

**CITY OF MARSHALL, TEXAS**

**ANNUAL FINANCIAL REPORT**

**YEAR ENDED DECEMBER 31, 2021**



**CITY OF MARSALL, TEXAS**

**ANNUAL FINANCIAL REPORT**

**DECEMBER 31, 2021**

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## **FINANCIAL SECTION**

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**INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor and  
Members of the City Council  
City of Marshall, Texas

**Report on the Audit of the Financial Statements*****Opinions***

We have audited 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 the City of Marshall, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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 the City of Marshall, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Marshall Economic Development Corporation, whose assets were \$24,444,424. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Marshall Economic Development Corporation, is based solely on the report of the other auditors.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Marshall and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Responsibilities of Management for the Financial Statements***

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year after the date that the financial statements are issued.

**OFFICE LOCATIONS**

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

## ***Auditor's Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## ***Required Supplementary Information***

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

## ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements and schedules and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements and schedules and 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 combining nonmajor fund financial statements and schedules are 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 November 10, 2022, on our consideration of the City's 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas  
November 10, 2022

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2021. We encourage readers to consider the information presented here in conjunction with the Independent Auditors' Report and the City's Basic Financial Statements.

### FINANCIAL HIGHLIGHTS

- The assets of the City of Marshall exceeded its liabilities at the close of the most recent fiscal year by \$76,758,364 (net position). Of this amount, \$7,753,066 is a deficit unrestricted net position.
- As of the close of the current fiscal year, the City of Marshall's governmental funds reported combined ending fund balances of \$13,205,572. Approximately 62% 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 \$8,227,655 or 39% 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. Financial information for the *component units* are reported separately from the financial information presented for the primary government itself.

**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 29 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.

## 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 \$76,758,364 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.

**Figure A-1**  
**CITY OF MARSHALL'S NET POSITION**

	Governmental Activities		Business Type Activities		Total	
	FY 2021	FY 2020	FY 2021	FY 2020	FY 2021	FY 2020
<b>Assets</b>						
Current and other assets	\$ 23,977,437	\$ 17,843,355	\$ 5,323,229	\$ 4,951,110	\$ 29,300,666	\$ 22,794,465
Capital assets	48,734,274	47,959,197	37,648,352	38,302,268	86,382,626	86,261,465
Total assets	<u>72,711,711</u>	<u>65,802,552</u>	<u>42,971,581</u>	<u>43,253,378</u>	<u>115,683,292</u>	<u>109,055,930</u>
<b>Deferred Outflows of Resources</b>	<u>2,367,043</u>	<u>1,583,269</u>	<u>444,373</u>	<u>316,080</u>	<u>2,811,416</u>	<u>1,899,349</u>
<b>Liabilities</b>						
Current liabilities	6,344,258	1,722,244	1,282,971	1,605,027	7,627,229	3,327,271
Noncurrent liabilities	29,399,923	17,473,675	2,227,431	1,731,828	31,627,354	19,205,503
Total Liabilities	<u>35,744,181</u>	<u>19,195,919</u>	<u>3,510,402</u>	<u>3,336,855</u>	<u>39,254,583</u>	<u>22,532,774</u>
<b>Deferred Inflows of Resources</b>	<u>1,937,070</u>	<u>1,855,291</u>	<u>544,691</u>	<u>353,389</u>	<u>2,481,761</u>	<u>2,208,680</u>
<b>Net Position</b>						
Net investment in capital assets	41,782,452	39,168,275	37,520,004	37,464,598	79,302,456	76,632,873
Restricted	5,208,974	4,646,916	-	-	5,208,974	4,646,916
Unrestricted	(9,593,923)	2,519,420	1,840,857	2,414,616	(7,753,066)	4,934,036
Total Net Position	<u>\$ 37,397,503</u>	<u>\$ 46,334,611</u>	<u>\$ 39,360,861</u>	<u>\$ 39,879,214</u>	<u>\$ 76,758,364</u>	<u>\$ 86,213,825</u>

An additional portion of the City of Marshall's net position (7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$7,753,066) 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.

**Governmental-type Activities** – The City's program revenues increased when compared to the prior year by -2% or \$210,286. Increases in Operating Grants Contributions and Capital Grants and Contributions, \$425,301 and \$249,471 respectively, were offset by a \$885,058 reduction in charges for services.

Governmental activities increased the City of Marshall's net position by \$3,587,698 and are detailed below:

**Figure A-2**  
**CITY OF MARSHALL'S CHANGE IN NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$ 7,510,337	\$ 6,625,279	\$ 9,254,614	\$ 8,813,683	\$ 16,764,951	\$ 15,438,962
Operating grants and contributions	1,623,099	2,048,400	-	-	1,623,099	2,048,400
Capital grants and contributions	26,659	276,130	-	-	26,659	276,130
General Revenues:						
Taxes:						
Property taxes	6,364,454	5,856,718	-	-	6,364,454	5,856,718
Other taxes	9,684,382	9,329,136	-	-	9,684,382	9,329,136
Miscellaneous	146,028	-	3,128	26,494	149,156	26,494
Investment income	15,920	76,709	4,776	35,098	20,696	111,807
Total revenues	<u>25,370,879</u>	<u>24,212,372</u>	<u>9,262,518</u>	<u>8,875,275</u>	<u>34,633,397</u>	<u>33,087,647</u>
<b>Expenses:</b>						
General government	803,539	1,113,718	-	-	803,539	1,113,718
Parks and recreation	330,015	365,639	-	-	330,015	365,639
Finance	460,432	488,986	-	-	460,432	488,986
Public safety	9,516,798	9,548,981	-	-	9,516,798	9,548,981
Public works	5,871,617	5,631,361	-	-	5,871,617	5,631,361
Support services	1,069,245	1,094,313	-	-	1,069,245	1,094,313
Non-departmental	2,253,989	2,288,891	-	-	2,253,989	2,288,891
Tax collection	103,732	93,308	-	-	103,732	93,308
Tourism and cultural arts	1,709,875	1,195,902	-	-	1,709,875	1,195,902
Community and economic dev.	903,450	842,353	-	-	903,450	842,353
Interest on long-term debt	206,309	258,058	-	-	206,309	258,058
Water and sewer	-	-	8,291,277	6,956,266	8,291,277	6,956,266
Business development center	-	-	43,774	43,897	43,774	43,897
Total expenses	<u>23,229,001</u>	<u>22,921,510</u>	<u>8,335,051</u>	<u>7,000,163</u>	<u>31,564,052</u>	<u>29,921,673</u>
Change in net position before transfers	2,141,878	1,290,862	927,467	1,875,112	3,069,345	3,165,974
Transfers	1,445,820	1,585,000	( 1,445,820)	( 1,585,000)	-	-
Change in net position	3,587,698	2,875,862	( 518,353)	290,112	3,069,345	3,165,974
Net position - beginning	<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>
Prior period adjustment	( 12,524,806)	-	-	-	( 12,524,806)	-
Net position - ending	<u>\$ 37,397,503</u>	<u>\$ 46,334,611</u>	<u>\$ 39,360,861</u>	<u>\$ 39,879,214</u>	<u>\$ 76,758,364</u>	<u>\$ 86,213,825</u>

**Business-type Activities** – Revenues of the City's business-type activities were \$9,262,518 for the year ending December 31, 2021. Expenses for the City's business-type activities were \$8,335,051 for the year, resulting in net income of \$927,467.

#### 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 \$13,205,572. Approximately 62% of this total amount (\$8,205,357) 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 nonspendable totals \$339,212. Restricted fund balance consists of the following: (1) promotion and tourism \$731,347, (2) public safety \$377,309, (3) debt service \$566,584, (4) library \$345,713, (5) capital projects \$1,147,705, (6) street maintenance \$853,440, and (7) public works \$638,905.

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 \$8,227,655, with 96% of the total fund balance (\$8,227,655) 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 39% of total General Fund expenditures. Total fund balance represents 41% of total General Fund expenditures. The total fund balance of the City of Marshall's General Fund increased by \$1,919,895 during the current fiscal year.

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

Unrestricted net position of the Water and Sewer Fund at the end of the year was \$1,630,203. 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 \$560,172.

**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 2021, 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 2021, the following water\sewer main projects and upgrades were started and\or completed:

- Completed engineering design of a new 12" waterline in Travis St. which will allow for the removal of an 80+ year old watermain.
- Completed installation of 2 - 12" insta-valves on existing 80-yr old watermain on Travis.
- Completed a replacement of new water and sewer lines on Frazier St.
- Continued our sanitary sewer manhole rehab program (approx. \$45,000)
- Replaced a significant number of hydrants across the City (approx. \$25,000)
- 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 2021, the following water treatment\wastewater treatment plant projects and upgrades were started and\or completed:

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

In 2021, the following equipment\vehicles were purchased in the Water\Sewer Utility:

- Ford Transit 250 for the wastewater pretreatment program.
- New F250 crew cab pickup w\ utility body for Water Plant Maintenance Mechanic crew.
- 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:

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

## CAPITAL ASSETS

The City of Marshall's investment in capital assets for its governmental and business type activities as of December 31, 2021, is \$86,382,626 (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 AT YEAR-END (Net of accumulated depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 1,369,076	\$ 1,175,849	\$ 341,602	\$ 329,312	\$ 1,710,678	\$ 1,505,161
Buildings	18,020,447	16,822,924	1,245,118	1,344,159	19,265,565	18,167,083
Improvements	1,411,294	1,710,782	-	-	1,411,294	1,710,782
Machinery and equipment	3,654,200	5,582,425	1,576,778	1,297,575	5,230,978	6,880,000
Infrastructure	22,827,604	21,027,528	-	-	22,827,604	21,027,528
Water and wastewater system	-	-	33,643,725	34,747,107	33,643,725	34,747,107
Construction in progress	1,451,653	1,639,689	841,129	584,115	2,292,782	2,223,804
Total	\$ 48,734,274	\$ 47,959,197	\$ 37,648,352	\$ 38,302,268	\$ 86,382,626	\$ 86,261,465

Additional information on the County's capital assets can be found in the notes to the financial statements.

## DEBT ADMINISTRATION

**Long-term Debt** – At the end of the current fiscal year, the City of Marshall had total bonded debt outstanding of \$7,200,703. Of this amount, \$5,034,703 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, \$2,166,000, represents bonds secured solely by specified revenue sources (i.e., revenue bonds and tax notes).

### CITY OF MARSHALL'S OUTSTANDING LONG-TERM DEBT AS OF DECEMBER 31, 2021

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Certificates of obligations	\$ 1,725,000	\$ 1,800,000	\$ -	\$ -	\$ 1,725,000	\$ 1,800,000
General obligation bonds	-	2,765,000	-	-	-	2,765,000
General obligation refunding bonds	3,262,000	942,000	-	-	3,262,000	942,000
Tax notes	2,166,000	2,534,000	-	-	2,166,000	2,534,000
Revenue bonds	-	-	-	577,367	-	577,367
Premium on bond issuance	47,703	59,628	-	-	47,703	59,628
Notes payable	606,852	345,000	93,687	185,414	700,539	530,414
Compensated absences	3,092,568	2,649,110	397,933	307,751	3,490,501	2,956,861
Capital leases	233,763	345,294	68,021	89,395	301,784	434,689
Total long-term debt	\$ 11,133,886	\$ 11,440,032	\$ 559,641	\$ 1,159,927	\$ 11,693,527	\$ 12,599,959

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.

Additional information on the County's long-term debt can be found in the notes to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

### **Economic Factors**

- The average home price in Marshall is estimated to be \$134,181.
- The value of construction permits issued in 2022 is \$143,381,742.
- 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 1-20.
- 2020 Annual unemployment for Harrison County was 7.9%.
- 2020 Median household income for Harrison County was estimated at \$54,234.

**Next Year's Budgets and Rates** – The 2021 City of Marshall Annual Budget reflected an approximate 8.77% increase in revenues (\$2,702,541) over the 2021 budget. We will closely monitor economic indicators, revenues, and expenditures in 2022 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.

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## **BASIC FINANCIAL STATEMENTS**

**CITY OF MARSHALL, TEXAS**

**STATEMENT OF NET POSITION**

DECEMBER 31, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 15,947,218	\$ 2,269,968	\$ 18,217,186
Receivables, net	5,361,714	966,082	6,327,796
Due from other governments	2,329,293	-	2,329,293
Prepaid expenses	305,580	111,640	417,220
Inventory	33,632	59,442	93,074
Restricted assets:			
Cash and cash equivalents	-	1,916,097	1,916,097
Capital assets:			
Non-depreciable	2,820,729	1,182,731	4,003,460
Depreciable, net	<u>45,913,545</u>	<u>36,465,621</u>	<u>82,379,166</u>
Total assets	<u>72,711,711</u>	<u>42,971,581</u>	<u>115,683,292</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions - TMRS	1,133,422	377,807	1,511,229
Deferred outflows related to pensions - FRRF	1,033,689	-	1,033,689
Deferred outflows related to OPEB - retiree health plan	12,243	4,003	16,246
Deferred outflows related to OPEB - SDBF	<u>187,689</u>	<u>62,563</u>	<u>250,252</u>
Total deferred outflows of resources	<u>2,367,043</u>	<u>444,373</u>	<u>2,811,416</u>
<b>LIABILITIES</b>			
Accounts payable	1,312,187	305,981	1,618,168
Accrued interest payable	24,183	-	24,183
Accrued liabilities	216,327	49,097	265,424
Unearned revenue	4,367,951	23,074	4,391,025
Due to other governments	423,610	-	423,610
Payable from restricted assets:			
Customer deposits	-	904,819	904,819
Security deposits	-	-	-
Noncurrent liabilities:			
Due in one year:			
Bonds, loans, and capital leases payable	1,214,431	115,061	1,329,492
Compensated absences	773,142	99,483	872,625
Total OPEB liability - retiree health plan	35,660	11,660	47,320
Total OPEB liability - SDBF	56,949	18,983	75,932
Due in more than one year:			
Bonds, loans, and capital leases payable	6,826,887	46,647	6,873,534
Compensated absences	2,319,426	298,450	2,617,876
Net pension liability - TMRS	3,690,115	1,230,038	4,920,153
Net pension liability - FRRF	13,252,936	-	13,252,936
Total OPEB liability - retiree health plan	473,767	154,906	628,673
Total OPEB liability - SDBF	<u>756,610</u>	<u>252,203</u>	<u>1,008,813</u>
Total liabilities	<u>35,744,181</u>	<u>3,510,402</u>	<u>39,254,583</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions - TMRS	1,375,019	458,340	1,833,359
Deferred inflows related to pensions - FRRF	299,150	-	299,150
Deferred inflows related to OPEB - retiree health plan	201,431	65,861	267,292
Deferred inflows related to OPEB - SDBF	<u>61,470</u>	<u>20,490</u>	<u>81,960</u>
Total deferred inflows of resources	<u>1,937,070</u>	<u>544,691</u>	<u>2,481,761</u>
<b>NET POSITION</b>			
Net investment in capital assets	41,782,452	37,520,004	79,302,456
Restricted for:			
Debt service	1,114,555	-	1,114,555
Capital projects	1,147,705	-	1,147,705
Promotion and tourism	731,347	-	731,347
Public safety	377,309	-	377,309
Public works	638,905	-	638,905
Street maintenance	853,440	-	853,440
Library	345,713	-	345,713
Unrestricted	<u>( 9,593,923)</u>	<u>1,840,857</u>	<u>( 7,753,066)</u>
Total net position	<u>\$ 37,397,503</u>	<u>\$ 39,360,861</u>	<u>\$ 76,758,364</u>

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

Discretely Presented  
Component Units

Marshall Economic Dev. Corp.	Marshall Downtown Dev. Corp.
\$ 7,395,801	\$ 68,899
10,617	-
321,335	-
-	-
-	-
-	-
-	-
7,081,446	-
9,635,225	39,170
<u>24,444,424</u>	<u>108,069</u>
-	-
-	-
-	-
-	-
-	-
193,183	-
-	-
-	-
-	-
-	-
612,624	-
539,102	-
-	-
-	-
3,659,457	-
-	-
-	-
-	-
-	-
<u>5,004,366</u>	<u>-</u>
-	-
-	-
-	-
-	-
-	-
12,518,112	39,170
-	-
-	-
-	-
-	-
-	-
6,921,946	68,899
<u>\$ 19,440,058</u>	<u>\$ 108,069</u>

