

**CITY OF MARSHALL, TEXAS**

**ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED**

**DECEMBER 31, 2017**

# **CITY OF MARSHALL, TEXAS**

## **TABLE OF CONTENTS**

	<b><u>PAGE</u></b>	<b><u>EXHIBIT</u></b>
<b>FINANCIAL SECTION</b>		
Independent Auditors' Report	1-2	
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 <i>Government Auditing Standards</i>	3-4	
<b><u>Management's Discussion and Analysis</u></b>	5-12	
<b><u>Basic Financial Statements:</u></b>		
Government-Wide Statements:		
Statement of Net Position	13-14	A-1
Statement of Activities	15-16	B-1
Governmental Fund Financial Statements:		
Balance Sheet	17	C-1
Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Position	18	C-2
Statement of Revenue, Expenditures, and Changes in Fund Balances	19-20	C-3
Reconciliation of Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21	C-4
General Fund - Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual	22	C-5
Proprietary Fund Financial Statements:		
Statement of Net Position	23-24	D-1
Statement of Revenue, Expenses, and Changes in Net Position	25	D-2
Statement of Cash Flows	26-27	D-3
Fiduciary Fund Financial Statements:		
Statement of Net Position	28	E-1
<b><u>Notes to Financial Statements</u></b>	29-67	
<b><u>Required Supplementary Information:</u></b>		
Schedule of Changes in Net Pension Liability and Related Ratios	68	
Schedule of Contributions	69	

# **CITY OF MARSHALL, TEXAS**

## **TABLE OF CONTENTS (Continued)**

<b><u>Combining and Individual Fund Financial Statements: (Continued)</u></b>	<b><u>PAGE</u></b>	<b><u>EXHIBIT</u></b>
General Fund:		
Balance Sheet	70	F-1
Statement of Revenue, Expenditures, and Changes In Fund Balance	71-72	F-2
Nonmajor Governmental Funds:		
Combining Balance Sheet	73-74	F-3
Combining Statement of Revenue, Expenditures, and Changes In Fund Balances	75-76	F-4
Budgeted Special Revenue Funds:		
Combining Statement of Revenue, Expenditures, and Changes In Fund Balances - Budget and Actual	77-78	F-5
2001 Combination Tax and Revenue and 2007 General Obligation Debt Service Funds: Statement of Revenue, Expenditures, and Changes In Fund Balance - Budget and Actual	79	F-6
Water and Sewer Enterprise Fund:		
Statement of Revenue, Expenses, and Changes in Net Position - Budget and Actual	80	G-1
Internal Service Funds:		
Statement of Net Position	81	H-1
Statement of Revenue, Expenses, and Changes in Net Position	82	H-2
Statement of Cash Flows	83	H-3
Agency Funds:		
Combining Statement of Changes in Assets and Liabilities	84	I-1
<b><u>Supplemental Schedules:</u></b>		
Schedule of General Obligation Debt	85	SS-1
Schedule of Water and Sewer Revenue Bonds	86	SS-2
Schedule of Delinquent Taxes Receivable	87	SS-3
Comparison of Assessed Valuations (1988 - 2017)	88	SS-4

## **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, 2017, 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, 2017, 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, Schedule of Changes in Net Pension Liability and Related Ratios, and Schedule of Contributions 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 November 30, 2018, 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

November 30, 2018

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, 2017, 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 November 30, 2018.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

Respectfully submitted,

KNUCKOLS, DUVALL, HALLUM & CO.



Certified Public Accountants

Marshall, Texas

November 30, 2018



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

# CITY OF MARSHALL, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2017

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, 2017. 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 \$80,128,097 (net position). Of this amount, \$6,476,824 (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 \$9,665,290. Approximately 53% 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 \$5,119,110 or 27% of total General Fund expenditures.

### Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

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

The government-wide financial statements include not only the City of Marshall itself (known as the *primary government*), but also a legally separate Marshall Economic Development Corporation and Marshall Downtown Development Corporation for which the City is financially accountable. Financial information for the *component units* 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, 2017

**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 25 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 24 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

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

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

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

# CITY OF MARSHALL, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) DECEMBER 31, 2017

### 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 \$80,128,097 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>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and other assets	15,773,431	14,957,305	6,451,230	6,342,935	22,224,661	21,300,240
Capital assets	45,680,942	43,690,424	40,873,502	41,888,332	86,554,444	85,578,756
Total assets	<u>61,454,373</u>	<u>58,647,729</u>	<u>47,324,732</u>	<u>48,231,267</u>	<u>108,779,105</u>	<u>106,878,996</u>
Deferred outflows of resources:						
Deferred charges on refunding, net of unamortized premium	-	-	28,019	32,524	28,019	32,524
Deferred outflows related to pensions	3,166,081	3,868,193	648,474	792,280	3,814,555	4,660,473
Total outflows of resources	<u>3,166,081</u>	<u>3,868,193</u>	<u>676,493</u>	<u>824,804</u>	<u>3,842,574</u>	<u>4,692,997</u>
Liabilities:						
Current and other liabilities	1,717,723	1,594,803	3,369,508	3,189,707	5,087,231	4,784,510
Long-term liabilities	19,363,065	17,744,877	7,422,806	9,847,259	26,785,871	27,592,136
Total liabilities	<u>21,080,788</u>	<u>19,339,680</u>	<u>10,792,314</u>	<u>13,036,966</u>	<u>31,873,102</u>	<u>32,376,646</u>
Deferred inflows of resources:						
Deferred inflows related to pensions	514,998	763,712	105,482	156,423	620,480	920,135
Total inflows of resources	<u>514,998</u>	<u>763,712</u>	<u>105,482</u>	<u>156,423</u>	<u>620,480</u>	<u>920,135</u>
Net Position:						
Net invest in capital assets	36,714,629	36,439,660	33,135,645	31,874,108	69,850,274	68,313,768
Restricted	3,800,999	1,700,481	-	-	3,800,999	1,700,481
Unrestricted	<u>2,509,040</u>	<u>4,272,389</u>	<u>3,967,784</u>	<u>3,988,574</u>	<u>6,476,824</u>	<u>8,260,963</u>
Total net position	<u>43,024,668</u>	<u>42,412,530</u>	<u>37,103,429</u>	<u>35,862,682</u>	<u>80,128,097</u>	<u>78,275,212</u>

An additional portion of the City of Marshall's net position (4.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$6,476,824) 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 0.6% or \$80,405. Increases in property and sales tax, \$201,789 and \$101,819 respectively, were partially offset by a \$252,539 reduction in miscellaneous revenue.

# CITY OF MARSHALL, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) DECEMBER 31, 2017

Governmental activities increased the City of Marshall's net position by \$612,138 and are detailed below:

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b>REVENUES:</b>						
<b>Program Revenues:</b>						
Charges for Services	5,659,166	5,131,847	9,810,033	9,898,589	15,469,199	15,030,436
Operating Grants and Contributions	641,460	332,826	-	-	641,460	332,826
Capital Grants and Contributions	101,936	591,695	-	-	101,936	591,695
<b>General Revenues:</b>						
Property Taxes	5,511,365	5,309,576	-	-	5,511,365	5,309,576
Other Taxes	8,462,235	8,388,073	-	-	8,462,235	8,388,073
Other	<u>250,729</u>	<u>475,133</u>	<u>74,770</u>	<u>45,912</u>	<u>325,499</u>	<u>521,045</u>
<b>Total Revenues</b>	<b><u>20,626,891</u></b>	<b><u>20,229,150</u></b>	<b><u>9,884,803</u></b>	<b><u>9,944,501</u></b>	<b><u>30,511,694</u></b>	<b><u>30,173,651</u></b>
<b>EXPENSES:</b>						
General Government	797,115	942,576	-	-	797,115	942,576
Parks and Recreation	763,903	710,330	-	-	763,903	710,330
Finance	583,236	529,483	-	-	583,236	529,483
Community Facilities	778,135	738,201	-	-	778,135	738,201
Public Safety	9,022,084	8,894,510	-	-	9,022,084	8,894,510
Public Works	4,594,366	4,250,960	-	-	4,594,366	4,250,960
Support Services	1,713,299	2,043,662	-	-	1,713,299	2,043,662
Non-Departmental	1,759,933	1,857,955	-	-	1,759,933	1,857,955
Tax Collection	88,505	95,163	-	-	88,505	95,163
Tourist and Convention	329,960	402,372	-	-	329,960	402,372
Planning & Dev	504,387	523,822	-	-	504,387	523,822
Interest on Long-Term Debt	230,683	240,504	-	-	230,683	240,504
Water and Sewer	-	-	7,449,426	7,515,146	7,449,426	7,515,146
Business Development Center	<u>-</u>	<u>-</u>	<u>43,777</u>	<u>43,896</u>	<u>43,777</u>	<u>43,896</u>
<b>Total Expenses</b>	<b><u>21,165,606</u></b>	<b><u>21,229,538</u></b>	<b><u>7,493,203</u></b>	<b><u>7,559,042</u></b>	<b><u>28,658,809</u></b>	<b><u>28,788,580</u></b>
Increase (Decrease) in Net Position Before Transfers	(538,715)	(1,000,388)	2,391,600	2,385,459	1,852,885	1,385,071
Transfers	<u>1,150,853</u>	<u>1,153,861</u>	<u>(1,150,853)</u>	<u>(1,153,861)</u>	<u>-</u>	<u>-</u>
Change in Net Position	612,138	153,473	1,240,747	1,231,598	1,852,885	1,385,071
Net Position – 01/01/17	<u>42,412,530</u>	<u>42,259,057</u>	<u>35,862,682</u>	<u>34,631,084</u>	<u>78,275,212</u>	<u>76,890,141</u>
Net Position – 12/31/17	<u>43,024,668</u>	<u>42,412,530</u>	<u>37,103,429</u>	<u>35,862,682</u>	<u>80,128,097</u>	<u>78,275,212</u>

# **CITY OF MARSHALL, TEXAS**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) DECEMBER 31, 2017**

### **Business - Type Activities**

Revenues of the City's business-type activities were \$9,884,803 for the year ending December 31, 2017. Expenses for the City's business-type activities were \$7,493,203 for the year, resulting in an increase in net position before transfers of \$2,391,600.

### **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 \$9,665,290. Approximately 52% of this total amount (\$5,047,144) 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 \$368,234. Restricted fund balance consists of the following: 1) promotion and tourism \$180,738, 2) public safety \$837,046, 3) purpose of grantors and donors \$10,588, 4) debt service \$404,351, 5) library \$242,818, 6) capital projects \$2,250,472, 7) other post-employment benefits \$75,979, 8) street maintenance \$44,582, and 9) public works \$203,338.

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 \$5,119,110, with 92% of the total fund balance (\$5,563,323) 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 27% of total General Fund expenditures. Total fund balance represents 29% of total General Fund expenditures. The total fund balance of the City of Marshall's General Fund decreased by \$973,962 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 \$3,622,816. 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 \$450,270 and expenditures exceeded amended budget estimates by \$271,813.

### **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, 2017, is \$86,554,444 (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, 2017

### Water – Wastewater Activities

The primary functions of our Water and Wastewater Utility Department and operations are to provide an adequate supply of safe drinking water. 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. We also provide effective distribution flow within our wastewater system, with a minimum amount of inflow and infiltration into the collection system.

In 2017, we continued our annual infrastructure improvement planning by concentrating on development of a Water Master Plan for the next 20 years. The Water Master Plan sets in place replacements of older major water lines in areas that tend to break alot because the lines are so old. The Master Plan also sets in place major extensions needed to help facilitate and sustain growth. The 20-year plan is broken into two five-year plans (2018 – 2023 and 2023 – 2028) and one ten-year plan (2028 – 2038), and totals approximately \$35,405,000 million dollars in water related improvements. Through our annual budgeting process for water operations, funds were allocated to continue the following annual programs: 1) recondition high service raw water pumps; 2) recondition high service treated water pumps at the Water Treatment Plant; 3) water line maintenance and repairs; 4) and water meter replacement program.

