

**CITY OF MARSHALL, TEXAS**

**ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED**

**DECEMBER 31, 2014**

# **CITY OF MARSHALL, TEXAS**

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## **FINANCIAL SECTION**

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

CERTIFIED PUBLIC ACCOUNTANTS

204 S. WELLINGTON STREET  
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MARSHALL, TEXAS 75670  
(903) 938-0331 • FAX (903) 938-0334

## **INDEPENDENT AUDITORS' REPORT**

The Honorable City Commission  
City of Marshall, Texas

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Marshall, Texas as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Marshall, Texas, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Marshall, Texas' basic financial statements. The combining and individual nonmajor fund financial statements and supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and supplemental schedules 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 and individual nonmajor fund financial statements and supplemental 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 September 3, 2015, on our consideration of City of Marshall, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Marshall, Texas' internal control over financial reporting and compliance.

Respectfully submitted,

KNUCKOLS, DUVAL, HALLUM & CO.



Certified Public Accountants

Marshall, Texas

September 3, 2015

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

The Honorable City Commission  
Marshall, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Marshall, Texas, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise City of Marshall, Texas' basic financial statements, and have issued our report thereon dated September 3, 2015.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

Respectfully submitted,

KNUCKOLS, DUVAL, HALLUM & CO.



Certified Public Accountants

Marshall, Texas

September 3, 2015

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

# CITY OF MARSHALL, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2014

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, 2014. We encourage readers to consider the information presented here in conjunction with the Independent Auditors' Report on page 1 and the City's Basic Financial Statements, which begin on page 13.

### Financial Highlights

- The assets of the City of Marshall exceeded its liabilities at the close of the most recent fiscal year by \$78,954,726 (net position). Of this amount, \$13,076,647 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City of Marshall's governmental funds reported combined ending fund balances of \$10,588,639. Approximately 65% 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 \$7,023,941 or 41% 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, non-departmental, tax collection, community facilities, planning and development, support services and tourist and convention. The City budgets by department as explained in the Notes to Financial Statements. This year, as noted in City of Marshall's Changes in Net Position on page 8, the City changed department descriptions for various departments. 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, Marshall Downtown Development Corporation, and Marshall Convention and Visitors Bureau for which the City is financially accountable. Financial information for the *component units* is reported separately from the financial information presented for the primary government itself.

# CITY OF MARSHALL, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) DECEMBER 31, 2014

**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 23 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 22 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. Also, since the Business Development Center Fund is the only non-major enterprise fund, it is presented separately. All internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. The City uses its internal service funds to account for its stores inventory and equipment replacement and are presented in the combining statements section.

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

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

# CITY OF MARSHALL, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) DECEMBER 31, 2014

### 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 \$78,954,726 at the close of the most recent fiscal year.

By far the largest portion of the City of Marshall's net position, reflects its investment in capital assets (e.g., land, buildings, machinery, infrastructure and water and wastewater system), less any related debt used to acquire those assets that is still outstanding. The City of Marshall uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Marshall's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### City of Marshall's Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and other assets	16,503,584	15,316,818	5,975,576	6,984,755	22,479,160	22,301,573
Capital assets	41,118,205	42,204,857	43,843,372	44,681,810	84,961,577	86,886,667
Total assets	<u>57,621,789</u>	<u>57,521,675</u>	<u>49,818,948</u>	<u>51,666,565</u>	<u>107,440,737</u>	<u>109,188,240</u>
Deferred Outflows of Resources:						
Deferred charges on refunding, net of unamortized premium	-	-	41,533	46,038	41,533	46,038
Total outflows of resources	<u>-</u>	<u>-</u>	<u>41,533</u>	<u>46,038</u>	<u>41,533</u>	<u>46,038</u>
Liabilities:						
Current and other liabilities	2,218,790	1,888,868	2,995,718	2,874,687	5,214,508	4,763,555
Long-term liabilities	11,090,528	11,808,750	12,222,508	14,268,723	23,313,036	26,077,473
Total liabilities	<u>13,309,318</u>	<u>13,697,618</u>	<u>15,218,226</u>	<u>17,143,410</u>	<u>28,527,544</u>	<u>30,841,028</u>
Net Position:						
Net invest. in capital assets	33,388,474	33,687,902	30,227,111	29,103,150	63,615,585	62,791,052
Restricted	2,262,494	2,466,183	-	-	2,262,494	2,466,183
Unrestricted	8,661,503	7,669,972	4,415,144	5,466,043	13,076,647	13,136,015
Total net position	<u>44,312,471</u>	<u>43,824,057</u>	<u>34,642,255</u>	<u>34,569,193</u>	<u>78,954,726</u>	<u>78,393,250</u>

An additional portion of the City of Marshall's net position (2.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$13,076,647) 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 Activities

The City's general revenues increased when compared to the prior year by 1.4% or \$181,480. The City recognized increases in sales tax revenue and franchise tax revenue over the prior year.

# CITY OF MARSHALL, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) DECEMBER 31, 2014

Governmental activities increased the City of Marshall's net position by \$488,414 and are outlined as follows:

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>REVENUES:</b>						
<b>Program Revenues:</b>						
Charges for Services	4,850,637	4,928,794	9,417,037	9,848,012	14,267,674	14,776,806
Operating Grants and Contributions	258,033	691,141	-	-	258,033	691,141
Capital Grants and Contributions	-	652,650	-	118,617	-	771,267
<b>General Revenues:</b>						
Property Taxes	4,721,064	4,765,718	-	-	4,721,064	4,765,718
Other Taxes	8,508,198	8,264,450	-	-	8,508,198	8,264,450
Other	<u>22,595</u>	<u>32,647</u>	<u>5,874</u>	<u>13,436</u>	<u>28,469</u>	<u>46,083</u>
<b>Total Revenues</b>	<u>18,360,527</u>	<u>19,335,400</u>	<u>9,422,911</u>	<u>9,980,065</u>	<u>27,783,438</u>	<u>29,315,465</u>
<b>EXPENSES:</b>						
General Government	685,284	2,458,999	-	-	685,284	2,458,999
Parks and Recreation	640,540	1,068,123	-	-	640,540	1,068,123
Finance	534,297	198,596	-	-	534,297	198,596
Community Facilities	732,640	-	-	-	732,640	-
Public Safety	7,988,508	8,362,277	-	-	7,988,508	8,362,277
Public Works	4,143,811	4,301,674	-	-	4,143,811	4,301,674
Purchasing	-	3,478	-	-	-	3,478
Support Services	1,809,875	-	-	-	1,809,875	-
Library	-	483,439	-	-	-	483,439
Non-Departmental	1,781,391	1,850,446	-	-	1,781,391	1,850,446
Tax Collection	93,113	91,545	-	-	93,113	91,545
Inspections	-	297,137	-	-	-	297,137
Tourist and Convention	446,033	1,066,784	-	-	446,033	1,066,784
Planning & Dev	458,801	-	-	-	458,801	-
Code Enforcement	-	40,535	-	-	-	40,535
Interest on Long-Term Debt	303,820	326,349	560,937	540,976	864,757	867,325
Water and Sewer	-	-	6,999,136	7,153,291	6,999,136	7,153,291
Business Development Center	<u>-</u>	<u>-</u>	<u>43,776</u>	<u>43,776</u>	<u>43,776</u>	<u>43,776</u>
<b>Total Expenses</b>	<u>19,618,113</u>	<u>20,549,382</u>	<u>7,603,849</u>	<u>7,738,043</u>	<u>27,221,962</u>	<u>28,287,425</u>
Increase (Decrease) in Net Position Before Transfers	(1,257,586)	(1,213,982)	1,819,062	2,242,022	561,476	1,028,040
Transfers	<u>1,746,000</u>	<u>1,746,000</u>	<u>(1,746,000)</u>	<u>(1,746,000)</u>	<u>-</u>	<u>-</u>
Change in Net Position	488,414	532,018	73,062	496,022	561,476	1,028,040
Net Position – 01/01/14	<u>43,824,057</u>	<u>43,292,039</u>	<u>34,569,193</u>	<u>34,073,171</u>	<u>78,393,250</u>	<u>77,365,210</u>
Net Position – 12/31/14	<u>44,312,471</u>	<u>43,824,057</u>	<u>34,642,255</u>	<u>34,569,193</u>	<u>78,954,726</u>	<u>78,393,250</u>

# **CITY OF MARSHALL, TEXAS**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) DECEMBER 31, 2014**

### **Business - Type Activities**

Revenues of the City's business-type activities were \$9,422,911 for the year ending December 31, 2014. Expenses and transfers out for the City's business-type activities were \$9,349,849 for the year, resulting in net income of \$73,062.

### **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 \$10,588,639. Approximately 65% of this total amount (\$6,888,377) constitutes *unassigned*, which is available for spending at the government's discretion. The remainder of fund balance is *restricted or non-spendable* to indicate that it is not available for new spending because it has already been committed. The portion of fund balance classified as non-spendable totals \$196,208. Restricted fund balance consists of the following: 1) promotion and tourism \$7,301, 2) public safety \$655,356, 3) purpose of grantors and donors \$10,590, 4) debt service \$496,992, 5) library \$432,642, 6) capital projects \$1,765,502, 7) other post-employment benefits \$73,838, and 8) street maintenance \$61,883.

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 \$7,023,941, with 96% of the total fund balance (\$7,293,987) 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 41% of total General Fund expenditures. Total fund balance represents 42.7% of total General Fund expenditures. The total fund balance of the City of Marshall's General Fund increased by \$881,044 during the current fiscal year.

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

Unrestricted net position of the Water and Sewer Fund at the end of the year was \$4,014,402. 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, revenues exceeded budgetary estimates by \$741,594 and expenditures were under amended budget estimates by \$687,591.

### **Capital Assets and Debt Administration**

**Capital Assets.** The City of Marshall's investment in capital assets for its governmental and business type activities as of December 31, 2014, is \$84,961,577 (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, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) DECEMBER 31, 2014

The primary functions of our Water and Wastewater Utility Department and operations are to provide an adequate supply of safe drinking water within our system. We utilize the latest in technology and treatment processes to maximize our water supplies while also providing a safe and reliable delivery of drinking water at adequate pressures throughout the water distribution system and provide effective distribution flow within our wastewater system with a minimum amount of inflow and infiltration into the collection system.

In 2014, we continued our annual infrastructure improvements which included line extensions in both the water and wastewater systems. Contractors completed an Emergency Pre-Sedimentation By-Pass piping and valve project costing approximately \$673,295, which allows the water treatment division to by-pass the basin for embankment repairs or in the event if there is issues with the basin. We initiated replacement of our aged UV Disinfectant Wiper blade system, an integral part of our wastewater treatment process and initiated replacement of approximately 80,425 cubic feet of bio-media modules in Bio-Tower #2, which are used in the final treatment process of wastewater treatment. We updated our Drought Contingency and Water Conservation Plans as required by the State of Texas, to remain in compliance with treatment regulations. We also finalized the Water and Wastewater Rate Study that we initiated in 2013, to determine appropriate rates and rate structure required to fund future capital improvements. The study also determined at what level we needed to set for our wholesale water rates, especially for our largest single water customer, Abbot/Norit Americas, who accounts for about 39% of our annual billed water volume. Through our annual budgeting process, funds were allocated to continue annual programs to 1) rehab old and leaking manholes and 2) smoke testing of our sewer distribution lines. Both programs are designed to locate and rehab or repair sources of manhole or sewer line water in-flow or infiltrations into our distribution system, which causes overflows and excessive wastewater treatment volume.

In calendar year 2014, we treated and distributed 2.17 billion gallons of water to our residential and commercial customers in compliance with guidelines of the EPA and TCEQ agencies and treated 1.77 billion gallons of wastewater. Our staff performed preventative maintenance on 442,093 feet of our sanitary sewer mains, replaced 13 fire hydrants, and replaced 286 water meters as part of our annual distribution system maintenance program to insure it continues to function at an extremely high level.

### City of Marshall's Capital Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	1,175,849	1,175,849	310,612	310,612	1,486,461	1,486,461
Buildings	19,704,658	20,004,658	2,979,061	2,979,061	22,683,719	22,983,719
Improvements other than Buildings	3,650,761	3,575,123	-	-	3,650,761	3,575,123
Machinery and equipment	12,602,359	12,645,759	3,563,879	3,254,634	16,166,238	15,900,393
Infrastructure	56,854,410	56,824,614	-	-	56,854,410	56,824,614
Water and wastewater System	-	-	69,951,869	69,948,746	69,951,869	69,948,746
Construction in progress	1,885,590	545,023	899,237	511,805	2,784,827	1,056,828
Less Accumulated Depreciation	<u>(54,755,422)</u>	<u>(52,566,169)</u>	<u>(33,861,286)</u>	<u>(32,323,048)</u>	<u>(88,616,708)</u>	<u>(84,889,217)</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>41,118,205</u>	<u>42,204,857</u>	<u>43,843,372</u>	<u>44,681,810</u>	<u>84,961,577</u>	<u>86,886,667</u>

# CITY OF MARSHALL, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) DECEMBER 31, 2014

**Long-term debt.** At the end of the current fiscal year, the City of Marshall had total bonded debt outstanding of \$20,815,000. Of this amount, \$4,750,000 comprises debt backed by the full faith and credit of the government and \$2,775,000 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, \$13,290,000, represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

### City of Marshall's Outstanding Debt General Obligation and Revenue Bonds

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
General Obligation Bonds Series 2007	4,750,000	5,010,000	-	-	4,750,000	5,010,000
Certificates of Obligation	2,500,000	2,695,000	-	-	2,500,000	2,695,000
Revenue Bonds	<u>275,000</u>	<u>410,000</u>	<u>13,290,000</u>	<u>15,205,000</u>	<u>13,565,000</u>	<u>15,615,000</u>
Total	<u>7,525,000</u>	<u>8,115,000</u>	<u>13,290,000</u>	<u>15,205,000</u>	<u>20,815,000</u>	<u>23,320,000</u>

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

Company	Insured Ratings	<u>Underlying Ratings</u>	
		GO Bonds	Revenue Bonds
Moody's	"Aaa"	"A3"	"A3"
Standard & Poors	"AA-"	-	-

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 \$.47604 per \$100 valuation with a tax margin of \$.87396 per \$100 valuation based upon the maximum ad valorem tax rate noted above. Additional revenues up to \$8,516,725, per year could be raised before reaching the maximum allowable tax base on the current year's appraised net taxable value of \$974,498,318.

# **CITY OF MARSHALL, TEXAS**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) DECEMBER 31, 2014**

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

#### **Economic Factors**

- ☐ New residential construction in 2014 was 11 single family units.
- ☐ The average price of a single family unit was \$118,230.
- ☐ The City's annual growth in valuation has decreased 4.4%.
- ☐ The tax rate is expected to remain at \$0.47604/\$100 valuation.
- ☐ The City benefits from its strategic location, which is approximately 23 miles from Longview and 36 miles from Shreveport at the intersection of U.S. Hwy. 59 and I-20.
- ☐ 2014 Annual unemployment for Harrison County is 5.3%.
- ☐ 2014 Median household income for Harrison County is estimated at \$44,958.

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

The 2015 City of Marshall Annual Budget reflected an approximate 2.6% increase (\$701,494) over the 2014 budget. We will closely monitor economic indicators, revenues, and expenditures in 2015 to assure that the City of Marshall maintains a balanced budget.