**CITY OF MARSHALL, TEXAS**

**STATEMENT OF ACTIVITIES**

**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2021**

Functions/Programs	Program Revenue				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government:</b>					
Governmental activities:					
General government	\$ 803,539	\$ 21,703	\$ 1,056,213	\$ -	-
Finance	460,432	-	-	-	-
Tourism and cultural arts	1,709,875	1,333,762	11,190	3,500	
Public safety	9,516,798	2,131,376	254,370	23,159	
Public works	5,871,617	3,720,723	73,459	-	
Community and economic development	903,450	266,574	117,851	-	
Non-departmental	2,253,989	-	-	-	
Tax collection	103,732	-	-	-	
Support services	1,069,245	-	2,000	-	
Parks and recreation	330,015	36,199	108,016	-	
Interest on long-term debt	206,309	-	-	-	
Total governmental activities	<u>23,229,001</u>	<u>7,510,337</u>	<u>1,623,099</u>	<u>26,659</u>	
Business-type activities:					
Water and sewer	8,291,277	9,254,614	-	-	
Business development center	<u>43,774</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Total business-type activities	<u>8,335,051</u>	<u>9,254,614</u>	<u>-</u>	<u>-</u>	
Total primary government	<u>\$ 31,564,052</u>	<u>\$ 16,764,951</u>	<u>\$ 1,623,099</u>	<u>\$ 26,659</u>	
<b>Component units:</b>					
Marshall Economic Develop. Corp.	3,400,518	988,627	-	-	
Marshall Downtown Develop. Corp.	<u>1,004</u>	<u>20,311</u>	<u>-</u>	<u>-</u>	
Total component units	<u>\$ 3,401,522</u>	<u>\$ 1,008,938</u>	<u>\$ -</u>	<u>\$ -</u>	

**General revenues:**

Taxes:

Property

Sales

Franchise

Investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Prior period adjustment

Net position - ending

Net (Expense) Revenue and Changes in Net Position				Discretely Presented Component Units		
Primary Government			Component Units			
Governmental Activities	Business-type Activities	Total	Marshall Economic Dev. Corp.	Marshall Downtown Dev. Corp.		
\$ 274,377	\$ -	\$ 274,377	\$ -	\$ -		
( 460,432)	-	( 460,432)	-	-		
( 361,423)	-	( 361,423)	-	-		
( 7,107,893)	-	( 7,107,893)	-	-		
( 2,077,435)	-	( 2,077,435)	-	-		
( 519,025)	-	( 519,025)	-	-		
( 2,253,989)	-	( 2,253,989)	-	-		
( 103,732)	-	( 103,732)	-	-		
( 1,067,245)	-	( 1,067,245)	-	-		
( 185,800)	-	( 185,800)	-	-		
( 206,309)	-	( 206,309)	-	-		
( 14,068,906)	-	( 14,068,906)	-	-		
-	963,337	963,337	-	-		
-	( 43,774)	( 43,774)	-	-		
-	919,563	919,563	-	-		
\$ ( 14,068,906)	\$ 919,563	\$ ( 13,149,343)	\$ -	\$ -		
			( 2,411,891)	( 988,627)		
			-	19,307		
			\$ ( 2,411,891)	\$ ( 969,320)		
\$ 6,364,454	\$ -	\$ 6,364,454	\$ -	\$ -		
8,796,245	-	8,796,245	2,022,792	-		
888,137	-	888,137	-	-		
15,920	4,776	20,696	21,426	-		
146,028	3,128	149,156	-	-		
1,445,820	( 1,445,820)	-	-	-		
17,656,604	( 1,437,916)	16,218,688	2,044,218	-		
3,587,698	( 518,353)	3,069,345	( 367,673)	19,307		
46,334,611	39,879,214	86,213,825	19,807,731	88,762		
( 12,524,806)	-	( 12,524,806)	-	-		
\$ 37,397,503	\$ 39,360,861	\$ 76,758,364	\$ 19,440,058	\$ 108,069		

**CITY OF MARSHALL, TEXAS**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

DECEMBER 31, 2021

	General	Debt Service Fund	Coronavirus Emergency Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,681,703	\$ 519,390	\$ 4,378,199
Receivables (net of allowances for uncollectibles):			
Current taxes	2,615,083	513,355	-
Delinquent taxes	647,066	105,993	-
Accounts	1,349,929	-	-
Other	19,145	-	-
Due from other funds	-	-	-
Due from other governments	2,177,984	-	27,931
Prepaid items	300,441	-	-
Inventory	-	-	-
Total assets	<u>13,791,351</u>	<u>1,138,738</u>	<u>4,406,130</u>
<b>LIABILITIES</b>			
Accounts payable	773,281	-	135,905
Accrued liabilities	212,777	-	-
Due to other funds	129,796	-	-
Due to other governments	423,610	-	-
Unearned revenue	35,226	-	4,270,225
Total liabilities	<u>1,574,690</u>	<u>-</u>	<u>4,406,130</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	3,022,106	572,154	-
Unavailable revenue - court fines	386,323	-	-
Unavailable revenue - ambulance	280,136	-	-
Total deferred inflows of resources	<u>3,688,565</u>	<u>572,154</u>	<u>-</u>
<b>FUND BALANCES (DEFICITS)</b>			
Nonspendable:			
Prepaid items	300,441	-	-
Inventory	-	-	-
Restricted for:			
Promotion and tourism	-	-	-
Public safety	-	-	-
Public works	-	-	-
Street maintenance	-	-	-
Debt service	-	566,584	-
Library	-	-	-
Capital projects	-	-	-
Unassigned	<u>8,227,655</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>8,528,096</u>	<u>566,584</u>	<u>-</u>
Total liabilities, deferred inflows of resources	<u>\$ 13,791,351</u>	<u>\$ 1,138,738</u>	<u>\$ 4,406,130</u>

Nonmajor Governmental Funds	Total Governmental Funds
\$ 4,176,855	\$ 15,756,147
82,767	3,211,205
-	753,059
-	1,349,929
28,376	47,521
129,796	129,796
123,378	2,329,293
5,139	305,580
33,632	33,632
<u>4,579,943</u>	<u>23,916,162</u>
403,001	1,312,187
3,550	216,327
-	129,796
-	423,610
<u>62,500</u>	<u>4,367,951</u>
<u>469,051</u>	<u>6,449,871</u>
-	3,594,260
-	386,323
-	280,136
<u>-</u>	<u>4,260,719</u>
5,139	305,580
33,632	33,632
731,347	731,347
377,309	377,309
638,905	638,905
853,440	853,440
-	566,584
345,713	345,713
1,147,705	1,147,705
( 22,298)	<u>8,205,357</u>
<u>4,110,892</u>	<u>13,205,572</u>
<u>\$ 4,579,943</u>	<u>\$ 23,916,162</u>

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**CITY OF MARSHALL, TEXAS**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION**

DECEMBER 31, 2021

Total fund balances - governmental funds balance sheet	\$ 13,205,572
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	48,445,000
Certain receivables will not be collected soon enough to pay for the current period's expenditures and are, therefore, reported as deferred inflows of resources in the funds:	
Property taxes	3,594,260
Court fines and fees	386,323
Ambulance billing	280,136
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 net position.	480,345
Long-term liabilities and related balance sheet items are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Bonds payable	( 7,153,000)
Notes payable	( 606,852)
Capital leases payable	( 233,763)
Accrued interest payable	( 24,183)
Premium on bonds	( 47,703)
Compensated absences	( 3,092,568)
Net pension liability	( 16,943,051)
Total OPEB liability	( 1,322,986)
Differences between expected and actual experiences, assumption changes, and net differences between projected and actual earnings and contributions subsequent to the measurement date for the pension and OPEB plans are recognized as deferred outflows and inflows of resources in the statement of net position.	
Deferred outflows of resources related to pension	2,167,111
Deferred outflows of resources related to OPEB	199,932
Deferred inflows of resources related to pension	( 1,674,169)
Deferred inflows of resources related to OPEB	<u>( 262,901)</u>
Net position of governmental activities	<u>\$ 37,397,503</u>

**CITY OF MARSHALL, TEXAS**

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED SDECEMBER 31, 2021

	General	Debt Service Fund	Coronavirus Emergency Fund
<b>REVENUES</b>			
Property taxes	\$ 5,800,220	\$ 1,060,653	\$ -
Sales taxes	8,120,201	-	-
Franchise taxes	888,137	-	-
Motel occupancy taxes	-	-	-
Charges for services	4,689,078	-	-
Permits and fees	685,914	-	-
Fines and forfeitures	305,608	-	-
Investment income	14,964	95	-
Intergovernmental	383,477	-	320,317
Donations	85,842	-	-
Miscellaneous	50,999	-	-
Total revenues	<u>21,024,440</u>	<u>1,060,748</u>	<u>320,317</u>
<b>EXPENDITURES</b>			
Current:			
General government	525,924	-	-
Finance	499,991	-	-
Public safety	8,990,631	-	55,766
Public works	3,973,885	-	-
Non-departmental	2,210,955	-	-
Tax collection	101,513	-	-
Parks and recreation	348,747	-	-
Community and economic development	513,719	-	-
Support services	854,450	-	-
Tourism and cultural arts	1,156,644	-	-
Debt service:			
Principal	233,471	889,000	-
Interest	17,681	202,647	-
Capital outlay	<u>1,436,641</u>	-	<u>264,551</u>
Total expenditures	<u>20,864,252</u>	<u>1,091,647</u>	<u>320,317</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>160,188</u>	<u>( 30,899)</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	1,912,747	218,030	-
Transfers out	( 529,892)	-	-
Proceeds from issuance of note payable	376,852	-	-
Total other financing sources and uses	<u>1,759,707</u>	<u>218,030</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>1,919,895</u>	<u>187,131</u>	<u>-</u>
<b>FUND BALANCES, BEGINNING</b>	<u>6,608,201</u>	<u>379,453</u>	<u>-</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 8,528,096</u>	<u>\$ 566,584</u>	<u>\$ -</u>

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 6,860,873
676,044	8,796,245
-	888,137
964,398	964,398
471,694	5,160,772
-	685,914
7,322	312,930
830	15,889
761,977	1,465,771
527,398	613,240
95,029	146,028
<u>3,504,692</u>	<u>25,910,197</u>
18,296	544,220
-	499,991
22,431	9,068,828
168,094	4,141,979
-	2,210,955
-	101,513
-	348,747
439,781	953,500
1,539	855,989
405,558	1,562,202
-	1,122,471
-	220,328
<u>2,547,556</u>	<u>4,248,748</u>
<u>3,603,255</u>	<u>25,879,471</u>
( 98,563)	30,726
327,626	2,458,403
( 396,080)	( 925,972)
-	<u>376,852</u>
( 68,454)	<u>1,909,283</u>
( 167,017)	1,940,009
<u>4,277,909</u>	<u>11,265,563</u>
\$ <u>4,110,892</u>	\$ <u>13,205,572</u>

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**CITY OF MARSHALL, TEXAS**

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

FOR THE YEAR ENDED DECEMBER 31, 2021

Net change in fund balances - total governmental funds	\$ 1,940,009
Amounts reported for governmental activities in the Statement of Activities are	
The net revenue/(expense) of certain activities of internal service funds are reported with governmental activities. This is the change in net position of the internal service funds.	32,579
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. This is the amount of capital outlay recorded in the current period.	4,017,560
Depreciation on capital assets is reported in the Statement of Activities but does not require the use of current financial resources. Therefore, depreciation is not reported as expenditures in the governmental funds.	( 3,165,748)
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Issuance of debt	( 376,852)
Repayment of principal of long-term debt	1,114,531
Amortization of:	
Premium on bond issuance	11,925
Interest is accrued in the government-wide financial statements but not at the fund level. This represents the change in the accrual during the period.	2,094
Current year changes in certain long-term liabilities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences liability	( 443,458)
Net OPEB liability	( 311,153)
Net pension liability	1,305,560
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>( 539,349)</u>
Change in net position of governmental activities	<u>\$ 3,587,698</u>

**CITY OF MARSHALL, TEXAS**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS**

DECEMBER 31, 2021

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer Fund	Business Development Center	Total	Internal Service Fund
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 2,059,314	\$ -	\$ 2,059,314	\$ 401,725
Receivables, net	966,082	-	966,082	-
Prepaid items	111,640	-	111,640	-
Inventory	59,442	-	59,442	-
Due from other governments	-	-	-	-
Total current assets	<u>3,196,478</u>	<u>-</u>	<u>3,196,478</u>	<u>401,725</u>
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	<u>1,916,097</u>	<u>-</u>	<u>1,916,097</u>	<u>-</u>
Total restricted assets	<u>1,916,097</u>	<u>-</u>	<u>1,916,097</u>	<u>-</u>
Capital assets:				
Land	261,272	80,330	341,602	-
Construction in progress	841,129	-	841,129	-
Buildings	1,152,196	2,188,821	3,341,017	141,120
Machinery and equipment	3,678,812	320,314	3,999,126	1,840,333
Water and wastewater system	72,884,530	-	72,884,530	-
Less accumulated depreciation	(42,903,233)	(1,508,449)	(44,411,682)	(1,039,549)
Net capital assets	<u>35,914,706</u>	<u>1,081,016</u>	<u>36,995,722</u>	<u>941,904</u>
Total noncurrent assets	<u>37,830,803</u>	<u>1,081,016</u>	<u>38,911,819</u>	<u>941,904</u>
Total assets	<u>41,027,281</u>	<u>1,081,016</u>	<u>42,108,297</u>	<u>1,343,629</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension related	377,807	-	377,807	-
OPEB related - retiree health plan	4,003	-	4,003	-
OPEB related - SDBF	62,563	-	62,563	-
Total deferred outflows of resources	<u>444,373</u>	<u>-</u>	<u>444,373</u>	<u>-</u>

**CITY OF MARSHALL, TEXAS**

**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
(Continued)

DECEMBER 31, 2021

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer Fund	Business Development Center	Total	Internal Service Fund
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 305,981	\$ -	\$ 305,981	\$ -
Accrued liabilities	49,097	-	49,097	-
Unearned revenue	23,074	-	23,074	-
Capital lease	21,374	-	21,374	-
Notes payable	93,687	-	93,687	-
Compensated absences	99,483	-	99,483	-
Total OPEB liability - retiree health plan	11,660	-	11,660	-
Total OPEB liability - SDBF	<u>18,983</u>	-	<u>18,983</u>	-
Total current liabilities	<u>623,339</u>	-	<u>623,339</u>	-
Current liabilities payable from restricted assets:				
Customer deposits	<u>904,819</u>	-	<u>904,819</u>	-
Total current liabilities payable from restricted assets	<u>904,819</u>	-	<u>904,819</u>	-
Noncurrent liabilities:				
Capital lease payable	46,647	-	46,647	-
Compensated absences	298,450	-	298,450	-
Total OPEB liability - retiree health plan	154,906	-	154,906	-
Total OPEB liability - SDBF	252,203	-	252,203	-
Net pension liability	<u>1,230,038</u>	-	<u>1,230,038</u>	-
Total noncurrent liabilities	<u>1,982,244</u>	-	<u>1,982,244</u>	-
Total liabilities	<u>3,510,402</u>	-	<u>3,510,402</u>	-
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension related	458,340	-	458,340	-
OPEB related - retiree health plan	65,861	-	65,861	-
OPEB related - SDBF	20,490	-	20,490	-
Total deferred inflows of resources	<u>544,691</u>	-	<u>544,691</u>	-
<b>NET POSITION</b>				
Net investment in capital assets	35,786,358	1,081,016	36,867,374	941,904
Unrestricted	<u>1,630,203</u>	-	<u>1,630,203</u>	<u>401,725</u>
Total net position	<u>\$ 37,416,561</u>	<u>\$ 1,081,016</u>	<u>38,497,577</u>	<u>\$ 1,343,629</u>

Reconciliation to government-wide Statement of Net Position:

Adjustment to reflect the consolidation of Internal Service Funds activities related to enterprise funds

Capital assets	<u>863,284</u>
Net position of Business-type Activities	<u>\$ 39,360,861</u>

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**CITY OF MARSHALL, TEXAS**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN NET POSITION - PROPRIETARY FUNDS**