In 2017, we also continued our annual infrastructure improvement planning by concentrating on development of a Wastewater Master Plan for the next 20 years. Like the water plan, the Wastewater Master Plan sets in place replacements of older major wastewater lines in areas that tend to collapse alot because the lines are so old and made with brittle clay tiles. The Master Plan also sets in place major extensions needed to help facilitate and sustain growth. The 20-year wastewater plan is also broken into two five-year plans (2018 – 2023 and 2023 – 2028), and one ten-year plan (2028 – 2038) and totals approximately \$185,660,000 million dollars in improvements. Through our annual budgeting process for water operations, funds were allocated to continue the following annual programs: 1) recondition lift station pumps and motors; 2) recondition high service lift station pumps at the Wastewater Treatment Plant; 3) wastewater line maintenance and repairs; 4) drying bed sand replacement program; 5) rehab old and leaking manholes and sewer mains; and 6) smoke testing of our sewer distribution lines.

In addition to the Water and Wastewater Master Plan developments in 2017, we also created our first ever GIS Mapping System which details the location of every water and wastewater component that make up both systems. The GIS mapping is digital based, online and available 24/7. Also in calendar year 2017, we treated and distributed 1.943 billion gallons of water to our residential and commercial customers, in compliance with guidelines of the EPA and TCEQ agencies; and treated 1.704 billion gallons of wastewater. Staff performed preventative maintenance on 660,000 feet of sanitary sewer mains, replaced 6 fire hydrants, and replaced 225 water meters as part of our annual distribution system maintenance program.

#### City of Marshall's Capital Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	1,175,849	1,175,849	310,612	310,612	1,486,461	1,486,461
Buildings	20,933,752	20,065,558	3,031,435	3,008,835	23,965,187	23,074,393
Improvements other than Buildings	3,848,786	3,770,404	-	-	3,848,786	3,770,404
Machinery and equipment	16,694,734	15,408,060	3,962,877	3,783,059	20,657,611	19,191,119
Infrastructure	63,417,058	61,847,572	-	-	63,417,058	61,847,572
Water and wastewater System	-	-	72,038,430	71,721,053	72,038,430	71,721,053
Construction in progress	2,436,271	1,487,095	149,542	85,402	2,585,813	1,572,497
Less Accumulated Depreciation	(62,825,508)	(60,064,114)	(38,619,394)	(37,020,629)	(101,444,902)	(97,084,743)
Total Capital Assets (Net of Accumulated Depreciation)	<u>45,680,942</u>	<u>43,690,424</u>	<u>40,873,502</u>	<u>41,888,332</u>	<u>86,554,444</u>	<u>85,578,756</u>

# CITY OF MARSHALL, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) DECEMBER 31, 2017

**Long-term debt.** At the end of the current fiscal year, the City of Marshall had total bonded debt outstanding of \$14,750,000. Of this amount, \$3,770,000 comprises debt backed by the full faith and credit of the government and \$3,875,000 is backed by the levy and collection of ad valorem taxes in the City as provided by law. The remainder of the City of Marshall's debt, \$7,105,000, 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>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
General Obligation Bonds Series 2007	-	300,000	-	-	-	300,000
Certificates of Obligation	3,875,000	2,090,000	-	-	3,875,000	2,090,000
General Obligation Bonds Series 2016	3,770,000	3,770,000	-	-	3,770,000	3,770,000
Premium (Refunding Bonds, Series 2016)	95,403	107,328	-	-	95,403	107,328
Revenue Bonds	-	-	7,317,081	9,513,986	7,317,081	9,513,986
Total	<u>7,740,403</u>	<u>6,267,328</u>	<u>7,317,081</u>	<u>9,513,986</u>	<u>15,057,484</u>	<u>15,781,314</u>

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

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

The City Charter of the City of Marshall, Texas, and the statutes of the State of Texas do not prescribe a legal debt limit. However, Article XI, Section 5 of the Texas Constitution, applicable to cities of more than 5,000 population, limits the ad valorem tax rate to \$2.50 per \$100 assessed valuation. The City operates under a Home Rule Charter, which also imposes a limit of \$1.35. The budgeted property tax rate was \$.54216 per \$100 valuation with a tax margin of \$.80784 per \$100 valuation based upon the maximum ad valorem tax rate noted above. Additional revenues up to \$8,001,101, per year could be raised before reaching the maximum allowable tax base on the current year's appraised net taxable value of \$990,431,364.



# **CITY OF MARSHALL, TEXAS**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) DECEMBER 31, 2017**

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

#### **Economic Factors**

- ☐ New residential construction for 2017 was 17 single-family units.
- ☐ The average price of a single family unit was \$122,454.
- ☐ The value of construction permits issued in 2017 was \$22,015,810.
- ☐ The tax rate remained at \$0.54216 per \$100 valuation.
- ☐ Commercial and institutional construction started during 2017 included several fast food restaurants, new housing projects and athletic buildings at East Texas Baptist University, significant renovations to Marshall Mall, Blue Cross Blue Shield, Patterson Jeep & Dodge, and Memorial City Hall.
- ☐ 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.
- ☐ 2017 Annual unemployment for Harrison County was 4.6%.
- ☐ 2017 Median household income for Harrison County was estimated at \$49,193.

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

The 2018 City of Marshall Annual Budget reflected an approximate 3.3% increase in revenues (\$963,376) over the 2017 budget. We will closely monitor economic indicators, revenues, and expenditures in 2018 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, 2017

	<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	2,879,150	2,221,416	5,100,566
Certificates of Deposit	4,974,451	-	4,974,451
Receivables (Net, Where Applicable, of Allowance for Uncollectibles)	5,398,099	1,000,998	6,399,097
Due From Other Governments	2,119,675	-	2,119,675
Prepayments	299,293	85,981	385,274
Inventory	102,763	21,831	124,594
Restricted Assets:			
Cash and Temporary Investments	-	2,331,670	2,331,670
Certificates of Deposit	-	787,169	787,169
Accrued Interest Receivable	-	2,165	2,165
Capital Assets:			
Land	1,175,849	310,612	1,486,461
Construction in Progress	2,436,271	149,542	2,585,813
Buildings	20,933,752	3,031,435	23,965,187
Machinery and Equipment	16,694,734	3,962,877	20,657,611
Improvements	3,848,786	-	3,848,786
Infrastructure	63,417,058	-	63,417,058
Water and Wastewater System	-	72,038,430	72,038,430
Accumulated Depreciation	(62,825,508)	(38,619,394)	(101,444,902)
<b>Total Assets</b>	<b>61,454,373</b>	<b>47,324,732</b>	<b>108,779,105</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Deferred Charges on Refunding	-	28,019	28,019
Deferred Outflows Related to Pensions	3,166,081	648,474	3,814,555
<b>Total Outflows of Resources</b>	<b>3,166,081</b>	<b>676,493</b>	<b>3,842,574</b>
<b><u>LIABILITIES</u></b>			
Accounts Payable	1,297,710	148,299	1,446,009
Accrued Interest Payable	30,350	-	30,350
Accrued Liabilities	389,663	100,205	489,868
Deferred Revenue	-	-	-
Payable From Restricted Assets:			
Current Portion of Bonds Payable	-	2,290,000	2,290,000
Customer Deposits	-	804,236	804,236
Accrued Liabilities	-	26,768	26,768
Security Deposits	-	-	-
Noncurrent Liabilities:			
Due Within One Year	989,684	85,826	1,075,510
Due In More Than One Year	18,373,381	7,336,980	25,710,361
<b>Total Liabilities</b>	<b>21,080,788</b>	<b>10,792,314</b>	<b>31,873,102</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Deferred Inflows Related to Pensions	514,998	105,482	620,480
<b>Total Inflows of Resources</b>	<b>514,998</b>	<b>105,482</b>	<b>620,480</b>
<b><u>NET POSITION</u></b>			
Invested in Capital Assets, Net of Related Debt	36,714,629	33,135,645	69,850,274
Restricted for:			
Debt Service	404,351	-	404,351
Capital Projects	2,250,472	-	2,250,472
Public Safety	655,438	-	655,438
Public Works	203,338	-	203,338
Street Maintenance	44,582	-	44,582
Library	242,818	-	242,818
Unrestricted	2,509,040	3,967,784	6,476,824
<b>Total Net Position</b>	<b>43,024,668</b>	<b>37,103,429</b>	<b>80,128,097</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>
5,371,471	214,626	-
-	-	-
26,895	28,670	-
281,779	-	-
-	-	-
-	-	-
-	-	-
-	-	-
4,235,720	-	-
2,545,783	-	-
10,347,337	50,217	-
195,544	-	-
804,800	-	-
-	-	-
-	-	-
(1,229,757)	(7,029)	-
<u>22,579,572</u>	<u>286,484</u>	<u>-</u>
-	-	-
-	-	-
-	-	-
239,051	232,230	-
-	-	-
14,992	-	-
-	-	-
-	-	-
-	-	-
-	-	-
622,623	-	-
470,895	-	-
5,715,273	-	-
<u>7,062,834</u>	<u>232,230</u>	<u>-</u>
-	-	-
-	-	-
-	-	-
10,713,259	43,188	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
4,803,479	11,066	-
<u>15,516,738</u>	<u>54,254</u>	<u>-</u>

# CITY OF MARSHALL, TEXAS

## GOVERNMENT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2017

<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	797,115	811,803	175,674
Finance	583,236	-	-
Community Facilities	778,135	147,817	179,225
Public Safety	9,022,084	1,895,165	140,748
Public Works	4,594,366	2,529,635	6,326
Planning and Dev.	504,387	-	35,591
Non-Departmental	1,759,933	-	-
Tax Collection	88,505	-	-
Support Services	1,713,299	66,162	101,596
Tourist and Convention Dev.	329,960	-	2,300
Parks and Recreation	763,903	208,584	-
Interest on Long-Term Debt	230,683	-	-
Total Governmental Activities	<u>21,165,606</u>	<u>5,659,166</u>	<u>641,460</u>
Business-Type Activities:			
Water and Sewer	7,449,426	9,810,033	-
Business Development Center	43,777	-	-
Total Business-Type Activities	<u>7,493,203</u>	<u>9,810,033</u>	<u>-</u>
Total Primary Government	<u>28,658,809</u>	<u>15,469,199</u>	<u>641,460</u>
<b>Component Units:</b>			
Marshall Economic Develop. Corp.	1,676,726	1,234,029	-
Marshall Downtown Develop. Corp.	277,854	225,778	50,000
Marshall Conv. & Vis. Bureau	-	-	-
Total Component Units	<u>1,954,580</u>	<u>1,459,807</u>	<u>50,000</u>

### General Revenues:

#### Taxes:

Property

Sales

Franchise

Investment Earnings

Miscellaneous

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>Capital Grants and Contributions</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>
-	190,362	-	190,362	-	-	-
-	(583,236)	-	(583,236)	-	-	-
-	(451,093)	-	(451,093)	-	-	-
-	(6,986,171)	-	(6,986,171)	-	-	-
101,936	(1,956,469)	-	(1,956,469)	-	-	-
-	(468,796)	-	(468,796)	-	-	-
-	(1,759,933)	-	(1,759,933)	-	-	-
-	(88,505)	-	(88,505)	-	-	-
-	(1,545,541)	-	(1,545,541)	-	-	-
-	(327,660)	-	(327,660)	-	-	-
-	(555,319)	-	(555,319)	-	-	-
-	(230,683)	-	(230,683)	-	-	-
101,936	(14,763,044)	-	(14,763,044)	-	-	-
-	-	2,360,607	2,360,607	-	-	-
-	-	(43,777)	(43,777)	-	-	-
-	-	2,316,830	2,316,830	-	-	-
101,936	(14,763,044)	2,316,830	(12,446,214)	-	-	-
-	-	-	-	(442,697)	-	-
-	-	-	-	-	(2,076)	-
-	-	-	-	-	-	-
-	-	-	-	(442,697)	(2,076)	-
-	5,511,365	-	5,511,365	-	-	-
-	7,531,708	-	7,531,708	1,549,597	-	-
-	930,527	-	930,527	-	-	-
-	81,025	42,683	123,708	38,451	-	-
-	169,704	32,087	201,791	-	-	-
-	1,150,853	(1,150,853)	-	-	-	-
-	15,375,182	(1,076,083)	14,299,099	1,588,048	-	-
-	612,138	1,240,747	1,852,885	1,145,351	(2,076)	-
-	42,412,530	35,862,682	78,275,212	14,371,387	56,330	-
-	43,024,668	37,103,429	80,128,097	15,516,738	54,254	-