#### **Requests for Information**

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

## **Basic Financial Statements**

# CITY OF MARSHALL, TEXAS

## GOVERNMENT-WIDE STATEMENT OF NET POSITION DECEMBER 31, 2014

	<i>Primary Government</i>		
	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
<b><u>ASSETS</u></b>			
Cash and Temporary Investments	6,236,612	1,960,241	8,196,853
Certificates of Deposit	3,739,843	-	3,739,843
Receivables (Net, Where Applicable, of Allowance for Uncollectibles)	4,504,278	909,802	5,414,080
Due From Other Governments	1,809,740	-	1,809,740
Prepayments	196,208	86,183	282,391
Inventory	16,903	8,771	25,674
Restricted Assets:			
Cash and Temporary Investments	-	2,243,101	2,243,101
Certificates of Deposit	-	766,980	766,980
Accrued Interest Receivable	-	498	498
Capital Assets:			
Land	1,175,849	310,612	1,486,461
Construction in Progress	1,885,590	899,237	2,784,827
Buildings	19,704,658	2,979,061	22,683,719
Machinery and Equipment	12,602,359	3,563,879	16,166,238
Improvements	3,650,761	-	3,650,761
Infrastructure	56,854,410	-	56,854,410
Water and Wastewater System	-	69,951,869	69,951,869
Accumulated Depreciation	(54,755,422)	(33,861,286)	(88,616,708)
<b>Total Assets</b>	<b>57,621,789</b>	<b>49,818,948</b>	<b>107,440,737</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Deferred Charges on Refunding	-	41,533	41,533
<b>Total Outflows of Resources</b>	<b>-</b>	<b>41,533</b>	<b>41,533</b>
<b><u>LIABILITIES</u></b>			
Accounts Payable	1,774,270	152,582	1,926,852
Accrued Interest Payable	14,895	-	14,895
Accrued Liabilities	342,152	74,686	416,838
Current Portion of Accrued Leases Payable	87,473	-	87,473
Payable From Restricted Assets:			
Current Portion of Bonds Payable	-	1,980,000	1,980,000
Customer Deposits	-	754,967	754,967
Accrued Liabilities	-	33,483	33,483
Security Deposits	-	-	-
Noncurrent Liabilities:			
Due Within One Year	643,336	-	643,336
Due In More Than One Year	10,447,192	12,222,508	22,669,700
<b>Total Liabilities</b>	<b>13,309,318</b>	<b>15,218,226</b>	<b>28,527,544</b>
<b><u>NET POSITION</u></b>			
Invested in Capital Assets, Net of Related Debt	33,388,474	30,227,111	63,615,585
Restricted for:			
Debt Service	496,992	-	496,992
Capital Projects	1,765,502	-	1,765,502
Unrestricted	8,661,503	4,415,144	13,076,647
<b>Total Net Position</b>	<b>44,312,471</b>	<b>34,642,255</b>	<b>78,954,726</b>

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

Exhibit A-1

<i>Discretely Presented Component Units</i>		
<i>Marshall Economic Dev. Corp.</i>	<i>Marshall Downtown Dev. Corp.</i>	<i>Marshall Conv. &amp; Vis. Bureau</i>
5,973,216	185,363	7,473
-	-	-
19,764	-	-
296,050	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
4,235,720	-	-
10,170,811	-	-
949,629	50,217	-
149,679	-	-
293,843	-	-
-	-	-
-	-	-
(469,414)	(4,017)	-
<u>21,619,298</u>	<u>231,563</u>	<u>7,473</u>
-	-	-
-	-	-
1,715,659	156,275	-
-	-	-
17,743	-	-
-	-	-
-	-	-
-	-	-
-	-	-
43,041	-	-
388,958	-	-
7,119,007	-	-
<u>9,284,408</u>	<u>156,275</u>	<u>-</u>
7,822,303	46,200	-
-	-	-
-	-	-
4,512,587	29,088	7,473
<u>12,334,890</u>	<u>75,288</u>	<u>7,473</u>

# CITY OF MARSHALL, TEXAS

## GOVERNMENT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2014

<u>PROGRAM ACTIVITIES</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Fees, Fines, and Charges for Services</u>	<u>Operating Grants and Contributions</u>
<b>Primary Government:</b>			
Governmental Activities:			
General Government	685,284	521,389	90,253
Finance	534,297	-	-
Community Facilities	732,640	424,593	30,243
Public Safety	7,988,508	1,501,045	9,906
Public Works	4,143,811	2,213,653	63,783
Planning and Dev.	458,801	-	43,408
Non-Departmental	1,781,391	-	-
Tax Collection	93,113	-	-
Support Services	1,809,875	57,677	8,080
Tourist and Convention Dev.	446,033	-	12,360
Parks and Recreation	640,540	132,280	-
Interest on Long-Term Debt	303,820	-	-
Total Governmental Activities	<u>19,618,113</u>	<u>4,850,637</u>	<u>258,033</u>
Business-Type Activities:			
Water and Sewer	7,560,072	9,417,037	-
Business Development Center	43,777	-	-
Total Business-Type Activities	<u>7,603,849</u>	<u>9,417,037</u>	<u>-</u>
Total Primary Government	<u>27,221,962</u>	<u>14,267,674</u>	<u>258,033</u>
<b>Component Units:</b>			
Marshall Economic Develop. Corp.	967,990	511,721	-
Marshall Downtown Develop. Corp.	197,279	173,925	50,000
Marshall Conv. & Vis. Bureau	178,116	38,623	138,830
Total Component Units	<u>1,343,385</u>	<u>724,269</u>	<u>188,830</u>

### General Revenues:

#### Taxes:

Property

Sales

Franchise

Investment Earnings

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

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

Exhibit B-1

<i>Net (Expenses) Revenue and Changes in Net Position</i>					
<i>Primary Government</i>			<i>Discretely Presented Component Units</i>		
<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>	<i>Marshall Economic Dev. Corp.</i>	<i>Marshall Downtown Dev. Corp.</i>	<i>Marshall Conv. &amp; Vis. Bureau</i>
(73,642)	-	(73,642)	-	-	-
(534,297)	-	(534,297)	-	-	-
(277,804)	-	(277,804)	-	-	-
(6,477,557)	-	(6,477,557)	-	-	-
(1,866,375)	-	(1,866,375)	-	-	-
(415,393)	-	(415,393)	-	-	-
(1,781,391)	-	(1,781,391)	-	-	-
(93,113)	-	(93,113)	-	-	-
(1,744,118)	-	(1,744,118)	-	-	-
(433,673)	-	(433,673)	-	-	-
(508,260)	-	(508,260)	-	-	-
(303,820)	-	(303,820)	-	-	-
(14,509,443)	-	(14,509,443)	-	-	-
-	1,856,965	1,856,965	-	-	-
-	(43,777)	(43,777)	-	-	-
-	1,813,188	1,813,188	-	-	-
(14,509,443)	1,813,188	(12,696,255)	-	-	-
			(456,269)	-	-
			-	26,646	-
			-	-	(663)
			(456,269)	26,646	(663)
4,721,064	-	4,721,064	-	-	-
7,486,970	-	7,486,970	1,552,906	-	-
1,021,228	-	1,021,228	-	-	-
22,595	5,874	28,469	1,046	-	-
1,746,000	(1,746,000)	-	-	-	-
14,997,857	(1,740,126)	13,257,731	1,553,952	-	-
488,414	73,062	561,476	1,097,683	26,646	(663)
43,824,057	34,569,193	78,393,250	11,237,207	48,642	8,136
44,312,471	34,642,255	78,954,726	12,334,890	75,288	7,473

# CITY OF MARSHALL, TEXAS

Exhibit C-1

## GOVERNMENTAL FUNDS BALANCE SHEET DECEMBER 31, 2014

	<i>General Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<b><u>ASSETS</u></b>			
Cash and Temporary Investments	4,043,024	2,077,342	6,120,366
Certificates of Deposit	2,683,591	1,056,252	3,739,843
Receivables (Net of Allowance for Uncollectible)			
Current Taxes	1,994,870	479,373	2,474,243
Delinquent Taxes	551,109	107,565	658,674
Customer	845,478	-	845,478
Franchise Taxes	234,670	-	234,670
Other	263,410	340	263,750
Accrued Interest	3,958	153	4,111
Prepaid Expenditures	196,208	-	196,208
Due from Other Funds	145,003	96,904	241,907
Due from Other Governments	1,587,732	222,008	1,809,740
<b>TOTAL ASSETS</b>	<b>12,549,053</b>	<b>4,039,937</b>	<b>16,588,990</b>
<b><u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u></b>			
<b>Liabilities</b>			
Accounts Payable	1,706,778	61,311	1,768,089
Accrued Liabilities	342,152	-	342,152
Due to Other Funds	96,904	145,003	241,907
Unearned Revenues	592,897	47,048	639,945
<b>Total Liabilities</b>	<b>2,738,731</b>	<b>253,362</b>	<b>2,992,093</b>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue-Property Taxes	2,516,335	491,923	3,008,258
<b>Total Inflows of Resources</b>	<b>2,516,335</b>	<b>491,923</b>	<b>3,008,258</b>
<b>Fund Balances</b>			
<b>Nonspendable:</b>			
Prepaid Expenditures	196,208	-	196,208
<b>Restricted:</b>			
Promotion and Tourism	-	7,301	7,301
Public Safety	-	655,356	655,356
Street Maintenance	-	61,833	61,833
Purpose of Grantors and Donors	-	10,590	10,590
Debt Service	-	496,992	496,992
Library	-	432,642	432,642
Capital Projects	-	1,765,502	1,765,502
Other Post-Employment Benefits	73,838	-	73,838
<b>Unassigned:</b>			
Reported in General Fund	7,023,941	-	7,023,941
Reported in Motel Occupancy Tax Fund	-	(135,564)	(135,564)
<b>Total Fund Balances</b>	<b>7,293,987</b>	<b>3,294,652</b>	<b>10,588,639</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>	<b>12,549,053</b>	<b>4,039,937</b>	<b>16,588,990</b>

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

# CITY OF MARSHALL, TEXAS

Exhibit C-2

## **RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET POSITION DECEMBER 31, 2014**

Total Fund Balances - Total Governmental Funds	10,588,639
Amounts reported for governmental activities in the statement of net position of assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. (Includes capital assets of Internal Service Funds.)	41,118,205
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in governmental funds balance sheet.	(14,895)
Internal service funds are used by management to charge the cost of certain activities, such as equipment replacement and stores inventory to individual funds. The assets and liabilities of the Internal Service Funds are net of amount allocated to business-type activities, capital assets and long-term liabilities. The net effect of this consolidation is to increase (decrease) net position.	150,320
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	
Due Within One Year	(730,809)
Due in More Than One Year	(10,447,192)
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	<u>3,648,203</u>
Net Position of Governmental Activities	<u><u>44,312,471</u></u>

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

# CITY OF MARSHALL, TEXAS

Exhibit C-3

Page 1 of 2

## GOVERNMENTAL FUNDS

### STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED DECEMBER 31, 2014

	<i>General Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<b><u>REVENUE:</u></b>			
Ad Valorem Taxes	4,109,832	641,283	4,751,115
Sales Taxes	6,238,403	517,636	6,756,039
Franchise Tax	1,021,228	-	1,021,228
Motel Occupancy Tax	-	730,932	730,932
Permits and Fees	3,800,658	-	3,800,658
Municipal Court Fines	622,400	11,315	633,715
Interest	18,226	4,369	22,595
Intergovernmental	278,824	201,357	480,181
Donations	-	56,484	56,484
Miscellaneous	120,397	242,628	363,025
<b>Total Revenue</b>	<b>16,209,968</b>	<b>2,406,004</b>	<b>18,615,972</b>
<b><u>EXPENDITURES:</u></b>			
Current:			
General Government	430,270	110,403	540,673
Finance	534,297	-	534,297
Public Safety	7,455,186	17,666	7,472,852
Public Works	2,533,684	63,783	2,597,467
Tourist and Convention Development	-	446,033	446,033
Non-Departmental	1,768,670	-	1,768,670
Tax Collection	93,113	-	93,113
Parks and Recreation	640,540	-	640,540
Planning and Development	413,722	43,408	457,130
Support Services	1,593,454	14,956	1,608,410
Community Facilities	536,434	-	536,434
Debt Service:			
Principal Retirement	159,482	627,742	787,224
Interest and Fees	5,456	301,934	307,390
Capital Outlay	894,161	639,262	1,533,423
<b>Total Expenditures</b>	<b>17,058,469</b>	<b>2,265,187</b>	<b>19,323,656</b>

# CITY OF MARSHALL, TEXAS

Exhibit C-3

Page 2 of 2

## GOVERNMENTAL FUNDS

### STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>CONTINUED:</u></b>			
<b>Excess (Deficiency) of Revenue Over Expenditures Before Other Financing Sources (Uses)</b>	<u>(848,501)</u>	<u>140,817</u>	<u>(707,684)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	1,924,738	180,693	2,105,431
Transfers (Out)	<u>(195,193)</u>	<u>(178,738)</u>	<u>(373,931)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>1,729,545</u>	<u>1,955</u>	<u>1,731,500</u>
Net Change in Fund Balances	881,044	142,772	1,023,816
Fund Balances at Beginning of Year	<u>6,412,943</u>	<u>3,151,880</u>	<u>9,564,823</u>
<b>Fund Balances at End of Year</b>	<u><u>7,293,987</u></u>	<u><u>3,294,652</u></u>	<u><u>10,588,639</u></u>

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

# **CITY OF MARSHALL, TEXAS**

**Exhibit C-4**

## **RECONCILIATION OF STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2014**

Net Change in Fund Balances - Total Governmental Funds	1,023,816
--	-----------

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the net amount of capital assets recorded in the current period.	1,473,733
---	-----------

Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(2,618,455)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.	790,231
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Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds.	3,569
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Internal service funds are used by management to charge the cost of certain activities, such as equipment replacement and stores inventory to individual funds. The net revenue of the Internal Service Funds is reported with governmental activities net of amount allocated to business-type activities and depreciation expense. The net effect of this consolidation is to increase (decrease) net position.	11,274
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Some property tax and intergovernmental revenues will not be collected for several months after the City's fiscal year-end. These are not considered available revenues in the governmental funds unless they are received within 60 days of the City's year-end. These are the changes in amounts deferred in the governmental funds.	(195,754)
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Changes in Net Position of Governmental Activities	<u>488,414</u>
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*The notes to the financial statements are an integral part of this statement.*

# CITY OF MARSHALL, TEXAS

Exhibit C-5

## GENERAL FUND STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2014

	<i>Budgeted Amounts</i>		<i>Actual GAAP Basis</i>	<i>Positive (Negative) Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUE:</b>				
Ad Valorem Taxes	3,897,649	3,897,649	4,109,832	212,183
Sales Taxes	5,822,500	5,822,500	6,238,403	415,903
Franchise Tax	1,005,000	1,005,000	1,021,228	16,228
Permits and Fees	3,830,000	3,830,000	3,800,658	(29,342)
Municipal Court Fines	625,000	625,000	622,400	(2,600)
Interest	20,000	20,000	18,226	(1,774)
Intergovernmental	226,225	226,225	278,824	52,599
Miscellaneous	42,000	42,000	120,397	78,397
<b>Total Revenue</b>	<b>15,468,374</b>	<b>15,468,374</b>	<b>16,209,968</b>	<b>741,594</b>
<b>EXPENDITURES:</b>				
General Government	346,979	414,979	430,270	(15,291)
Finance	547,575	547,575	534,297	13,278
Public Safety	7,720,983	7,720,983	7,455,186	265,797
Public Works	2,594,717	2,594,717	2,533,684	61,033
Non-Departmental	1,545,903	1,765,703	1,768,670	(2,967)
Tax Collection	97,000	97,000	93,113	3,887
Parks and Recreation	724,345	724,345	640,540	83,805
Planning and Development	451,745	451,745	413,722	38,023
Support Services	1,511,948	1,511,948	1,593,454	(81,506)
Community Facilities	531,807	531,807	536,434	(4,627)
Debt Service	180,140	180,140	164,938	15,202
Capital Outlay	1,070,800	1,205,118	894,161	310,957
<b>Total Expenditures</b>	<b>17,323,942</b>	<b>17,746,060</b>	<b>17,058,469</b>	<b>687,591</b>
<b>Excess (Deficiency) of Revenue Over Expenditures Before Other Financing Sources (Uses)</b>	<b>(1,855,568)</b>	<b>(2,277,686)</b>	<b>(848,501)</b>	<b>1,429,185</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In	1,924,738	1,924,738	1,924,738	-
Transfers (Out)	(69,155)	(145,391)	(195,193)	(49,802)
<b>Total Other Financing Sources (Uses)</b>	<b>1,855,583</b>	<b>1,779,347</b>	<b>1,729,545</b>	<b>(49,802)</b>
<b>Net Change in Fund Balance</b>	<b>15</b>	<b>(498,339)</b>	<b>881,044</b>	<b>1,379,383</b>
<b>Fund Balance at Beginning of Year</b>	<b>6,412,943</b>	<b>6,412,943</b>	<b>6,412,943</b>	<b>-</b>
<b>Fund Balance at End of Year</b>	<b>6,412,958</b>	<b>5,914,604</b>	<b>7,293,987</b>	<b>1,379,383</b>