FOR THE YEAR ENDED DECEMBER 31, 2021

	Business-type Activities - Enterprise Funds			Governmental Activities Internal Service Fund
	Water and Sewer Fund	Business Development Center	Total	
<b>OPERATING REVENUES</b>				
Charges for services	\$ 9,254,614	\$ -	\$ 9,254,614	\$ 180,172
Miscellaneous	<u>3,128</u>	<u>-</u>	<u>3,128</u>	<u>-</u>
Total operating revenues	<u>9,257,742</u>	<u>-</u>	<u>9,257,742</u>	<u>180,172</u>
<b>OPERATING EXPENSES</b>				
Administrative	353,594	-	353,594	-
Water production	1,197,994	-	1,197,994	-
Water distribution/collection	1,354,227	-	1,354,227	-
Wastewater treatment	1,474,375	-	1,474,375	-
Water billing	540,513	-	540,513	-
Engineering	35,133	-	35,133	-
Non-departmental	1,755,647	-	1,755,647	-
Materials and supplies	-	-	-	130,018
Depreciation and amortization	1,467,895	43,774	1,511,669	196,635
Total operating expenses	<u>8,179,378</u>	<u>43,774</u>	<u>8,223,152</u>	<u>326,653</u>
<b>OPERATING INCOME (LOSS)</b>	<u>1,078,364</u>	<u>(43,774)</u>	<u>1,034,590</u>	<u>(146,481)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	4,704	-	4,704	103
Interest expense and fees	<u>(13,969)</u>	<u>-</u>	<u>(13,969)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(9,265)</u>	<u>-</u>	<u>(9,265)</u>	<u>103</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<u>1,069,099</u>	<u>(43,774)</u>	<u>1,025,325</u>	<u>(146,378)</u>
Capital contributions	198,335	-	198,335	-
Transfers in	-	-	-	159,968
Transfers out	<u>(1,723,024)</u>	<u>-</u>	<u>(1,723,024)</u>	<u>-</u>
Total capital contributions and transfers	<u>(1,524,689)</u>	<u>-</u>	<u>(1,524,689)</u>	<u>159,968</u>
<b>CHANGE IN NET POSITION</b>	<u>(455,590)</u>	<u>(43,774)</u>	<u>(499,364)</u>	<u>13,590</u>
<b>TOTAL NET POSITION, BEGINNING</b>	<u>37,872,151</u>	<u>1,124,790</u>	<u>38,996,941</u>	<u>1,330,039</u>
<b>TOTAL NET POSITION, ENDING</b>	<u>\$ 37,416,561</u>	<u>\$ 1,081,016</u>	<u>\$ 38,497,577</u>	<u>\$ 1,343,629</u>

Reconciliation to government-wide Statement of Net Position:

Adjustment to reflect the consolidation of Internal  
Service Funds activities related to enterprise funds

Change in net position, enterprise funds	\$ (499,364)
Investment earnings	72
Transfers in	78,869
Water & sewer expenses	<u>(97,930)</u>
Net adjustment	<u>(18,989)</u>
Net position of Business-type Activities	<u>\$ (518,353)</u>

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

**CITY OF MARSHALL, TEXAS**

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**

FOR THE YEAR ENDED DECEMBER 31, 2021

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer Fund	Business Development Center	Total	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 9,130,058	\$ 50,546	\$ 9,180,604	\$ 195,287
Cash paid to employees	( 3,114,329)	-	( 3,114,329)	-
Cash paid to suppliers for goods and services	( 2,706,308)	-	( 2,706,308)	( 145,212)
Net cash provided by operating activities	<u>3,309,421</u>	<u>50,546</u>	<u>3,359,967</u>	<u>50,075</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Principal paid on bonds	( 113,101)	-	( 113,101)	-
Principal paid on loan	( 577,367)	-	( 577,367)	-
Interest paid on bonds and other debt	( 13,969)	-	( 13,969)	-
Acquisition and construction of capital assets	( 628,913)	-	( 628,913)	( 150,405)
Net cash used by capital and related financing activities	<u>( 1,333,350)</u>	<u>-</u>	<u>( 1,333,350)</u>	<u>( 150,405)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on investments	<u>5,264</u>	<u>-</u>	<u>5,264</u>	<u>103</u>
Net cash provided by investing activities	<u>5,264</u>	<u>-</u>	<u>5,264</u>	<u>103</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfer in	-	-	-	159,968
Transfer out	<u>( 1,723,024)</u>	<u>-</u>	<u>( 1,723,024)</u>	<u>-</u>
Net cash provided (used) by noncapital financing activities	<u>( 1,723,024)</u>	<u>-</u>	<u>( 1,723,024)</u>	<u>159,968</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>258,311</b>	<b>50,546</b>	<b>308,857</b>	<b>59,741</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<b>3,717,100</b>	<b>( 50,546)</b>	<b>3,666,554</b>	<b>341,984</b>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<b>\$ 3,975,411</b>	<b>\$ -</b>	<b>\$ 3,975,411</b>	<b>\$ 401,725</b>

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

**CITY OF MARSHALL, TEXAS**

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**

FOR THE YEAR ENDED DECEMBER 31, 2021  
(Continued)

	Business-type Activities - Enterprise Funds			Governmental Activities	
	Water and Sewer Fund	Business Development Center	Total	Internal Service Funds	
<b>RECONCILIATION OF OPERATING GAIN (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>					
Operating gain (loss)	\$ 1,078,364	\$( 43,774)	\$ 1,034,590	\$( 146,481)	
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation and amortization	1,467,895	43,774	1,511,669	196,635	
(Increase) decrease in assets:					
Accounts receivable	( 168,230)	50,546	( 117,684)	15,115	
Prepaid items	28,993	-	28,993	-	
Inventories	( 24,625)	-	( 24,625)	-	
Deferred outflows	( 100,405)	-	( 100,405)	-	
Increase (decrease) in liabilities:					
Accounts payable	210,400	-	210,400	( 15,194)	
Accrued liabilities	4,365	-	4,365	-	
Unearned revenue	13,074	-	13,074	-	
Customer deposits	27,472	-	27,472	-	
Net pension liability	202,702	-	202,702	-	
Total OPEB liability	507,122	-	507,122	-	
Compensated absences	90,182	-	90,182	-	
Deferred inflows	( 27,888)	-	( 27,888)	-	
Total adjustments	<u>2,231,057</u>	<u>94,320</u>	<u>2,325,377</u>	<u>196,556</u>	
Net cash provided by operating activities	<u>\$ 3,309,421</u>	<u>\$ 50,546</u>	<u>\$ 3,359,967</u>	<u>\$ 50,075</u>	

## **CITY OF MARSHALL, TEXAS**

COMBINING STATEMENT OF FIDUCIARY NET POSITION  
ALL FIDUCIARY FUNDS

DECEMBER 31, 2021

	Custodial Funds		
	Police Emergency Relief Fund	Firemen's Emergency Relief Fund	Total Custodial Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 69,587	\$ 63,377	\$ 132,964
Total assets	<u>69,587</u>	<u>63,377</u>	<u>132,964</u>
<b>LIABILITIES</b>			
Accounts payable	<u>-</u>	<u>5,127</u>	<u>5,127</u>
Total liabilities	<u>-</u>	<u>5,127</u>	<u>5,127</u>
<b>NET POSITION</b>			
Net position restricted for members	\$ 69,587	\$ 58,250	\$ 127,837

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

**CITY OF MARSHALL, TEXAS**

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
ALL FIDUCIARY FUNDS**

FOR THE YEAR ENDED DECEMBER 31, 2021

	Custodial Funds		Total Custodial Funds
	Police Emergency Relief Fund	Firemen's Emergency Relief Fund	
<b>ADDITIONS</b>			
Investment earnings	\$ 19	\$ 10	\$ 29
Contributions	<u>3,546</u>	<u>10,065</u>	<u>13,611</u>
Total additions	<u>3,565</u>	<u>10,075</u>	<u>13,640</u>
<b>DEDUCTIONS</b>			
Member withdrawals	3,400	10,411	13,811
Total deductions	<u>3,400</u>	<u>10,411</u>	<u>13,811</u>
<b>NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION</b>	165	( 336)	( 171)
<b>NET POSITION, BEGINNING</b>	-	-	-
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>69,422</u>	<u>58,586</u>	<u>128,008</u>
<b>NET POSITION, BEGINNING, RESTATED</b>	<u>69,422</u>	<u>58,586</u>	<u>128,008</u>
<b>NET POSITION, ENDING</b>	<u>\$ 69,587</u>	<u>\$ 58,250</u>	<u>\$ 127,837</u>

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## **CITY OF MARSHALL, TEXAS**

### **NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2021

#### **I. 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). 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.

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

##### **A. Reporting Entity**

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations and are appropriately presented as funds of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the City.

Based on these criteria, the financial information of the following entities has been discretely presented within the financial statements.

##### **Discretely Presented Component Units**

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, 2021, was performed and may be obtained by contacting MEDCO.

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 2021, 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 wellbeing 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, 2021, 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 2021, a separate audit report was not issued this year.

#### **B. 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 services.

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.

#### **C. 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.

##### **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 reports the following major governmental funds:

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.

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

**Coronavirus Emergency Fund**: The Coronavirus Emergency Fund is used to account for the resources received from the federal government to be used to respond to the COVID-19 pandemic and its effects on the economy.

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.

**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).

### **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 enterprise funds:

**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.

**Business Development Center**: This fund is used to account for the activities related to services and assistance provided to business in the community.

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.

### **Fiduciary Funds**

Fiduciary Funds are used to account for assets held by the City in a custodial capacity. The City's Custodial Funds are the Police Local Relief Fund and the Firemen's Emergency Relief Fund.

## **D. 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, fiduciary fund financial statements, and proprietary fund financial statements 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.

**E. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance**

1. *Cash and investments – Statement of Cash Flows*

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. 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, 2021. The market values of temporary investments are based on values provided by TexPool at December 31, 2021.

2. *Inventories and prepaid items*

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.

3. *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.

4. *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.

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

5. *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.

6. *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.

7. *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.

8. *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:

Assets	Years
Buildings	20-50
Water and sewer system	25-50
Infrastructure	20-40
Machinery and equipment	5-12
Improvements	10-25

## 9. *Deferred Inflows and Outflows of Resources*

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

- Pension and OPEB contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Changes in actuarial assumptions and other inputs included in determining the pension and OPEB liability – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Differences between expected and actual economic experience for the City's pension and OPEB plan – These effects on the pension and OPEB liability are deferred and amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of fund balance that applies to a future period(s) and, therefore, will not be recognized as an inflow of resources (revenue) until that time. The City has one type of item that arises only under the 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.

In addition, the City has deferred inflows of resources that are required to be reported on the Statements of Net Position under the full accrual basis of accounting. Deferred inflows of resources reported in the Statements of Net Position are as follows:

- Differences between expected and actual economic experience for the City's pension and OPEB plans – These effects on the total pension liability are deferred and amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).
- Changes in actuarial assumptions and other inputs included in determining the OPEB liability – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Difference in projected and actual earnings on pension and OPEB assets – This difference is deferred and amortized over a closed five-year period.

## 10. *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 30 days 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 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.

#### *11. 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.

#### *12. Defined Benefit Pension Plan*

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.

#### *13. Other Postemployment Benefits (OPEB)*

The fiduciary net position of the TMRS Supplemental Death Benefit Fund (SDBF) 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 SDBF 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.

#### *14. Fund Balance Classification*

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by ordinance of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- Assigned: Amounts in the assigned fund balance classification are intended to be used 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: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

## **II. 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.

Of the total bank balances, \$250,000 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 \$10,801,907.

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, 2021, all of the securities are in the City's name and held by the City or its agent.

At December 31, 2021, 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.

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:

Investment Types	Maximum Portfolio Concentration
Obligations of the United States or its agencies and instrumentalities	100%
Direct obligations of this state or its agencies and instrumentalities	50%
Fully insured or collateralized certificates of deposit	100%
Fully collateralized repurchase agreements	100%
Money market funds	50%
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.

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, 2021 are:

Investment Type	Rating	Market Value
<b>Public Funds Investment Pool:</b>		
TexPool	AAAm (S&P)	\$ <u>7,430,921</u>
Total		\$ <u>7,430,921</u>

MEDCO's investments as of December 31, 2021 are:

Investment Type	Rating	Market Value
<b>Public Funds Investment Pool:</b>		
TexPool	AAAm (S&P)	\$ <u>4,720,722</u>
Total		\$ <u>4,720,722</u>

TexPool - TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. 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. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rates TexPool "AAAm". As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review.

TexPool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity, and diversification requirements within TexPool. TexPool transacts at a net asset value of \$1.00 per share, has weighted average maturities of 60 days or less, and weighted average lives of 120 days or less. Investments held are highly rated by nationally recognized statistical rating organizations, have no more than five percent of portfolio with one issuer (excluding U.S. government securities), and can meet reasonably foreseeable redemptions. TexPool has a redemption notice period of one day and may redeem daily. TexPool may only impose restrictions on redemptions in the event of a general suspension of trading on major national markets, general banking moratorium, or a national state of emergency that affects TexPool's liquidity.

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 its equivalent) as a practical expedient are not classified in the fair value hierarchy.

### III. 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:

	General	Debt Service Fund	Water and Sewer	Nonmajor Governmental	Total
Receivables:					
Taxes	\$ 3,433,841	\$ 651,946	\$ -	\$ 82,767	\$ 4,168,554
Accounts	3,211,082	-	987,447	-	4,198,529
Other	19,145	-	-	29,162	48,307
Gross	<u>6,664,068</u>	<u>651,946</u>	<u>987,447</u>	<u>111,929</u>	<u>8,415,390</u>
Receivables less:					
Allowance for uncollectibles	(2,032,845)	(32,598)	(21,365)	(786)	(2,087,594)
Net total receivables	<u>\$ 4,631,223</u>	<u>\$ 619,348</u>	<u>\$ 966,082</u>	<u>\$ 111,143</u>	<u>\$ 6,327,796</u>

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:

	General Economic Dev. Fund	Business Development Center	Center for Applied Technology Service	Total
Receivables:				
Accounts	\$ -	\$ 11,553	\$ 15,690	\$ 27,243
Gross	<u>-</u>	<u>11,553</u>	<u>15,690</u>	<u>27,243</u>
Receivables less:				
Allowance for uncollectibl	<u>-</u>	<u>( 6,807)</u>	<u>( 9,819)</u>	<u>( 16,626)</u>
Net total receivables	<u>\$ -</u>	<u>\$ 4,746</u>	<u>\$ 5,871</u>	<u>\$ 10,617</u>

### IV. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021, was as follows:

Primary Government	Beginning Balance	Additions	Deletions	Adjustments/Transfers	Ending Balance
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 1,175,849	\$ 15,335	\$ -	\$ 177,892	\$ 1,369,076
Construction in progress	<u>1,639,689</u>	<u>2,925,517</u>	<u>-</u>	<u>( 3,113,553)</u>	<u>1,451,653</u>
Total assets not being depreciated	<u>2,815,538</u>	<u>2,940,852</u>	<u>-</u>	<u>( 2,935,661)</u>	<u>2,820,729</u>
Capital assets, being depreciated:					
Buildings	27,025,912	166,100	-	1,682,175	28,874,187
Machinery and equipment	19,553,896	173,412	( 295,466)	( 570,555)	18,861,287
Improvements	3,917,310	-	-	( 209,035)	3,708,275
Infrastructure	<u>65,374,317</u>	<u>806,770</u>	<u>-</u>	<u>2,206,966</u>	<u>68,388,053</u>
Total capital assets being depreciated	<u>115,871,435</u>	<u>1,146,282</u>	<u>( 295,466)</u>	<u>3,109,551</u>	<u>119,831,802</u>
Less accumulated depreciation:					
Buildings	( 10,202,988)	( 580,263)	-	( 70,489)	( 10,853,740)
Machinery and equipment	( 13,971,471)	( 936,006)	295,466	( 595,076)	( 15,207,087)
Improvements	( 2,206,528)	( 139,558)	-	49,105	( 2,296,981)
Infrastructure	( 44,346,789)	( 1,580,097)	-	366,437	( 45,560,449)
Total accumulated depreciation	<u>( 70,727,776)</u>	<u>( 3,235,924)</u>	<u>295,466</u>	<u>( 250,023)</u>	<u>( 73,918,257)</u>
Total capital assets being depreciated, net	<u>45,143,659</u>	<u>( 2,089,642)</u>	<u>-</u>	<u>2,859,528</u>	<u>45,913,545</u>
Governmental activities capital assets, net	<u>\$ 47,959,197</u>	<u>\$ 851,210</u>	<u>\$ -</u>	<u>\$ ( 76,133)</u>	<u>\$ 48,734,274</u>