# CITY OF MARSHALL, TEXAS

Exhibit C-1

## GOVERNMENTAL FUNDS BALANCE SHEET DECEMBER 31, 2017

	<i>General Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<b><u>ASSETS</u></b>			
Cash and Temporary Investments	476,499	2,502,261	2,978,760
Certificates of Deposit	3,404,274	1,570,177	4,974,451
Receivables (Net of Allowance for Uncollectible)			
Current Taxes	2,416,542	512,423	2,928,965
Delinquent Taxes	640,873	116,833	757,706
Customer	1,240,400	-	1,240,400
Franchise Taxes	225,639	-	225,639
Other	148,118	55,358	203,476
Accrued Interest	12,712	4,800	17,512
Prepaid Expenditures	299,293	-	299,293
Inventory	68,941	21,579	90,520
Due from Other Funds	184,966	92,147	277,113
Due from Other Governments	1,838,753	280,922	2,119,675
<b>TOTAL ASSETS</b>	<b>10,957,010</b>	<b>5,156,500</b>	<b>16,113,510</b>
<b><u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u></b>			
<b>Liabilities</b>			
Accounts Payable	993,603	284,822	1,278,425
Accrued Liabilities	389,663	-	389,663
Due to Other Funds	92,147	184,966	277,113
Unearned Revenues	901,785	36,008	937,793
<b>Total Liabilities</b>	<b>2,377,198</b>	<b>505,796</b>	<b>2,882,994</b>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue-Property Taxes	3,016,489	548,737	3,565,226
<b>Total Inflows of Resources</b>	<b>3,016,489</b>	<b>548,737</b>	<b>3,565,226</b>
<b>Fund Balances</b>			
<b>Nonspendable:</b>			
Prepaid Expenditures	299,293	-	299,293
Inventory	68,941	-	68,941
<b>Restricted:</b>			
Promotion and Tourism	-	180,738	180,738
Public Safety	-	837,046	837,046
Public Works	-	203,338	203,338
Street Maintenance	-	44,582	44,582
Purpose of Grantors and Donors	-	10,588	10,588
Debt Service	-	404,351	404,351
Library	-	242,818	242,818
Capital Projects	-	2,250,472	2,250,472
Other Post-Employment Benefits	75,979	-	75,979
<b>Unassigned:</b>			
Reported in General Fund	5,119,110	-	5,119,110
Reported in Motel Occupancy Tax Fund	-	(27,724)	(27,724)
Reported in EMS ESD Fund	-	(44,242)	(44,242)
<b>Total Fund Balances</b>	<b>5,563,323</b>	<b>4,101,967</b>	<b>9,665,290</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>	<b>10,957,010</b>	<b>5,156,500</b>	<b>16,113,510</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, 2017**

Total Fund Balances - Total Governmental Funds	9,665,290
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.)	45,680,942
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.	(30,350)
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.	(82,251)
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	(996,969)
Due in More Than One Year	(18,366,096)
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	4,503,019
Deferred outflows related to pensions.	3,166,081
Deferred inflows related to pensions.	<u>(514,998)</u>
Net Position of Governmental Activities	<u><u>43,024,668</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, 2017

	<i>General Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>REVENUE:</b>			
Ad Valorem Taxes	4,675,845	786,983	5,462,828
Sales Taxes	6,228,125	516,532	6,744,657
Franchise Tax	930,527	-	930,527
Motel Occupancy Tax	-	787,051	787,051
Drainage Utility Fees	-	216,892	216,892
Permits and Fees	4,003,495	-	4,003,495
Municipal Court Fines	743,520	9,132	752,652
Interest	58,038	20,866	78,904
Intergovernmental	418,585	451,189	869,774
Donations	-	292,207	292,207
Miscellaneous	114,842	85,920	200,762
<b>Total Revenue</b>	<b>17,172,977</b>	<b>3,166,772</b>	<b>20,339,749</b>
<b>EXPENDITURES:</b>			
Current:			
General Government	395,718	188,706	584,424
Finance	553,956	-	553,956
Public Safety	8,167,524	29,247	8,196,771
Public Works	2,866,659	67,685	2,934,344
Tourist and Convention Development	-	329,960	329,960
Non-Departmental	1,734,550	-	1,734,550
Tax Collection	88,505	-	88,505
Parks and Recreation	735,306	-	735,306
Planning and Development	438,083	35,591	473,674
Support Services	1,425,996	4,010	1,430,006
Community Facilities	556,474	-	556,474
Debt Service:			
Principal Retirement	179,905	554,844	734,749
Interest and Fees	9,540	215,632	225,172
Capital Outlay	2,039,009	2,420,472	4,459,481
<b>Total Expenditures</b>	<b>19,191,225</b>	<b>3,846,147</b>	<b>23,037,372</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, 2017**

	<i><u>General Fund</u></i>	<i><u>Other Governmental Funds</u></i>	<i><u>Total Governmental Funds</u></i>
<b><i>CONTINUED:</i></b>			
<b>Excess (Deficiency) of Revenue Over Expenditures Before Other Financing Sources (Uses)</b>	<u>(2,018,248)</u>	<u>(679,375)</u>	<u>(2,697,623)</u>
<b>Other Financing Sources (Uses)</b>			
Lease Proceeds	265,619	-	265,619
Loan Proceeds	61,439	-	61,439
Transfers In	1,349,849	579,034	1,928,883
Transfers (Out)	(632,621)	(198,997)	(831,618)
Proceeds from Issuance of Bonds	<u>-</u>	<u>2,000,000</u>	<u>2,000,000</u>
<b>Total Other Financing Sources (Uses)</b>	<u>1,044,286</u>	<u>2,380,037</u>	<u>3,424,323</u>
<b>Net Change in Fund Balances</b>	<u>(973,962)</u>	<u>1,700,662</u>	<u>726,700</u>
<b>Fund Balances at Beginning of Year</b>	<u>6,537,285</u>	<u>2,401,305</u>	<u>8,938,590</u>
<b>Fund Balances at End of Year</b>	<u><u>5,563,323</u></u>	<u><u>4,101,967</u></u>	<u><u>9,665,290</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, 2017**

Net Change in Fund Balances - Total Governmental Funds	726,700
--	---------

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.	4,459,481
---	-----------

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.	(2,761,394)
---	-------------

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.	(1,547,214)
---	-------------

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.	(15,632)
--	----------

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.	52,789
---	--------

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.	221,780
--	---------

Net change in TMRS expenditures, deferred resource inflows and outflows for the current year as required by GASB 68.	(524,372)
--	-----------

Changes in Net Position of Governmental Activities	<u><u>612,138</u></u>
--	-----------------------

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

# CITY OF MARSHALL, TEXAS

Exhibit C-5

## GENERAL FUND STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2017

	<i>Budgeted Amounts</i>		<i>Actual GAAP Basis</i>	<i>Positive (Negative) Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUE:</b>				
Ad Valorem Taxes	4,496,575	4,496,575	4,675,845	179,270
Sales Taxes	6,100,000	6,100,000	6,228,125	128,125
Franchise Tax	990,000	990,000	930,527	(59,473)
Permits and Fees	4,038,230	4,038,230	4,003,495	(34,735)
Municipal Court Fines	625,000	625,000	743,520	118,520
Interest	20,000	20,000	58,038	38,038
Intergovernmental	396,652	396,652	418,585	21,933
Miscellaneous	56,250	56,250	114,842	58,592
<b>Total Revenue</b>	<b>16,722,707</b>	<b>16,722,707</b>	<b>17,172,977</b>	<b>450,270</b>
<b>EXPENDITURES:</b>				
General Government	394,772	394,772	395,718	(946)
Finance	568,208	568,208	553,956	14,252
Public Safety	8,011,543	8,011,543	8,167,524	(155,981)
Public Works	2,782,151	2,804,888	2,866,659	(61,771)
Non-Departmental	1,520,497	1,739,825	1,734,550	5,275
Tax Collection	88,505	88,505	88,505	-
Parks and Recreation	705,148	734,128	735,306	(1,178)
Planning and Development	424,992	424,992	438,083	(13,091)
Support Services	1,394,272	1,349,272	1,425,996	(76,724)
Community Facilities	490,450	535,234	556,474	(21,240)
Debt Service	192,843	192,843	189,445	3,398
Capital Outlay	1,397,120	2,075,202	2,039,009	36,193
<b>Total Expenditures</b>	<b>17,970,501</b>	<b>18,919,412</b>	<b>19,191,225</b>	<b>(271,813)</b>
<b>Excess (Deficiency) of Revenue Over Expenditures Before Other Financing Sources (Uses)</b>	<b>(1,247,794)</b>	<b>(2,196,705)</b>	<b>(2,018,248)</b>	<b>178,457</b>
<b>Other Financing Sources (Uses)</b>				
Lease Proceeds	-	-	265,619	265,619
Loan Proceeds	-	-	61,439	61,439
Transfers In	1,331,499	1,331,499	1,349,849	18,350
Transfers (Out)	(83,587)	(283,587)	(632,621)	(349,034)
<b>Total Other Financing Sources (Uses)</b>	<b>1,247,912</b>	<b>1,047,912</b>	<b>1,044,286</b>	<b>(3,626)</b>
<b>Net Change in Fund Balance</b>	<b>118</b>	<b>(1,148,793)</b>	<b>(973,962)</b>	<b>174,831</b>
<b>Fund Balance at Beginning of Year</b>	<b>6,537,285</b>	<b>6,537,285</b>	<b>6,537,285</b>	<b>-</b>
<b>Fund Balance at End of Year</b>	<b>6,537,403</b>	<b>5,388,492</b>	<b>5,563,323</b>	<b>174,831</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, 2017

	<b>Business-Type Activities - Enterprise Funds</b>			<b>Governmental Internal Service Funds</b>
	<i>Water and Sewer Fund</i>	<i>Nonmajor Enterprise Fund</i>	<i>Total</i>	
<b><u>ASSETS</u></b>				
<b><i>Current Assets:</i></b>				
Cash and Temporary Investments	1,926,994	(50,546)	1,876,448	245,358
Customer Receivables (Net of Allowance for Uncollectibles)	950,452	50,546	1,000,998	24,401
Prepaid Expenditures	85,981	-	85,981	-
Inventory	21,831	-	21,831	12,243
Total Current Assets	<u>2,985,258</u>	<u>-</u>	<u>2,985,258</u>	<u>282,002</u>
<b><i>Noncurrent Assets:</i></b>				
Restricted Assets:				
Cash and Temporary Investments	2,331,670	-	2,331,670	-
Certificates of Deposit	787,169	-	787,169	-
Accrued Interest Receivable	2,165	-	2,165	-
Total Restricted Assets	<u>3,121,004</u>	<u>-</u>	<u>3,121,004</u>	<u>-</u>
Capital Assets:				
Land	230,281	80,331	310,612	-
Construction in Progress	149,542	-	149,542	-
Buildings	824,091	2,188,820	3,012,911	141,120
Machinery and Equipment	2,982,592	320,313	3,302,905	1,212,864
Water and Wastewater System	72,038,430	-	72,038,430	-
Less: Accumulated Depreciation	<u>(37,136,998)</u>	<u>(1,333,225)</u>	<u>(38,470,223)</u>	<u>(379,458)</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>39,087,938</u>	<u>1,256,239</u>	<u>40,344,177</u>	<u>974,526</u>
Total Noncurrent Assets	<u>42,208,942</u>	<u>1,256,239</u>	<u>43,465,181</u>	<u>974,526</u>
<b>TOTAL ASSETS</b>	<u>45,194,200</u>	<u>1,256,239</u>	<u>46,450,439</u>	<u>1,256,528</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>				
Deferred Charges on Refundings	28,019	-	28,019	-
Deferred Outflows Related to Pensions	<u>648,474</u>	<u>-</u>	<u>648,474</u>	<u>-</u>
<b>TOTAL OUTFLOWS OF RESOURCES</b>	<u>676,493</u>	<u>-</u>	<u>676,493</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			874,293	
Assets of Business-Type Activities			<u>48,001,225</u>	