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

# CITY OF MARSHALL, TEXAS

Exhibit D-1

Page 1 of 2

## PROPRIETARY FUNDS STATEMENT OF NET POSITION DECEMBER 31, 2014

	<b>Business-Type Activities - Enterprise Funds</b>			<b>Governmental Internal Service Funds</b>
	<b><i>Water and Sewer Fund</i></b>	<b><i>Nonmajor Enterprise Fund</i></b>	<b><i>Total</i></b>	
<b><u>ASSETS</u></b>				
<b><i>Current Assets:</i></b>				
Cash and Temporary Investments	1,610,045	(50,546)	1,559,499	516,988
Customer Receivables (Net of Allowance for Uncollectibles)	859,256	50,546	909,802	23,352
Prepaid Expenditures	86,183	-	86,183	-
Inventory	8,771	-	8,771	16,903
Total Current Assets	<u>2,564,255</u>	<u>-</u>	<u>2,564,255</u>	<u>557,243</u>
<b><i>Noncurrent Assets:</i></b>				
Restricted Assets:				
Cash and Temporary Investments	2,243,101	-	2,243,101	-
Certificates of Deposit	766,980	-	766,980	-
Accrued Interest Receivable	498	-	498	-
Total Restricted Assets	<u>3,010,579</u>	<u>-</u>	<u>3,010,579</u>	<u>-</u>
Capital Assets:				
Land	230,281	80,331	310,612	-
Construction in Progress	899,237	-	899,237	-
Buildings	790,241	2,188,820	2,979,061	122,596
Machinery and Equipment	2,907,203	320,313	3,227,516	453,528
Water and Wastewater System	69,951,869	-	69,951,869	-
Less: Accumulated Depreciation	<u>(32,638,773)</u>	<u>(1,201,775)</u>	<u>(33,840,548)</u>	<u>(173,825)</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>42,140,058</u>	<u>1,387,689</u>	<u>43,527,747</u>	<u>402,299</u>
Total Noncurrent Assets	<u>45,150,637</u>	<u>1,387,689</u>	<u>46,538,326</u>	<u>402,299</u>
<b>TOTAL ASSETS</b>	<u>47,714,892</u>	<u>1,387,689</u>	<u>49,102,581</u>	<u>959,542</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>				
Deferred Charges on Refundings	<u>41,533</u>	<u>-</u>	<u>41,533</u>	<u>-</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>41,533</u>	<u>-</u>	<u>41,533</u>	<u>-</u>
Reconciliation to Government-Wide Statement of Net Position:				
Adjustment to Reflect the Consolidation of Internal Service Funds Activities				
Related to Enterprise Funds			716,367	
Assets of Business-Type Activities			<u>49,860,481</u>	

# CITY OF MARSHALL, TEXAS

Exhibit D-1  
Page 2 of 2

## PROPRIETARY FUNDS STATEMENT OF NET POSITION DECEMBER 31, 2014

### CONTINUED:

### LIABILITIES

	Business-Type Activities - Enterprise Funds			Governmental Internal Service Funds
	Water and Sewer Fund	Nonmajor Enterprise Fund	Total	
<b>Current Liabilities:</b>				
Accounts Payable	152,582	-	152,582	6,181
Accrued Salaries and Wages	74,686	-	74,686	-
Total Current Liabilities	227,268	-	227,268	6,181
<b>Current Liabilities Payable from Restricted Assets:</b>				
Current Portion of Bonds Payable	1,980,000	-	1,980,000	-
Customer Deposits	754,967	-	754,967	-
Unearned Revenue	10,000	-	10,000	-
Accrued Liabilities	23,483	-	23,483	-
Total Current Liabilities Payable from Restricted Assets	2,768,450	-	2,768,450	-
<b>Other Liabilities:</b>				
Bonds Payable (Net of Current Portion)	11,677,794	-	11,677,794	-
Accrued Post Retirement Health Care and TMRS	266,093	-	266,093	-
Compensated Absences	278,621	-	278,621	-
Total Other Liabilities	12,222,508	-	12,222,508	-
<b>TOTAL LIABILITIES</b>	15,218,226	-	15,218,226	6,181
<b>NET POSITION</b>				
Invested in Capital Assets, Net of Related Debt	28,523,797	1,387,689	29,911,486	402,299
Restricted for Retirement of Bonds	-	-	-	-
Unrestricted	4,014,402	-	4,014,402	551,062
<b>TOTAL NET POSITION</b>	32,538,199	1,387,689	33,925,888	953,361

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

Adjustment to Reflect the Consolidation of Internal Service Funds Activities	
Related to Enterprise Funds	716,367
Assets of Business-Type Activities	34,642,255

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

# CITY OF MARSHALL, TEXAS

Exhibit D-2

## PROPRIETARY FUNDS STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEAR ENDED DECEMBER 31, 2014

	Business-Type Activities - Enterprise Funds			Governmental Internal Service Funds
	Water and Sewer Fund	Nonmajor Enterprise Fund	Total	
<b>OPERATING REVENUE:</b>				
Charges for Services	9,378,336	-	9,378,336	387,068
<b>Total Operating Revenue</b>	<b>9,378,336</b>	<b>-</b>	<b>9,378,336</b>	<b>387,068</b>
<b>OPERATING EXPENSES:</b>				
Administrative	330,899	-	330,899	-
Water Production	1,313,170	-	1,313,170	-
Water Distribution/ Collection	1,188,489	-	1,188,489	-
Sewage Treatment	1,297,704	-	1,297,704	-
Water Billing	464,117	-	464,117	-
Engineering	99,449	-	99,449	-
Non-Departmental	794,521	-	794,521	-
Materials and Supplies	-	-	-	390,294
Depreciation and Amortization	1,464,443	43,777	1,508,220	27,154
Bad Debt Expense	28,695	-	28,695	-
<b>Total Operating Expenses</b>	<b>6,981,487</b>	<b>43,777</b>	<b>7,025,264</b>	<b>417,448</b>
<b>Operating Income (Loss)</b>	<b>2,396,849</b>	<b>(43,777)</b>	<b>2,353,072</b>	<b>(30,380)</b>
<b>NONOPERATING REVENUE (EXPENSES):</b>				
Interest Income	5,874	-	5,874	-
Interest Expense and Fees	(560,937)	-	(560,937)	-
Other Nonoperating Income (Expense)	38,701	-	38,701	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(516,362)</b>	<b>-</b>	<b>(516,362)</b>	<b>-</b>
<b>Income (Loss) Before Transfers</b>	<b>1,880,487</b>	<b>(43,777)</b>	<b>1,836,710</b>	<b>(30,380)</b>
Transfers In	-	-	-	87,605
Transfers (Out)	(1,819,105)	-	(1,819,105)	-
<b>Total Transfers In (Out)</b>	<b>(1,819,105)</b>	<b>-</b>	<b>(1,819,105)</b>	<b>87,605</b>
<b>Change in Net Position</b>	<b>61,382</b>	<b>(43,777)</b>	<b>17,605</b>	<b>57,225</b>
Total Net Position, Beginning of Year	32,476,817	1,431,466		896,136
<b>Total Net Position, End of Year</b>	<b>32,538,199</b>	<b>1,387,689</b>		<b>953,361</b>
Reconciliation to Government-Wide Statement of Net Position:				
Adjustment to Reflect the Consolidation of Internal Service Funds Activities				
Related to Enterprise Funds			55,457	
Assets of Business-Type Activities			73,062	

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

# CITY OF MARSHALL, TEXAS

Exhibit D-3  
Page 1 of 2

## PROPRIETARY FUNDS STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2014

	<b>Business-Type Activities - Enterprise Funds</b>			
	<i>Water and Sewer Fund</i>	<i>Nonmajor Enterprise Fund</i>	<i>Total</i>	<i>Internal Service Funds</i>
<b><u>Cash Flows from Operating Activities:</u></b>				
Cash Received from Customers	9,460,808	-	9,460,808	399,316
Cash Payments to Suppliers for Goods and Services	(3,537,612)	-	(3,537,612)	(402,086)
Cash Payments to Employees for Services	(1,992,229)	-	(1,992,229)	-
Net Cash Provided (Used) by Operating Activities	<u>3,930,967</u>	<u>-</u>	<u>3,930,967</u>	<u>(2,770)</u>
<b><u>Cash Flows from Noncapital Financing Activities:</u></b>				
Transfers In	-	-	-	87,605
Transfers (Out)	(1,819,105)	-	(1,819,105)	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(1,819,105)</u>	<u>-</u>	<u>(1,819,105)</u>	<u>87,605</u>
<b><u>Cash Flows from Capital and Related Financing Activities:</u></b>				
Acquisition and Construction of Capital Assets	(395,424)	-	(395,424)	(358,775)
Principal Paid on Bonds	(1,915,000)	-	(1,915,000)	-
Payment of Interest on Bonds and Other Debt	(563,516)	-	(563,516)	-
Net Cash (Used) by Capital and Related Financing Activities	<u>(2,873,940)</u>	<u>-</u>	<u>(2,873,940)</u>	<u>(358,775)</u>
<b><u>Cash Flows from Investing Activities:</u></b>				
Purchase of Investments	(1,268,924)	-	(1,268,924)	-
Proceeds from Sale and Maturities of Investments	1,468,385	-	1,468,385	-
Interest on Investments	5,883	-	5,883	-
Net Cash Provided by Investing Activities	<u>205,344</u>	<u>-</u>	<u>205,344</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(556,734)	-	(556,734)	(273,940)
Cash and Cash Equivalents (Deficit), Beginning of Year	<u>4,409,880</u>	<u>(50,546)</u>	<u>4,359,334</u>	<u>790,928</u>
Cash and Cash Equivalents (Deficit), End of Year	<u>3,853,146</u>	<u>(50,546)</u>	<u>3,802,600</u>	<u>516,988</u>

# CITY OF MARSHALL, TEXAS

Exhibit D-3

Page 2 of 2

## PROPRIETARY FUNDS STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2014

### Continued

### Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Internal</u>
	<u>Water and Sewer Fund</u>	<u>Nonmajor Enterprise Fund</u>	<u>Total</u>	<u>Service Funds</u>
Operating Income (Loss)	2,396,849	(43,777)	2,353,072	(30,380)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation and Amortization	1,464,443	43,777	1,508,220	27,154
Other Post Employment Benefits	14,645	-	14,645	-
(Increase) Decrease in Assets:				
Accounts Receivable	52,752	-	52,752	12,248
Prepaid Expenses	(27,795)	-	(27,795)	-
Inventory	419	-	419	(1,368)
Increase (Decrease) in Liabilities:				
Accounts Payable	24,691	-	24,691	(10,424)
Accrued Liabilities	4,199	-	4,199	-
Customer Deposits	29,720	-	29,720	-
Compensated Absences	(28,956)	-	(28,956)	-
Total Adjustments	1,534,118	43,777	1,577,895	27,610
Net Cash Provided (Used) By Operating Activities	3,930,967	-	3,930,967	(2,770)

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

# CITY OF MARSHALL, TEXAS

Exhibit E-1

**FIDUCIARY FUNDS  
STATEMENT OF NET POSITION  
DECEMBER 31, 2014**

	<i><u>Agency Funds</u></i>
<b><u>ASSETS</u></b>	
Cash and Temporary Investments	<u>118,751</u>
<b>TOTAL ASSETS</b>	<u><u>118,751</u></u>
<b><u>LIABILITIES</u></b>	
Accounts Payable	1,625
Due to Employees	<u>117,126</u>
<b>TOTAL LIABILITIES</b>	<u><u>118,751</u></u>

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

## **Notes to Financial Statements**

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014**

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

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

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

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

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

Marshall Economic Development Corporation (MEDCO) was incorporated under the Development Corporation Act of 1979, as amended, Article 5190.6, Tex. Rev. Civ. Stat. Ann., as amended as a non-profit industrial development corporation. The purpose of the corporation is to promote and develop industrial and manufacturing enterprises in order to eliminate unemployment and underemployment, and to promote and encourage employment and the public welfare of, for, and on behalf of the City. The City appoints its five (5) member board of directors and all its policies for program administration must be submitted to the City for approval. Marshall Economic Development Corporation is subject to audit by the City or its representatives, and may not issue any debt without City approval. Its revenue is derived from a \$.00375 City sales tax. A separate audit for the year ended December 31, 2014, 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 2014, it was not included in the financial statements.

The Marshall Downtown Development Corporation (MDDC) was established by resolution of the City Commission of Marshall, Texas, on March 13, 2003, to act as a non-profit corporation for the benefit of the City of Marshall, Texas, specifically to promote and assist in the development, growth, and economic well being of the downtown area. On June 3, 2004, MDDC filed amendments to Articles of Incorporation with the Secretary of State changing the status of the Corporation to a Local Government Corporation under applicable provisions of the Texas Transportation Code. The Board of Directors are appointed by and subject to removal by the governing body of the City of Marshall and consists of not more than seven (7) persons. A separate audit for the year ended December 31, 2014, was performed and may be obtained by contacting MDDC.

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014**

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

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. A separate audit for the year ended December 31, 2014, was performed and may be obtained by contacting MCVB.

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

The government-wide financial statements (the statement of net position and the statement of changes in net position) report information on all of the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

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

#### **Governmental Funds:**

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

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

Additionally, the City reports the following governmental fund types:

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

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

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

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

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014**

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

#### **Proprietary Funds:**

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

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

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

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

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

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

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

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

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

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014**

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

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

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

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

The Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund presents a comparison of budgetary data to actual results. The General Fund utilizes the same basis of accounting for both budgetary purposes and actual results. Because the City has a policy of careful budgetary control, several amendments were necessary during the year. There were several significant amendments in the General Fund. General Government expenditures were increased by \$68,000; Non-Departmental expenditures were increased by \$219,800; and Capital Outlay expenditures were increased by \$134,318.

As noted in Exhibit C-5, Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund, General Government expenditures exceeded the budget by \$15,291; Support Services expenditures exceeded the budget by \$81,506; Non-Departmental expenditures exceeded the budget by \$2,967; and Community Facilities expenditures exceeded the budget by \$4,627. In the future, the City will strive to amend the budget throughout the year to adhere to the budget that is legally adopted.

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

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

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

The carrying amounts of investments (which are fair value) are based on quoted market values at December 31, 2014. The market values of temporary investments are based on values provided by TexPool at December 31, 2014.

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014**

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

#### **Inventories:**

The inventories of the Proprietary Fund consist of supplies and are valued at cost.

#### **Restricted Assets:**

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

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

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

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

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

#### **Estimates:**

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

#### **Reclassifications:**

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

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

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

#### **Capital Assets:**

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

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

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

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014**

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

#### **Compensated Absences:**

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

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

In accordance with the above criteria the City has accrued a liability for paid absences, which have been earned but not taken by City employees. The City budgets an amount estimated to be paid to terminated employees each year. As a result, none of the liability is anticipated to be liquidated with expendable available financial resources. However, accrued compensated absences are reported on the accrual basis of accounting in the applicable governmental or business-type activity columns of the government-wide statements, and in the enterprise activities of the fund financial statements.

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

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

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

#### **Net Position:**

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

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

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

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

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

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014**

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

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

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

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

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

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

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

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

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

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

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

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

The City's deposits were fully insured or collateralized as required by the state statutes at December 31, 2014. The City utilizes a sweep account for its consolidated cash bank account. This provides the City an opportunity to invest this account balance at all times. At year-end, the carrying amount of the City's deposits (including \$10,199 petty cash and \$4,506,823 certificates of deposit) was \$7,507,542 and the respective bank balances totaled \$8,178,400. For GASB 40 purposes, certificates of deposit are included under deposits. All of the certificates of deposit have maturity dates of one year, or less. Certificates of deposit that have maturities of

# CITY OF MARSHALL, TEXAS

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

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

three months or less are included in Cash and Temporary Investments. At December 31, 2014, there was \$1,657,352 of certificates of deposit that were included in Cash and Temporary Investments.

Of the total bank balances, \$250,500 was covered by Federal Depository Insurance for all accounts. The remainder of the accounts were covered by collateral with a value of \$12,126,954. The collateral is held by Texas Independent Bank of Dallas in the City's name under a joint safekeeping agreement with Texas Bank and Trust.

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, 2014, all of the securities are in the City's name and held by the City or its agent.

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

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

# CITY OF MARSHALL, TEXAS

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

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

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

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

The City's investments as of December 31, 2014 are:

<u>Investment Type</u>	<u>Rating</u>	<u>Concentration of Credit Risk</u>	<u>Market Value</u>	<u>Investment Maturities (Callable In Years)</u>	
				<u>Less Than 1</u>	<u>1-5</u>
<b>Public Funds Investment Pool:</b>					
TexPool (2a7- Like Pool)	AAAm (S&P)	<u>100%</u>	<u>7,557,986</u>	<u>7,557,986</u>	<u>-</u>
<b>Total</b>		<u>100%</u>	<u>7,557,986</u>	<u>7,557,986</u>	<u>-</u>

At December 31, 2014, the public funds investment pool consisted of investments in TexPool. TexPool is duly chartered and administered by the Texas Comptroller's Office and the portfolio normally consists of U.S. T-Bills, T-Notes, collateralized certificates of deposit, and repurchase agreements. Oversight by the Texas Comptroller's Office over TexPool includes the ability to significantly influence operations, designations of management, and accountability for fiscal matters. These investments are classified as temporary investments in the City's financial statements because these investments are not subject to any restrictions for withdrawal purposes.