	Beginning Balance	Additions	Deletions	Adjustments/ Transfers	Ending Balance
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 329,312	\$ 12,290	\$ -	\$ -	\$ 341,602
Construction in progress	584,115	558,864	-	( 301,850)	841,129
Total assets not being depreciated	<u>913,427</u>	<u>571,154</u>	<u>-</u>	<u>( 301,850)</u>	<u>1,182,731</u>
Capital assets, being depreciated:					
Buildings	3,031,435	-	-	328,106	3,359,541
Machinery and equipment	5,074,401	178,618	-	( 118,414)	5,134,605
Water and wastewater system	<u>72,530,091</u>	<u>63,943</u>	<u>-</u>	<u>290,496</u>	<u>72,884,530</u>
Total capital assets being depreciated	<u>80,635,927</u>	<u>242,561</u>	<u>-</u>	<u>500,188</u>	<u>81,378,676</u>
Less accumulated depreciation:					
Buildings	( 1,687,276)	( 248,901)	-	( 178,246)	( 2,114,423)
Machinery and equipment	( 3,776,826)	( 312,319)	-	531,318	( 3,557,827)
Water and wastewater system	<u>( 37,782,984)</u>	<u>( 1,210,587)</u>	<u>-</u>	<u>( 247,234)</u>	<u>( 39,240,805)</u>
Total accumulated depreciation	<u>( 43,247,086)</u>	<u>( 1,771,807)</u>	<u>-</u>	<u>105,838</u>	<u>( 44,913,055)</u>
Total capital assets being depreciated, net	<u>37,388,841</u>	<u>( 1,529,246)</u>	<u>-</u>	<u>606,026</u>	<u>36,465,621</u>
Business-type activities capital assets, net	<u>\$ 38,302,268</u>	<u>\$ ( 958,092)</u>	<u>\$ -</u>	<u>\$ 304,176</u>	<u>\$ 37,648,352</u>

#### Discretely Presented Component Units

	Beginning Balance	Additions	Deletions	Adjustments/ Transfers	Ending Balance
<b>Marshall Economic Development Corporation:</b>					
Capital assets, not being depreciated:					
Land	\$ 4,194,663	\$ -	\$ ( 71,091)	\$ -	\$ 4,123,572
Construction in progress	<u>2,545,783</u>	<u>412,091</u>	<u>-</u>	<u>-</u>	<u>2,957,874</u>
Total assets not being depreciated	<u>6,740,446</u>	<u>412,091</u>	<u>( 71,091)</u>	<u>-</u>	<u>7,081,446</u>
Capital assets, being depreciated:					
Building	10,347,337	-	-	-	10,347,337
Improvements	1,906,726	-	( 352,648)	-	1,554,078
Machinery, tools, and equipment	<u>207,525</u>	<u>5,739</u>	<u>-</u>	<u>-</u>	<u>213,264</u>
Total capital assets being depreciated	<u>12,461,588</u>	<u>5,739</u>	<u>( 352,648)</u>	<u>-</u>	<u>12,114,679</u>
Less accumulated depreciation:					
Building	( 1,611,166)	( 258,684)	-	-	( 1,869,850)
Improvements	( 354,264)	( 52,733)	8,054	-	( 398,943)
Machinery, tools, and equipment	<u>( 206,297)</u>	<u>( 4,364)</u>	<u>-</u>	<u>-</u>	<u>( 210,661)</u>
Total accumulated depreciation	<u>( 2,171,727)</u>	<u>( 315,781)</u>	<u>8,054</u>	<u>-</u>	<u>( 2,479,454)</u>
Total capital assets being depreciated, net	<u>10,289,861</u>	<u>( 310,042)</u>	<u>( 344,594)</u>	<u>-</u>	<u>9,635,225</u>
Discretely presented component unit capital assets, net	<u>\$ 17,030,307</u>	<u>\$ 102,049</u>	<u>\$ ( 415,685)</u>	<u>\$ -</u>	<u>\$ 16,716,671</u>

	Beginning Balance	Additions	Deletions	Adjustments/ Transfers	Ending Balance
<b>Marshall Downtown Development Corporation:</b>					
Capital assets, being depreciated:					
Building	\$ 50,217	\$ -	\$ -	\$ -	\$ 50,217
Total capital assets being depreciated	<u>50,217</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,217</u>
Less accumulated depreciation:					
Building	(10,043)	(1,004)	-	-	(11,047)
Total accumulated depreciation	<u>(10,043)</u>	<u>(1,004)</u>	<u>-</u>	<u>-</u>	<u>(11,047)</u>
Total capital assets being depreciated, net	<u>40,174</u>	<u>(1,004)</u>	<u>-</u>	<u>-</u>	<u>39,170</u>
Discretely presented component unit capital assets, net	\$ 40,174	\$ (1,004)	\$ -	\$ -	\$ 39,170

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

Governmental activities:		
General government		\$ 226,053
Tourism and convention development		214,516
Support services		239,170
Public safety		815,776
Public works		1,725,975
Community and economic development		1,796
Non-departmental		<u>12,638</u>
Total depreciation expense - governmental activities		<u>\$ 3,235,924</u>
Business-type activities:		
Water and sewer		\$ 1,728,031
Business Development Center		<u>43,776</u>
Total depreciation expense - business-type activities		<u>\$ 1,771,807</u>

## V. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of December 31, 2021, is as follows:

### Due to/from Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental	\$ 129,796
	Total	<u>\$ 129,796</u>

Interfund balances for all the funds are created by short-term deficiencies in cash position in the individual fund. It is anticipated that the balances will be repaid in one year or less.

Similar transactions such as this also exist between the primary government and the City's discretely presented component unit. 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, 2021, the amount due to MEDCO from the City for its portion of sales tax revenue was \$389,386.

## **Interfund Transfers**

A summary of interfund transfers by fund type is as follows:

Transfer from	Transfer to	Amount
General	Nonmajor governmental	\$ 293,994
General	Debt service fund	154,799
General	Internal service fund	81,099
Nonmajor governmental	Debt service fund	63,231
Nonmajor governmental	General	299,217
Nonmajor governmental	Nonmajor governmental	33,632
Water & sewer	Internal service fund	78,869
Water & sewer	General	<u>1,613,530</u>
Total		\$ <u>2,618,371</u>
Water & sewer	Governmental activities	30,625
Governmental activities	Business-type activities	<u>198,335</u>
Total		\$ <u>2,847,331</u>

Interfund transfers are primarily made by the City for the following reasons:

- Budgeted transfers to the General Fund from other funds for operating and administrative allocations.
- Transfers from the General Fund to the Internal Service Funds to cover equipment replacement expenditures.
- Transfer to the Capital Improvement Fund to cover furniture and fixtures at the new Animal Adoption Center.
- Transfers to the Debt Service Fund to pay for self-supporting debt service expenditures.
- Transfer from business-type activities to governmental activities due to a transfer of capital assets.
- Transfer from governmental activities to business-type activities due to a transfer of capital assets.

## **VI. LONG-TERM DEBT AND CAPITAL LEASES PAYABLE**

### **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 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.

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. This bond was paid off this year.

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, 2021, \$2,210,000 of the bonds considered defeased are still outstanding.

A summary of the refunded bond maturities is as follows:

**Schedule of Refunded Bonds**

	Maturity Dates	Interest Rates	Amount
Waterworks and Sewer System Revenue Bonds, Serie June 15, 2019-2022		4.000%	\$ 165,000
Waterworks and Sewer System Revenue Bonds, Serie June 15, 2019-2023		3.500%	1,005,000
Waterworks and Sewer System Revenue Bonds, Serie June 15, 2014-2023	3.600 - 4.500%		<u>1,040,000</u>
			\$ <u>2,210,000</u>

A summary of changes in long-term debt for the year ended December 31, 2021 is as follows:

Bonded Indebtedness	Interest Rates to Maturity	Amounts Original Issued	Amounts Outstanding Beginning	Issued Current Year	Refunded/Retired Current Year	Amounts Outstanding Ending	Interest Current Year	Due Within One Year
<b>Governmental activities:</b>								
Bonds, notes and leases:								
CO Series 2017	2.173%	\$ 2,000,000	\$ 1,800,000	\$ -	\$ 75,000	\$ 1,725,000	\$ 38,299	\$ 80,000
GO Refunding Series 2016	2-4%	3,845,000	2,765,000	-	350,000	2,415,000	86,500	365,000
GO Refunding Series 2019	2.34%	1,033,000	942,000	-	95,000	847,000	20,931	95,000
Limited Tax Note, Series 2019	2.33%	853,000	739,000	-	116,000	623,000	17,218	119,000
Limited Tax Note, Series 2020	1.16%	1,795,000	1,795,000	-	252,000	1,543,000	24,508	250,000
Premium on bonds		119,253	59,628	-	11,925	47,703	-	-
Notes payable	1.95-2%	1,066,852	345,000	376,852	115,000	606,852	6,752	190,370
Capital leases	4%	<u>612,297</u>	<u>345,294</u>	-	<u>111,531</u>	<u>233,763</u>	<u>10,929</u>	<u>115,061</u>
Total bonds, notes and leases		<u>11,324,402</u>	<u>8,790,922</u>	<u>376,852</u>	<u>1,126,456</u>	<u>8,041,318</u>	<u>205,137</u>	<u>1,214,431</u>
Compensated absences		-	2,649,110	1,170,071	726,613	3,092,568	-	773,142
Total governmental activities		<u>\$ 11,324,402</u>	<u>\$ 11,440,032</u>	<u>\$ 1,546,923</u>	<u>\$ 1,853,069</u>	<u>\$ 11,133,886</u>	<u>\$ 205,137</u>	<u>\$ 1,987,573</u>
<b>Business-type activities:</b>								
Bonds, notes and leases:								
GO Refunding Series 2018	2.649%	3,652,000	521,000	-	521,000	-	6,901	-
Premium on bonds		776,332	56,367	-	56,367	-	-	-
Notes payable	2.24%	614,844	185,414	-	91,727	93,687	4,152	93,687
Capital leases	4.25%	<u>89,395</u>	<u>89,395</u>	-	<u>21,374</u>	<u>68,021</u>	<u>2,916</u>	<u>21,374</u>
Total bonds, notes and leases		<u>5,132,571</u>	<u>852,176</u>	-	<u>690,468</u>	<u>161,708</u>	<u>13,969</u>	<u>115,061</u>
Compensated absences		-	307,751	199,324	109,142	397,933	-	99,483
Total business-type activities		<u>\$ 5,132,571</u>	<u>\$ 1,159,927</u>	<u>\$ 199,324</u>	<u>\$ 799,610</u>	<u>\$ 559,641</u>	<u>\$ 13,969</u>	<u>\$ 214,544</u>

Debt service requirements are as follows:

**General Obligation Bonds:**

Year Ending December 31,	Governmental Activities			Total Requirements
	Principal	Interest		
2022	\$ 460,000	\$ 94,483	\$ 554,483	
2023	484,000	80,980	564,980	
2024	499,000	68,897	567,897	
2025	508,000	54,425	562,425	
2026	425,000	36,620	461,620	
2027-2030	886,000	24,520	910,520	
Total	\$ 3,262,000	\$ 359,925	\$ 3,621,925	

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

Year Ending December 31,	Governmental Activities			Total Requirements
	Principal	Interest		
2022	\$ 449,000	\$ 67,579	\$ 516,579	
2023	450,000	60,206	510,206	
2024	461,000	52,726	513,726	
2025	470,000	45,040	515,040	
2026	581,000	36,084	617,084	
2027-2031	1,265,000	80,310	1,345,310	
2032-2033	215,000	2,336	217,336	
Total	\$ 3,891,000	\$ 344,281	\$ 4,235,281	

**Capital Leases Payable - Governmental Activities**

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:

Assets	Amount
2019 Ford Interceptors (12)	\$ 612,292
2018 Ford Interceptor SUVs	244,132
2018 Dodge Charger	21,403
Total	877,827
Less: accumulated depreciation	( 829,994)
Total	\$ 47,833

The future minimum lease payments under the capital leases and the present value of the net minimum lease payments at December 31, 2021, were as follows:

Year Ending December 31,	Equipment
2022	\$ 122,459
2023	122,459
Total minimum lease payments	244,918
Total amount representing interest costs	( 11,155)
Present value of minimum lease payments	\$ 233,763

### **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.

The future minimum lease payments under the capital leases and the present value of the net minimum lease payments at December 31, 2021, are as follows:

Year Ending December 31,	Equipment
2022	\$ 24,290
2023	<u>49,563</u>
Total minimum lease payments	73,853
Total amount representing interest costs	( 5,832)
Present value of minimum lease payments	\$ <u>68,021</u>

### **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 2021 was \$6,752.

On January 5, 2021, the City entered into a loan agreement with VeraBank in the amount of \$376,852 for the purchase of police vehicles. Payments are due annually in 5 payments of \$80,014 (includes principal and interest) beginning on January 5, 2022, and on the same day each year thereafter. The interest rate on the loan is 2.00%.

Year Ending December 31,	Governmental Activities			
	Principal	Interest	Total Requirements	
2022	\$ 190,370	\$ 9,133	\$ 199,503	
2023	190,370	6,891	197,261	
2024	75,370	4,648	80,018	
2025	75,370	4,648	80,018	
2026	75,370	4,648	80,018	
Total	\$ <u>606,852</u>	\$ <u>29,968</u>	\$ <u>636,820</u>	

### **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 2021 was \$4,152.

Year Ending December 31,	Business-Type Activities			
	Principal	Interest	Total Requirements	
2022	\$ 93,687	\$ 2,194	\$ 95,881	
Total	\$ <u>93,687</u>	\$ <u>2,194</u>	\$ <u>95,881</u>	

### **Notes Payable – Discretely Presented Component Units**

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, 2021, was \$132,963.

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 \$15,390.

Debt service requirements are as follows:

Year Ending December 31,	Component Unit Activities			Total Requirements
	Principal	Interest		
2022	\$ 539,102	\$ 131,867		\$ 670,969
2023	557,655	113,313		670,968
2024	576,852	94,117		670,969
2025	2,524,950	6,956		2,531,906
Total	\$ 4,198,559	\$ 346,253		\$ 4,544,812

## **Changes in Long-term Debt - Discretely Presented Component Unit**

### **Component unit activities:**

Other liabilities:

Notes payable	\$ 4,721,174	\$ -	\$ ( 522,615)	\$ 4,198,559	\$ 539,102
Total other liabilities	<u>4,721,174</u>	<u>-</u>	<u>( 522,615)</u>	<u>4,198,559</u>	<u>539,102</u>
Total component unit activities					
long-term liabilities	<u>\$ 4,721,174</u>	<u>\$ -</u>	<u>\$ ( 522,615)</u>	<u>\$ 4,198,559</u>	<u>\$ 539,102</u>

## **VII. DEFINED BENEFIT PENSION PLANS**

### **1. Texas Municipal Retirement System**

**Plan Description.** The City of Marshall participates as one of 895 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan 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 employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at 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:

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years to any age, or 5 years at age 60 and above
Updated service credit	100% repeating, transfers
Annuity increase to retirees	50% of CPI, repeating

**Employees covered by benefit terms.** At the December 31, 2020, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	194
Inactive employees entitled to but not yet receiving benefits	96
Active employees	<u>186</u>
Total	<u>476</u>

**Contributions.** Member contribution rates in TMRS are either 5%, 6%, or 7% of the Member's total compensation, 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 contributions rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City of Marshall were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rate for the City of Marshall were 16.12% and 16.23% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2021, were \$1,376,870 and were equal to the required contributions.

**Net Pension Liability.** The City's Net Pension Liability (NPL) was measured as of December 31, 2020, 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, 2020, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.15% per year
Investment Rate of Return	6.75%

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set forward for males and a 3- year set-forward for females. In addition, a 3.5% and 3.0% minimum.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014, to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rate (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income to satisfy the short-term and long-term funding needs of TMRS.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30%	5.30%
Core Fixed Income	10%	1.25%
Non-Core Fixed Income	20%	4.14%
Real Return	10%	3.85%
Real Estate	10%	4.00%
Absolute Return	10%	3.48%
Private Equity	10%	7.75%
Total	100%	

**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 Member 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 Members. 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.

### Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2019	\$ 60,652,380	\$ 54,884,607	\$ 5,767,773
Changes for the year:			
Service cost	1,524,142	-	1,524,142
Interest	4,021,627	-	4,021,627
Difference between expected and actual experience	( 186,568)	-	( 186,568)
Contributions - employer	-	1,445,245	( 1,445,245)
Contributions - employee	-	627,588	( 627,588)
Net investment income	-	4,161,998	( 4,161,998)
Benefit payments, including refunds of employee contributions	( 3,669,573)	( 3,669,573)	-
Administrative expense	-	( 26,958)	26,958
Other changes	-	( 1,052)	1,052
Net changes	1,689,628	2,537,248	( 847,620)
Balance at 12/31/2020	<u>\$ 62,342,008</u>	<u>\$ 57,421,855</u>	<u>\$ 4,920,153</u>

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

	1% Decrease in Discount Rate (5.75%)	Current Single Disc Rate Assumption (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 12,881,872	\$ 4,920,153	\$ ( 1,656,688)

**Pension Plan Fiduciary Net Position.** Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at [tmrs.com](http://tmrs.com).