# CITY OF MARSHALL, TEXAS

Exhibit D-1  
Page 2 of 2

## PROPRIETARY FUNDS STATEMENT OF NET POSITION DECEMBER 31, 2017

### 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	148,299	-	148,299	19,285
Accrued Salaries and Wages	100,205	-	100,205	-
Current Portion of Notes Payable	85,826	-	85,826	-
Total Current Liabilities	334,330	-	334,330	19,285
<b>Current Liabilities Payable from Restricted Assets:</b>				
Current Portion of Bonds Payable	2,290,000	-	2,290,000	-
Customer Deposits	804,236	-	804,236	-
Unearned Revenue	10,000	-	10,000	-
Accrued Liabilities	16,768	-	16,768	-
Total Current Liabilities Payable from Restricted Assets	3,121,004	-	3,121,004	-
<b>Other Liabilities:</b>				
Bonds Payable (Net of Current Portion)	5,027,081	-	5,027,081	-
Note Payable (Net of Current Portion)	362,969	-	362,969	-
Accrued Post Retirement Health Care and TMRS	1,677,948	-	1,677,948	-
Compensated Absences	268,982	-	268,982	-
Total Other Liabilities	7,336,980	-	7,336,980	-
<b>TOTAL LIABILITIES</b>	<b>10,792,314</b>	<b>-</b>	<b>10,792,314</b>	<b>19,285</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflows Related to Pensions	105,482	-	105,482	-
<b>TOTAL INFLOWS OF RESOURCES</b>	<b>105,482</b>	<b>-</b>	<b>105,482</b>	<b>-</b>
<b>NET POSITION</b>				
Invested in Capital Assets, Net of Related Debt	31,350,081	1,256,239	32,606,320	974,526
Restricted for Retirement of Bonds	-	-	-	-
Unrestricted	3,622,816	-	3,622,816	262,717
<b>TOTAL NET POSITION</b>	<b>34,972,897</b>	<b>1,256,239</b>	<b>36,229,136</b>	<b>1,237,243</b>
Reconciliation to Government-Wide Statement of Net Position:				
Adjustment to Reflect the Consolidation of Internal Service Funds Activities				
Related to Enterprise Funds			874,293	
Assets of Business-Type Activities			37,103,429	

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, 2017

	Business-Type Activities - Enterprise Funds			Governmental Internal Service Funds
	Water and Sewer Fund	Nonmajor Enterprise Fund	Total	
<b>OPERATING REVENUE:</b>				
Charges for Services	9,810,033	-	9,810,033	291,027
Miscellaneous	32,087	-	32,087	-
<b>Total Operating Revenue</b>	<b>9,842,120</b>	<b>-</b>	<b>9,842,120</b>	<b>291,027</b>
<b>OPERATING EXPENSES:</b>				
Administrative	355,132	-	355,132	-
Water Production	1,189,935	-	1,189,935	-
Water Distribution/ Collection	1,181,402	-	1,181,402	-
Sewage Treatment	1,387,419	-	1,387,419	-
Water Billing	433,654	-	433,654	-
Engineering	61,232	-	61,232	-
Non-Departmental	971,489	-	971,489	-
Materials and Supplies	-	-	-	293,944
Depreciation and Amortization	1,459,040	43,777	1,502,817	82,426
Bad Debt Expense	13,527	-	13,527	-
<b>Total Operating Expenses</b>	<b>7,052,830</b>	<b>43,777</b>	<b>7,096,607</b>	<b>376,370</b>
<b>Operating Income (Loss)</b>	<b>2,789,290</b>	<b>(43,777)</b>	<b>2,745,513</b>	<b>(85,343)</b>
<b>NONOPERATING REVENUE (EXPENSES):</b>				
Interest Income	38,804	-	38,804	6,000
Interest Expense and Fees	(348,049)	-	(348,049)	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(309,245)</b>	<b>-</b>	<b>(309,245)</b>	<b>6,000</b>
<b>Income (Loss) Before Transfers</b>	<b>2,480,045</b>	<b>(43,777)</b>	<b>2,436,268</b>	<b>(79,343)</b>
Transfers In	3,009	-	3,009	159,607
Transfers (Out)	(1,259,881)	-	(1,259,881)	-
<b>Total Transfers In (Out)</b>	<b>(1,256,872)</b>	<b>-</b>	<b>(1,256,872)</b>	<b>159,607</b>
<b>Change in Net Position</b>	<b>1,223,173</b>	<b>(43,777)</b>	<b>1,179,396</b>	<b>80,264</b>
Net Position, Beginning of Year	33,749,724	1,300,016	35,049,740	1,156,979
<b>Total Net Position, End of Year</b>	<b>34,972,897</b>	<b>1,256,239</b>	<b>36,229,136</b>	<b>1,237,243</b>

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

Adjustment to Reflect the Consolidation of Internal Service Funds Activities Related to Enterprise Funds	874,293
Assets of Business-Type Activities	37,103,429

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, 2017

	<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	9,945,825	-	9,945,825	286,392
Cash Payments to Suppliers for Goods and Services	(3,503,438)	-	(3,503,438)	(279,116)
Cash Payments to Employees for Services	(1,978,011)	-	(1,978,011)	-
Net Cash Provided by Operating Activities	<u>4,464,376</u>	<u>-</u>	<u>4,464,376</u>	<u>7,276</u>
<b><u>Cash Flows from Noncapital Financing Activities:</u></b>				
Transfers In	3,009	-	3,009	159,607
Transfers (Out)	(1,259,881)	-	(1,259,881)	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(1,256,872)</u>	<u>-</u>	<u>(1,256,872)</u>	<u>159,607</u>
<b><u>Cash Flows from Capital and Related Financing Activities:</u></b>				
Acquisition and Construction of Capital Assets	(470,690)	-	(470,690)	(405,678)
Principal Paid on Bonds	(2,145,000)	-	(2,145,000)	-
Principal Paid on Loan	(83,967)	-	(83,967)	-
Payment of Interest on Bonds and Other Debt	(352,675)	-	(352,675)	-
Net Cash (Used) by Capital and Related Financing Activities	<u>(3,052,332)</u>	<u>-</u>	<u>(3,052,332)</u>	<u>(405,678)</u>
<b><u>Cash Flows from Investing Activities:</u></b>				
Purchase of Investments	(1,561,370)	-	(1,561,370)	-
Proceeds from Sale and Maturities of Investments	1,551,555	-	1,551,555	-
Interest on Investments	37,769	-	37,769	6,000
Net Cash Provided by Investing Activities	<u>27,954</u>	<u>-</u>	<u>27,954</u>	<u>6,000</u>
Net Increase (Decrease) in Cash and Cash Equivalents	183,126	-	183,126	(232,795)
Cash and Cash Equivalents (Deficit), Beginning of Year	<u>4,075,538</u>	<u>(50,546)</u>	<u>4,024,992</u>	<u>478,153</u>
Cash and Cash Equivalents (Deficit), End of Year	<u>4,258,664</u>	<u>(50,546)</u>	<u>4,208,118</u>	<u>245,358</u>



# CITY OF MARSHALL, TEXAS

Exhibit D-3

Page 2 of 2

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

Continued

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

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Water and Sewer Fund</u>	<u>Nonmajor Enterprise Fund</u>	<u>Total</u>	<u>Internal Service Funds</u>
Operating Income (Loss)	<u>2,789,290</u>	<u>(43,777)</u>	<u>2,745,513</u>	<u>(85,343)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation and Amortization	1,459,040	43,777	1,502,817	82,426
Other Post Employment Benefits	107,402	-	107,402	-
(Increase) Decrease in Assets:				
Accounts Receivable	91,716	-	91,716	(4,635)
Prepaid Expenses	(7,042)	-	(7,042)	-
Inventory	(2,339)	-	(2,339)	5,303
Increase (Decrease) in Liabilities:				
Accounts Payable	24,858	-	24,858	9,525
Accrued Liabilities	2,579	-	2,579	-
Customer Deposits	11,989	-	11,989	-
Compensated Absences	(13,117)	-	(13,117)	-
Total Adjustments	<u>1,675,086</u>	<u>43,777</u>	<u>1,718,863</u>	<u>92,619</u>
Net Cash Provided by Operating Activities	<u>4,464,376</u>	<u>-</u>	<u>4,464,376</u>	<u>7,276</u>

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

# **CITY OF MARSHALL, TEXAS**

**Exhibit E-1**

**FIDUCIARY FUNDS  
STATEMENT OF NET POSITION  
DECEMBER 31, 2017**

**ASSETS**

Cash and Temporary Investments

**TOTAL ASSETS**

*Agency  
Funds*

123,832

123,832

**LIABILITIES**

Accounts Payable

Due to Employees

**TOTAL LIABILITIES**

3,173

120,659

123,832

*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, 2017**

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

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

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

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

#### *New Accounting Pronouncements*

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, which will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. This statement is effective for fiscal year beginning after June 15, 2017. The City is evaluating the impact of this statement on the City's financial statements.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*, which improves consistency in accounting and financial reporting by addressing practice issues that have been identified during implementation and application of certain GASB statements. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2017. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for certain debt extinguishments and to enhance the decision-usefulness of that information. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2017. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

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

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

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

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017**

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

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, 2017, 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 2017, 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, 2017, was performed and may be obtained by contacting MDDC.

Marshall Convention and Visitors Bureau (MCVB) was incorporated under the Texas Business Organizations Code, Chapter 22 on October 12, 2007. MCVB also complies with Chapter 351 of the Texas Tax Code with regard to any funds granted to MCVB by the City of Marshall. The purposes of the Corporation are to promote the City of Marshall related to tourism, visitors and economic growth; solicit groups for conventions expositions and other events to increase the hotel activity; and branding and product development. MCVB has a Board of Directors comprised of seven (7) members who are all appointed by the City. Since MCVB did not have any activity for 2017, a separate audit report was not issued this year.

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

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

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

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

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

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017**

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

#### **Governmental Funds:**

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

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

Additionally, the City reports the following governmental fund types:

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

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

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

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

#### **Proprietary Funds:**

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

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

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

#### **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.

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017**

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

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

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

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

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

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

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

Prior to the end of August, the City Commission, City Manager, and department heads meet in publicly held budget workshops and prepare a tentative budget for the following year. Duly advertised public hearings are held to obtain taxpayers comments. Prior to October 1, the budget is legally enacted. The General Fund, 2007 General Obligation and 2001 Certificate of Obligation Debt Service Funds, Motel Occupancy Tax Fund, Street Maintenance Fund, Litter Control Fund, D.A.R.E. Donations Fund, 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. Non-Departmental expenditures were increased by \$219,328; Parks and Recreation increased by \$28,980; Support Services expenditures were decreased by \$45,000; Community Facilities expenditures were increased by \$44,784; and Capital Outlay expenditures were increased by \$678,082.

As noted in Exhibit C-5, Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund, Public Safety expenditures exceeded the budget by \$155,981; General Government expenditures exceeded the budget by \$946; Public Works expenditures exceeded the budget by \$61,771; Support Services expenditures exceeded the budget by \$76,724; Community Facilities expenditures exceeded the budget by \$21,240, Transfers Out also exceeded the budget by \$349,033; and Planning and Development expenditures exceeded the budget by \$13,091. In the future, the City will strive to amend the budget throughout the year to adhere to the budget that is legally adopted.

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017**

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

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, 2017. The market values of temporary investments are based on values provided by TexPool at December 31, 2017.

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

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

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

#### **Restricted Assets:**

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

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

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

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

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.



# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017**

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

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

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

#### **Capital Assets:**

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

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

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

#### **Compensated Absences:**

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

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

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

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017**

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

shorter of the life of the refunded or refunding debt. The City also has deferred outflows related to pension activities that are reported in this category.