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

### NOTE 3: RECEIVABLES:

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

	<u>General</u>	<u>Water and Sewer</u>	<u>Nonmajor Governmental</u>	<u>Nonmajor Enterprise</u>	<u>Internal Service</u>	<u>Total</u>
Receivables:						
Interest	3,958	498	153	-	-	4,609
Taxes	2,914,648	-	613,091	-	-	3,527,739
Accounts	851,555	884,471	-	50,546	23,352	1,809,924
Other	263,410	-	340	-	-	263,750
Gross	4,033,571	884,969	613,584	50,546	23,352	5,606,022
Receivables Less:						
Allowance for Uncollectibles	(140,076)	(25,215)	(26,153)	-	-	(191,444)
Net Total Receivables	3,893,495	859,754	587,431	50,546	23,352	5,414,578

# CITY OF MARSHALL, TEXAS

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

### NOTE 4: CAPITAL ASSETS:

	<b>December 31, 2013</b>	<b>Additions</b>	<b>Deletions</b>	<b>December 31, 2014</b>
<b><u>Governmental Activities:</u></b>				
Capital Assets Not Being Depreciated:				
Land	1,175,849	-	-	1,175,849
Construction in Progress	545,023	1,346,767	(6,200)	1,885,590
Total Capital Assets Not Being Depreciated	1,720,872	1,346,767	(6,200)	3,061,439
Capital Assets Being Depreciated:				
Buildings	20,004,658	-	(300,000)	19,704,658
Machinery and Equipment	12,645,759	145,493	(188,893)	12,602,359
Improvements	3,575,123	75,638	-	3,650,761
Infrastructure	56,824,614	29,796	-	56,854,410
Total Capital Assets, Being Depreciated	93,050,154	250,927	(488,893)	92,812,188
Less: Accumulated Depreciation For:				
Buildings	7,671,820	374,519	(250,833)	7,795,506
Equipment	8,694,025	848,478	(178,369)	9,364,134
Improvements	1,206,324	126,523	-	1,332,847
Infrastructure	34,994,000	1,268,935	-	36,262,935
Total Accumulated Depreciation	52,566,169	2,618,455	(429,202)	54,755,422
Total Capital Assets, Being Depreciated, Net	40,483,985	(2,367,528)	(59,691)	38,056,766
Governmental Activities Capital Assets, Net	42,204,857	(1,020,761)	(65,891)	41,118,205
	<b>December 31, 2013</b>	<b>Additions</b>	<b>Deletions</b>	<b>December 31, 2014</b>
<b><u>Business-Type Activities:</u></b>				
Capital Assets Not Being Depreciated:				
Land	310,612	-	-	310,612
Construction in Progress	511,805	390,555	(3,123)	899,237
Total Capital Assets Not Being Depreciated	822,417	390,555	(3,123)	1,209,849
Capital Assets Being Depreciated:				
Buildings	2,979,061	-	-	2,979,061
Machinery and Equipment	3,254,634	344,275	(35,030)	3,563,879
Water and Wastewater System	69,948,746	3,123	-	69,951,869
Total Capital Assets, Being Depreciated	76,182,441	347,398	(35,030)	76,494,809
Less: Accumulated Depreciation For:				
Buildings and Improvements	1,288,144	58,560	-	1,346,704
Machinery and Equipment	2,155,425	188,819	(35,030)	2,309,214
Water and Wastewater System	28,879,479	1,325,889	-	30,205,368
Total Accumulated Depreciation	32,323,048	1,573,268	(35,030)	33,861,286
Total Capital Assets, Being Depreciated, Net	43,859,393	(1,225,870)	-	42,633,523
Business-Type Activities Capital Assets, Net	44,681,810	(835,315)	(3,123)	43,843,372

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014**

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

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

#### **Governmental Activities:**

General Government	144,392
Community Facilities	196,206
Support Services	201,465
Public Safety	515,656
Public Works	1,546,344
Planning and Development	1,671
Non-Departmental	12,721
Total Depreciation Expense - Governmental Activities	<u>2,618,455</u>

#### **Business-Type Activities:**

Water and Sewer	1,529,491
Business Development Center	43,777
Total Depreciation Expense - Business-Type Activities	<u>1,573,268</u>

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

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

On May 17, 2005, the City defeased a Section 108 Loan in the amount of \$380,000, by placing the proceeds of the loan in an irrevocable trust to provide for all future debt service payments of the loan. Accordingly, the trust account assets and liabilities for the defeased loan are not included in the City's financial statements. On December 31, 2014, \$190,000 of the loan considered defeased is still outstanding.

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

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

On November 7, 2006, City voters authorized the issuance of \$6,230,000 General Obligation Bonds, Series 2007. The proceeds of the issuance are to be used for improvements to public safety facilities, improvements to various parks within the City, and to pay issuance costs related to the bonds. The bonds were issued on March 28, 2007, with interest payable June 15, and December 15 of each year commencing June 15, 2007. The City reserves the right, at its option, to redeem bonds maturing on or after June 15, 2018, whole or in part, in the principal amount of \$5,000 or any integral multiple thereof (and if within a maturity by lot) on June 15, 2017 or any date thereafter, at a par value thereof plus accrued interest to the date fixed for redemption.

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

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014**

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

On May 13, 2010, the City passed an ordinance authorizing the issuance of \$2,100,000 Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2010A. The proceeds of issuance are to be used for the purpose of improvements to an existing municipal building (Memorial City Hall). The bonds were issued on June 16, 2010, with interest payable June 15 and December 15 of each year, commencing December 15, 2010. The City reserves the right, at its option, to redeem bonds maturing June 15, 2019, and thereafter, in whole or in part, in the principal amount of \$5,000 or any integral multiple thereof (and within a maturity by lot) on June 15, 2018, or any date thereafter, plus accrued interest to the date fixed for redemption.

On July 8, 2010, the City passed an ordinance authorizing the issuance of \$4,150,000 Tax and Surplus Revenue Refunding Bonds, Series 2010 (the Refunding Bonds). \$660,000 of the proceeds of issuance are to be used for the purpose of refunding the 2012 through 2016 maturities of the City's currently outstanding Combination Tax and Revenue Certificates of Obligation, Series 2001, in the amount of \$670,000. The remaining \$3,490,000 of the Refunding Bonds is being used to refund Waterworks and Sewer System debt, as explained under the Enterprise Funds Debt section. The City is refunding the Refunded Obligations in order to realize interest cost savings. The bonds were issued on August 9, 2010, with interest payable June 15 and December 15 of each year, commencing December 15, 2010. The City reserves the right, at its option, to redeem bonds maturing June 15, 2014, and thereafter, in whole or in part, in the principal amount of \$5,000 or any integral multiple thereof (and within a maturity by lot) on June 15, 2013, or any date thereafter, plus accrued interest to the date fixed for redemption.

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. Accordingly, pursuant to the terms of the ordinance authorizing the issuance of the refunded bonds and in accordance with Texas Law, the refunded bonds are deemed to be no longer outstanding obligations payable from the General Obligation Debt Service or for any other purpose except for the purpose of being paid from the funds held in such Escrow Fund. On December 31, 2014, \$290,000 of the bonds considered defeased are still outstanding.

A summary of refunded bond maturities provided by the Tax and Surplus Revenue Refunding Bonds, Series 2010, is as follows:

#### **Schedule of Refunded Bonds**

	<b><u>Dates of Maturity</u></b>	<b><u>Interest Rates</u></b>	<b><u>Amount</u></b>
Combination Tax and Revenue Certificates of Obligation, Series 2001	June 15, 2012-2016	4.375%- 4.625%	<u>290,000</u>

On December 6, 2006, the City passed on ordinance authorizing the issuance of \$9,235,000 City of Marshall, Texas, Waterworks and Sewer System Revenue Refunding Bonds, Series 2006, with interest from 4.00% to 5.50%, to provide funds sufficient to refund selected existing bond maturities, and to pay costs of issuance relating to the bonds. The 2006 Revenue Refunding Bonds were issued in denominations of \$5,000 or integral multiple thereof. Interest on the bonds accrued from December 1, 2006 and is payable June 15 and December 15 of each year commencing June 15, 2007, to the registered owner appearing on the registration record of the Bank of New York Trust Company, N.A. Dallas, Texas.

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014**

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

The City advance refunded selected existing bond maturities and interest due thereon, by placing proceeds of the 2006 Revenue Refunding Bonds 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 refunded bonds. Accordingly, pursuant to the terms of the ordinance authorizing the issuance of the refunded bonds and in accordance with Texas Law, the refunded bonds are deemed to be no longer outstanding obligations payable from the Waterworks 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, 2014, \$7,490,000 of the bonds considered defeased are still outstanding.

A summary of refunded bond maturities provided by the Waterworks and Sewer System Revenue Refunding Bonds, Series 2006, is as follows:

#### **Schedule of Refunded Bonds**

	<b><u>Maturity Dates</u></b>	<b><u>Interest Rates</u></b>	<b><u>Amount</u></b>
Waterworks and Sewer System Revenue Bonds, Series 1998	June 15, 2013-2019	4.500%	3,455,000
Waterworks and Sewer System Revenue Bonds, Series 1999	June 15, 2011-2019	4.750% - 6.350%	1,430,000
Waterworks and Sewer System Revenue Bonds, Series 2000	June 15, 2014-2019	5.125%	1,705,000
		4.750% -	
Waterworks and Sewer System Revenue Bonds, Series 2001	June 15, 2017-2022	5.000%	900,000
			<u>7,490,000</u>

On July 8, 2010, the City passed an ordinance authorizing the issuance of \$4,150,000 Tax and Surplus Revenue Refunding Bonds, Series 2010 (the Refunding Bonds). \$3,490,000 of the proceeds of issuance are to be used for the purpose of refunding the 2011 through 2017 maturities of the City's currently outstanding Waterworks and Sewer System Revenue Bonds, Series 1997, in the amount of \$3,425,000. The remaining \$660,000 of the Refunding Bonds is being used to refund General Obligation debt, as explained under the General Obligation Debt section. The City is refunding the Refunded Obligations in order to realize interest cost savings. The bonds were issued on August 9, 2010, with interest payable June 15 and December 15 of each year, commencing December 15, 2010. The City reserves the right, at its option, to redeem bonds maturing June 15, 2014, and thereafter, in whole or in part, in the principal amount of \$5,000 or any integral multiple thereof (and within a maturity by lot) on June 15, 2013 or any date thereafter, plus accrued interest to the date fixed for redemption.

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014**

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

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.

Accordingly, pursuant to the terms of the ordinance authorizing the issuance of the refunded bonds and 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, 2014, \$1,605,000 of the bonds considered defeased are still outstanding.

A summary of refunded bond maturities provided by the Tax and Surplus Revenue Refunding Bonds, Series 2010, is as follows:

#### **Schedule of Refunded Bonds**

	<b><u>Dates of Maturity</u></b>	<b><u>Interest Rates</u></b>	<b><u>Amount</u></b>
Waterworks and Sewer System Revenue Bonds, Series 1997	June 15, 2011-2017	4.000%- 4.250%	<u>1,605,000</u>

On April 1, 2012, the City issued \$5,065,000 City of Marshall, Texas Waterworks and Sewer System Revenue Refunding Bonds, Series 2012. Proceeds from the sale of the bonds are to be used to refund a portion of the City's outstanding Waterworks and Sewer System Revenue Bonds, Series 2001 and a portion of the City's outstanding Waterworks and Sewer System Revenue Bonds, Series 2003 and to achieve debt service savings and to pay the costs related to the issuance of the bonds. The bonds are secured by and payable from a first lien and pledge of the net revenues derived from the City's combined waterworks and sewer system during the entire period the bonds remain outstanding. Interest on the bonds will be payable June 15 and December 15 of each year until maturity or prior redemption. Principal payments will be payable each year until maturity or prior redemption.

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, 2014 \$4,320,000 of the bonds considered defeased are still outstanding.

A summary of the refunded bond maturities provided by the Tax and Surplus Revenue Refunding Bonds, Series 2012, is as follows:

#### **Schedule of Refunded Bonds**

	<b><u>Dates of Maturity</u></b>	<b><u>Interest Rates</u></b>	<b><u>Amount</u></b>
Waterworks and Sewer System Revenue Bonds, Series 2001	June 15, 2013-2016	4.600%- 4.750%	280,000
Waterworks and Sewer System Revenue Bonds, Series 2003	June 15, 2014-2023	3.600%- 4.500%	<u>4,040,000</u>
			<u>4,320,000</u>

# CITY OF MARSHALL, TEXAS

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

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

A summary of changes in long-term debt for the year ended December 31, 2014 is as follows:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Original Issued</u>	<u>Amounts Outstanding 1/1/2014</u>	<u>Issued Current Year</u>	<u>Retired Current Year</u>	<u>Amounts Outstanding 12/31/2014</u>	<u>Interest Current Year</u>	<u>Due Within One Year</u>
<u>Governmental Activities:</u>								
<u>Bonded Indebtedness</u>								
General Obligation Bonds, Series 2007	3.85-5.00%	6,230,000	5,010,000	-	(260,000)	4,750,000	193,993	270,000
Certificate of Obligation, Series 2010A	2.00-4.00%	2,100,000	1,770,000	-	(120,000)	1,650,000	58,738	120,000
Certificate of Obligation, Series 2010	2.75-4.50%	1,140,000	925,000	-	(75,000)	850,000	28,206	80,000
Tax and Surplus Revenue Refunding Bonds Series 2010	2.00-3.00%	660,000	410,000	-	(135,000)	275,000	12,396	135,000
Total Governmental Activities Bonded Indebtedness		10,130,000	8,115,000	-	(590,000)	7,525,000	293,333	605,000
<u>Business-Type Activities:</u>								
<u>Bonded Indebtedness</u>								
Water and Sewer Revenue Refunding Bonds, 2006	4.00-5.50%	9,235,000	8,320,000	-	(910,000)	7,410,000	378,688	940,000
Tax and Surplus Revenue Refunding Bonds Series 2010	2.00-3.00%	3,490,000	2,065,000	-	(490,000)	1,575,000	46,129	510,000
Water and Sewer Revenue Refunding Bonds Series 2012	3.60-4.75%	5,065,000	4,820,000	-	(515,000)	4,305,000	138,700	530,000
Premium (Refunding Bonds, Series 2010)	N/A	31,250	22,320	-	(2,232)	20,088	-	-
Premium (Refunding Bonds, Series 2006)	N/A	745,082	397,378	-	(49,672)	347,706	-	-
Total Business-Type Bonded Indebtedness		18,566,332	15,624,698	-	(1,966,904)	13,657,794	563,517	1,980,000
Total Bonded Indebtedness		28,696,332	23,739,698	-	(2,556,904)	21,182,794	856,850	2,585,000

# CITY OF MARSHALL, TEXAS

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

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

Debt service requirements are as follows:

#### General Obligation Bonds:

Year Ended <u>December 31,</u>	<u>Governmental Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Requirements</u>
2015	270,000	183,393	453,393
2016	285,000	172,293	457,293
2017	300,000	160,593	460,593
2018	315,000	148,529	463,529
2019	330,000	136,113	466,113
2020-2024	1,890,000	469,613	2,359,613
2025-2027	1,360,000	84,335	1,444,335
<b>Total</b>	<u>4,750,000</u>	<u>1,354,869</u>	<u>6,104,869</u>

#### Certificates of Obligation and Revenue Bonds:

Year Ended <u>December 31,</u>	<u>Governmental Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Requirements</u>
2015	335,000	90,656	425,656
2016	350,000	81,205	431,205
2017	215,000	69,613	284,613
2018	230,000	62,756	292,756
2019	240,000	55,119	295,119
2020-2024	1,225,000	143,559	1,368,559
2025	180,000	3,600	183,600
<b>Total</b>	<u>2,775,000</u>	<u>506,508</u>	<u>3,281,508</u>

#### Water and Sewer Revenue Bonds:

Year Ended <u>December 31,</u>	<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Requirements</u>
2015	1,980,000	502,588	2,482,588
2016	2,060,000	427,652	2,487,652
2017	2,145,000	340,763	2,485,763
2018	2,290,000	236,050	2,526,050
2019	2,400,000	132,675	2,532,675
2020-2023	2,415,000	242,450	2,657,450
<b>Total</b>	<u>13,290,000</u>	<u>1,882,178</u>	<u>15,172,178</u>

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014**

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

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

On April 19, 2011, the City entered into a lease agreement with Capital One, National Association (Lessor). The agreement was to assist the City in financing the acquisition of seven vehicles for the police department. 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 agreements totals \$205,025 and requires three annual payments of \$68,342. This lease was paid off this year.

On May 1, 2011, the City entered into a lease agreement with Capital One, National Association (Lessor). The agreement was to assist the City in financing the acquisition of one vehicle for the police department. 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 \$22,438 and requires three annual payments of \$7,479. This lease was paid off this year.

On September 5, 2012, 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 eight vehicles for the police department. The City has legal title to the property during the lease term subject to the security interests of the Lessor in all the property. The lease agreement totals \$257,605 and requires three annual payments of \$89,117.