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** For the year ended December 31, 2021, the City recognized pension expense of \$393,661. As of December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 274,858
Changes in actuarial assumptions	134,359	-
Difference between projected and actual investment earnings	-	1,558,501
Contributions subsequent to the measurement date	1,376,870	-
Total	<u>\$ 1,511,229</u>	<u>\$ 1,833,359</u>

\$1,376,870 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability for the year ending December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year <u>Ended December 31,</u>	
2022	\$( 704,663)
2023	72,859
2024	( 975,739)
2025	( 91,457)
Total	<u>\$( 1,699,000)</u>

## 2. Firefighter Relief and Retirement Fund (FRRF)

**Plan Description.** The City contributes to the retirement plan for firefighters in the Marshall Fire Department known as the Marshall Firemen's Relief and Retirement Fund ("the Fund" or "FRRF"). The Fund is a single employer, contributory, defined benefit plan. The benefit provisions of the Fund are authorized by the Texas Local Fire Fighters' Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions. The plan is administered by the Board of Trustees of the Marshall Firemen's Relief and Retirement Fund. The Fund is not considered a part of the City's reporting entity because the City does not have a fiduciary responsibility for the Fund's assets, nor can the City impose its will on the Fund. Also, the Fund is not fiscally dependent on the City since the Board of Trustees can determine employee contribution rates without approval by the City. The Fund issues a stand-alone report pursuant to GASB Statement No. 67, which may be obtained by writing the Marshall Firemen's Relief and Retirement Fund at P.O. Box 9759, Longview, Texas. See that report for all information about the plan fiduciary net position.

**Benefits Provided.** Firefighters in the Marshall Fire Department are covered by the Marshall Firemen's Relief and Retirement Fund, which provides service retirement, death, disability and termination benefits. These benefits fully vest after 20 years of credited service. Members may retire at attainment of age 53 and completion of 20 years of service (age 50 and 10 years of service for members hired on or before December 31, 2018). The Fund provides a monthly normal retirement benefit, payable in a joint and two-thirds to surviving spouse form of annuity, equal to 3.125% of the member's highest 36-month average salary, multiplied by years of credited service as of date of termination with a maximum of 20 years, plus, a longevity benefit equal to \$65 for each year of service in excess of 20 years. A retiring member eligible for normal service retirement with certain minimum combinations of years of service and age has the option to elect the Retroactive Deferred Retirement Option Provision (RETRO DROP) which will provide a lump sum benefit and a reduced monthly benefit.

**Members Covered by the Fund.** In the December 31, 2020, actuarial valuation, the following numbers of members were covered by the Fund:

Active employees	45
Terminated with deferred benefits	10
Retirees and beneficiaries in pay	39
<b>Total</b>	<b>94</b>

**Funding Policy.** The contribution provisions of the Fund are authorized by TLFFRA. TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each firefighter and a percentage of payroll by the city.

While the contribution requirements are not actuarially determined, state law requires that each Fund of benefits adopted by the Fund must be approved by an eligible actuary. The actuary certifies that the contribution commitment by the members and the City provides an adequate financing arrangement. Using the entry age actuarial cost method, the Fund's normal cost contribution rate is determined as a percentage of payroll. The excess of the total contribution rate over the normal cost contribution rate is used to amortize the unfunded actuarial accrued liability (UAAL). The number of years needed to amortize the Fund's UAAL is determined using an open, level percentage of payroll method.

The funding policy of the Fund requires contributions by the members at the rate elected by the members according to the Act. The City's contribution rate is determined annually by the City. The City contribution rate increased from 19.8% to 20.80% of member payroll, and the active firefighters contribution rate increased from 14% to 16% of plan compensation.

**Net Pension Liability.** The City of Marshall's net pension liability was measured as December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of December 31, 2020.

Total pension liability	\$ 22,158,263
Plan fiduciary net position	<u>8,905,327</u>
City's net pension liability	<u>\$ 13,252,936</u>

Plan fiduciary net position as a percentage of the total pension liability	40.2%
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**Actuarial Assumptions.** The total pension liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Total payroll growth	3.75% per annum
Investment rate of return	7.25% per annum

PubS-2010 (public safety) below median income mortality tables for employees and for retirees, projected for mortality improvement generationally using the projection scale MP-2020.

**Discount Rate.** The discount rate used to measure the total pension liability was 7.25%. The long-term expected rate of return on pension plan investments of 7.25% was applied to all periods of projected benefit payments as the discount rate to determine the total pension liability.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate.** The following presents the net pension liability of the City of Marshall, calculated using the discount rate of 7.25%, 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 (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease in Discount Rate (6.25%)	1% Increase in Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
Firefighters' Fund Net Pension Liability	\$ 16,181,087	\$ 13,252,936	\$ 10,828,427

**Plan Fiduciary Net Position.** The plan fiduciary net position reported above is the same as reported by the Fund. Detailed information about the plan fiduciary net position is available in the Fund's separately issued audited financial statements, which are reported using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Investments are reported at fair value, the price that would be recognized to sell an asset in an orderly transaction between market participants at the measurement date.

**Changes in the Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2020	\$ 20,797,500	\$ 8,272,694	\$ 12,524,806
Changes for the year:			
Service cost	546,060	-	546,060
Interest	1,552,899	-	1,552,899
Experience	( 59,820)	-	( 59,820)
Contributions - employer	-	583,682	( 583,682)
Contributions - employee	-	407,407	( 407,407)
Net investment income	-	923,657	( 923,657)
Benefit payments	( 1,276,480)	( 1,276,480)	-
Administrative expense	-	( 5,633)	5,633
Benefit terms	25,140	-	25,140
Assumption changes	572,964	-	572,964
Net changes	<u>1,360,763</u>	<u>632,633</u>	<u>728,130</u>
Balance at 12/31/2021	<u>\$ 22,158,263</u>	<u>\$ 8,905,327</u>	<u>\$ 13,252,936</u>

**Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions.** For the year ended December 31, 2021, the City's GASB 68 pension expense was \$1,152,592. At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 47,856
Changes in actuarial assumptions	458,371	-
Difference between projected and actual investment earnings	-	251,294
Contributions subsequent to the measurement date	<u>575,318</u>	<u>-</u>
Total	<u>\$ 1,033,689</u>	<u>\$ 299,150</u>

\$575,318 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending December 31, 2022. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

For the Year  
Ended December 31,

2022	\$ 39,805
2023	39,805
2024	39,805
2025	39,806
Total	<u>\$ 159,221</u>

## VIII. OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATIONS

### 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 \$722 and retirees is \$822 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 \$822 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, 2020, the following employees were covered by the benefit terms:

Active members	39
Retirees	5
Total	44

**Total OPEB Liability.** The City's total OPEB liability of \$675,993 was measured as of December 31, 2021 and was determined by a simplified actuarial valuation as of December 31, 2021.

**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, 2021. 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 2.06% 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 3.7% is the ultimate. Post Medicare benefits were not considered since the plan provides for no post-Medicare coverage or subsidy.

The total OPEB liability in the December 31, 2021, simplified actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement, unless otherwise specified:

Actuarial Valuation Date	12/31/2021
Discount Rate	2.06% per annum
Salary Increases	3.00% for annum
Mortality	The rates are based upon the Pub-2010 mortality table with generational scale MP-2021.
Health care cost trend rates	5.50% pre-medicare medical and RX benefits decreasing to an ultimate rate of 3.70%

**Discount Rate.** The discount rate of 2.06% 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**

	Total OPEB Liability
Balance at 12/31/2020	\$ 494,743
Changes for the year:	
Service cost	14,711
Interest	9,771
Difference between expected and actual experience	251,965
Changes of assumptions	2,469
Benefit payments	( 97,666)
Net changes	181,250
Balance at 12/31/2021	<u><u>\$ 675,993</u></u>

**Discount Rate Sensitivity Analysis.** The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.06%) in measuring the net OPEB liability.

	1% Decrease in Discount Rate (1.06%)	Discount Rate (2.06%)	1% Increase in Discount Rate (3.06%)
City's net OPEB liability	\$ 712,396	\$ 675,993	\$ 639,554

**Healthcare Cost Trend Rate Sensitivity Analysis.** The following schedule shows the impact of the net OPEB liability if the Healthcare Cost Trend Rate used was 1% less than and 1% greater than what was used in measuring the Net OPEB liability.

	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
City's net OPEB liability	\$ 621,544	\$ 675,993	\$ 737,626

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.** For the year ended December 31, 2021, the City recognized a OPEB expense of \$68,255. At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 245,325
Changes in actuarial assumptions	<u>16,246</u>	<u>21,967</u>
Total	<u><u>\$ 16,246</u></u>	<u><u>\$ 267,292</u></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:

For the Year Ended December 31,		
2022	\$	43,773
2023		43,773
2024		43,773
2025		43,773
2026		43,773
Thereafter		<u>32,181</u>
Total	\$	<u>251,046</u>

## **IX. DEFINED OTHER POSTEMPLOYMENT BENEFIT PLANS**

### **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 annual comprehensive financial report (ACFR) 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.

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

Inactive employees or beneficiaries currently receiving benefits	145
Inactive employees entitled to but not yet receiving benefits	29
Active employees	<u>186</u>
Total	<u>360</u>

**Contributions.** The member cities contribute 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).

For the calendar years 2020 and 2021, the total SDBF contributions rate for the City was 0.24% and 0.38%, respectively, while the retiree portion of the SDBF contribution was 0.10% and 0.27%. The City's retiree-only portion of contributions for the years ended December 31, 2021 and 2020, were \$22,905 and \$8,955, 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.

**Actuarial Assumptions.** The City's total OPEB liability was measured as of December 31, 2020, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The total OPEB liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Overall	3.50% to 11.5% including inflation
Discount rate	2.00%
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 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.

**Discount Rate Sensitivity Analysis.** The following schedule shows the impact of the Total OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2%) in measuring the Total OPEB Liability.

	1% Decrease in Discount Rate (1%)		1% Increase in Discount Rate (3%)
Total OPEB Liability	\$ 1,314,766	\$ 1,084,745	\$ 907,828

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEBs.** At December 31, 2021, the City reported a liability of \$1,084,745 for its Total OPEB Liability. The Total OPEB Liability was determined by an actuarial valuation as of December 31, 2020. For the year ended December 31, 2021, the City recognized OPEB expense of \$104,397. There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period.

**Changes in the Total OPEB Liability**

	Total OPEB Liability
Balance at 12/31/2019	\$ 920,396
Changes for the year:	
Service cost	33,172
Interest	25,644
Difference between expected and actual experience	( 22,262)
Changes of assumptions and other inputs	136,761
Benefit payments	( 8,966)
Net changes	<u>164,349</u>
Balance at 12/31/2020	<u>\$ 1,084,745</u>

At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 19,549	\$ 60,784
Changes in actuarial assumptions	207,798	21,177
Contributions subsequent to the measurement date	<u>22,905</u>	-
<b>Totals</b>	<b><u>250,252</u></b>	<b><u>81,961</u></b>

\$22,905 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB Liability for the year ending December 31, 2022. Other amounts of the reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended December 31,		
2022	\$ 42,845	
2023	33,675	
2024	39,897	
2025	<u>28,969</u>	
<b>Total</b>	<b><u>145,386</u></b>	

## **X. 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
	2,000,000	Each Occurrence
Law Enforcement Liability	4,000,000	Annual Aggregate
	1,000,000	Each Wrongful Act
Errors and Omissions Liability	2,000,000	Annual Aggregate
	5,000	5,000
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:		500
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

## **XI. 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. Payments during 2021 for sanitation services were \$2,756,517.

## **XII. 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.

## **XIII. CONTINGENT LIABILITIES**

### Contingencies

The City is exposed to various claims and litigation. The outcome of events are not presently determinable and the amount of the City's potential liability cannot be reasonably estimated at this time.

## Federal and State Programs

Federal and state funding received related to various grant programs are based upon periodic reports detailing reimbursable expenditures made, in compliance with program guidelines, to the granting agency. These programs are governed by various statutory rules and regulations of grantors. Amounts received and receivable under these various funding programs are subject to periodic audit and adjustment by the funding agencies. To the extent, if any, the City has not complied with all the rules and regulations with respect to performance, financial or otherwise, adjustment to or return of fund monies may be required. As it pertains to other matters of compliance, in the opinion of the City's administration, there are no significant contingent liabilities relating to matters of compliance and accordingly, no provision has been made in the accompanying financial statements for such contingencies.

## **XIV. 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.

## **XV. SUBSEQUENT EVENTS**

On June 15, 2022, the City entered into a five year lease agreement with Frost Bank in the amount of \$564,481, with a fixed interest rate of 3.98%. The proceeds of the loan will be used to finance the purchase of 11 vehicles.

On May 23, 2022, the City entered into a five year lease agreement with Frost Bank in the amount of \$727,951 with a fixed interest rate of 3.98%. The proceeds of the loan will be used to finance the purchase of a fire truck.

## **XVI. SIGNIFICANT FORTH COMING STANDARDS**

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* – The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. GASB 94 will be implemented in fiscal year 2023 and the impact has not yet been determined.

Statement No. 96, *Subscription-Based Information Technology Arrangements* – This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. GASB 96 will be implemented in fiscal year 2023 and the impact has not yet been determined.

GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62* – The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement will become effective for reporting periods beginning after June 15, 2023, and the impact has not yet been determined.

GASB Statement No. 101, *Compensated Absences* – The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement will become effective for reporting periods beginning after December 15, 2023, and the impact has not yet been determined.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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**CITY OF MARSHALL, TEXAS**

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Property taxes	\$ 5,053,247	\$ 5,053,247	\$ 5,800,220	\$ 746,973
Sales taxes	6,874,864	6,874,864	8,120,201	1,245,337
Franchise taxes	1,007,200	1,007,200	888,137	( 119,063)
Charges for services	4,591,300	4,591,300	4,689,078	97,778
Permits and fees	862,387	862,387	685,914	( 176,473)
Fines and forfeitures	500,000	500,000	305,608	( 194,392)
Investment income	70,000	70,000	14,964	( 55,036)
Intergovernmental	276,035	276,035	383,477	107,442
Donations	-	-	85,842	85,842
Miscellaneous	66,392	66,392	50,999	( 15,393)
Total revenues	<u>19,301,425</u>	<u>19,301,425</u>	<u>21,024,440</u>	<u>1,723,015</u>
<b>EXPENDITURES</b>				
Current:				
General government	549,766	543,417	525,924	17,493
Finance	531,062	526,352	499,991	26,361
Public safety	9,027,449	9,011,298	8,990,631	20,667
Public works	4,091,105	4,048,210	3,973,885	74,325
Non-departmental	2,282,121	2,287,120	2,210,955	76,165
Tax collection	101,513	101,513	101,513	-
Parks and recreation	413,071	412,664	348,747	63,917
Community and economic development	652,853	737,900	513,719	224,181
Support services	765,854	856,960	854,450	2,510
Tourism and cultural arts	1,126,796	1,245,459	1,156,644	88,815
Debt service				
Principal	335,889	325,054	233,471	91,583
Interest	-	-	17,681	( 17,681)
Capital outlay	<u>1,160,795</u>	<u>1,328,477</u>	<u>1,436,641</u>	<u>( 108,164)</u>
Total expenditures	<u>21,038,274</u>	<u>21,424,424</u>	<u>20,864,252</u>	<u>560,172</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>	<b>( 1,736,849)</b>	<b>( 2,122,999)</b>	<b>160,188</b>	<b>2,283,187</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,972,747	1,972,747	1,912,747	( 60,000)
Transfers out	( 235,898)	( 478,241)	( 529,892)	( 51,651)
Proceeds from issuance of note payable	-	-	376,852	376,852
Total other financing sources (uses)	<u>1,736,849</u>	<u>1,494,506</u>	<u>1,759,707</u>	<u>265,201</u>
<b>NET CHANGE IN FUND BALANCES</b>	<b>-</b>	<b>( 628,493)</b>	<b>1,919,895</b>	<b>2,548,388</b>
<b>FUND BALANCES, BEGINNING</b>	<b><u>6,608,201</u></b>	<b><u>6,608,201</u></b>	<b><u>6,608,201</u></b>	<b><u>-</u></b>
<b>FUND BALANCES, ENDING</b>	<b>\$ <u>6,608,201</u></b>	<b>\$ <u>5,979,708</u></b>	<b>\$ <u>8,528,096</u></b>	<b>\$ <u>2,548,388</u></b>

The accompanying notes are an integral part of this schedule.