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

#### **Net Position:**

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

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

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

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

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

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

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

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

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017**

### **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, 2017. 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 \$4,949 petty cash and \$5,762,118 certificates of deposit) was \$7,532,931 and the respective bank balances totaled \$7,560,344. For GASB 40 purposes, certificates of deposit are included under deposits. All of the certificates of deposit have maturity dates of one year, or less.

Of the total bank balances, \$250,500 was covered by Federal Depository Insurance for all accounts. The remainder of the accounts were covered by collateral with a value of \$9,464,309. 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.

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017**

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

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

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

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

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

#### **Collateralization**

Collateralization shall be required on two types of investments:

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

At December 31, 2017, 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, 2017

### 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, 2017 are:

		Concentration		Investment Maturities	
		of Credit	Market	(Callable In Years)	
<u>Investment Type</u>	<u>Rating</u>	<u>Risk</u>	<u>Value</u>	<u>Less Than 1</u>	<u>1-5</u>
<b>Public Funds Investment Pool:</b>					
TexPool (2a7- Like Pool)	AAAm (S&P)	100%	5,785,255	5,785,255	-
<b>Total</b>		100%	5,785,255	5,785,255	-

At December 31, 2017, the public funds investment pool consisted of investments in TexPool. TexPool is duly chartered and administered by the Texas Comptroller's Office and the portfolio normally consists of U.S. T-Bills, T-Notes, collateralized certificates of deposit, and repurchase agreements. Oversight by the Texas Comptroller's Office over TexPool includes the ability to significantly influence operations, designations of management, and accountability for fiscal matters. These investments are classified as temporary investments in the City's financial statements because these investments are not subject to any restrictions for withdrawal purposes.

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

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

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

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

# CITY OF MARSHALL, TEXAS

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

### 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	12,712	2,165	4,800	-	-	19,677
Taxes	3,443,970	-	659,839	-	-	4,103,809
Accounts	1,240,400	970,179	-	50,546	24,401	2,285,526
Other	148,118	-	55,358	-	-	203,476
Gross	<u>4,845,200</u>	<u>972,344</u>	<u>719,997</u>	<u>50,546</u>	<u>24,401</u>	<u>6,612,488</u>
Receivables Less:						
Allowance for Uncollectibles	<u>(160,916)</u>	<u>(19,727)</u>	<u>(30,583)</u>	<u>-</u>	<u>-</u>	<u>(211,226)</u>
Net Total Receivables	<u>4,684,284</u>	<u>952,617</u>	<u>689,414</u>	<u>50,546</u>	<u>24,401</u>	<u>6,401,262</u>

### NOTE 4: CAPITAL ASSETS:

	<u>December 31, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2017</u>
<b>Governmental Activities:</b>				
Capital Assets Not Being Depreciated:				
Land	1,175,849	-	-	1,175,849
Construction in Progress	1,487,095	1,227,873	(278,697)	2,436,271
Total Capital Assets Not Being Depreciated	<u>2,662,944</u>	<u>1,227,873</u>	<u>(278,697)</u>	<u>3,612,120</u>
Capital Assets Being Depreciated:				
Buildings	20,065,558	868,194	-	20,933,752
Machinery and Equipment	15,408,060	1,286,674	-	16,694,734
Improvements	3,770,404	78,382	-	3,848,786
Infrastructure	61,847,572	1,569,486	-	63,417,058
Total Capital Assets, Being Depreciated	<u>101,091,594</u>	<u>3,802,736</u>	<u>-</u>	<u>104,894,330</u>
Less: Accumulated Depreciation For:				
Buildings	8,552,887	377,137	-	8,930,024
Equipment	11,010,340	858,397	-	11,868,737
Improvements	1,594,615	136,950	-	1,731,565
Infrastructure	38,906,272	1,388,910	-	40,295,182
Total Accumulated Depreciation	<u>60,064,114</u>	<u>2,761,394</u>	<u>-</u>	<u>62,825,508</u>
Total Capital Assets, Being Depreciated, Net	<u>41,027,480</u>	<u>1,041,342</u>	<u>-</u>	<u>42,068,822</u>
Governmental Activities Capital Assets, Net	<u>43,690,424</u>	<u>2,269,215</u>	<u>(278,697)</u>	<u>45,680,942</u>

# CITY OF MARSHALL, TEXAS

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

	December 31, 2016	Additions	Deletions	December 31, 2017
<b><u>Business-Type Activities:</u></b>				
Capital Assets Not Being Depreciated:				
Land	310,612	-	-	310,612
Construction in Progress	85,402	105,078	(40,938)	149,542
Total Capital Assets Not Being Depreciated	<u>396,014</u>	<u>105,078</u>	<u>(40,938)</u>	<u>460,154</u>
Capital Assets Being Depreciated:				
Buildings	3,008,835	22,600	-	3,031,435
Machinery and Equipment	3,783,059	179,818	-	3,962,877
Water and Wastewater System	71,721,053	317,377	-	72,038,430
Total Capital Assets, Being Depreciated	<u>78,512,947</u>	<u>519,795</u>	<u>-</u>	<u>79,032,742</u>
Less: Accumulated Depreciation For:				
Buildings and Improvements	1,449,313	59,300	-	1,508,613
Machinery and Equipment	2,777,435	218,255	-	2,995,690
Water and Wastewater System	32,793,881	1,321,210	-	34,115,091
Total Accumulated Depreciation	<u>37,020,629</u>	<u>1,598,765</u>	<u>-</u>	<u>38,619,394</u>
Total Capital Assets, Being Depreciated, Net	<u>41,492,318</u>	<u>(1,078,970)</u>	<u>-</u>	<u>40,413,348</u>
Business-Type Activities Capital Assets, Net	<u>41,888,332</u>	<u>(973,892)</u>	<u>(40,938)</u>	<u>40,873,502</u>

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

<b><u>Governmental Activities:</u></b>	
General Government	148,134
Community Facilities	199,122
Support Services	230,722
Public Safety	535,395
Public Works	1,633,408
Planning and Development	1,696
Non-Departmental	12,917
Total Depreciation Expense - Governmental Activities	<u>2,761,394</u>
<b><u>Business-Type Activities:</u></b>	
Water and Sewer	1,554,989
Business Development Center	43,776
Total Depreciation Expense - Business-Type Activities	<u>1,598,765</u>

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017**

### **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, 2017, \$133,000 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. These bonds were paid off this year.

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.

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



# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017**

### **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. On June 15, 2017, there was a full call on all of the General Obligation Bonds, Series 2007.

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

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

On December 6, 2006, the City passed an 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.

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, 2017, \$3,990,000 of the bonds considered defeased are still outstanding.

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017**

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

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%	2,000,000
Waterworks and Sewer System Revenue Bonds, Series 1999	June 15, 2011-2019	4.750% - 6.350%	780,000
Waterworks and Sewer System Revenue Bonds, Series 2000	June 15, 2014-2019	5.125%	740,000
Waterworks and Sewer System Revenue Bonds, Series 2001	June 15, 2017-2022	4.750% - 5.000%	470,000
			<u>3,990,000</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. These bonds were paid off this year.

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, 2017, none of the bonds considered defeased were 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%	-

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017**

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

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, 2017, \$2,865,000 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 2003	June 15, 2014-2023	3.600%- 4.500%	<u>2,865,000</u>

# CITY OF MARSHALL, TEXAS

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

A summary of changes in long-term debt for the year ended December 31, 2017 is as follows:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Original Issued</u>	<u>Amounts Outstanding 1/1/2017</u>	<u>Issued Current Year</u>	<u>Refunded/ Retired Current Year</u>	<u>Amounts Outstanding 12/31/2017</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	300,000	-	(300,000)	-	6,000	-
Certificate of Obligation, Series 2010A	2.00-4.00%	2,100,000	1,405,000	-	(130,000)	1,275,000	47,638	140,000
Certificate of Obligation, Series 2010	2.75-4.50%	1,140,000	685,000	-	(85,000)	600,000	21,975	90,000
Combination Tax and Revenue Certificates of Obligation, Series 2017	2.173%	2,000,000	-	2,000,000	-	2,000,000	18,350	50,000
General Obligation Refunding Bonds, Series 2016	2.00-4.00%	3,845,000	3,770,000	-	-	3,770,000	111,850	325,000
Premium (Refunding Bonds, Series 2016)	N/A	119,253	107,328	-	(11,925)	95,403	-	-
Total Governmental Activities Bonded Indebtedness		15,434,253	6,267,328	2,000,000	(526,925)	7,740,403	205,813	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	5,485,000	-	(1,195,000)	4,290,000	232,363	1,860,000
Tax and Surplus Revenue Refunding Bonds Series 2010	2.00-3.00%	3,490,000	535,000	-	(535,000)	-	8,025	-
Water and Sewer Revenue Refunding Bonds Series 2012	3.60-4.75%	5,065,000	3,230,000	-	(415,000)	2,815,000	100,375	430,000
Premium (Refunding Bonds, Series 2010)	N/A	31,250	15,624	-	(2,233)	13,391	-	-
Premium (Refunding Bonds, Series 2006)	N/A	745,082	248,362	-	(49,672)	198,690	-	-
Total Business-Type Bonded Indebtedness		18,566,332	9,513,986	-	(2,196,905)	7,317,081	340,763	2,290,000
Total Bonded Indebtedness		34,000,585	15,781,314	2,000,000	(2,723,830)	15,057,484	546,576	2,895,000

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017**

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

Debt service requirements are as follows:

#### **General Obligation Bonds:**

<b>Year Ended December 31,</b>	<b>Governmental Activities</b>		<b>Total</b>
	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Requirements</u></b>
2018	325,000	108,600	433,600
2019	335,000	102,000	437,000
2020	345,000	95,200	440,200
2021	350,000	86,500	436,500
2022	365,000	75,775	440,775
2023-2027	<u>2,050,000</u>	<u>197,650</u>	<u>2,247,650</u>
<b>Total</b>	<b><u>3,770,000</u></b>	<b><u>665,725</u></b>	<b><u>4,435,725</u></b>

#### **Certificates of Obligation and Revenue Bonds:**

<b>Year Ended December 31,</b>	<b>Governmental Activities</b>		<b>Total</b>
	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Requirements</u></b>
2018	280,000	105,673	385,673
2019	315,000	96,677	411,677
2020	325,000	86,773	411,773
2021	330,000	76,305	406,305
2022	345,000	65,456	410,456
2023-2027	<u>1,255,000</u>	<u>185,905</u>	<u>1,440,905</u>
2028-2032	<u>1,025,000</u>	<u>56,770</u>	<u>1,081,770</u>
<b>Total</b>	<b><u>3,875,000</u></b>	<b><u>673,559</u></b>	<b><u>4,548,559</u></b>

#### **Water and Sewer Revenue Bonds:**

<b>Year Ended December 31,</b>	<b>Business-Type Activities</b>		<b>Total</b>
	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Requirements</u></b>
2018	2,290,000	236,050	2,526,050
2019	2,400,000	132,675	2,532,675
2020	610,000	150,425	760,425
2021	635,000	53,288	688,288
2022	660,000	29,813	689,813
2023	<u>510,000</u>	<u>8,925</u>	<u>518,925</u>
<b>Total</b>	<b><u>7,105,000</u></b>	<b><u>611,176</u></b>	<b><u>7,716,176</u></b>

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017**

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

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

On September 10, 2015, 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 six Dodge chargers, a 2015 Ford F150, and a slide-in animal control unit for the Ford F150. 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 \$254,940 and requires three annual payments of \$84,980.

On February 4, 2016, the City entered into a lease agreement with VGM Financial Services (Lessor). The agreement was to assist the City in financing the acquisition of fifteen 2016 Club Car Electric i2 Precedent Golf Cars. 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 \$50,168 and requires three annual payments of \$16,723.