The assets acquired through the capital leases are as follows:

<b><u>Assets:</u></b>	<b><u>Amount</u></b>
2012 Dodge Police Car	21,410
2012 Dodge Police Cars (7)	236,195
Total	257,605
Less: Accumulated Depreciation	(78,075)
Total	179,530

The future minimum lease payments under the capital leases and the present value of the net minimum lease payments at December 31, 2014, were as follows:

<b><u>Year Ended December 31,</u></b>	<b><u>Various Autos</u></b>
2015	89,117
Total Minimum Lease Payments	89,117
Less: Amount Representing Interest Costs	(1,644)
Present Value of Minimum Lease Payments	87,473

# CITY OF MARSHALL, TEXAS

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

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

#### Note Payable - Governmental Activities:

On March 18, 2013, the City entered into a loan agreement with Texas Bank and Trust in the amount of \$155,000 for the purchase of an ambulance. Payments are due annually in 3 payments of \$40,619 (includes principal and interest) beginning on March 1, 2014, and on the same day each year thereafter. A single final payment of the entire unpaid balance of principal and interest will be paid on March 1, 2017. The interest rate on the loan is fixed at 1.947%. Interest paid on this loan for 2014 was \$2,877.

#### Long-Term Debt Note Payable:

Year Ended <u>December 31,</u>	<u>Governmental Activities</u>		<u>Total</u> <u>Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2015	38,336	2,283	40,619
2016	39,078	1,541	40,619
2017	<u>39,844</u>	<u>775</u>	<u>40,619</u>
<b>Total</b>	<u><u>117,258</u></u>	<u><u>4,599</u></u>	<u><u>121,857</u></u>

#### Changes In Long-Term Liabilities:

Long-term debt activity for the year ended December 31, 2014, was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
<u>Governmental Activities:</u>					
Bonds Payable:					
General Obligation Bonds	5,010,000	-	(260,000)	4,750,000	270,000
Certificate of Obligations and Revenue Bonds	<u>3,105,000</u>	<u>-</u>	<u>(330,000)</u>	<u>2,775,000</u>	<u>335,000</u>
Total Bonds Payable	<u>8,115,000</u>	<u>-</u>	<u>(590,000)</u>	<u>7,525,000</u>	<u>605,000</u>
Other Liabilities:					
Capital Leases Payable	246,955	-	(159,482)	87,473	87,473
Note Payable	<u>155,000</u>	<u>-</u>	<u>(37,742)</u>	<u>117,258</u>	<u>38,336</u>
Accrued Post Retirement Health Care and TMRS	1,008,192	37,145	-	1,045,337	-
Compensated Absences	<u>2,443,085</u>	<u>-</u>	<u>(40,152)</u>	<u>2,402,933</u>	<u>-</u>
Total Other Liabilities	<u>3,853,232</u>	<u>37,145</u>	<u>(237,376)</u>	<u>3,653,001</u>	<u>125,809</u>
Total Governmental Activities	<u>11,968,232</u>	<u>37,145</u>	<u>(827,376)</u>	<u>11,178,001</u>	<u>730,809</u>
<u>Business-Type Activities:</u>					
Revenue Bonds Payable	<u>15,624,698</u>	<u>-</u>	<u>(1,966,904)</u>	<u>13,657,794</u>	<u>1,980,000</u>
Total Bonds Payable	<u>15,624,698</u>	<u>-</u>	<u>(1,966,904)</u>	<u>13,657,794</u>	<u>1,980,000</u>
Other Liabilities:					
Accrued Post Retirement Health Care and TMRS	251,448	14,645	-	266,093	-
Compensated Absences	<u>307,577</u>	<u>-</u>	<u>(28,956)</u>	<u>278,621</u>	<u>-</u>
Total Other Liabilities	<u>559,025</u>	<u>14,645</u>	<u>(28,956)</u>	<u>544,714</u>	<u>-</u>
Total Business-Type Activities	<u>16,183,723</u>	<u>14,645</u>	<u>(1,995,860)</u>	<u>14,202,508</u>	<u>1,980,000</u>
Total Government	<u><u>28,151,955</u></u>	<u><u>51,790</u></u>	<u><u>(2,823,236)</u></u>	<u><u>25,380,509</u></u>	<u><u>2,710,809</u></u>

# CITY OF MARSHALL, TEXAS

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

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

**Interfund balances at December 31, 2014, consisted of the following amounts:**

Due to General Fund (Major Governmental Fund) From:	
Motel Occupancy Tax Fund (Nonmajor Governmental Fund)	145,000
Controlled Substance Fund (Nonmajor Governmental Fund)	3
<b>Total Due to General Fund</b>	<b>145,003</b>
Due to Street Maintenance Fund (Nonmajor Governmental Fund) From:	
General Fund (Major Governmental Fund)	96,904
<b>Total Due to Street Maintenance Fund</b>	<b>96,904</b>

**Interfund transfers for the year ended December 31, 2014, consisted of the following amounts:**

Transfers to General Fund From (Major Governmental Fund):	
Motel Occupancy Tax Fund (Nonmajor Governmental Fund)	178,738
Water and Sewer Fund (Major Enterprise Fund)	1,746,000
<b>Total Transfers to General Fund (Major Governmental Fund)</b>	<b>1,924,738</b>
Transfers to Community Development Fund (Nonmajor Governmental Fund):	
General Fund (Major Governmental Fund)	12,230
<b>Total Transfers to Community Development Fund</b>	<b>12,230</b>
Transfers to Police Special Projects Fund (Nonmajor Governmental Fund):	
General Fund (Major Governmental Fund)	161,935
<b>Total Transfers to Police Special Projects Fund</b>	<b>161,935</b>
Transfers to Special Projects Fund (Nonmajor Governmental Fund):	
General Fund (Major Governmental Fund)	6,528
<b>Total Transfers to Special Projects Fund</b>	<b>6,528</b>
Transfers to Equipment Replacement Funds (Internal Service Funds):	
Water and Sewer Fund (Major Enterprise Fund)	73,105
General Fund (Major Governmental Fund)	14,500
<b>Total Transfers to Equipment Replacement Funds</b>	<b>87,605</b>

### Fund Balance/Net Position (Deficit):

In the current year, the following individual funds have a deficit as indicated:

#### Nonmajor Governmental Fund:

Motel Occupancy Tax Fund	(135,564)
--------------------------	-----------

The deficit in the Motel Occupancy Tax Fund was due to a transfer made to the General Fund for \$176,688 in the prior year to fund additional expenditures for Boogie Woogie and Wonderland of Lights. The City will recover the deficit fund balance in 2017 in the Motel Occupancy Tax Fund when the Tax and Surplus Revenue Refunding Bonds, Series 2010 have been paid off.

#### Internal Service Fund:

Stores Inventory Fund	(17,675)
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The deficit in the Stores Inventory Fund was due to expenses exceeding operating revenue for the current and/or prior years. Management will strive to generate more charges for services than operating expenses for this fund in the future.

# CITY OF MARSHALL, TEXAS

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014**

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

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

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

<b><u>Fund Balance (Deficit)</u></b>	<b><u>December 31, 2014</u></b>
<b><u>Budgeted Special Revenue Funds:</u></b>	
Motel Occupancy Tax Fund	(135,564)
Street Maintenance Fund	61,833
Litter Control Fund	-
D.A.R.E. Donations Fund	41,033
<b>Total</b>	<b><u>(32,698)</u></b>
<b><u>Non-budgeted Special Revenue Funds:</u></b>	
Controlled Substance Fund	116,529
Art Center Projects Fund	3,266
Muni Court Tech Fund	18,318
Park Trails Fund	4,533
Timber Sales Fund	293,160
EMS ESD Fund	24,381
Disaster Relief Fund	2,646
Police Special Projects Fund	161,935
State Grant Fund	145
Main Street Fund	7,301
<b>Total</b>	<b><u>632,214</u></b>
<b>All Special Revenue Funds</b>	<b><u><u>599,516</u></u></b>

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014**

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

#### **Texas Municipal Retirement System –**

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

The City provides pension benefits for all of its full-time employees, other than the City's firefighters, through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The City's firefighters are covered by a separate pension plan (see below); therefore, they are not included in the TMRS plan. The plan provisions that have been adopted by the City are within the options available in the governing State statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at [www.TMRS.com](http://www.TMRS.com).

##### **Benefits:**

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

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:

	<b><u>2014 Plan Year</u></b>
Employee Deposit Rate	7%
Matching Ratio (City to Employee)	2 to 1
Years Required for Vesting	5
Service Retirement Eligibility (Expressed as Age / Years of Service)	20 years at any age, 5 years at age 60 and above
Updated Service Credit	100% Repeating, Transfers
Annuity Increase (to Retirees)	70% of CPI Repeating

# CITY OF MARSHALL, TEXAS

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

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

#### Contributions:

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2013 valuation; previously, the Projected Unit Credit actuarial cost method had been used). This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Contributions are made monthly by both the employees and the City. The City's contribution rate for 2014 was 17.51%. Since the City needs to know its contribution rate in advance to budget for it, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. (i.e. December 31, 2014 valuation is effective for rates beginning January 2015.) The annual pension cost and net pension obligation as of December 2014 are as follows:

	<u>12/31/14</u>
Annual Required Contribution (ARC)	1,351,924
Interest on Net Pension Obligation	68,085
Adjustment to the ARC	<u>(61,223)</u>
Annual Pension Cost (APC)	1,358,786
Contributions Made	<u>(1,351,924)</u>
Increase (Decrease) in Net Pension Obligation	6,862
Net Pension Obligation/(Asset), Beginning of Year	<u>972,644</u>
Net Pension Obligation/(Asset), End of Year	<u><u>979,506</u></u>

The City's contributions were based on an annual covered payroll of \$7,720,871. There were no related-party transactions.

#### Trend Information for Annual Pension Cost:

Information for the last three years is as follows:

Year Ended <u>Dec. 31</u>	Annual Pension Cost (APC)	Annual Contribution Made	Percentage of APC Contributed	Net Pension Obligation
2012	1,627,310	1,598,354	98%	964,447
2013	1,422,023	1,413,826	99%	972,644
2014	1,358,786	1,351,924	99%	979,506

# CITY OF MARSHALL, TEXAS

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

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

**Funded Status and Funding Progress** - In October 2013, the TMRS Board approved actuarial changes in (a) funding method from Projected Unit Credit to Entry Age Normal, (b) the post-retirement mortality assumptions used in calculating liabilities and contribution rates and in the development of the Annuity Purchase Rate factors, and (c) the amortization policy. These actuarial changes were effective with the December 31, 2013 actuarial valuation. For a complete description of the new actuarial cost method and assumptions, please see the December 31, 2013 TMRS Comprehensive Annual Financial Report (CAFR).

### Actuarial Method and Assumptions:

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

<u>Valuation Date</u>	<u>12/31/11</u> <u>Restructured</u>	<u>12/31/12</u>	<u>12/31/13</u>
Actuarial Cost Method	Projected Unit of Credit	Projected Unit of Credit	Projected Unit of Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	26.2 Years; Closed Period	25.2 Years; Closed Period	25.0 Years; Closed Period
Amortization Period for New Gains/Losses	30 Years	30 Years	30 Years
Asset Valuation Method	10-Year Smoothed Market	10-Year Smoothed Market	10-Year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return #	7.00%	7.00%	7.00%
Projected Salary Increases #	Varies by Age and Service	Varies by Age and Service	Varies by Age and Service
# Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-Living Adjustment	1.5%	1.5%	1.5%

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014**

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

#### **Schedule of Funding Progress:**

Information for the last nine years is as follows:

<b>Report Year Ended Dec. 31</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability</b>	<b>Percentage Funded</b>	<b>Unfunded Actuarial Accrued Liability</b>	<b>Annual Covered Payroll</b>	<b>Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll</b>
2005	14,610,502	22,003,644	66%	7,393,142	6,339,397	117%
2006	15,254,379	23,203,409	66%	7,949,030	6,835,077	116%
2007	15,327,307	28,142,023	55%	12,814,716	7,270,965	176%
2008	15,936,612	29,084,256	55%	13,147,644	7,580,382	173%
2009	17,671,205	32,095,373	55%	14,424,168	8,160,194	177%
*2010	18,232,142	32,685,711	55%	14,453,569	8,171,768	177%
**2010	34,421,949	46,038,172	75%	11,616,223	8,171,768	142%
2011	36,763,882	48,166,302	76%	11,402,420	8,022,883	142%
2012	39,251,848	46,714,829	84%	7,462,981	7,904,838	94%
2013	41,742,003	50,808,304	82%	9,066,301	8,019,431	113.1%

\* Actuarial valuation performed under the original fund structure.

\*\* Actuarial valuation performed under the new fund structure.

#### **Changes in Actuarial Method and Assumptions:**

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

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

#### **Supplemental Death Benefits Plan –**

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

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

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

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014**

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

#### **Contributions:**

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

#### **Schedule of Contribution Rates:**

##### **(RETIREE – Only Portion of the Rate)**

<b>Plan/ Calendar Year</b>	<b>Annual Required Contribution (Rate)</b>	<b>Actuarial Contribution Made (Rate)</b>	<b>Percentage of ARC Contributed</b>
2011	0.07%	0.07%	100%
2012	0.07%	0.07%	100%
2013	0.07%	0.07%	100%
2014	0.08%	0.08%	100%

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

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

The City contributes to the Firemen's Relief and Retirement Fund ("Fund") a single employer public employee retirement system (PERS). The City's payroll for employees covered by the Fund for the year ended December 31, 2014, was \$2,449,721. All active City Firefighters are eligible to participate in the Fund. Benefits vest after 10 years of service and the attainment of age 50. Retirement benefits are based upon years of service and salary. The Fund also provides death and disability benefits. Benefit provisions and all other requirements are established by State statute, City ordinance and the Marshall Firemen's Relief and Retirement Fund Board of Trustees.

Firefighters contribute 14.00% of their annual salary to the Fund. The City contributes a matching 19.05% of annual covered payroll to the Fund.

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

The latest actuarial study of the Fund was made as of December 31, 2014. The actuarial cost method used in the valuation was a variation of the Entry Age Normal Actuarial Cost Method. Significant actuarial assumptions used included a rate of return on investments of 7.75% per year, and projected salary increases of 5.00% per year. The market value of the Firemen's Relief and Retirement Fund at December 31, 2014 was \$8,003,545, 124% of the book value as of December 31, 2014.

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014**

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

The December 31, 2014, actuarial valuation determined that contributions at the rates then in existence (14.00% for firefighters and 19.05% for the City of Marshall) will amortize the unfunded liability, based on certain actuarial assumptions, in approximately 43.2 years. Guidelines published by the Texas State Pension Review Board specify that the amortization period of the unfunded actuarial accrued liability should never exceed 40 years, with a 15 to 25 year period being preferable. Based on the December 31, 2014, actuarial valuation, the actuary has certified that the fund contribution structure is currently not sufficient to satisfy PRB guidelines.

Contributions for 2014 totaling \$809,634 were made in accordance with the contribution requirements established by State statute.

### **Net Pension Liability:**

The components of net pension liability as of December 31, 2014 (date of last actuarial update).

Total Pension Liability	17,253,390
Plan Fiduciary Net Position	<u>8,003,545</u>
Net Pension Liability	<u>9,249,845</u>

### **NOTE 9: HEALTH INSURANCE COVERAGE:**

The City provides health and dental insurance for all active employees and qualified retirees with Blue Cross/Blue Shield of Texas. Employees who retire and wish to continue on the City's health plan must pay the difference between the retiree blended rate of \$692 and \$434, which is the amount the City currently pays for active employee coverage. Currently, the City contributes \$434 per employee and retirees per month, and the employee, at their option, may authorize payroll withholdings to pay dependent premiums if applicable.

### **NOTE 10: 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 employee and retirees is \$434 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 \$692 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.

#### **Annual OPEB Cost and Net OPEB Obligation:**

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.