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**CITY OF MARSHALL, TEXAS**

**NOTES TO BUDGETARY SCHEDULE**

**DECEMBER 31, 2021**

**Summary of Significant Accounting Policies**

**A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Debt Service Funds, Motel Occupancy Tax Fund, Street Maintenance Fund, Litter Control Fund, D.A.R.E. Donations Fund, Municipal Drainage Utility Fund, and EMS ESD Fund. All annual appropriations lapse at fiscal year-end.

The City Council follows these procedures in establishing budgetary data reflected in the financial statements.

1. 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.
2. Duly advertised public hearings are held to obtain taxpayers comments.
3. Prior to October 1, the budget is legally enacted.
4. 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.

**CITY OF MARSHALL, TEXAS**

REQUIRED SUPPLEMENTARY INFORMATION  
 TEXAS MUNICIPAL RETIREMENT SYSTEM  
 SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY  
 AND RELATED RATIOS FOR THE LAST 10 FISCAL YEARS

FOR THE YEAR ENDED DECEMBER 31, 2021

<b>Plan Year Ended December 31,</b>	<b>2014</b>	<b>2015</b>
<b>A. Total Pension Liability</b>		
Service Cost	\$ 1,305,622	\$ 1,317,472
Interest (on the Total Pension Liability)	3,496,478	3,556,882
Difference between expected and actual experience	( 852,294)	( 575,781)
Changes of assumptions	- - -	695,565
Benefit payments, including refunds of employee contributions	<u>( 3,022,865)</u>	<u>( 3,162,757)</u>
Net Change in Total Pension Liability	926,941	1,831,381
Total Pension Liability - Beginning	<u>50,808,304</u>	<u>51,735,245</u>
Total Pension Liability - Ending	<u>\$ 51,735,245</u>	<u>\$ 53,566,626</u>
<b>B. Plan Fiduciary Net Position</b>		
Contributions - Employer	\$ 1,334,649	\$ 1,311,982
Contributions - Employee	541,924	548,947
Net Investment Income	2,537,589	67,466
Benefit payments, including refunds of employee contributions	( 3,022,865)	( 3,162,757)
Administrative Expense	( 26,495)	( 41,096)
Other	<u>( 2,178)</u>	<u>( 2,030)</u>
Net Change in Plan Fiduciary Net Position	1,362,624	( 1,277,488)
Plan Fiduciary Net Position - Beginning	<u>44,361,747</u>	<u>45,724,371</u>
Plan Fiduciary Net Position - Ending	<u>\$ 45,724,371</u>	<u>\$ 44,446,883</u>
<b>Net Pension Liability - Ending (A) - (B)</b>	<u>\$ 6,010,874</u>	<u>\$ 9,119,743</u>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	88.38%	82.97%
<b>Covered Payroll</b>	\$ 7,719,153	\$ 7,842,093
<b>Net Pension Liability as a Percentage of Covered-Employee Payroll</b>	77.87%	116.29%

Note: This schedule is required to have 10 years of information, but the information prior to 2014 is not available.

2016	2017	2018	2019	2020
\$ 1,349,774	\$ 1,360,160	\$ 1,395,937	\$ 1,498,701	\$ 1,524,142
3,561,898	3,692,623	3,777,242	3,882,459	4,021,627
( 25,089)	( 735,674)	( 340,293)	( 35,575)	( 186,568)
( 2,945,304)	( 2,964,912)	( 3,197,858)	( 3,453,140)	( 3,669,573)
1,941,279	1,352,197	1,635,028	2,157,250	1,689,628
<u>53,566,626</u>	<u>55,507,905</u>	<u>56,860,102</u>	<u>58,495,130</u>	<u>60,652,380</u>
<u>\$ 55,507,905</u>	<u>\$ 56,860,102</u>	<u>\$ 58,495,130</u>	<u>\$ 60,652,380</u>	<u>\$ 62,342,008</u>
\$ 1,280,192	\$ 1,336,984	\$ 1,380,365	\$ 1,429,734	\$ 1,445,245
553,510	560,308	573,785	618,932	627,588
3,003,122	6,415,707	( 1,545,251)	7,537,593	4,161,998
( 2,945,304)	( 2,964,912)	( 3,197,858)	( 3,453,140)	( 3,669,573)
( 33,924)	( 33,258)	( 29,882)	( 42,625)	( 26,958)
( 1,828)	( 1,685)	( 1,561)	( 1,280)	( 1,052)
1,855,768	5,313,144	( 2,820,402)	6,089,214	2,537,248
<u>44,446,883</u>	<u>46,302,651</u>	<u>51,615,795</u>	<u>48,795,393</u>	<u>54,884,607</u>
<u>\$ 46,302,651</u>	<u>\$ 51,615,795</u>	<u>\$ 48,795,393</u>	<u>\$ 54,884,607</u>	<u>\$ 57,421,855</u>
<u>\$ 9,205,254</u>	<u>\$ 5,244,307</u>	<u>\$ 9,699,737</u>	<u>\$ 5,767,773</u>	<u>\$ 4,920,153</u>
83.42%	90.78%	83.42%	90.49%	92.11%
\$ 7,907,289	\$ 7,991,538	\$ 8,196,928	\$ 8,841,891	\$ 8,965,540
116.41%	65.62%	118.33%	65.23%	54.88%

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**CITY OF MARSHALL, TEXAS**

**REQUIRED SUPPLEMENTARY INFORMATION**

**TEXAS MUNICIPAL RETIREMENT SYSTEM**

**SCHEDULE OF CONTRIBUTIONS FOR THE LAST 10 FISCAL YEARS**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

Fiscal Year Ended September 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution			Contribution Deficiency (Excess)		Covered Payroll	Contributions as a Percentage of Covered Payroll
		Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll				
2015	\$ 1,311,982	\$ 1,311,982	-	\$ 7,842,903				16.73%
2016	1,280,192	1,280,192	-	7,907,289				16.19%
2017	1,336,984	1,336,984	-	7,991,538				16.73%
2018	1,380,364	1,380,364	-	8,196,933				16.84%
2019	1,429,734	1,429,734	-	8,841,892				16.17%
2020	1,443,521	1,443,521	-	8,954,843				16.12%
2021	1,376,870	1,376,870	-	8,483,485				16.23%

### **Notes to Schedule of Contributions**

**Valuation Date:**

## Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year smoothed market; 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:**

Notes There were no benefit changes during the year.

Note: This schedule is required to have 10 years of information, but the information prior to 2015 is not available.

**CITY OF MARSHALL, TEXAS**

REQUIRED SUPPLEMENTARY INFORMATION  
FIREMAN'S RELIEF AND RETIREMENT FUND  
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY  
AND RELATED RATIOS FOR THE LAST 10 YEARS

FOR THE YEAR ENDED DECEMBER 31, 2021

<b>Plan Year Ended December 31,</b>	<b>2015</b>	<b>2016</b>
<b>A. Total Pension Liability</b>		
Service Cost	\$ 371,513	\$ 400,305
Interest	1,322,897	1,333,835
Changes of benefit provisions	-	-
Changes between expected and actual experience	-	200,547
Changes of assumptions	-	150,107
Benefit payments	( 1,110,534)	( 1,252,982)
Net Change in Total Pension Liability	583,876	831,812
Total Pension Liability - Beginning	<u>17,253,390</u>	<u>17,837,266</u>
Total Pension Liability - Ending	<u>\$ 17,837,266</u>	<u>\$ 18,669,078</u>
<b>B. Plan Fiduciary Net Position</b>		
Contributions by the city	\$ 486,443	\$ 506,523
Contributions by the employees	357,493	372,247
Net investment income	( 210,617)	575,344
Benefit payments	( 1,110,534)	( 1,252,982)
Administrative expenses	( 12,357)	( 2,877)
Net Change in Plan Fiduciary Net Position	( 489,572)	198,255
Plan Fiduciary Net Position - Beginning	<u>8,003,545</u>	<u>7,513,973</u>
Plan Fiduciary Net Position - Ending	<u>\$ 7,513,973</u>	<u>\$ 7,712,228</u>
<b>C. City's Net Pension Liability - Ending (A) - (B)</b>	<u>\$ 10,323,293</u>	<u>\$ 10,956,850</u>
<b>D. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	42.1%	41.3%
<b>E. Covered Payroll</b>	\$ 2,553,521	\$ 2,658,907
<b>F. City's Net Pension Liability as a Percentage of Covered Payroll</b>	404.3%	412.1%

Note: This schedule is required to have 10 years of information, but the information prior to 2015 is not available.

2017	2018	2019	2020
\$ 440,900	\$ 529,160	\$ 526,298	\$ 546,060
1,439,690	1,446,763	1,499,742	1,552,899
-	-	-	25,140
-	( 636,901)	-	( 59,820)
-	977,212	-	572,964
( 1,066,677)	( 1,630,156)	( 1,397,609)	( 1,276,480)
813,913	686,078	628,431	1,360,763
<u>18,669,078</u>	<u>19,482,991</u>	<u>20,169,069</u>	<u>20,797,500</u>
\$ <u>19,482,991</u>	\$ <u>20,169,069</u>	\$ <u>20,797,500</u>	\$ <u>22,158,263</u>
\$ 516,808	\$ 527,752	\$ 567,487	\$ 583,682
383,450	387,849	465,712	407,407
997,663	( 524,859)	1,372,728	923,657
( 1,066,677)	( 1,630,156)	( 1,397,609)	( 1,276,480)
( 16,563)	( 8,655)	( 14,464)	( 5,633)
814,681	( 1,248,069)	993,854	632,633
<u>7,712,228</u>	<u>8,526,909</u>	<u>7,278,840</u>	<u>8,272,694</u>
\$ <u>8,526,909</u>	\$ <u>7,278,840</u>	\$ <u>8,272,694</u>	\$ <u>8,905,327</u>
\$ <u>10,956,082</u>	\$ <u>12,890,229</u>	\$ <u>12,524,806</u>	\$ <u>13,252,936</u>
43.8%	36.1%	39.8%	40.2%
\$ 2,738,929	\$ 2,770,350	\$ 2,816,321	\$ 2,910,050
400.0%	465.3%	444.7%	455.4%

**CITY OF MARSHALL, TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**FIREMAN'S RELIEF AND RETIREMENT FUND**  
**SCHEDULE OF CONTRIBUTIONS FOR THE LAST 10 FISCAL YEARS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

Fiscal Year Ended December 31,	Annual Required Contribution	Contributions in Relation to the Annual Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of of Covered Payroll
2015	\$ 843,936	\$ 843,936	\$ -	\$ 2,553,521	33.0%
2016	878,770	878,770	-	2,658,907	33.1%
2017	900,258	900,258	-	2,738,929	32.9%
2018	915,601	915,601	-	2,770,444	33.0%
2019	1,033,199	1,033,199	-	2,816,321	36.7%
2020	991,089	991,089	-	2,910,050	34.1%
2021	1,037,074	1,037,074	-	2,765,957	37.5%

**Notes to Schedule of Contributions**

**Valuation Date:**

Notes

December 31, 2020

Contributions to the Fund are based on the TLFFRA requirements rather than an actuarially determined rate. The funding policy for the Marshall Firemen's Relief and Retirement Fund requires contributions from both the City and the firefighters.

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

Actuarial Cost Method

Entry Age Normal

Amortization Method

Level Percentage of Payroll, Open

Remaining Amortization Period

15 years

Asset Valuation Method

Market Value

Salary Increases

3.75% per annum

Investment Rate of Return

7.25% per annum

Retirement Age

50% of Active firefighters are assumed to retire at age 50 and 20. The remaining 50% are assumed enter DROP at age 53 and 20 years of service or current age if older and retire at age 56. Terminated firefighters entitled to deferred benefits are assumed to retire on the later of age 50 or age on the valuation date.

Mortality

Pubs-2010 mortality table projected generationally with Scale MP-2020.

Note: This schedule is required to have 10 years of information, but the information prior to 2015 is not available.

**CITY OF MARSHALL, TEXAS**

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS  
TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFITS FUND**

FOR THE YEAR ENDED DECEMBER 31, 2021

<b>Plan Year ended December 31,</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>A. Total OPEB liability</b>				
Service Cost	\$ 20,778	\$ 24,591	\$ 22,105	\$ 33,172
Interest	25,850	25,905	30,193	25,644
Difference between expected and actual experience	-	40,058	( 69,485)	( 22,262)
Changes of assumptions	57,123	( 50,454)	138,792	136,761
Benefit payments, including refunds of employee contributions	( 6,393)	( 7,377)	( 7,958)	( 8,966)
Net change in Total OPEB liability	97,358	32,723	113,647	164,349
Total OPEB liability - beginning	<u>676,668</u>	<u>774,026</u>	<u>806,749</u>	<u>920,396</u>
Total OPEB liability - ending	<u>\$ 774,026</u>	<u>\$ 806,749</u>	<u>\$ 920,396</u>	<u>\$ 1,084,745</u>
<b>B. Covered-employee payroll</b>	<b>\$ 7,991,538</b>	<b>\$ 8,196,928</b>	<b>\$ 8,841,891</b>	<b>\$ 8,965,540</b>
<b>C. Total OPEB liability as a percentage of covered-employee payroll</b>	<b>9.69%</b>	<b>9.84%</b>	<b>10.41%</b>	<b>12.10%</b>

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

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

**CITY OF MARSHALL, TEXAS**

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

FOR THE YEAR ENDED DECEMBER 31, 2021

<b>Plan Year ended December 31,</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>A. Total OPEB liability</b>				
Service Cost	\$ 12,393	\$ 11,283	\$ 12,239	\$ 14,711
Interest (on the Total OPEB Liability)	21,351	21,605	14,030	9,771
Difference between expected and actual experience	-	46,014	-	251,965
Changes of assumptions	( 22,867)	( 3,685)	17,024	2,469
Benefit payments, including refunds of employee contributions	( 116,353)	( 88,060)	( 96,692)	( 97,666)
Net change in Total OPEB liability	( 105,476)	( 12,843)	( 53,399)	181,250
Total OPEB liability - beginning	<u>666,461</u>	<u>560,985</u>	<u>548,142</u>	<u>494,743</u>
Total OPEB liability - ending (a)	<u>\$ 560,985</u>	<u>\$ 548,142</u>	<u>\$ 494,743</u>	<u>\$ 675,993</u>
<b>B. Covered-employee payroll</b>	<b>\$ 10,515,495</b>	<b>\$ 9,397,023</b>	<b>\$ 9,679,000</b>	<b>\$ 11,482,000</b>
<b>C. Total OPEB liability as a percentage of covered-employee payroll</b>	<b>5.33%</b>	<b>5.83%</b>	<b>5.11%</b>	<b>5.89%</b>

Note: This schedule is required to have 10 years of information, but the information prior to 2018 is not available.

