with the Uniform Guidance, we examined, on a test basis, evidence about City of Marshall, Texas' compliance with the types of compliance requirements described in the OMB Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on City of Marshall, Texas' compliance with those requirements.

### **Planned Scope and Timing of the Audit:**

We performed the audit according to the planned scope and timing previously communicated to you about planning matters.

### **Significant Audit Findings:**

#### **Qualitative Aspects of Accounting Practices:**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Marshall, Texas are described in the notes to the financial statements.

We noted no transactions entered into by City of Marshall, Texas during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. During our audit we did not encounter any estimates that were particularly sensitive.

The financial statement disclosures are neutral, consistent, and clear.

**Difficulties Encountered in Performing the Audit:**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

**Corrected and Uncorrected Misstatements:**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. During our audit, we did not note any uncorrected misstatements.

**Disagreements with Management:**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

**Management Representations:**

We have requested certain representations from management that are included in the management representation letter.

**Management Consultations with Other Independent Accountants:**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Other Audit Findings or Issues:**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Other Information in Documents Containing Audited Financial Statements:**

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the City Commissioners and the administration and is not intended to be and should not be used by anyone other than this specified party.

Respectfully submitted,

**KNUCKOLS, DUVALL, HALLUM & CO.**

Knuckols, Duvall, Hallum & Co.

Certified Public Accountants

Marshall, Texas

December 3, 2021