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

The assets acquired through the capital leases are as follows:

<b><u>Assets:</u></b>	<b><u>Amount</u></b>
2015 Dodge Police Cars (6)	219,928
2015 Ford F150	28,158
2016 Club Car Golf Cars (15)	48,333
2018 Ford Interceptor SUVs	244,132
2018 Dodge Charger	21,403
Total	561,954
Less: Accumulated Depreciation	(116,026)
Total	<u>445,928</u>

The future minimum lease payments under the capital leases and the present value of the net minimum lease payments at December 31, 2017, were as follows:

<b><u>Year Ended December 31</u></b>	<b><u>Various Equipment</u></b>
2018	195,646
2019	93,943
2020	<u>93,943</u>
Total Minimum Lease Payments	383,532
Less: Amount Representing Interest Costs	<u>(18,497)</u>
Present Value of Minimum Lease Payments	<u>365,035</u>

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017**

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

#### **Notes 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 was paid on March 1, 2017. The interest rate on the loan is fixed at 1.947%. Interest paid on this loan in 2017 was \$776.

On August 4, 2016, the City entered into a loan agreement with Texas Bank and Trust in the amount of \$253,592 for the purchase of police vehicles. Payments are due annually. Two payments of \$87,742 are due beginning on September 10, 2017, and on the same day each year thereafter. A single, final payment of the entire unpaid balance of principal and interest will be due on September 10, 2019. The interest rate on the loan is fixed at 1.796%. Interest paid on this loan in 2017 was \$5,016.

Also, on November 15, 2016, the City entered into a loan agreement with Panola National Bank in the amount of \$690,000 for the purchase of a fire truck. In 2016, the City spent \$626,757 of the loan proceeds. The rest of the loan proceeds (\$61,439) was spent in 2017 for add-ons to the fire trucks. Five principal payments of \$115,000 plus interest are due annually beginning January 20, 2018 and one payment of \$117,243 is due on January 20, 2023. The interest rate on the loan is fixed at 1.950%. No interest was paid on the loan in 2017.

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

<b>Year Ended December 31,</b>	<b>Governmental Activities</b>		<b>Total</b>
	<b>Principal</b>	<b>Interest</b>	<b>Requirements</b>
2018	199,673	18,773	218,446
2019	201,202	12,761	213,963
2020	115,000	8,970	123,970
2021	115,000	6,728	121,728
2022	115,000	4,485	119,485
2023	115,000	2,243	117,243
<b>Total</b>	<b>860,875</b>	<b>53,960</b>	<b>914,835</b>

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

On August 21, 2015, the City entered into a loan agreement with Texas Bank and Trust in the amount of \$614,844 for the purchase of a bio-tower media filter for the Water and Sewer Fund. Payments are due annually in 7 payments of \$95,880 (includes principal and interest) beginning on August 21, 2016, and on the same day each year thereafter. The interest rate on the loan is fixed at 2.238%. Interest paid on this loan in 2017 was \$11,913.

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

<b>Year Ended December 31,</b>	<b>Business-Type Activities</b>		<b>Total</b>
	<b>Principal</b>	<b>Interest</b>	<b>Requirements</b>
2018	85,826	10,054	95,880
2019	87,757	8,123	95,880
2020	89,704	6,176	95,880
2021	91,728	4,152	95,880
2022	93,780	2,100	95,880
<b>Total</b>	<b>448,795</b>	<b>30,605</b>	<b>479,400</b>

# CITY OF MARSHALL, TEXAS

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

#### Changes In Long-Term Liabilities:

Long-term debt activity for the year ended December 31, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b><u>Governmental Activities:</u></b>					
Bonds Payable:					
General Obligation Bonds	4,177,328	-	(311,925)	3,865,403	325,000
Certificate of Obligations and Revenue Bonds	2,090,000	2,000,000	(215,000)	3,875,000	280,000
Total Bonds Payable	6,267,328	2,000,000	(526,925)	7,740,403	605,000
Other Liabilities:					
Capital Leases Payable	196,604	265,619	(97,188)	365,035	185,011
Note Payable	983,436	-	(122,561)	860,875	199,673
Accrued Post Retirement Health Care and TMRS	7,833,090	56,386	-	7,889,476	-
Compensated Absences	2,464,419	42,857	-	2,507,276	-
Total Other Liabilities	11,477,549	364,862	(219,749)	11,622,662	384,684
Total Governmental Activities	17,744,877	2,364,862	(746,674)	19,363,065	989,684
<b><u>Business-Type Activities:</u></b>					
Revenue Bonds Payable	9,513,986	-	(2,196,905)	7,317,081	2,290,000
Total Bonds Payable	9,513,986	-	(2,196,905)	7,317,081	2,290,000
Other Liabilities:					
Note Payable	532,762	-	(83,967)	448,795	85,826
Accrued Post Retirement Health Care and TMRS	1,663,412	14,536	-	1,677,948	-
Compensated Absences	282,099	-	(13,117)	268,982	-
Total Other Liabilities	2,478,273	14,536	(97,084)	2,395,725	85,826
Total Business-Type Activities	11,992,259	14,536	(2,293,989)	9,712,806	2,375,826
Total Government	29,737,136	2,379,398	(3,040,663)	29,075,871	3,365,510



# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017**

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

#### **Interfund balances at December 31, 2017, consisted of the following amounts:**

Due to General Fund (Major Governmental Fund) From:	
Motel Occupancy Tax Fund (Nonmajor Governmental Fund)	184,915
Controlled Substance Fund (Nonmajor Governmental Fund)	51
<b>Total Due to General Fund</b>	<b>184,966</b>
Due to Street Maintenance Fund (Nonmajor Governmental Fund) From:	
General Fund (Major Governmental Fund)	92,147
<b>Total Due to Street Maintenance Fund</b>	<b>92,147</b>

#### **Interfund transfers for the year ended December 31, 2017, consisted of the following amounts:**

Transfers to General Fund From (Major Governmental Fund):	
Motel Occupancy Tax Fund (Nonmajor Governmental Fund)	195,988
Water and Sewer Fund (Major Enterprise Fund)	1,153,861
<b>Total Transfers to General Fund (Major Governmental Fund)</b>	<b>1,349,849</b>
Transfers to Police Special Projects Fund (Nonmajor Governmental Fund):	
General Fund (Major Governmental Fund)	348,609
<b>Total Transfers to Police Special Projects Fund</b>	<b>348,609</b>
Transfers to Equipment Replacement Funds (Internal Service Funds):	
Water and Sewer Fund (Major Enterprise Fund)	106,020
General Fund (Major Governmental Fund)	53,587
<b>Total Transfers to Equipment Replacement Funds</b>	<b>159,607</b>
Transfers to Capital Improvement Fund (Nonmajor Governmental Fund):	
General Fund (Major Governmental Fund)	200,000
<b>Total Transfers to Capital Improvement Fund</b>	<b>200,000</b>
Transfers to Timber Sales Fund (Nonmajor Governmental Fund):	
General Fund (Major Governmental Fund)	30,425
<b>Total Transfers to Timber Sales Fund</b>	<b>30,425</b>
Transfers to Water and Sewer Fund (Major Enterprise Fund):	
Municipal Drainage Utility Fund (NonMajor Governmental Fund)	3,009
<b>Total Transfers to Water and Sewer Fund</b>	<b>3,009</b>

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

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

#### **Nonmajor Governmental Funds:**

Motel Occupancy Tax Fund	(27,724)
EMS ESD Fund	(44,242)

The deficit in the Motel Occupancy Tax Fund was due to transfers made to the General Fund in prior years to fund additional expenditures for Boogie Woogie and Wonderland of Lights. The City will recover the deficit fund balance in 2018.

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017**

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

The deficit in the EMS ESD Fund was due to the timing of paying more expenditures than income received for the current year. Management will strive to match expenditures with revenue in the same year for this Fund in the future.

#### **Internal Service Fund:**

Stores Inventory Fund	(26,378)
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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.

### **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, 2017</u></b>
<b><u>Budgeted Special Revenue Funds:</u></b>	
Motel Occupancy Tax Fund	(27,724)
Street Maintenance Fund	44,582
Litter Control Fund	-
D.A.R.E. Donations Fund	31,085
<b>Total</b>	<u>47,943</u>
<b><u>Non-budgeted Special Revenue Funds:</u></b>	
Controlled Substance Fund	150,523
Art Center Projects Fund	3,266
Muni Court Tech Fund	11,475
Park Trails Fund	4,533
Timber Sales Fund	-
EMS ESD Fund	(44,242)
Disaster Relief Fund	2,646
Police Special Projects Fund	643,963
State Grant Fund	143
Main Street Fund	1,513
Municipal Drainage Utility Fund	203,338
Old City Hall Restoration Fund	179,225
<b>Total</b>	<u>1,156,383</u>
<b>All Special Revenue Funds</b>	<u><u>1,204,326</u></u>

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017**

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

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

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

The City of Marshall participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

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

#### **Benefits Provided:**

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

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

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

	<b><u>Plan Year 2015</u></b>	<b><u>Plan Year 2016</u></b>
Employee deposit rate	7%	7%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	20 years at any age, 5 years at age 60 and above	20 years at any age, 5 years at age 60 and above
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017**

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

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

At the December 31, 2016, valuation and measurement date, the following employees were covered by the benefit terms:

	<u>12/31/2016</u>	<u>12/31/2015</u>
Inactive employees or beneficiaries currently receiving benefits	173	168
Inactive employees entitled to but not yet receiving benefits	67	59
Active employees	<u>183</u>	<u>182</u>
Total	<u>423</u>	<u>409</u>

#### **Contributions:**

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

Employees for the City of Marshall were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Marshall were 16.73% and 16.19% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended December 31, 2017, were \$1,336,984, and satisfied the required contributions.

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

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

#### **Actuarial assumptions:**

The Total Pension Liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions:

- Inflation at 2.5% per year
- Overall payroll growth at 3.5% - 10.0% per year
- Investment Rate of Return at 6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017**

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

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

Actuarial assumptions used in the December 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013, valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2017 are summarized in the following table:

<b><u>Asset Class</u></b>	<b><u>Target Allocation</u></b>	<b><u>Long-term Expected Real Rate of Return (Arithmetic)</u></b>
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
	<u>100.0%</u>	

#### **Discount Rate:**

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

# CITY OF MARSHALL, TEXAS

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

#### Changes in the Net Pension Liability:

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Asset Liability (a)-(b)</u>
<b>Balance at December 31, 2015</b>	53,566,626	44,446,883	9,119,743
Changes for the year:			
Service cost	1,349,774	-	1,349,774
Interest	3,561,898	-	3,561,898
Difference between expected and actual experience	(25,089)	-	(25,089)
Changes of assumptions	-	-	-
Contributions - employer	-	1,280,192	(1,280,192)
Contributions - employee	-	553,510	(553,510)
Net investment income	-	3,003,122	(3,003,122)
Benefit payments, including refunds of employee Contributions	(2,945,304)	(2,945,304)	-
Administrative expense	-	(33,924)	33,924
Other changes	-	(1,828)	1,828
Net changes	<u>1,941,279</u>	<u>1,855,768</u>	<u>85,511</u>
<b>Balance at December 31, 2016</b>	<u>55,507,905</u>	<u>46,302,651</u>	<u>9,205,254</u>

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

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

	<u>1% Decrease in Discount Rate (5.75%)</u>	<u>Discount Rate (6.75%)</u>	<u>1% Increase in Discount Rate (7.75%)</u>
City's Net Pension Liability	<u>16,434,031</u>	<u>9,205,254</u>	<u>3,232,997</u>

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017**

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

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

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

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

For the year ended December 31, 2017, the City recognized pension expense of \$1,968,758.

At December 31, 2017, the City reported deferred outflows of resource and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflow of Resources</u></b>	<b><u>Deferred Inflow of Resources</u></b>
Differences between expected and actual economic experience	-	618,114
Changes in actuarial assumptions	370,535	-
Contributions paid to TMRS subsequent to the measurement date	1,336,984	-
Differences between projected and actual investment earnings (Net of current year amortization)	<u>2,107,036</u>	<u>2,366</u>
<b>Total</b>	<b><u>3,814,555</u></b>	<b><u>620,480</u></b>

\$1,336,984 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending December 31, 2017.