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

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

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## **NONMAJOR GOVERNMENTAL FUNDS**

**CITY OF MARSHALL, TEXAS**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS**

DECEMBER 31, 2021

	Special Revenue				
	Motel Occupancy Fund	Community Development Fund	Municipal Court Tech Fund	Street Maintenance Fund	Litter Control Fund
<b>ASSETS</b>					
Cash and cash equivalents	\$ 529,383	\$ 32,732	\$ -	\$ 723,644	\$ 10,281
Receivables:					
Current taxes	82,767	-	-	-	-
Other	-	-	-	-	-
Due from other funds	-	-	-	129,796	-
Due from other governments	-	123,378	-	-	-
Prepaid items	4,916	-	-	-	-
Inventory	-	-	-	-	-
Total assets	<u>617,066</u>	<u>156,110</u>	<u>-</u>	<u>853,440</u>	<u>10,281</u>
<b>LIABILITIES</b>					
Accounts payable	25,553	53,116	-	-	-
Accrued liabilities	1,080	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	<u>26,633</u>	<u>53,116</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES (DEFICITS)</b>					
Nonspendable:					
Prepaid items	4,916	-	-	-	-
Inventory	-	-	-	-	-
Restricted:					
Promotion and tourism	585,517	102,994	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	10,281
Street maintenance	-	-	-	853,440	-
Library	-	-	-	-	-
Capital projects	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances (deficits)	<u>590,433</u>	<u>102,994</u>	<u>-</u>	<u>853,440</u>	<u>10,281</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 617,066</u>	<u>\$ 156,110</u>	<u>\$ -</u>	<u>\$ 853,440</u>	<u>\$ 10,281</u>

## Special Revenue

D.A.R.E. Donations Fund	Controlled Substance Fund	Art Center Projects Fund	Park Trails Fund	Disaster Relief Fund	Wonderland of Lights	Municipal Drainage Fund
\$ 26,359	\$ 222,892	\$ 3,266	\$ 4,533	\$ 2,646	\$ 54,930	\$ 598,843
-	-	-	-	-	-	-
-	-	-	-	-	-	28,376
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	223
-	-	-	-	-	33,632	-
<u>26,359</u>	<u>222,892</u>	<u>3,266</u>	<u>4,533</u>	<u>2,646</u>	<u>88,562</u>	<u>627,442</u>
-	1,937	-	-	-	77,228	658
-	-	-	-	-	-	2,470
-	-	-	-	-	-	-
-	<u>1,937</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>77,228</u>	<u>3,128</u>
-	-	-	-	-	-	223
-	-	-	-	-	33,632	-
-	-	3,266	-	-	-	-
<u>26,359</u>	<u>220,955</u>	<u>-</u>	<u>-</u>	<u>2,646</u>	<u>-</u>	<u>-</u>
-	-	-	4,533	-	-	624,091
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	( 22,298)	-
<u>26,359</u>	<u>220,955</u>	<u>3,266</u>	<u>4,533</u>	<u>2,646</u>	<u>11,334</u>	<u>624,314</u>
\$ 26,359	\$ 222,892	\$ 3,266	\$ 4,533	\$ 2,646	\$ 88,562	\$ 627,442

**CITY OF MARSHALL, TEXAS**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS**

DECEMBER 31, 2021

	Special Revenue				
	EMS Fund	Police Special Projects Fund	Old City Hall Restoration Fund	Economic Development Fund	Structural Modifications
<b>ASSETS</b>					
Cash and cash equivalents	\$ 128,754	\$ 60,254	\$ 3,500	\$ 466	\$ 26,536
Receivables:					
Current taxes	-	-	-	-	-
Other	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	-	-	-	-	-
Prepaid items	-	-	-	-	-
Inventory	-	-	-	-	-
Total assets	<u>128,754</u>	<u>60,254</u>	<u>3,500</u>	<u>466</u>	<u>26,536</u>
<b>LIABILITIES</b>					
Accounts payable	-	-	-	-	-
Accrued liabilities	-	-	-	-	-
Unearned revenue	<u>62,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>62,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES (DEFICITS)</b>					
Nonspendable:					
Prepaid items	-	-	-	-	-
Inventory	-	-	-	-	-
Restricted:					
Promotion and tourism	-	-	3,500	466	-
Public safety	<u>66,254</u>	<u>60,254</u>	-	-	-
Public works	-	-	-	-	-
Street maintenance	-	-	-	-	-
Library	-	-	-	-	-
Capital projects	-	-	-	-	<u>26,536</u>
Unassigned	-	-	-	-	-
Total fund balances (deficits)	<u>66,254</u>	<u>60,254</u>	<u>3,500</u>	<u>466</u>	<u>26,536</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 128,754</u>	<u>\$ 60,254</u>	<u>\$ 3,500</u>	<u>\$ 466</u>	<u>\$ 26,536</u>

Special Revenue				Capital Projects			
Leose Funds Police & Fire Departments	Fire Department Donations	Local Grants	1995 Capital Imp. Fund	2007 Capital Imp. Fund	2010 Utility Conserv. Fund	2010 Memorial City Hall Fund	
\$ 741	\$ 100	\$ 35,604	\$ 13,957	\$ 1,036,018	\$ 24,548	\$ 30,479	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
<b>741</b>	<b>100</b>	<b>35,604</b>	<b>13,957</b>	<b>1,036,018</b>	<b>24,548</b>	<b>30,479</b>	
-	-	-	-	14,429	-	1,077	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,429</b>	<b>-</b>	<b>1,077</b>	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	35,604	-	-	-	-	
741	100	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	13,957	1,021,589	24,548	29,402	
<b>741</b>	<b>100</b>	<b>35,604</b>	<b>13,957</b>	<b>1,021,589</b>	<b>24,548</b>	<b>29,402</b>	
\$ 741	\$ 100	\$ 35,604	\$ 13,957	\$ 1,036,018	\$ 24,548	\$ 30,479	

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**CITY OF MARSHALL, TEXAS**

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2021

	<u>Capital Projects</u>		
	Capital Improvement Fund	Library Fund	Total Other Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 260,676	\$ 345,713	\$ 4,176,855
Receivables:			
Current taxes	-	-	82,767
Other	-	-	28,376
Due from other funds	-	-	129,796
Due from other governments	-	-	123,378
Prepaid items	-	-	5,139
Inventory	-	-	33,632
Total assets	<u>260,676</u>	<u>345,713</u>	<u>4,579,943</u>
<b>LIABILITIES</b>			
Accounts payable	229,003	-	403,001
Accrued liabilities	-	-	3,550
Unearned revenue	-	-	62,500
Total liabilities	<u>229,003</u>	<u>-</u>	<u>469,051</u>
<b>FUND BALANCES (DEFICITS)</b>			
Nonspendable:			
Prepaid items	-	-	5,139
Inventory	-	-	33,632
Restricted:			
Promotion and tourism	-	-	731,347
Public safety	-	-	377,309
Public works	-	-	638,905
Street maintenance	-	-	853,440
Library	-	345,713	345,713
Capital projects	31,673	-	1,147,705
Unassigned	-	-	( 22,298)
Total fund balances (deficits)	<u>31,673</u>	<u>345,713</u>	<u>4,110,892</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 260,676</u>	<u>\$ 345,713</u>	<u>\$ 4,579,943</u>

**CITY OF MARSHALL, TEXAS**

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

FOR THE YEAR ENDED DECEMBER 31, 2021

	Special Revenue				
	Motel Occupancy Fund	Community Development Fund	Municipal Court Tech Fund	Street Maintenance Fund	Litter Control Fund
<b>REVENUES</b>					
Sales taxes	\$ -	\$ -	\$ -	\$ 676,044	\$ -
Intergovernmental	-	424,781	-	97,500	-
Motel occupancy taxes	964,398	-	-	-	-
Charges for services	-	-	-	28,000	-
Fines and forfeitures	-	-	7,322	-	-
Investment income	64	-	-	180	-
Donations	-	-	-	-	6,459
Miscellaneous	241	-	-	-	-
Total revenues	<u>964,703</u>	<u>424,781</u>	<u>7,322</u>	<u>801,724</u>	<u>6,459</u>
<b>EXPENDITURES</b>					
Current:					
General government	-	-	7,322	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	807
Tourism and cultural arts	276,116	-	-	-	-
Community and economic development	-	424,781	-	-	-
Support services	-	-	-	-	-
Capital outlay	<u>7,489</u>	<u>-</u>	<u>-</u>	<u>388,994</u>	<u>-</u>
Total expenditures	<u>283,605</u>	<u>424,781</u>	<u>7,322</u>	<u>388,994</u>	<u>807</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>					
	<u>681,098</u>	<u>-</u>	<u>-</u>	<u>412,730</u>	<u>5,652</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	102,994	-	-	-
Transfers out	( 396,080)	-	-	-	-
Total other financing sources (uses)	<u>( 396,080)</u>	<u>102,994</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>					
<b>FUND BALANCES, BEGINNING</b>	<u>305,415</u>	<u>-</u>	<u>-</u>	<u>440,710</u>	<u>4,629</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 590,433</u>	<u>\$ 102,994</u>	<u>\$ -</u>	<u>\$ 853,440</u>	<u>\$ 10,281</u>

**Special Revenue**

D.A.R.E. Donations Fund	Controlled Substance Fund	Art Center Projects Fund	Park Trails Fund	Disaster Relief Fund	Wonderland of Lights	Municipal Drainage Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
		3,255				
		-	-	-	-	-
		-	-	-	98,531	345,163
		-	-	-	-	-
6	42	-	-	-	-	-
1,086	9,435	-	-	-	7,100	-
	10,191	-	-	-	-	-
<u>1,092</u>	<u>22,923</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>105,631</u>	<u>345,163</u>
 - 2,000	 20,431	 -	 -	 -	 -	 -
		-	-	-	129,442	-
		-	-	-	-	-
		-	-	-	-	-
		-	-	-	-	-
		-	-	-	-	-
<u>2,000</u>	<u>20,431</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>129,442</u>	<u>289,445</u>
 ( 908)	 2,492	 -	 -	 -	 ( 23,811)	 55,718
 - -	 -	 -	 -	 -	 33,632	 -
 - -	 -	 -	 -	 -	 -	 -
 - -	 -	 -	 -	 -	 33,632	 -
 ( 908)	 2,492	 -	 -	 -	 9,821	 55,718
<u>27,267</u>	<u>218,463</u>	<u>3,266</u>	<u>4,533</u>	<u>2,646</u>	<u>1,513</u>	<u>568,596</u>
<u>\$ 26,359</u>	<u>\$ 220,955</u>	<u>\$ 3,266</u>	<u>\$ 4,533</u>	<u>\$ 2,646</u>	<u>\$ 11,334</u>	<u>\$ 624,314</u>

**CITY OF MARSHALL, TEXAS**

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

FOR THE YEAR ENDED DECEMBER 31, 2021

	Special Revenue				
	EMS Fund	Police Special Projects Fund	Old City Hall Restoration Fund	Economic Development Fund	Structural Modifications
<b>REVENUES</b>					
Sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	160,700	-	-	-	-
Motel occupancy taxes	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Investment income	-	-	-	-	-
Donations	-	-	3,500	-	-
Miscellaneous	-	-	-	5,000	26,536
Total revenues	<u>160,700</u>	<u>-</u>	<u>3,500</u>	<u>5,000</u>	<u>26,536</u>
<b>EXPENDITURES</b>					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Tourism and cultural arts	-	-	-	-	-
Community and economic development	-	-	-	15,000	-
Support services	-	-	-	-	-
Capital outlay	<u>117,577</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>117,577</u>	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>					
	<u>43,123</u>	<u>-</u>	<u>3,500</u>	<u>( 10,000)</u>	<u>26,536</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
<b>NET CHANGE IN FUND BALANCES</b>					
	<u>43,123</u>	<u>-</u>	<u>3,500</u>	<u>( 10,000)</u>	<u>26,536</u>
<b>FUND BALANCES, BEGINNING</b>					
	<u>23,131</u>	<u>60,254</u>	<u>-</u>	<u>10,466</u>	<u>-</u>
<b>FUND BALANCES, ENDING</b>					
	<u>\$ 66,254</u>	<u>\$ 60,254</u>	<u>\$ 3,500</u>	<u>\$ 466</u>	<u>\$ 26,536</u>

Special Revenue			Capital Projects			
Lease Funds Police & Fire Departments	Fire Department Donations	Local Grants	1995 Capital Imp. Fund	2007 Capital Imp. Fund	2010 Utility Conserv. Fund	2010 Memorial City Hall Fund
\$ - 741	\$ -	\$ 75,000	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	395	-	-
-	100	-	-	-	-	-
-	-	-	-	-	-	-
<u>741</u>	<u>100</u>	<u>75,000</u>	<u>-</u>	<u>395</u>	<u>-</u>	<u>-</u>
-	-	-	-	2,147	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	39,396	-	603,137	-	-
<u>-</u>	<u>-</u>	<u>39,396</u>	<u>-</u>	<u>605,284</u>	<u>-</u>	<u>-</u>
<u>741</u>	<u>100</u>	<u>35,604</u>	<u>-</u>	<u>( 604,889)</u>	<u>-</u>	<u>-</u>
-	-	-	-	126,000	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	126,000	-	-
<u>741</u>	<u>100</u>	<u>35,604</u>	<u>-</u>	<u>( 478,889)</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>13,957</u>	<u>1,500,478</u>	<u>24,548</u>	<u>29,402</u>
<u>\$ 741</u>	<u>\$ 100</u>	<u>\$ 35,604</u>	<u>\$ 13,957</u>	<u>\$ 1,021,589</u>	<u>\$ 24,548</u>	<u>\$ 29,402</u>

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**CITY OF MARSHALL, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Capital Projects</u>		
	Capital Improvement Fund	Library Fund	Total Other Governmental Funds
	\$	\$	\$
<b>REVENUES</b>			
Sales taxes	\$ -	\$ -	\$ 676,044
Intergovernmental	- -	- -	761,977
Motel occupancy taxes	- -	- -	964,398
Charges for services	- -	- -	471,694
Fines and forfeitures	- -	- -	7,322
Investment income	- -	143	830
Donations	497,718	2,000	527,398
Miscellaneous	23,372	29,689	95,029
Total revenues	<u>521,090</u>	<u>31,832</u>	<u>3,504,692</u>
<b>EXPENDITURES</b>			
Current:			
General government	8,827	- -	18,296
Public safety	- -	- -	22,431
Public works	- -	- -	168,094
Tourism and cultural arts	- -	- -	405,558
Community and economic development	- -	- -	439,781
Support services	- -	1,539	1,539
Capital outlay	<u>1,268,805</u>	<u>- -</u>	<u>2,547,556</u>
Total expenditures	<u>1,277,632</u>	<u>1,539</u>	<u>3,603,255</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>			
	<u>( 756,542)</u>	<u>30,293</u>	<u>( 98,563)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	65,000	- -	327,626
Transfers out	- -	- -	( 396,080)
Total other financing sources (uses)	<u>65,000</u>	<u>- -</u>	<u>( 68,454)</u>
<b>NET CHANGE IN FUND BALANCES</b>			
	<u>( 691,542)</u>	<u>30,293</u>	<u>( 167,017)</u>
<b>FUND BALANCES, BEGINNING</b>			
	<u>723,215</u>	<u>315,420</u>	<u>4,277,909</u>
<b>FUND BALANCES, ENDING</b>			
	<u>\$ 31,673</u>	<u>\$ 345,713</u>	<u>\$ 4,110,892</u>

**CITY OF MARSHALL, TEXAS**  
**DEBT SERVICE FUNDS**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

<u>Budgeted Amounts</u>				Variance with Final Budget - Positive (Negative)
REVENUES	Original	Final	Actual	
Property taxes	\$ 850,714	\$ 850,714	\$ 1,060,653	\$ 209,939
Investment income	6,003	6,003	95	( 5,908)
<b>Total revenues</b>	<b>856,717</b>	<b>856,717</b>	<b>1,060,748</b>	<b>204,031</b>
<b>EXPENDITURES</b>				
Debt service:				
Principal	887,000	887,000	889,000	( 2,000)
Interest	187,747	187,747	202,647	( 14,900)
<b>Total expenditures</b>	<b>1,074,747</b>	<b>1,074,747</b>	<b>1,091,647</b>	<b>( 16,900)</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>	<b>( 218,030)</b>	<b>( 218,030)</b>	<b>( 30,899)</b>	<b>187,131</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	218,030	218,030	218,030	-
Total other financing sources (uses)	218,030	218,030	218,030	-
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>187,131</b>	<b>187,131</b>
<b>FUND BALANCE, BEGINNING</b>	<b>379,453</b>	<b>379,453</b>	<b>379,453</b>	<b>-</b>
<b>FUND BALANCE, ENDING</b>	<b>\$ 379,453</b>	<b>\$ 379,453</b>	<b>\$ 566,584</b>	<b>\$ 187,131</b>

**CITY OF MARSHALL, TEXAS**  
**MOTEL OCCUPANCY TAX**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Motel occupancy taxes	\$ 800,000	\$ 800,000	\$ 964,398	\$ 164,398
Investment income	-	-	64	64
Miscellaneous	-	-	241	241
Total revenues	<u>800,000</u>	<u>800,000</u>	<u>964,703</u>	<u>164,703</u>
<b>EXPENDITURES</b>				
Current:				
Tourism and cultural arts	437,552	375,052	276,116	98,936
Capital outlay	-	7,500	7,489	11
Total expenditures	<u>437,552</u>	<u>382,552</u>	<u>283,605</u>	<u>98,947</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>362,448</u>	<u>417,448</u>	<u>681,098</u>	<u>263,650</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	( 362,448)	( 362,448)	( 396,080)	( 33,632)
Total other financing sources (uses)	<u>( 362,448)</u>	<u>( 362,448)</u>	<u>( 396,080)</u>	<u>( 33,632)</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	55,000	285,018	230,018
<b>FUND BALANCES, BEGINNING</b>	<u>305,415</u>	<u>305,415</u>	<u>305,415</u>	<u>-</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 305,415</u>	<u>\$ 360,415</u>	<u>\$ 590,433</u>	<u>\$ 230,018</u>