# CITY OF MARSHALL, TEXAS

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

### NOTE 10: POST-RETIREMENT HEALTH BENEFITS: (Continued)

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 last valuation performed was at January 1, 2013 (revised June 24, 2013). The City has elected to have one performed every two years. The allocation of the total liability was based upon straight years of service ratio and was amortized over a 26 year period, using a 4% discount rate. Medical inflation was taken at 10% for pre-Medicare grading down to 5% in the ultimate. Post Medicare benefits were not considered since the plan provides for no post-Medicare coverage or subsidy. The Unfunded Actuarial Liability and the Annual Cost at January 1, 2013 was as follows:

<u>Category</u>	<u>Liability (Actuarial Present Value)</u>			<u>Annual Cost</u>			<u>12/31/2014 Funding %</u>
	<u>Past Service</u>	<u>Future</u>	<u>Total</u>	<u>Past Service</u>	<u>(Normal Cost) Future</u>	<u>Total</u>	
Active	473,963	461,892	935,855	28,514	28,769	57,283	
Retirees	523,628	-	523,628	31,502	-	31,502	
Total	<u>997,591</u>	<u>461,892</u>	<u>1,459,483</u>	<u>60,016</u>	<u>28,769</u>	<u>88,785</u>	<u>0%</u>

(1) Normal Cost for 2014	28,769
(2) Accrued Actuarial Liability	997,591
(3) Beginning Assets	-
(4) Unfunded Accrued Liability (UAL)	997,591
(5) Net OPEB Obligation as of 1/1/14	286,996
(6) Amortization Period	26
(7) Amortization of UAL	60,016
(8) Annual Required Contribution (ARC) (1 + 7)	88,785
(9) Interest on Prior Year OPEB Obligation	9,615
(10) Amortization of Prior Year OPEB Obligation	14,462
(11) Annual OPEB Cost (8 + 9 - 10)	<u>83,938</u>
(12) Employer Pay-As-You-Go Cost	39,010
(13) Employer Contributions to Trust (Prefunding)	-
(14) Total Employer Contributions (12 + 13)	<u>39,010</u>
(15) Change in Net OPEB Obligation/(Asset) During Year (11 - 14)	<u>44,928</u>
(16) Net OPEB Obligation (Asset) as of 12/31/14 (5 + 15)	<u>331,924</u>

# CITY OF MARSHALL, TEXAS

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

### NOTE 10: POST-RETIREMENT HEALTH BENEFITS: (Continued)

#### Trend Information for Annual OPEB Cost:

<u>Year Ended Dec. 31</u>	<u>Annual OPEB Cost</u>	<u>Percent of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligations</u>
2011	160,276	-	240,384
2012	83,938	-	244,950
2013	83,938	-	286,996
2014	83,938	-	331,924

#### Schedule of Funding Progress:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
2008	-	3,331,546	3,331,546	0%	8,160,194	40.82%
2010	-	2,727,686	2,727,686	0%	8,171,728	33.38%
2013	-	1,459,483	1,459,483	0%	7,904,818	18.46%

### NOTE 11: 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	1,000,000 Each Occurrence	10,000
	2,000,000 Annual Aggregate	
Auto Liability	1,000,000 Each Occurrence	25,000
Law Enforcement Liability	1,000,000 Each Occurrence	5,000
	2,000,000 Annual Aggregate	
Errors and Omissions Liability	1,000,000 Each Wrongful Act	5,000
	2,000,000 Annual Aggregate	
Real & Personal Property	74,929,197	1,000
Mobile Equipment	2,113,796	1,000
Boiler & Machinery	5,531,392	1,000

### NOTE 12: SOLID WASTE COLLECTION CONTRACT:

The City has contracted for solid waste collection with a third party. The contract began January 1, 2014, and terminates December 31, 2018. The term of the service shall be five (5) years from the start date of the contract, with one (1) five-year renewal option pending agreement of both parties. Should either the City or Contractor elect not to renew and extend the contract for an additional five (5) year period, notice must be given, by certified mail, return receipt requested, to the other party in writing not less than thirty (30) days prior to the expiration of the Contract. Under the terms of the agreement the City bills customers and collects payments and retains a percentage of the charges.

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014**

### **NOTE 13: NORTHEAST TEXAS MUNICIPAL WATER DISTRICT RAW WATER PURCHASE CONTRACT:**

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

### **NOTE 14: LITIGATION:**

The City is not a defendant in any significant litigation as of December 31, 2014.

### **NOTE 15: CONTINGENT LIABILITIES:**

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

### **NOTE 16: COMMITMENTS:**

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

### **NOTE 17: SUBSEQUENT EVENTS:**

The City has evaluated subsequent events through September 3, 2015, the date which the financial statements were available for issue. In March 2015, the City was named as a defendant in a lawsuit involving wrongful termination of three former employees. The plaintiffs are suing under several state and federal statutes claiming racial discrimination. The City is being represented by its insurance carrier and the outcome of this litigation is not determinable.

### **NOTE 18: COMPONENT UNIT DISCLOSURES – MARSHALL ECONOMIC DEVELOPMENT CORPORATION:**

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

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

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

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

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

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014**

### **NOTE 18: COMPONENT UNIT DISCLOSURES – MARSHALL ECONOMIC DEVELOPMENT CORPORATION:** (Continued)

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

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

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

At December 31, 2014, the carrying amount of MEDCO's deposits (including \$200 petty cash) was \$2,830,903, and the respective bank balance was \$2,866,520. MEDCO's cash deposits at December 31, 2014, were entirely covered by FDIC insurance and pledged securities.

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

At December 31, 2014, 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 MEDCO's policy, investments shall be made in a manner which will provide the maximum security of principal invested through limitations and diversification while meeting the daily cash flows of MEDCO and conforming to all applicable state and MEDCO statutes governing the investment of public funds. The receipt of a market rate of return will be secondary to the requirements for safety and liquidity. MEDCO had investments in TexPool, which is classified as a 2a-7 like pool and is not subject to reporting interest rate risk.
4. Credit Risk and Concentration Risk - MEDCO's main goal of their investment program is to ensure its safety and maximize financial returns within current market conditions in accordance with policy. MEDCO's investment policy states that diversification strategies shall be established and periodically reviewed. At a minimum, diversification standards by security type and issuer shall be:

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

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014**

### **NOTE 18: COMPONENT UNIT DISCLOSURES – MARSHALL ECONOMIC DEVELOPMENT CORPORATION:** (Continued)

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

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

MEDCO's investments as of December 31, 2014 are:

	<b><u>Rating</u></b>	<b><u>Carrying Amount</u></b>	<b><u>Market Value</u></b>
Public Funds Investment Pools (TexPool)	AAAm (S&P)	<u>3,142,313</u>	<u>3,142,313</u>

At December 31, 2014, the public funds investment pools consisted of investments in TexPool. TexPool is duly chartered and administered by the Texas Comptroller's Office and the portfolio normally consists of U.S. T-Bills, T-Notes, collateralized certificates of deposit, and repurchase agreements. Oversight by the Texas Comptroller's Office over TexPool includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. These investments are classified as temporary investments in MEDCO's financial statements because these investments are not subject to any restrictions for withdrawal purposes.

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

#### **Receivables:**

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

	<b><u>Business Development Center</u></b>	<b><u>Center For Applied Technology</u></b>	<b><u>Total</u></b>
Receivables:			
Accounts	<u>14,705</u>	<u>18,114</u>	<u>32,819</u>
Gross	<u>14,705</u>	<u>18,114</u>	<u>32,819</u>
Receivables Less:			
Allowance for Uncollectibles	<u>(6,248)</u>	<u>(6,807)</u>	<u>(13,055)</u>
Net Total Receivables	<u>8,457</u>	<u>11,307</u>	<u>19,764</u>

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

The City is required to contribute to MEDCO, \$.00375 of the \$.0825 sales tax levied on taxable sales. Monthly, the City receives sales tax remittances from the State of Texas for taxes collected by the State on behalf of the City. Because of the time allowed by the State for merchants to file Sales Tax Returns, a lag exists between when the tax is earned by the City and when it is received. At December 31, 2014, the amount due to MEDCO from the City for its portion of sales tax revenue was \$296,050, including \$5,339 due from the City from previous years.

# CITY OF MARSHALL, TEXAS

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

### NOTE 18: COMPONENT UNIT DISCLOSURES – MARSHALL ECONOMIC DEVELOPMENT CORPORATION: (Continued)

#### Capital Assets:

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

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

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

Capital asset activity for the year ended December 31, 2014, was as follows:

<u>Component Unit Activities:</u>	<u>December 31,</u> <u>2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31,</u> <u>2014</u>
Capital Assets Not Being Depreciated:				
Land	4,235,720	-	-	4,235,720
Construction In Progress	<u>2,545,783</u>	<u>7,625,028</u>	<u>-</u>	<u>10,170,811</u>
Total Capital Assets Not				
Being Depreciated	<u>6,781,503</u>	<u>7,625,028</u>	<u>-</u>	<u>14,406,531</u>
Capital Assets Being Depreciated:				
Buildings	949,629	-	-	949,629
Improvements	293,593	250	-	293,843
Machinery, Tools, and				
Equipment	<u>148,218</u>	<u>1,461</u>	<u>-</u>	<u>149,679</u>
Total Capital Assets Being				
Depreciated	<u>1,391,440</u>	<u>1,711</u>	<u>-</u>	<u>1,393,151</u>
Less Accumulated Depreciation For:				
Buildings	133,219	23,741	-	156,960
Improvements	148,830	18,097	-	166,927
Machinery, Tools, and				
Equipment	<u>140,934</u>	<u>4,593</u>	<u>-</u>	<u>145,527</u>
Total Accumulated				
Depreciation	<u>422,983</u>	<u>46,431</u>	<u>-</u>	<u>469,414</u>
Total Capital Assets, Being				
Depreciated, Net	<u>968,457</u>	<u>(44,720)</u>	<u>-</u>	<u>923,737</u>
Component Unit Activities Capital				
Assets, Net	<u><u>7,749,960</u></u>	<u><u>7,580,308</u></u>	<u><u>-</u></u>	<u><u>15,330,268</u></u>

# CITY OF MARSHALL, TEXAS

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

### NOTE 18: COMPONENT UNIT DISCLOSURES – MARSHALL ECONOMIC DEVELOPMENT CORPORATION: (Continued)

#### Notes Payable:

On October 8, 2009, MEDCO executed a note with Texas Bank and Trust in the amount of \$1,000,000 to purchase land, building, and improvements. Payments are due quarterly at \$33,173 (includes principal and interest) for the next nine years at a fixed interest rate of 5.83%. Interest paid on the note for 2014 was \$16,553. 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 & 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, 2014, was \$36,658.

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.

Debt service requirements are as follows:

<u>Year Ended December 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2015	388,958	226,097	615,055
2016	440,120	230,849	670,969
2017	455,246	215,723	670,969
2018	470,895	200,074	670,969
2019	487,086	183,882	670,968
2020 - 2024	2,698,617	656,227	3,354,844
2025	<u>2,567,043</u>	<u>6,956</u>	<u>2,573,999</u>
<b>TOTAL</b>	<b><u>7,507,965</u></b>	<b><u>1,719,808</u></b>	<b><u>9,227,773</u></b>

Long-term debt activity for the year ended December 31, 2014, was as follows:

<u>Component Unit Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Other Liabilities:					
Notes Payable	641,552	6,891,695	(25,282)	7,507,965	388,958
Total Other Liabilities	<u>641,552</u>	<u>6,891,695</u>	<u>(25,282)</u>	<u>7,507,965</u>	<u>388,958</u>
Total Governmental Activities					
Long-Term Liabilities	<u>641,552</u>	<u>6,891,695</u>	<u>(25,282)</u>	<u>7,507,965</u>	<u>388,958</u>

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014**

### **NOTE 18: COMPONENT UNIT DISCLOSURES – MARSHALL ECONOMIC DEVELOPMENT CORPORATION: (Continued)**

#### **Pension Plan:**

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

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

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

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

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

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

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

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

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

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

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

At December 31, 2014, the carrying amount of MDDC's deposits was \$185,363 and the respective bank balances were \$185,363. MDDC's cash consists of demand deposits. For GASB 40 purposes, all of MDDC's deposits and investments are covered under deposits. All of MDDC's cash deposits at December 31, 2014, were entirely covered by FDIC insurance.

# CITY OF MARSHALL, TEXAS

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

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

#### Capital Assets:

Capital asset activity for the year ended December 31, 2014, was as follows:

<u>Component Unit Activities:</u>	<u>December 31,</u> <u>2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31,</u> <u>2014</u>
Capital Assets Being Depreciated:				
Building	50,217	-	-	50,217
Total Capital Assets Being Depreciated	50,217	-	-	50,217
Less Accumulated Depreciation For:				
Building	3,013	1,004	-	4,017
Total Accumulated Depreciation	3,013	1,004	-	4,017
Total Capital Assets Being Depreciated, Net	47,204	(1,004)	-	46,200
Component Unit Activities Capital Assets, Net	47,204	(1,004)	-	46,200

### NOTE 20: COMPONENT UNIT DISCLOSURES – MARSHALL CONVENTION AND VISITORS BUREAU (MCVB):

#### Deposits and Investments:

At December 31, 2014, the carrying amount of MCVB's deposits was \$7,473 and the respective bank balances were \$7,497. MCVB's cash consists of demand deposits. For GASB 40 purposes, all of MCVB's deposits and investments are covered under deposits. All of MCVB's cash deposits at December 31, 2014, were covered by FDIC insurance.

#### Capital Assets:

Capital asset activity for the year ended December 31, 2014, was as follows:

<u>Component Unit Activities:</u>	<u>December 31,</u> <u>2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31,</u> <u>2014</u>
Capital Assets Being Depreciated:				
Building	101,681	-	(101,681)	-
Christmas Lights	46,427	-	(46,427)	-
Other Christmas Attractions	58,677	-	(58,677)	-
Total Capital Assets Being Depreciated	206,785	-	(206,785)	-
Less Accumulated Depreciation For:				
Building	20,336	-	20,336	-
Lights	18,570	-	18,570	-
Attractions	11,436	-	11,436	-
Total Accumulated Depreciation	50,342	-	50,342	-
Total Capital Assets Being Depreciated, Net	156,443	-	(156,443)	-
Component Unit Activities Capital Assets, Net	156,443	-	(156,443)	-

MCVB sold all of their capital assets during the year and used the sales proceeds to pay off their loans.

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014**

### **NOTE 20: COMPONENT UNIT DISCLOSURES – MARSHALL CONVENTION AND VISITORS BUREAU (MCVB):** (Continued)

#### **Notes Payable:**

On August 10, 2012, MCVB entered into a commercial revolving line of credit with Texas Bank and Trust Company in the amount of \$60,000 with a fixed interest rate of 4.25%. The outstanding balance on the line of credit at December 31, 2012 was \$39,998. In January 2013, MCVB entered into an unsecured loan with Texas Bank and Trust Company for the balance of the line of credit which was \$39,998. Payments are due monthly at \$2,000 (includes principal and interest) for twenty months at a fixed interest rate of 4.25%. Interest paid on the note for 2014 was \$448 and principal paid was \$19,164 to leave a zero balance.

On September 21, 2012, MCVB executed a note with Citizens National Bank (CNB) in the amount of \$37,997 to fund the purchase of attractions and Christmas decorations for the Wonderland of Lights. Payments are due monthly at \$1,136 (includes principal and interest) for the next three years at a fixed interest rate of 4.75%. Interest paid on the note for 2014 was \$619 and principal paid totaled \$22,802 to leave the zero balance at December 31, 2014.

On January 29, 2013, MCVB executed a note with Citizens National Bank (CNB) in the amount of \$40,000 to fund the purchase of additional Christmas decorations for the Wonderland of Lights. Payments are due monthly at \$1,196 (includes principal and interest) for three years at a fixed rate of interest of 4.75%. Interest paid on the note for 2014 was \$778 and principal paid totaled \$28,441 to leave a zero balance at December 31, 2014.