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

	<b><u>Net Deferred Outflows (Inflows) of Resources</u></b>
2018	575,009
2019	656,243
2020	628,017
2021	(2,178)
Thereafter	-
<b>Total</b>	<b><u>1,857,091</u></b>

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017**

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

#### **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.

##### **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>
2014	0.08%	0.08%	100%
2015	0.08%	0.08%	100%
2016	0.08%	0.08%	100%
2017	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, 2017, was \$2,738,929. 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.



# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017**

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

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

The latest actuarial study of the Fund was made as of December 31, 2016. 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, 2017 was \$8,526,909, 123%, of the book value as of December 31, 2017.

The December 31, 2016, 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 56.4 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, 2016, actuarial valuation, the actuary has certified that the fund contribution structure is currently not sufficient to satisfy PRB guidelines.

Contributions for 2017 totaling \$900,258 were made in accordance with the contribution requirements established by State statute.

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

The total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of December 31, 2016, rolled forward to December 31, 2017. The components of net pension liability at December 31, 2017 are as follows:

Total Pension Liability	19,482,991
Plan Fiduciary Net Position	<u>8,526,909</u>
Net Pension Liability	<u>10,956,082</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 \$782 and \$510, which is the amount the City currently pays for active employee coverage. Currently, the City contributes \$510 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 employees is \$510 and retirees is \$587 per month. Employees who have retired, completed 20 years of service, and have reached age 60 and wish to continue on the City's health plan must pay the difference between the retiree blended rate and the amount the City currently pays for active employee coverage. The current rate for these retirees is \$782 per month, which is intended to be the blended rate that does not create an implicit subsidy. Retiree medical and dental coverage ends at age 65. Retirees pay for any dependent coverage and for dental coverage. Employees hired after August 1, 2005 will not be eligible to remain on the health plan upon retirement.

#### **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, 2017**

### **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 City had a valuation performed on December 31, 2017. 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 22 year period, using a 3.78% discount rate. The participation percentage is the assumed rate of future eligible retirees who elect to continue health coverage at retirement. It is assumed 50% of future retirees elect the benefit. Medical inflation was taken at 7% for pre-Medicare grading down to 4.52% is 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, 2017 was as follows:

	<u>Total</u>
Actuarial Accrued Liability (AAL) as of January 1, 2017	655,874
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAL)	<u>655,874</u>
<b>Fiscal 2017 Annual Required Contribution (ARC)</b>	
Normal Cost	13,453
Interest on Normal Cost	508
Amortization Payment	30,666
Interest on Amortization Payment	<u>1,159</u>
<b>Fiscal Year 2017 ARC</b>	<u>45,786</u>
Net OPEB Obligation - January , 2017	<u>376,759</u>
ARC	45,786
Interest of Prior Year NOO	14,242
Adjustment to ARC	(17,616)
Annual OPEB Cost	<u>42,412</u>
Estimated Employer Contributions	<u>(57,000)</u>
Decrease in Net OPEB Obligation	<u>(14,588)</u>
<b>Net OPEB Obligation - December 31, 2017</b>	<u>362,171</u>

# CITY OF MARSHALL, TEXAS

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

#### Trend Information for Annual OPEB Cost:

Year Ended <u>Dec. 31</u>	Annual OPEB <u>Cost</u>	Percent of Annual OPEB <u>Cost Contributed</u>	Net OPEB <u>Obligations</u>
2012	83,938	-	244,950
2013	83,938	-	286,996
2014	83,938	-	331,924
2015	70,102	-	363,016
2016	70,102	-	376,759
2017	42,412	-	362,171

#### Schedule of Funding Progress:

Actuarial Valuation <u>Date</u>	Actuarial Value of <u>Assets</u>	Actuarial Accrued Liability <u>(AAL)</u>	Unfunded <u>AAL</u>	Funded <u>Ratio</u>	Annual Covered <u>Payroll</u>	UAAL as a % of Covered <u>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%
2015	-	1,085,354	1,085,354	0%	7,842,091	13.84%
2017	-	655,874	655,874	0%	7,991,538	8.21%

### 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	2,000,000 Each Occurrence	10,000
	4,000,000 Annual Aggregate	
Auto Liability	1,000,000 Each Occurrence	5,000
Law Enforcement Liability	2,000,000 Each Occurrence	5,000
	4,000,000 Annual Aggregate	
Errors and Omissions Liability	1,000,000 Each Wrongful Act	10,000
	2,000,000 Annual Aggregate	
Real & Personal Property	79,935,020	1,000
Mobile Equipment	2,366,642	500
Boiler & Machinery	5,531,392	5,000

### 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, 2017**

### **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, 2017.

### **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 November 30, 2018, the date which the financial statements were available for issue and the following items were noted:

On June 14, 2018, the City approved an ordinance authorizing the issuance and sale of City of Marshall, Texas, General Obligation Refunding Bond, Series 2018, levying an annual ad valorem tax and providing for the security for and payment of the bonds in the amount of \$3,652,000 with an interest rate of 2.50%. The sole purpose of the bonds are to refund the City of Marshall, Texas Waterworks and Sewer System Revenue Refunding Bonds, Series 2006 for \$2,430,000, and City of Marshall, Texas, Waterworks and Sewer System Revenue Bonds, Series 2012 for \$2,385,000, and for acquiring equipment and working on projects for the water and wastewater system and paying related expenses for issuing the bonds for a tax savings of approximately \$1,419,150.

Also on June 14, 2018, the City approved an ordinance authorizing the issuance and sale of City of Marshall, Texas, Limited Tax Note Series 2018, levying an annual ad valorem tax and providing for the security for and payment of the note in the amount of \$785,000 with an interest rate of 3.00%. The purpose of the Note is to acquire equipment for the Public Services Department consisting of wash trucks, sweep arms, and supervisory control and data acquisition (SCADA).

### **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.

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017**

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

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

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

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

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

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

At December 31, 2017, the carrying amount of MEDCO's deposits (including \$200 petty cash) was \$588,599, and the respective bank balance was \$723,357. MEDCO's cash deposits at December 31, 2017, 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, 2017, 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, 2017**

### **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, 2017 are:

	<u>Rating</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Public Funds Investment Pools (TexPool)	AAAm (S&P)	<u>4,782,872</u>	<u>4,782,872</u>

At December 31, 2017, 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:

	<u>Business Development Center</u>	<u>Center For Applied Technology</u>	<u>Total</u>
Receivables:			
Accounts	<u>15,008</u>	<u>27,969</u>	<u>42,977</u>
Gross	<u>15,008</u>	<u>27,969</u>	<u>42,977</u>
Receivables Less:			
Allowance for Uncollectibles	<u>(6,249)</u>	<u>(9,833)</u>	<u>(16,082)</u>
Net Total Receivables	<u>8,759</u>	<u>18,136</u>	<u>26,895</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, 2017, the amount due to MEDCO from the City for its portion of sales tax revenue was \$281,779, including \$5,339 due from the City from previous years.

# CITY OF MARSHALL, TEXAS

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

### 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, 2017, was as follows:

	December 31, <u>2016</u>	<u>Additions</u>	<u>Deletions</u>	December 31, <u>2017</u>
<b><u>Component Unit Activities:</u></b>				
Capital Assets Not Being Depreciated:				
Land	4,235,720	-	-	4,235,720
Construction In Progress	<u>2,720,783</u>	<u>-</u>	<u>(175,000)</u>	<u>2,545,783</u>
Total Capital Assets Not Being Depreciated	<u>6,956,503</u>	<u>-</u>	<u>(175,000)</u>	<u>6,781,503</u>
Capital Assets Being Depreciated:				
Buildings	10,347,337	-	-	10,347,337
Improvements	324,373	480,427	-	804,800
Machinery, Tools, and Equipment	<u>192,751</u>	<u>2,793</u>	<u>-</u>	<u>195,544</u>
Total Capital Assets Being Depreciated	<u>10,864,461</u>	<u>483,220</u>	<u>-</u>	<u>11,347,681</u>
Less Accumulated Depreciation For:				
Buildings	576,434	258,683	-	835,117
Improvements	200,499	20,002	-	220,501
Machinery, Tools, and Equipment	<u>162,696</u>	<u>11,443</u>	<u>-</u>	<u>174,139</u>
Total Accumulated Depreciation	<u>939,629</u>	<u>290,128</u>	<u>-</u>	<u>1,229,757</u>
Total Capital Assets, Being Depreciated, Net	<u>9,924,832</u>	<u>193,092</u>	<u>-</u>	<u>10,117,924</u>
Component Unit Activities Capital Assets, Net	<u>16,881,335</u>	<u>193,092</u>	<u>(175,000)</u>	<u>16,899,427</u>

# CITY OF MARSHALL, TEXAS

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

### 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%. 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, 2017, was \$184,131.

On December 31, 2014, MEDCO entered into a loan agreement for \$967,965 with Bancorp South Bank. The interest rate of the loan is 3.950% and the payment terms are: principal and interest shall be payable in monthly installments of \$9,814 including interest, starting February 10, 2015, and continuing each month for 120 months. The purpose of the loan is to provide additional funding for the construction of Rio Ammunition, Inc. This loan is secured by real estate. Interest paid on this loan for the year ending December 31, 2017, was \$30,551.

Debt service requirements are as follows:

<u>Year Ended December 31,</u>	<u>Governmental Activities</u>		<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2018	470,895	200,074	670,969
2019	487,086	183,882	670,968
2020	503,838	167,131	670,969
2021	521,170	149,798	670,968
2022	539,102	131,867	670,969
2023 - 2025	<u>3,664,077</u>	<u>195,952</u>	<u>3,860,029</u>
<b>TOTAL</b>	<b><u>6,186,168</u></b>	<b><u>1,028,704</u></b>	<b><u>7,214,872</u></b>

Long-term debt activity for the year ended December 31, 2017, 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	6,642,455	-	(456,287)	6,186,168	470,895
Total Other Liabilities	<u>6,642,455</u>	<u>-</u>	<u>(456,287)</u>	<u>6,186,168</u>	<u>470,895</u>
Total Governmental Activities					
Long-Term Liabilities	<u>6,642,455</u>	<u>-</u>	<u>(456,287)</u>	<u>6,186,168</u>	<u>470,895</u>



# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017**

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

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

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

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

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

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

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

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

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

At December 31, 2017, the carrying amount of MDDC's deposits was \$214,626 and the respective bank balances were \$198,849. 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, 2017, were entirely covered by FDIC insurance.