**CITY OF MARSHALL, TEXAS**  
**STREET MAINTENANCE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Sales taxes	\$ 570,405	\$ 570,405	\$ 676,044	\$ 105,639
Intergovernmental	-	-	97,500	97,500
Charges for services	-	-	28,000	28,000
Investment income	-	-	180	180
Total revenues	<u>570,405</u>	<u>570,405</u>	<u>801,724</u>	<u>231,319</u>
<b>EXPENDITURES</b>				
Capital outlay	<u>570,405</u>	<u>570,405</u>	<u>388,994</u>	<u>181,411</u>
Total expenditures	<u>570,405</u>	<u>570,405</u>	<u>388,994</u>	<u>181,411</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	-	412,730	412,730
<b>FUND BALANCES, BEGINNING</b>	<u>440,710</u>	<u>440,710</u>	<u>440,710</u>	<u>-</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 440,710</u>	<u>\$ 440,710</u>	<u>\$ 853,440</u>	<u>\$ 412,730</u>

**CITY OF MARSHALL, TEXAS**

LITTER CONTROL FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2021

<u>Budgeted Amounts</u>					Variance with Final Budget - Positive (Negative)
	Original	Final	Actual		
<b>REVENUES</b>					
Donations	\$ 6,700	\$ 6,700	\$ 6,459	\$ (241)	
Total revenues	<u>6,700</u>	<u>6,700</u>	<u>6,459</u>	<u>(241)</u>	
<b>EXPENDITURES</b>					
Current:					
Public works	6,700	6,700	807	5,893	
Total expenditures	<u>6,700</u>	<u>6,700</u>	<u>807</u>	<u>5,893</u>	
<b>NET CHANGE IN FUND BALANCES</b>					
	-	-	5,652	5,652	
<b>FUND BALANCES, BEGINNING</b>					
	<u>4,629</u>	<u>4,629</u>	<u>4,629</u>	<u>-</u>	
<b>FUND BALANCES, ENDING</b>					
	<u>\$ 4,629</u>	<u>\$ 4,629</u>	<u>\$ 10,281</u>	<u>\$ 5,652</u>	

**CITY OF MARSHALL, TEXAS**

**D.A.R.E. DONATIONS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL**

FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Investment income	\$ -	\$ -	\$ 6	\$ 6
Donations	<u>1,000</u>	<u>1,000</u>	<u>1,086</u>	<u>86</u>
Total revenues	<u>1,000</u>	<u>1,000</u>	<u>1,092</u>	<u>92</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	<u>6,200</u>	<u>6,200</u>	<u>2,000</u>	<u>4,200</u>
Total expenditures	<u>6,200</u>	<u>6,200</u>	<u>2,000</u>	<u>4,200</u>
<b>NET CHANGE IN FUND BALANCE</b>	( 5,200)	( 5,200)	( 908)	4,292
<b>FUND BALANCE, BEGINNING</b>	<u>27,267</u>	<u>27,267</u>	<u>27,267</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 22,067</u>	<u>\$ 22,067</u>	<u>\$ 26,359</u>	<u>\$ 4,292</u>

**CITY OF MARSHALL, TEXAS**  
**MUNICIPAL DRAINAGE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Charges for services	\$ 380,100	\$ 380,100	\$ 345,163	\$( 34,937)
Total revenues	<u>380,100</u>	<u>380,100</u>	<u>345,163</u>	<u>\$( 34,937)</u>
<b>EXPENDITURES</b>				
Current:				
Public works	188,197	190,682	167,287	23,395
Capital outlay	<u>191,903</u>	<u>189,418</u>	<u>122,158</u>	<u>67,260</u>
Total expenditures	<u>380,100</u>	<u>380,100</u>	<u>289,445</u>	<u>90,655</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	-	55,718	55,718
<b>FUND BALANCES, BEGINNING</b>	<u>568,596</u>	<u>568,596</u>	<u>568,596</u>	<u>-</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 568,596</u>	<u>\$ 568,596</u>	<u>\$ 624,314</u>	<u>\$ 55,718</u>

**CITY OF MARSHALL, TEXAS**  
**EMS ESD FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Intergovernmental	\$ 160,700	\$ 160,700	\$ 160,700	\$ -
Total revenues	<u>160,700</u>	<u>160,700</u>	<u>160,700</u>	<u>-</u>
<b>EXPENDITURES</b>				
Capital outlay	120,000	120,000	117,577	2,423
Total expenditures	<u>120,000</u>	<u>120,000</u>	<u>117,577</u>	<u>2,423</u>
<b>NET CHANGE IN FUND BALANCES</b>	40,700	40,700	43,123	2,423
<b>FUND BALANCES, BEGINNING</b>	<u>23,131</u>	<u>23,131</u>	<u>23,131</u>	<u>-</u>
<b>FUND BALANCES, ENDING</b>	\$ 63,831	\$ 63,831	\$ 66,254	\$ 2,423

## **NONMAJOR PROPRIETARY FUNDS**

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**CITY OF MARSHALL, TEXAS**

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 INTERNAL SERVICE FUNDS  
 DECEMBER 31, 2021

	Business-type Activities		Governmental Activities			<hr/> Total
	Equipment Replacement Fund	Equipment Replacement Fund	Stores	Inventory Fund		
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 210,654	\$ 191,071	\$ -	\$ 401,725		
Total current assets	<hr/> 210,654	<hr/> 191,071	<hr/> -	<hr/> 401,725		
Noncurrent assets:						
Capital assets:						
Buildings	18,524	-	122,596	141,120		
Machinery and equipment	1,135,479	684,194	20,660	1,840,333		
Less accumulated depreciation	( 501,373)	( 394,920)	( 143,256)	( 1,039,549)		
Net capital assets	<hr/> 652,630	<hr/> 289,274	<hr/> -	<hr/> 941,904		
Total noncurrent assets	<hr/> 652,630	<hr/> 289,274	<hr/> -	<hr/> 941,904		
Total assets	<hr/> 863,284	<hr/> 480,345	<hr/> -	<hr/> 1,343,629		
<b>LIABILITIES</b>						
	<hr/> -	<hr/> -	<hr/> -	<hr/> -	<hr/> -	<hr/> -
<b>NET POSITION</b>						
Net investment in capital assets	652,630	289,274	-	941,904		
Unrestricted	<hr/> 210,654	<hr/> 191,071	<hr/> -	<hr/> 401,725		
Total net position	\$ 863,284	\$ 480,345	\$ -	\$ 1,343,629		

**CITY OF MARSHALL, TEXAS**

STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN NET POSITION - PROPRIETARY FUNDS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2021

	Business-type Activities				Total	
	Governmental Activities		Stores Inventory Fund			
	Equipment Replacement Fund	Equipment Replacement Fund				
<b>OPERATING REVENUES</b>						
Charges for services	\$ -	\$ -	\$ 180,172	\$ 180,172		
Total operating revenues	<u>-</u>	<u>-</u>	<u>180,172</u>	<u>180,172</u>		
<b>OPERATING EXPENSES</b>						
Materials and supplies	-	230	129,788	130,018		
Depreciation	97,930	98,705	-	196,635		
Total operating expenses	<u>97,930</u>	<u>98,935</u>	<u>129,788</u>	<u>326,653</u>		
<b>OPERATING INCOME (LOSS)</b>	( 97,930)	( 98,935)	50,384	( 146,481)		
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Investment income	72	31	-	103		
Total nonoperating revenues (expenses)	<u>72</u>	<u>31</u>	<u>-</u>	<u>103</u>		
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	( 97,858)	( 98,904)	50,384	( 146,378)		
Transfers in	78,869	81,099	-	159,968		
Total capital contributions and transfers	<u>78,869</u>	<u>81,099</u>	<u>-</u>	<u>159,968</u>		
<b>CHANGE IN NET POSITION</b>	( 18,989)	( 17,805)	50,384	13,590		
<b>TOTAL NET POSITION, BEGINNING</b>	882,273	498,150	( 50,384)	1,330,039		
<b>TOTAL NET POSITION, ENDING</b>	\$ 863,284	\$ 480,345	\$ -	\$ 1,343,629		

**CITY OF MARSHALL, TEXAS**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2021

	Business-type Activities				Total	
	Equipment Replacement Fund	Governmental Activities		Stores Inventory Fund		
		Equipment Replacement Fund	Stores Inventory Fund			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash received from customers	\$ -	\$ -	\$ 195,287	\$ 195,287		
Cash paid to suppliers for goods and services		( 230)	( 144,982)	( 145,212)		
Net cash provided (used) by operating activities		( 230)	50,305	50,075		
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Acquisition and construction of capital assets	( 128,435)	( 21,970)	-	( 150,405)		
Net cash used by capital and related financing activities	( 128,435)	( 21,970)	-	( 150,405)		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest on investments	72	31	-	103		
Net cash provided by investing activities	72	31	-	103		
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfer in	78,869	81,099	-	159,968		
Net cash provided by noncapital financing activities	78,869	81,099	-	159,968		
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	( 49,494)	58,930	50,305	59,741		
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	260,148	132,141	( 50,305)	341,984		
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	\$ 210,654	\$ 191,071	\$ -	\$ 401,725		
<b>RECONCILIATION OF OPERATING GAIN (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>						
Operating gain (loss)	\$ ( 97,930)	\$ ( 98,935)	\$ 50,384	\$ ( 146,481)		
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation	97,930	98,705	-	196,635		
(Increase) decrease in assets:						
Accounts receivable	-	-	15,115	15,115		
Increase (decrease) in liabilities:						
Accounts payable	-	-	( 15,194)	( 15,194)		
Total adjustments	97,930	98,705	( 79)	196,556		
Net cash provided by operating activities	\$ -	\$ ( 230)	\$ 50,305	\$ 50,075		

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## **COMPLIANCE SECTION**

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**INDEPENDENT AUDITOR'S 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**

Honorable Mayor and  
Members of the City Council  
City of Marshall, Texas

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Marshall, Texas (the "City"), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 10, 2022.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2021-002 that we consider to be a material weakness.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's 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 financial statements. 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*.

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**OFFICE LOCATIONS**

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

## **The City of Marshall, Texas' Response to Findings**

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our engagement and described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Pattillo, Brown & Hill, L.L.P.*

Waco, Texas  
November 10, 2022

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

Honorable Mayor  
and City Council of the  
City of Marshall, Texas

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

We have audited the City of Marshall, Texas' (City) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2021. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Marshall, Texas complied, in all material respects, with the 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, 2021.

**Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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*). Our responsibilities under those standards and the *Uniform Guidance* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

## ***Auditors' Responsibility for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *Uniform Guidance* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *Uniform Guidance*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2021-001. Our opinion on each major federal program is not modified with respect to these matters. *Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## ***Report on Internal Control over Compliance***

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-001 to be a material weakness.

*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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

*Pattillo, Brown & Hill, L.L.P.*

Waco, Texas  
November 10, 2022

**CITY OF MARSHALL, TEXAS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

Federal Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Pass-Through Expenditures
<b>U.S. Department of Housing and Urban Development</b>				
Direct Programs:				
CDBG-Entitlement Grants Cluster:				
Community Development Block Grant - Entitlement	14.218	B20MW480034	\$ 172,798	\$ 84,308
Community Development Block Grant - CARES Act - COVID-19	14.218	B20MW480034-CV	96,642	-
Community Development Block Grant - Entitlement	14.218	B21MC480034	155,341	42,817
Total CDBG-Entitlements Grants Cluster			<u>424,781</u>	<u>127,125</u>
Total U.S. Department of Housing and Urban Development			<u>424,781</u>	<u>127,125</u>
<b>U.S. Department of Justice</b>				
Direct Programs:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	15PBJA-21-GG-01887-JAGX	10,716	-
Coronavirus Emergency Supplemental Funding Program - COVID-19	16.034	2020-VD-BX-0847	17,215	-
Coronavirus Emergency Supplemental Funding Program - COVID-19	16.034	2020-VD-BX-0002	23,159	-
Total U.S. Department of Justice			<u>51,090</u>	<u>-</u>
<b>U.S. Department of Transportation</b>				
Passed through Texas Department of Transportation:				
State & Community Highway Safety (Highway Safety Cluster)	20.600	2021-MARSHALL-S-RFR	5,888	-
Total Texas Department of Transportation			<u>5,888</u>	<u>-</u>
Total U.S. Department of Transportation			<u>5,888</u>	<u>-</u>
<b>U.S. Department of the Treasury</b>				
Direct Programs:				
American Rescue Plan Act - COVID-19	21.027	SLT-8193	269,227	-
Total U.S. Department of the Treasury			<u>269,227</u>	<u>-</u>
<b>National Endowment for the Humanities</b>				
Passed through Texas State Library and Archives Commission				
Grants to States	45.310	N/A	2,124	-
Total Texas State Library and Archives Commission			<u>2,124</u>	<u>-</u>
Total National Endowment for the Humanities			<u>2,124</u>	<u>-</u>
<b>Centers for Medicare and Medicaid Services</b>				
Passed though Texas Health and Human Services Commission				
Texas Ambulance Services Supplemental Payment Program (Medicaid Cluster)	93.778	FY 20 UC	283,462	-
Total Texas Health and Human Services Commission			<u>283,462</u>	<u>-</u>
Total Centers for Medicare and Medicaid Services			<u>283,462</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 1,036,572</u>	<u>\$ 127,125</u>

## **CITY OF MARSHALL, TEXAS**

### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2021**

#### **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.

#### **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.

**CITY OF MARSHALL, TEXAS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**Summary of Auditor's Results**

Financial Statements:

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes (2021-002)

Significant deficiency(ies) identified? No

Noncompliance material to financial statements noted?

No

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? Yes (2021-001)

Significant deficiency(ies) identified? No

Type of auditor's report issued on compliance for major programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)

Yes

Identification of major programs:

Assistance Listing Number:	Name of Federal Program or Cluster:
14.218	Community Development Block Grant-Entitlement
21.027	American Rescue Plan Act - COVID-19

Dollar threshold used to distinguish between type A and type B programs

\$750,000

Auditee qualified as low-risk auditee?

No

**Findings Relating to the Financial Statements Which Are Required to be Reported in Accordance With Generally Accepted Government Auditing Standards**

2021-002

**Findings and Questioned Costs for Federal Awards**

2021-001

**CITY OF MARSHALL TEXAS, TEXAS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
(Continued)

FOR THE YEAR ENDED DECEMBER 31, 2021

**Findings and Questioned Costs for Federal Awards**

Finding 2021-001

Federal Grantor:	United States Department of Treasury
Assistance Listing Number:	21.027
Program:	Coronavirus State and Local Fiscal Recovery Funds
Compliance Requirement:	Procurement and Suspension and Debarment
Questioned Cost:	None
Finding type:	Material Weakness
Criteria:	According to 2 CFR 200.303, a non-federal entity should design and implement effective internal controls over each applicable compliance requirement for Federal awards.
Condition:	Non-federal entities are prohibited from contracting with vendors that are suspended or debarred and therefore should have internal controls designed and implemented to prevent noncompliance. During our testing, we noted an absence of procedures in place to prevent the City from contracting with parties that are suspended or debarred.
Cause:	During the past two years, the City has experienced turnover in its finance department and city management, leading to procedures over federal awards to become outdated.
Effect:	The City is at risk of contracting with vendors that are suspended or debarred.
Recommendation:	When entering into transactions with federal awards, the City should verify the vendors are not suspended or debarred. The verification may be accomplished by (1) ensuring that each vendor has not been listed as suspended or debarred on the System for Award Management (SAM.gov), (2) collecting a certification from the vendor, or (3) adding a clause or condition to the contract with the vendor.
Management's Response:	The Finance Department is currently ensuring that each vendor has not been listed as suspended or debarred on the System for Award Management (SAM.gov). Purchasing verifies all procurements on federal grant programs prior to approval of any Purchase Order. This issue has been resolved as of September 1, 2022.

**CITY OF MARSHALL TEXAS, TEXAS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
(Continued)

**FOR THE YEAR ENDED DECEMBER 31, 2021**

**Financial Statement Findings**

Finding 2021-002

Finding Type:	Material Weakness
Criteria:	Management is responsible for the accuracy and completeness of the financial statements, and for establishing and maintaining effective internal control over financial reporting. The existence of a material misstatement of an entity's financial statements is an indication of the existence of a material weakness in internal control.
Condition:	Beginning net position of the governmental activities was restated by \$12,524,806 to correct the omission of the City of Marshall Firemen's Relief and Retirement Fund (FRRF) net pension liability and related deferred inflows and outflows of resources.
Cause:	During the past two years, the City has experienced turnover in its finance department and city management, leading to procedures over year end financial close and reporting to become outdated.
Effect:	Material misstatements to the City's financial statements were not prevented or detected and corrected by the system of internal controls.
Recommendation:	Management should prepare and utilize a year end financial close and reporting checklist to ensure all material balances and transactions are materially correct.
Management's Response:	In the future, the Finance Department will prepare a financial close and reporting checklist to ensure all material balances and transactions are adjusted and materially correct in the financial statements.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2021

None

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