Long-term debt activity for the year ended December 31, 2014 was as follows:

<b><u>Component Unit Activities:</u></b>	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Ending Balance</u></b>	<b><u>Due Within One Year</u></b>
Other Liabilities:					
Note Payable - TB&T	19,164	-	(19,164)	-	-
Notes Payable - CNB	51,243	-	(51,243)	-	-
Total Other Liabilities:	<u>70,407</u>	<u>-</u>	<u>(70,407)</u>	<u>-</u>	<u>-</u>
Total Governmental Activities					
Long-Term Liabilities	<u>70,407</u>	<u>-</u>	<u>(70,407)</u>	<u>-</u>	<u>-</u>

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

# CITY OF MARSHALL, TEXAS

Exhibit F-1

**GENERAL FUND  
BALANCE SHEET  
DECEMBER 31, 2014**

		<i><u>General Fund</u></i>
<b><u>ASSETS</u></b>		
Cash and Temporary Investments		4,043,024
Certificates of Deposit		2,683,591
Receivables (Net of Allowance for Uncollectible)		
Current Taxes	1,994,870	
Delinquent Taxes	551,109	
Customer:		
Sanitation	218,295	
Ambulance	<u>627,183</u>	845,478
Franchise Taxes		234,670
Other		263,410
Accrued Interest		<u>3,958</u>
Total Receivables		3,893,495
Prepaid Expenditures		196,208
Due from Other Funds		145,003
Due from Other Governments		<u>1,587,732</u>
<b>TOTAL ASSETS</b>		<u><u>12,549,053</u></u>
<b><u>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE</u></b>		
<b>Liabilities</b>		
Accounts Payable		1,706,778
Accrued Liabilities		342,152
Due to Other Funds		96,904
Unearned Revenues		<u>592,897</u>
<b>Total Liabilities</b>		<u><u>2,738,731</u></u>
<b>Deferred Inflows of Resources</b>		
Unavailable Revenue-Property Taxes		<u>2,516,335</u>
<b>Total Inflows of Resources</b>		<u><u>2,516,335</u></u>
<b>Fund Balances:</b>		
<b>Nonspendable:</b>		
Prepaid Expenditures		196,208
<b>Restricted:</b>		
Other Post-Employment Benefits		73,838
<b>Unassigned</b>		<u>7,023,941</u>
<b>Total Fund Balance</b>		<u><u>7,293,987</u></u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE</b>		<u><u>12,549,053</u></u>

# CITY OF MARSHALL, TEXAS

Exhibit F-2

Page 1 of 2

## GENERAL FUND

### STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED DECEMBER 31, 2014

		<i>General Fund</i>
<b><u>REVENUE:</u></b>		
Ad Valorem Taxes		4,109,832
Sales Taxes		6,238,403
Franchise Tax		1,021,228
Permits and Fees:		
Refuse Collections	2,196,362	
Ambulance Fees	885,226	
Other Fees and Permits	719,070	
Total Permits and Fees		3,800,658
Municipal Court Fines		622,400
Interest		18,226
Intergovernmental		278,824
Miscellaneous		120,397
<b>Total Revenue</b>		<b>16,209,968</b>
<b><u>EXPENDITURES:</u></b>		
Current:		
General Government:		
Legislative	32,764	
Legal	113,294	
Administrative	167,356	
Human Resources	116,856	
Total General Government		430,270
Finance:		
Finance	204,291	
City Secretary	86,839	
Purchasing	2,137	
Municipal Court	241,030	
Total Finance		534,297
Public Safety:		
Police Department	3,945,444	
Fire Department	3,509,742	
Total Public Safety		7,455,186
Public Works		2,533,684
Non-Departmental		1,768,670
Tax Collection		93,113
Parks and Recreation		640,540
Planning and Development		413,722
Support Services		1,593,454
Community Facilities		536,434
Debt Service		164,938
Capital Outlay		894,161
<b>Total Expenditures</b>		<b>17,058,469</b>

# CITY OF MARSHALL, TEXAS

Exhibit F-2

Page 2 of 2

## GENERAL FUND

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>General Fund</u>
<b><u>CONTINUED:</u></b>	
Excess (Deficiency) of Revenue Over Expenditures Before Other Financing Sources	<u>(848,501)</u>
Other Financing Sources	
Transfers In	1,924,738
Transfers (Out)	<u>(195,193)</u>
Total Other Financing Sources	<u>1,729,545</u>
Net Change in Fund Balance	881,044
Fund Balance at Beginning of Year	<u>6,412,943</u>
Fund Balance at End of Year	<u><u>7,293,987</u></u>



# CITY OF MARSHALL, TEXAS

## NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET DECEMBER 31, 2014

	Debt Service	Capital Projects				Permanent	Total Nonmajor Governmental Funds
	2001 & 2007 Debt Service Funds	1995 Capital Imp. Fund	2007 Capital Imp. Fund	2010 Utility Conserv. Fund	2010 Memorial City Hall Fund	Library Fund	
<u>CONTINUED:</u>							
<b>ASSETS</b>							
Cash and Temporary Investments	491,992	13,957	124,429	24,548	576,445	409,745	2,077,342
Certificates of Deposit	-	-	-	-	1,026,008	30,244	1,056,252
Receivable- Current Taxes	389,358	-	-	-	-	-	479,373
Receivable- Delinquent Taxes	107,565	-	-	-	-	-	107,565
Other Receivables	-	-	-	-	-	-	340
Accrued Interest	-	-	-	-	115	38	153
Due from Other Funds	-	-	-	-	-	-	96,904
Due from Other Governments	-	-	-	-	-	-	222,008
<b>TOTAL ASSETS</b>	<b>988,915</b>	<b>13,957</b>	<b>124,429</b>	<b>24,548</b>	<b>1,602,568</b>	<b>440,027</b>	<b>4,039,937</b>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>							
<b>Liabilities</b>							
Accounts Payable	-	-	-	-	-	7,385	61,311
Due to Other Funds	-	-	-	-	-	-	145,003
Unearned Revenues	-	-	-	-	-	-	47,048
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,385</b>	<b>253,362</b>
<b>Deferred Inflows of Resources</b>							
Unavailable Revenue-Property Taxes	491,923	-	-	-	-	-	491,923
<b>Total Inflows of Resources</b>	<b>491,923</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>491,923</b>
<b>Fund Balances (Deficit)</b>							
Restricted:							
Promotion and Tourism	-	-	-	-	-	-	7,301
Public Safety	-	-	-	-	-	-	655,356
Street Maintenance	-	-	-	-	-	-	61,833
Purpose of Grantors and Donors	-	-	-	-	-	-	10,590
Debt Service	496,992	-	-	-	-	-	496,992
Library	-	-	-	-	-	432,642	432,642
Capital Projects	-	13,957	124,429	24,548	1,602,568	-	1,765,502
Unassigned (Deficit)	-	-	-	-	-	-	(135,564)
<b>Total Fund Balances (Deficit)</b>	<b>496,992</b>	<b>13,957</b>	<b>124,429</b>	<b>24,548</b>	<b>1,602,568</b>	<b>432,642</b>	<b>3,294,652</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>	<b>988,915</b>	<b>13,957</b>	<b>124,429</b>	<b>24,548</b>	<b>1,602,568</b>	<b>440,027</b>	<b>4,039,937</b>

# CITY OF MARSHALL, TEXAS

## NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED DECEMBER 31, 2014

	Special Revenue															
	Motel Occupancy Tax Fund	Community Development Fund	Municipal Court Tech Fund	Street Maintenance Fund	Litter Control Fund	D.A.R.E. Donations Fund	Controlled Substance Fund	Art Center Projects Fund	Park Trails Fund	Timber Sales Fund	Disaster Relief Fund	Main Street Fund	State Grant Fund	Special Projects Fund	EMS ESD Fund	Police Special Projects Fund
REVENUE:																
Ad Valorem Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales Taxes	-	-	-	517,636	-	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	121,431	-	-	-	-	2,566	-	-	-	-	12,360	-	-	65,000	-
Motel Occupancy Tax	730,932	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Municipal Court Fines	-	-	11,315	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	9	-	-	72	-	6	35	-	-	-	-	-	-	-	-	-
Donations	-	-	-	-	6,800	2,809	2,872	150	-	-	-	30,093	-	5,680	-	-
Miscellaneous	845	-	-	-	56,983	100	24,343	-	-	-	-	-	-	-	-	-
Total Revenue	731,786	121,431	11,315	517,708	63,783	2,915	29,816	150	-	-	-	42,453	-	5,680	65,000	-
EXPENDITURES:																
Current:																
General Government	-	90,253	7,404	-	-	-	-	-	-	-	-	-	-	12,208	-	-
Public Safety	-	-	-	-	-	5,117	12,504	-	-	45	-	-	-	-	-	-
Public Works	-	-	-	-	63,783	-	-	-	-	-	-	-	-	-	-	-
Tourist and Convention Development	404,819	-	-	-	-	-	-	-	-	-	-	41,214	-	-	-	-
Planning and Development	-	43,408	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Support Services-Library	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service- Principal Retirement	135,000	-	-	-	-	-	-	-	-	-	-	-	-	-	37,742	-
Debt Service- Interest and Fees	12,396	-	-	-	-	-	-	-	-	-	-	-	-	-	2,877	-
Capital Outlay	-	-	-	493,895	-	-	38,563	-	-	-	-	-	-	-	-	-
Total Expenditures	552,215	133,661	7,404	493,895	63,783	5,117	51,067	-	-	45	-	41,214	-	12,208	40,619	-
Excess (Deficiency) of Revenue Over Expenditures	179,571	(12,230)	3,911	23,813	-	(2,202)	(21,251)	150	-	(45)	-	1,239	-	(6,528)	24,381	-
Before Other Financing Sources (Uses)																
Other Financing Sources (Uses)																
Transfers In	-	12,230	-	-	-	-	-	-	-	-	-	-	-	6,528	-	161,935
Transfers Out	(178,738)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	(178,738)	12,230	-	-	-	-	-	-	-	-	-	-	-	6,528	-	161,935
Net Change in Fund Balances	833	-	3,911	23,813	-	(2,202)	(21,251)	150	-	(45)	-	1,239	-	-	24,381	161,935
Fund Balances (Deficit) at Beginning of Year	(136,397)	-	14,407	38,020	-	43,235	137,780	3,116	4,533	293,205	2,646	6,062	145	-	-	-
Fund Balances (Deficit) at End of Year	(135,564)	-	18,318	61,833	-	41,033	116,529	3,266	4,533	293,160	2,646	7,301	145	-	24,381	161,935

# CITY OF MARSHALL, TEXAS

## NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Debt Service</u>		<u>Capital Projects</u>			<u>Permanent</u>	
	2001 & 2007 Debt Service Funds	1995 Capital Imp. Fund	2007 Capital Imp. Fund	2010 Utility Conserv. Fund	2010 Memorial City Hall Fund	Library Fund	Total Nonmajor Governmental Funds
<u>REVENUE:</u>							
Ad Valorem Taxes	641,283	-	-	-	-	-	641,283
Sales Taxes	-	-	-	-	-	-	517,636
Intergovernmental	-	-	-	-	-	-	201,357
Motel Occupancy Tax	-	-	-	-	-	-	730,932
Municipal Court Fines	-	-	-	-	-	-	11,315
Interest	179	-	49	-	3,803	216	4,369
Donations	-	-	-	-	-	8,080	56,484
Miscellaneous	-	-	-	-	-	160,357	242,628
<b>Total Revenue</b>	<b>641,462</b>	<b>-</b>	<b>49</b>	<b>-</b>	<b>3,803</b>	<b>168,653</b>	<b>2,406,004</b>
<u>EXPENDITURES:</u>							
Current:							
General Government	-	-	538	-	-	-	110,403
Public Safety	-	-	-	-	-	-	17,666
Public Works	-	-	-	-	-	-	63,783
Tourist and Convention Development	-	-	-	-	-	-	446,033
Planning and Development	-	-	-	-	-	-	43,408
Support Services-Library	-	-	-	-	-	14,956	14,956
Debt Service- Principal Retirement	455,000	-	-	-	-	-	627,742
Debt Service- Interest and Fees	286,661	-	-	-	-	-	301,934
Capital Outlay	-	-	106,804	-	-	-	639,262
<b>Total Expenditures</b>	<b>741,661</b>	<b>-</b>	<b>107,342</b>	<b>-</b>	<b>-</b>	<b>14,956</b>	<b>2,265,187</b>
<b>Excess (Deficiency) of Revenue Over Expenditures</b>	<b>(100,199)</b>	<b>-</b>	<b>(107,293)</b>	<b>-</b>	<b>3,803</b>	<b>153,697</b>	<b>140,817</b>
<u>Other Financing Sources (Uses)</u>							
Transfers In	-	-	-	-	-	-	180,693
Transfers Out	-	-	-	-	-	-	(178,738)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,955</b>
<b>Net Change in Fund Balances</b>	<b>(100,199)</b>	<b>-</b>	<b>(107,293)</b>	<b>-</b>	<b>3,803</b>	<b>153,697</b>	<b>142,772</b>
<b>Fund Balances (Deficit) at Beginning of Year</b>	<b>597,191</b>	<b>13,957</b>	<b>231,722</b>	<b>24,548</b>	<b>1,598,765</b>	<b>278,945</b>	<b>3,151,880</b>
<b>Fund Balances (Deficit) at End of Year</b>	<b>496,992</b>	<b>13,957</b>	<b>124,429</b>	<b>24,548</b>	<b>1,602,568</b>	<b>432,642</b>	<b>3,294,652</b>

# CITY OF MARSHALL, TEXAS

## BUDGETED SPECIAL REVENUE FUNDS COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2014

	<i>Motel Occupancy Tax Fund</i>				<i>Street Maintenance Fund</i>			
	<i>Budgeted Amounts</i>		<i>Actual GAAP Basis</i>	<i>Positive (Negative) Variance with Final Budget</i>	<i>Budgeted Amounts</i>		<i>Actual GAAP Basis</i>	<i>Positive (Negative) Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>			<i>Original</i>	<i>Final</i>		
<b>REVENUE:</b>								
Motel Occupancy Tax	710,000	710,000	730,932	20,932	-	-	-	-
Sales Taxes	-	-	-	-	483,125	483,125	517,636	34,511
Interest	-	-	9	9	-	-	72	72
Donations	-	-	-	-	-	-	-	-
Miscellaneous	-	-	845	845	-	-	-	-
<b>Total Revenue</b>	<b>710,000</b>	<b>710,000</b>	<b>731,786</b>	<b>21,786</b>	<b>483,125</b>	<b>483,125</b>	<b>517,708</b>	<b>34,583</b>
<b>EXPENDITURES:</b>								
Current:								
Public Safety	-	-	-	-	-	-	-	-
Public Works	-	-	-	-	-	-	-	-
Tourist and Convention Development	373,400	373,400	404,819	(31,419)	-	-	-	-
Debt Service- Principal Retirement	135,000	135,000	135,000	-	-	-	-	-
Debt Service- Interest and Fees	12,397	12,397	12,396	1	-	-	-	-
Capital Outlay	-	-	-	-	483,125	483,125	493,895	(10,770)
<b>Total Expenditures</b>	<b>520,797</b>	<b>520,797</b>	<b>552,215</b>	<b>(31,418)</b>	<b>483,125</b>	<b>483,125</b>	<b>493,895</b>	<b>(10,770)</b>
<b>Excess (Deficiency) of Revenue Over Expenditures Before Other Financing Sources (Uses)</b>	<b>189,203</b>	<b>189,203</b>	<b>179,571</b>	<b>(9,632)</b>	<b>-</b>	<b>-</b>	<b>23,813</b>	<b>23,813</b>
<b>Other Financing Sources (Uses)</b>								
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	(178,738)	(178,738)	(178,738)	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(178,738)</b>	<b>(178,738)</b>	<b>(178,738)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>10,465</b>	<b>10,465</b>	<b>833</b>	<b>(9,632)</b>	<b>-</b>	<b>-</b>	<b>23,813</b>	<b>23,813</b>
<b>Fund Balances (Deficit), Beginning of Year</b>	<b>(136,397)</b>	<b>(136,397)</b>	<b>(136,397)</b>	<b>-</b>	<b>38,020</b>	<b>38,020</b>	<b>38,020</b>	<b>-</b>
<b>Fund Balances (Deficit), End of Year</b>	<b>(125,932)</b>	<b>(125,932)</b>	<b>(135,564)</b>	<b>(9,632)</b>	<b>38,020</b>	<b>38,020</b>	<b>61,833</b>	<b>23,813</b>

Exhibit F-5

<i>Litter Control Fund</i>				<i>D.A.R.E. Donations Fund</i>				<i>Total</i>			
<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Positive</i>	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Positive</i>	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Positive</i>
<i>Original</i>	<i>Final</i>	<i>GAAP</i>	<i>(Negative)</i>	<i>Original</i>	<i>Final</i>	<i>GAAP</i>	<i>(Negative)</i>	<i>Original</i>	<i>Final</i>	<i>GAAP</i>	<i>(Negative)</i>
		<i>Basis</i>	<i>Variance with</i>			<i>Basis</i>	<i>Variance with</i>			<i>Basis</i>	<i>Variance with</i>
			<i>Final Budget</i>				<i>Final Budget</i>				<i>Final Budget</i>
-	-	-	-	-	-	-	-	710,000	710,000	730,932	20,932
-	-	-	-	-	-	-	-	483,125	483,125	517,636	34,511
-	-	-	-	-	-	6	6	-	-	87	87
7,200	7,200	6,800	(400)	4,000	4,000	2,809	(1,191)	11,200	11,200	9,609	(1,591)
58,400	58,400	56,983	(1,417)	7,000	7,000	100	(6,900)	65,400	65,400	57,928	(7,472)
65,600	65,600	63,783	(1,817)	11,000	11,000	2,915	(8,085)	1,269,725	1,269,725	1,316,192	46,467
-	-	-	-	13,000	13,000	5,117	7,883	13,000	13,000	5,117	7,883
65,600	65,600	63,783	1,817	-	-	-	-	65,600	65,600	63,783	1,817
-	-	-	-	-	-	-	-	373,400	373,400	404,819	(31,419)
-	-	-	-	-	-	-	-	135,000	135,000	135,000	-
-	-	-	-	-	-	-	-	12,397	12,397	12,396	1
-	-	-	-	-	-	-	-	483,125	483,125	493,895	(10,770)
65,600	65,600	63,783	1,817	13,000	13,000	5,117	7,883	1,082,522	1,082,522	1,115,010	(32,488)
-	-	-	-	(2,000)	(2,000)	(2,202)	(202)	187,203	187,203	201,182	13,979
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	(178,738)	(178,738)	(178,738)	-
-	-	-	-	-	-	-	-	(178,738)	(178,738)	(178,738)	-
-	-	-	-	(2,000)	(2,000)	(2,202)	(202)	8,465	8,465	22,444	13,979
-	-	-	-	43,235	43,235	43,235	-	(55,142)	(55,142)	(55,142)	-
-	-	-	-	41,235	41,235	41,033	(202)	(46,677)	(46,677)	(32,698)	13,979

# CITY OF MARSHALL, TEXAS

Exhibit F-6

**2001 COMBINATION TAX AND REVENUE AND 2007 GENERAL  
OBLIGATION DEBT SERVICE FUNDS - STATEMENT OF  
REVENUE, EXPENDITURES, AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<i>Budgeted Amounts</i>		<i>Actual GAAP Basis</i>	<i>Positive (Negative) Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b><u>REVENUE:</u></b>				
Ad Valorem Taxes	741,067	741,067	641,283	(99,784)
Interest	500	500	179	(321)
<b>Total Revenue</b>	<u>741,567</u>	<u>741,567</u>	<u>641,462</u>	<u>(100,105)</u>
<b><u>EXPENDITURES:</u></b>				
Principal Retirement	455,000	455,000	455,000	-
Interest and Fees	285,937	285,937	286,661	(724)
<b>Total Expenditures</b>	<u>740,937</u>	<u>740,937</u>	<u>741,661</u>	<u>(724)</u>
Net Change in Fund Balance	<u>630</u>	<u>630</u>	<u>(100,199)</u>	<u>(100,829)</u>
Fund Balance, Beginning of Year	<u>597,191</u>	<u>597,191</u>	<u>597,191</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<u><u>597,821</u></u>	<u><u>597,821</u></u>	<u><u>496,992</u></u>	<u><u>(100,829)</u></u>

# CITY OF MARSHALL, TEXAS

Exhibit G-1

## WATER AND SEWER ENTERPRISE FUND STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2014

	<i>Budgeted Amounts</i>		<i>Actual GAAP Basis</i>	<i>Positive (Negative) Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b><u>OPERATING REVENUE:</u></b>				
Charges for Services	9,675,225	9,675,225	9,378,336	(296,889)
<b>Total Operating Revenue</b>	<u>9,675,225</u>	<u>9,675,225</u>	<u>9,378,336</u>	<u>(296,889)</u>
<b><u>OPERATING EXPENSES:</u></b>				
Administrative	295,202	325,202	330,899	(5,697)
Water Production	1,278,058	1,308,058	1,313,170	(5,112)
Water Distribution/ Collection	1,095,704	1,095,704	1,188,489	(92,785)
Wastewater Treatment	1,157,420	1,257,420	1,297,704	(40,284)
Water Billing	486,771	486,771	464,117	22,654
Engineering	104,295	104,295	99,449	4,846
Non-Departmental	793,548	832,748	794,521	38,227
Depreciation and Amortization	-	-	1,464,443	(1,464,443)
Bad Debt Expense	-	-	28,695	(28,695)
<b>Total Operating Expenses</b>	<u>5,210,998</u>	<u>5,410,198</u>	<u>6,981,487</u>	<u>(1,571,289)</u>
<b>Operating Income (Loss)</b>	<u>4,464,227</u>	<u>4,265,027</u>	<u>2,396,849</u>	<u>(1,868,178)</u>
<b><u>NONOPERATING REVENUE (EXPENSES):</u></b>				
Interest Income	3,000	3,000	1,455	(1,545)
Interest Expense and Fees	(563,518)	(563,518)	(560,937)	2,581
Other Nonoperating Income	7,000	7,000	38,701	31,701
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(553,518)</u>	<u>(553,518)</u>	<u>(520,781)</u>	<u>32,737</u>
<b>Income (Loss) Before Transfers</b>	3,910,709	3,711,509	1,876,068	(1,835,441)
Transfers (Out)	<u>(1,819,105)</u>	<u>(1,819,105)</u>	<u>(1,819,105)</u>	<u>-</u>
<b>Change in Net Position</b>	<u>2,091,604</u>	<u>1,892,404</u>	<u>56,963</u>	<u>(1,835,441)</u>
<b><u>ADDITIONAL BUDGETED AMOUNTS:</u></b>				
Capital Outlay	95,587	95,587	333,540	(237,953)
Principal Retirement	1,996,000	1,996,000	1,915,000	81,000
	<u>2,091,587</u>	<u>2,091,587</u>	<u>2,248,540</u>	<u>(156,953)</u>

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

# CITY OF MARSHALL, TEXAS

Exhibit H-1

**INTERNAL SERVICE FUNDS  
STATEMENT OF NET POSITION  
DECEMBER 31, 2014**

	<i>Equipment Replacement Fund - W&amp;S</i>	<i>Equipment Replacement Fund - GF</i>	<i>Stores Inventory Fund</i>	<i>Total</i>
<b><u>ASSETS</u></b>				
<b><i>Current Assets:</i></b>				
Cash and Temporary Investments	400,742	167,995	(51,749)	516,988
Accounts Receivable	-	-	23,352	23,352
Inventory	-	-	16,903	16,903
Total Current Assets	<u>400,742</u>	<u>167,995</u>	<u>(11,494)</u>	<u>557,243</u>
<b><i>Noncurrent Assets:</i></b>				
Capital Assets:				
Buildings	-	-	122,596	122,596
Machinery and Equipment	336,363	96,505	20,660	453,528
Less: Accumulated Depreciation	<u>(20,738)</u>	<u>(9,831)</u>	<u>(143,256)</u>	<u>(173,825)</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>315,625</u>	<u>86,674</u>	<u>-</u>	<u>402,299</u>
Total Noncurrent Assets	<u>315,625</u>	<u>86,674</u>	<u>-</u>	<u>402,299</u>
<b>TOTAL ASSETS</b>	<u>716,367</u>	<u>254,669</u>	<u>(11,494)</u>	<u>959,542</u>
<b><u>LIABILITIES</u></b>				
<b><i>Current Liabilities:</i></b>				
Accounts Payable	<u>-</u>	<u>-</u>	<u>6,181</u>	<u>6,181</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>6,181</u>	<u>6,181</u>
<b><u>NET POSITION (DEFICIT)</u></b>				
Invested in Capital Assets, Net of Related Debt	315,625	86,674	-	402,299
Unrestricted (Deficit)	<u>400,742</u>	<u>167,995</u>	<u>(17,675)</u>	<u>551,062</u>
<b>TOTAL NET POSITION (DEFICIT)</b>	<u>716,367</u>	<u>254,669</u>	<u>(17,675)</u>	<u>953,361</u>

# CITY OF MARSHALL, TEXAS

Exhibit H-2

**INTERNAL SERVICE FUNDS  
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<i><u>Equipment Replacement Fund - W&amp;S</u></i>	<i><u>Equipment Replacement Fund - GF</u></i>	<i><u>Stores Inventory Fund</u></i>	<i><u>Total</u></i>
<b><u>OPERATING REVENUE:</u></b>				
Charges for Services	-	-	387,068	387,068
<b>Total Operating Revenue</b>	-	-	387,068	387,068
<b><u>OPERATING EXPENSES:</u></b>				
Materials and Supplies	-	-	390,294	390,294
Depreciation	17,648	9,506	-	27,154
<b>Total Operating Expenses</b>	17,648	9,506	390,294	417,448
<b>Operating (Loss)</b>	(17,648)	(9,506)	(3,226)	(30,380)
<b>Income (Loss) Before Transfers</b>	(17,648)	(9,506)	(3,226)	(30,380)
Transfers In	73,105	14,500	-	87,605
<b>Change in Net Position</b>	55,457	4,994	(3,226)	57,225
<b>Total Net Position (Deficit), Beginning of Year</b>	660,910	249,675	(14,449)	896,136
<b>Total Net Position (Deficit), End of Year</b>	716,367	254,669	(17,675)	953,361

# CITY OF MARSHALL, TEXAS

Exhibit H-3

## INTERNAL SERVICE FUNDS STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2014

	<i>Equipment Replacement Fund - W&amp;S</i>	<i>Equipment Replacement Fund - GF</i>	<i>Stores Inventory Fund</i>	<i>Total</i>
<b><u>Cash Flows from Operating Activities:</u></b>				
Cash Received from Customers	-	-	399,316	399,316
Cash Payments to Suppliers for Goods and Services	-	-	(402,086)	(402,086)
Net Cash (Used) by Operating Activities	-	-	(2,770)	(2,770)
<b><u>Cash Flows from Noncapital Financing Activities:</u></b>				
Transfers In (Out)	73,105	14,500	-	87,605
Net Cash Provided by Noncapital Financing Activities	73,105	14,500	-	87,605
<b><u>Cash Flows from Capital and Related Financing Activities:</u></b>				
Acquisition of Capital Assets	(300,704)	(58,071)	-	(358,775)
Net Cash (Used) by Capital and Related Financing Activities	(300,704)	(58,071)	-	(358,775)
Net Increase (Decrease) in Cash and Cash Equivalents	(227,599)	(43,571)	(2,770)	(273,940)
Cash and Cash Equivalents (Deficit), Beginning of Year	628,341	211,566	(48,979)	790,928
Cash and Cash Equivalents (Deficit), End of Year	400,742	167,995	(51,749)	516,988
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</u></b>				
Operating (Loss)	(17,648)	(9,506)	(3,226)	(30,380)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>				
Depreciation	17,648	9,506	-	27,154
(Increase) Decrease in Assets:				
Accounts Receivable	-	-	12,248	12,248
Inventory	-	-	(1,368)	(1,368)
Increase (Decrease) in Liabilities:				
Accounts Payable	-	-	(10,424)	(10,424)
Total Adjustments	17,648	9,506	456	27,610
Net Cash (Used) by Operating Activities	-	-	(2,770)	(2,770)

# CITY OF MARSHALL, TEXAS

Exhibit I-1

## AGENCY FUNDS

### COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

DECEMBER 31, 2014

	<i>Balance December 31, 2013</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance December 31, 2014</i>
<b><u>POLICE LOCAL RELIEF FUND:</u></b>				
<b><u>ASSETS</u></b>				
Cash and Temporary Investments	68,418	2,656	2,586	68,488
<b>TOTAL ASSETS</b>	<u>68,418</u>	<u>2,656</u>	<u>2,586</u>	<u>68,488</u>
<b><u>LIABILITIES</u></b>				
Due to Employees	68,418	2,656	2,586	68,488
<b>TOTAL LIABILITIES</b>	<u>68,418</u>	<u>2,656</u>	<u>2,586</u>	<u>68,488</u>
<b><u>FIREMEN'S EMERGENCY RELIEF FUND:</u></b>				
<b><u>ASSETS</u></b>				
Cash and Temporary Investments	51,538	10,482	11,757	50,263
<b>TOTAL ASSETS</b>	<u>51,538</u>	<u>10,482</u>	<u>11,757</u>	<u>50,263</u>
<b><u>LIABILITIES</u></b>				
Accounts Payable	1,587	38	-	1,625
Due to Employees	49,951	10,444	11,757	48,638
<b>TOTAL LIABILITIES</b>	<u>51,538</u>	<u>10,482</u>	<u>11,757</u>	<u>50,263</u>
<b><u>TOTAL AGENCY FUNDS:</u></b>				
<b><u>ASSETS</u></b>				
Cash and Temporary Investments	119,956	13,138	14,343	118,751
<b>TOTAL ASSETS</b>	<u>119,956</u>	<u>13,138</u>	<u>14,343</u>	<u>118,751</u>
<b><u>LIABILITIES</u></b>				
Accounts Payable	1,587	38	-	1,625
Due to Employees	118,369	13,100	14,343	117,126
<b>TOTAL LIABILITIES</b>	<u>119,956</u>	<u>13,138</u>	<u>14,343</u>	<u>118,751</u>

## **Supplemental Schedules**

# CITY OF MARSHALL, TEXAS

Exhibit SS-1

## SCHEDULE OF GENERAL OBLIGATION DEBT DECEMBER 31, 2014

<u>Description</u>	<u>Issue Year</u>	<u>Original Amount Issued</u>	<u>Balance January 1, 2014</u>	<u>Issued 2014</u>	<u>Retired 2014</u>	<u>December 31, 2014</u>	<u>Requirements Calendar Year 2015</u>	
							<u>Interest</u>	<u>Principal</u>
General Obligation Bonds March 28, 2007 Rate 3.85% - 5.00%	2007	6,230,000	5,010,000	-	(260,000)	4,750,000	183,393	270,000
Tax and Surplus Revenue Refunding Bonds, Series 2010 July 8, 2010 Rate 2.0%, 2.5%, 3.0%	2010	660,000	410,000	-	(135,000)	275,000	9,249	135,000
Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2010 January 28, 2010 Rate 2.75% - 4.5%	2010	1,140,000	925,000	-	(75,000)	850,000	26,269	80,000
Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2010A May 13, 2010 Rate 2.0% - 4.0%	2010	2,100,000	1,770,000	-	(120,000)	1,650,000	55,138	120,000
<b>TOTAL GENERAL OBLIGATION DEBT</b>		<b>10,130,000</b>	<b>8,115,000</b>	<b>-</b>	<b>(590,000)</b>	<b>7,525,000</b>	<b>274,049</b>	<b>605,000</b>

# CITY OF MARSHALL, TEXAS

Exhibit SS-2

## **SCHEDULE OF WATER AND SEWER REVENUE BONDS DECEMBER 31, 2014**

<u>Description</u>	<u>Issue Year</u>	<u>Original Amount Issued</u>	<u>Balance January 1, 2014</u>	<u>Issued 2014</u>	<u>Retired 2014</u>	<u>Dec. 31, 2014</u>	<u>Requirements Calendar Year 2015</u>	
							<u>Interest</u>	<u>Principal</u>
Water and Sewer Revenue Refunding Bonds December 1, 2006 Rate 4.25%, 5.50%, 4.00%	2006	9,235,000	8,320,000	-	(910,000)	7,410,000	339,375	940,000
Tax and Surplus Revenue Refunding Bonds July 8, 2010 Rate 2.0%, 2.5%, 3.0%	2010	3,490,000	2,065,000	-	(490,000)	1,575,000	34,963	510,000
Tax and Surplus Revenue Refunding Bonds April 1, 2012 Rate 3.6%, 4.5%, 4.6%, 4.75%	2012	5,065,000	4,820,000	-	(515,000)	4,305,000	128,250	530,000
<b>TOTAL WATER AND SEWER REVENUE BONDS</b>		<b>17,790,000</b>	<b>15,205,000</b>	<b>-</b>	<b>(1,915,000)</b>	<b>13,290,000</b>	<b>502,588</b>	<b>1,980,000</b>

# CITY OF MARSHALL, TEXAS

Exhibit SS-3

## **SCHEDULE OF DELINQUENT TAXES RECEIVABLE DECEMBER 31, 2014**

<u>Year</u>	<u>Amount</u>
1993	1,204
1994	1,765
1995	6,608
1996	7,621
1997	7,951
1998	8,348
1999	9,237
2000	9,784
2001	11,970
2002	14,243
2003	16,137
2004	20,956
2005	23,797
2006	28,377
2007	32,508
2008	41,491
2009	49,931
2010	62,079
2011	77,291
2012	101,962
2013	<u>160,081</u>
Total Delinquent Taxes Receivable	693,341
Less: Allowance for Uncollectibles	<u>(34,667)</u>
<b>NET DELINQUENT TAXES RECEIVABLE</b>	<u><b>658,674</b></u>

# CITY OF MARSHALL, TEXAS

Exhibit SS-4

## COMPARISON OF ASSESSED VALUATIONS FROM 1985 THROUGH 2014

<u>Tax Levy Year</u>	<u>Tax Rate</u>	<u>Assessed Value</u>
1985	.7025	374,867,393
1986	.7025	383,088,128
1987	.7025	397,763,392
1988	.7025	404,037,616
1989	.7025	402,380,021
1990	.7025	395,425,308
1991	.7025	404,487,140
1992	.5100	391,811,409
1993	.5100	390,340,453
1994	.5100	394,297,185
1995	.50766	412,191,439
1996	.50604	451,539,855
1997	.50256	463,076,601
1998	.49955	487,240,124
1999	.49455	521,508,117
2000	.49455	523,921,037
2001	.49455	533,820,564
2002	.49455	573,043,522
2003	.49455	594,090,057
2004	.49455	598,079,884
2005	.49455	653,807,222
2006	.49455	715,900,782
2007	.49455	772,503,458
2008	.47604	901,805,181
2009	.47604	941,928,201
2010	.47604	1,003,101,961
2011	.47604	1,009,699,851
2012	.47604	1,048,205,882
2013	.47604	1,049,190,644
2014	.47604	983,273,367