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017**

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

#### **Capital Assets:**

Capital asset activity for the year ended December 31, 2017, was as follows:

	<b><u>December 31,</u></b> <b><u>2016</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>December 31,</u></b> <b><u>2017</u></b>
<b><u>Component Unit Activities:</u></b>				
Capital Assets Being Depreciated:				
Building	<u>50,217</u>	<u>-</u>	<u>-</u>	<u>50,217</u>
Total Capital Assets Being Depreciated	<u>50,217</u>	<u>-</u>	<u>-</u>	<u>50,217</u>
Less Accumulated Depreciation For:				
Building	<u>6,025</u>	<u>1,004</u>	<u>-</u>	<u>7,029</u>
Total Accumulated Depreciation	<u>6,025</u>	<u>1,004</u>	<u>-</u>	<u>7,029</u>
Total Capital Assets Being Depreciated, Net	<u>44,192</u>	<u>(1,004)</u>	<u>-</u>	<u>43,188</u>
Component Unit Activities Capital Assets, Net	<u>44,192</u>	<u>(1,004)</u>	<u>-</u>	<u>43,188</u>

## **Required Supplementary Information**

S1

# **CITY OF MARSHALL, TEXAS**

## **REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS FOR THE YEAR ENDED DECEMBER 31, 2017**

	<b>Plan Year Ended December 31,</b>		
	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
<b><u>Total Pension Liability:</u></b>			
Service Cost	1,349,774	1,317,472	1,305,622
Interest (on the Total Pension Liability)	3,561,898	3,556,882	3,496,478
Changes in Benefit Terms	-	-	-
Difference Between Expected and Actual Results	(25,089)	(575,781)	(852,294)
Change of Assumptions	-	695,565	-
Benefit Payments, Including Refunds of Employee Contributions	<u>(2,945,304)</u>	<u>(3,162,757)</u>	<u>(3,022,865)</u>
Net Change in Total Pension Liability	1,941,279	1,831,381	926,941
Total Pension Liability - Beginning	<u>53,566,626</u>	<u>51,735,245</u>	<u>50,808,304</u>
Total Pension Liability - Ending (a)	<u>55,507,905</u>	<u>53,566,626</u>	<u>51,735,245</u>
<b><u>Plan Fiduciary Net Position:</u></b>			
Contributions - Employer	1,280,192	1,311,982	1,334,649
Contributions - Employee	553,510	548,947	541,924
Net Investment Income	3,003,122	67,466	2,537,589
Benefit Payments, Including Refunds of Employee Contributions	(2,945,304)	(3,162,757)	(3,022,865)
Administrative Expense	(33,924)	(41,096)	(26,495)
Other	<u>(1,828)</u>	<u>(2,030)</u>	<u>(2,178)</u>
Net Change in Plan Fiduciary Net Position	1,855,768	(1,277,488)	1,362,624
Plan Fiduciary Net Position - Beginning	<u>44,446,883</u>	<u>45,724,371</u>	<u>44,361,747</u>
Plan Fiduciary Net Position - Ending (b)	<u>46,302,651</u>	<u>44,446,883</u>	<u>45,724,371</u>
Net Pension Liability (Asset) - Ending (a)-(b)	<u>9,205,254</u>	<u>9,119,743</u>	<u>6,010,874</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	83.42%	82.97%	88.38%
Covered Employee Payroll	7,907,288	7,842,093	7,719,153
Net Pension Liability as a Percentage of Covered Employee Payroll	116.41%	116.29%	77.87%

# **CITY OF MARSHALL, TEXAS**

## **REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CONTRIBUTIONS FOR THE YEAR ENDED DECEMBER 31, 2017**

	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Actuarially Determined Contribution	1,336,984	1,280,192	1,311,982
Contribution in Relation to the Actuarially Determined Contributions	<u>(1,336,984)</u>	<u>(1,280,192)</u>	<u>(1,311,982)</u>
Contribution Deficiency	<u>—</u>	<u>—</u>	<u>—</u>
Covered Employee Payroll	7,991,538	7,907,289	7,842,093
Contributions as a Percentage of Covered Employee Payroll	16.73%	16.19%	16.73%

### **NOTES TO SCHEDULE OF CONTRIBUTIONS:**

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

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	29 years
Asset Valuation Method	10 Year smoothed marked; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Other Information:	There were no benefit changes during the year.

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

# CITY OF MARSHALL, TEXAS

Exhibit F-1

**GENERAL FUND  
BALANCE SHEET  
DECEMBER 31, 2017**

			<b><i>General Fund</i></b>
<b><u>ASSETS</u></b>			
Cash and Temporary Investments			476,499
Certificates of Deposit			3,404,274
Receivables (Net of Allowance for Uncollectible)			
Current Taxes		2,416,542	
Delinquent Taxes		640,873	
Customer:			
Sanitation	255,893		
Ambulance	984,507	1,240,400	
Franchise Taxes		225,639	
Other		148,118	
Accrued Interest		12,712	
Total Receivables			4,684,284
Prepaid Expenditures			299,293
Inventory			68,941
Due from Other Funds			184,966
Due from Other Governments			1,838,753
<b>TOTAL ASSETS</b>			<b>10,957,010</b>
<b><u>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE</u></b>			
<b>Liabilities</b>			
Accounts Payable			993,603
Accrued Liabilities			389,663
Due to Other Funds			92,147
Unearned Revenues			901,785
<b>Total Liabilities</b>			<b>2,377,198</b>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue-Property Taxes			3,016,489
<b>Total Inflows of Resources</b>			<b>3,016,489</b>
<b>Fund Balances:</b>			
<b>    Nonspendable:</b>			
Prepaid Expenditures			299,293
Inventory			68,941
<b>    Restricted:</b>			
Other Post-Employment Benefits			75,979
<b>Unassigned</b>			<b>5,119,110</b>
<b>Total Fund Balance</b>			<b>5,563,323</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE</b>			<b>10,957,010</b>

# 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, 2017

		<i>General Fund</i>
<b>REVENUE:</b>		
Ad Valorem Taxes		4,675,845
Sales Taxes		6,228,125
Franchise Tax		930,527
Permits and Fees:		
Refuse Collections	2,312,743	
Ambulance Fees	875,346	
Other Fees and Permits	815,406	
Total Permits and Fees		4,003,495
Municipal Court Fines		743,520
Interest		58,038
Intergovernmental		418,585
Miscellaneous		114,842
<b>Total Revenue</b>		<b>17,172,977</b>
<b>EXPENDITURES:</b>		
Current:		
General Government:		
Legislative	40,448	
Legal	71,138	
Administrative	159,609	
Human Resources	124,523	
Total General Government		395,718
Finance:		
Finance	220,416	
City Secretary	81,380	
Purchasing	2,785	
Municipal Court	249,375	
Total Finance		553,956
Public Safety:		
Police Department	4,328,419	
Fire Department	3,839,105	
Total Public Safety		8,167,524
Public Works		2,866,659
Non-Departmental		1,734,550
Tax Collection		88,505
Parks and Recreation		735,306
Planning and Development		438,083
Support Services		1,425,996
Community Facilities		556,474
Debt Service		189,445
Capital Outlay		2,039,009
<b>Total Expenditures</b>		<b>19,191,225</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, 2017

#### General Fund

#### CONTINUED:

Excess (Deficiency) of Revenue Over Expenditures  
Before Other Financing Sources

(2,018,248)

#### Other Financing Sources

Lease Proceeds

265,619

Loan Proceeds

61,439

Transfers In

1,349,849

Transfers (Out)

(632,621)

Total Other Financing Sources

1,044,286

Net Change in Fund Balance

(973,962)

Fund Balance at Beginning of Year

6,537,285

Fund Balance at End of Year

5,563,323

# CITY OF MARSHALL, TEXAS

## NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET DECEMBER 31, 2017

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	Municipal Drainage Utility Fund	EMS ESD Fund	Police Special Projects Fund
ASSETS																
Cash and Temporary Investments	(68,850)	(49,845)	11,495	(47,565)	4,350	31,085	133,606	3,266	4,533	-	2,646	1,513	143	166,480	(8,242)	643,963
Certificates of Deposit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivable- Current Taxes	68,120	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivable- Delinquent Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Receivables	1,500	-	-	-	-	-	17,000	-	-	-	-	-	-	36,858	-	-
Accrued Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Inventory	21,579	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	92,147	-	-	-	-	-	-	-	-	-	-	-	-
Due from Other Governments	221,818	59,104	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	244,167	9,259	11,495	44,582	4,350	31,085	150,606	3,266	4,533	-	2,646	1,513	143	203,338	(8,242)	643,963
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES																
Liabilities																
Accounts Payable	86,968	9,259	20	-	4,350	-	32	-	-	-	-	-	-	-	-	-
Accrued Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to Other Funds	184,915	-	-	-	-	-	51	-	-	-	-	-	-	-	-	-
Unearned Revenues	8	-	-	-	-	-	-	-	-	-	-	-	-	-	36,000	-
Total Liabilities	271,891	9,259	20	-	4,350	-	83	-	-	-	-	-	-	-	36,000	-
Deferred Inflows of Resources																
Unavailable Revenue-Property Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Inflows of Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fund Balances (Deficit)																
Restricted:																
Promotion and Tourism	-	-	-	-	-	-	-	-	-	-	-	1,513	-	-	-	-
Public Safety	-	-	11,475	-	-	31,085	150,523	-	-	-	-	-	-	-	-	643,963
Public Works	-	-	-	-	-	-	-	-	-	-	-	-	-	203,338	-	-
Street Maintenance	-	-	-	44,582	-	-	-	-	-	-	-	-	-	-	-	-
Purpose of Grantors and Donors	-	-	-	-	-	-	-	3,266	4,533	-	2,646	-	143	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unassigned (Deficit)	(27,724)	-	-	-	-	-	-	-	-	-	-	-	-	-	(44,242)	-
Total Fund Balances (Deficit)	(27,724)	-	11,475	44,582	-	31,085	150,523	3,266	4,533	-	2,646	1,513	143	203,338	(44,242)	643,963
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	244,167	9,259	11,495	44,582	4,350	31,085	150,606	3,266	4,533	-	2,646	1,513	143	203,338	(8,242)	643,963

# CITY OF MARSHALL, TEXAS

## NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET DECEMBER 31, 2017

	Special Revenue	Debt Service	Capital Projects				Permanent	Total
	Old City Hall Restoration Fund	2001 & 2007 Debt Service Funds	1995 Capital Imp. Fund	2007 Capital Imp. Fund	2010 Utility Conserv. Fund	2010 Memorial City Hall Fund	Library Fund	Nonmajor Governmental Funds
<b>CONTINUED:</b>								
<b>ASSETS</b>								
Cash and Temporary Investments	179,225	391,952	13,957	185	24,548	489,584	211,705	2,502,261
Certificates of Deposit	-	-	-	-	-	1,539,180	30,997	1,570,177
Receivable- Current Taxes	-	444,303	-	-	-	-	-	512,423
Receivable- Delinquent Taxes	-	116,833	-	-	-	-	-	116,833
Other Receivables	-	-	-	-	-	-	-	55,358
Accrued Interest	-	-	-	-	-	4,684	116	4,800
Inventory	-	-	-	-	-	-	-	21,579
Due from Other Funds	-	-	-	-	-	-	-	92,147
Due from Other Governments	-	-	-	-	-	-	-	280,922
<b>TOTAL ASSETS</b>	<b>179,225</b>	<b>953,088</b>	<b>13,957</b>	<b>185</b>	<b>24,548</b>	<b>2,033,448</b>	<b>242,818</b>	<b>5,156,500</b>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>								
<b>Liabilities</b>								
Accounts Payable	-	-	-	-	-	184,193	-	284,822
Accrued Liabilities	-	-	-	-	-	-	-	-
Due to Other Funds	-	-	-	-	-	-	-	184,966
Unearned Revenues	-	-	-	-	-	-	-	36,008
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>184,193</b>	<b>-</b>	<b>505,796</b>
<b>Deferred Inflows of Resources</b>								
Unavailable Revenue-Property Taxes	-	548,737	-	-	-	-	-	548,737
<b>Total Inflows of Resources</b>	<b>-</b>	<b>548,737</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>548,737</b>
<b>Fund Balances (Deficit)</b>								
<b>Restricted:</b>								
Promotion and Tourism	179,225	-	-	-	-	-	-	180,738
Public Safety	-	-	-	-	-	-	-	837,046
Public Works	-	-	-	-	-	-	-	203,338
Street Maintenance	-	-	-	-	-	-	-	44,582
Purpose of Grantees and Donors	-	-	-	-	-	-	-	10,588
Debt Service	-	404,351	-	-	-	-	-	404,351
Library	-	-	-	-	-	-	-	242,818
Capital Projects	-	-	13,957	185	24,548	1,849,255	362,527	2,250,472
Unassigned (Deficit)	-	-	-	-	-	-	-	(71,966)
<b>Total Fund Balances (Deficit)</b>	<b>179,225</b>	<b>404,351</b>	<b>13,957</b>	<b>185</b>	<b>24,548</b>	<b>1,849,255</b>	<b>242,818</b>	<b>4,101,967</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>	<b>179,225</b>	<b>953,088</b>	<b>13,957</b>	<b>185</b>	<b>24,548</b>	<b>2,033,448</b>	<b>242,818</b>	<b>5,156,500</b>

# CITY OF MARSHALL, TEXAS

Exhibit F-4  
Page 1 of 2

## NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED DECEMBER 31, 2017

	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	Municipal Drainage Utility Fund	EMS ESD Fund	Police Special Projects Fund
REVENUE:																
Ad Valorem Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales Taxes	-	-	-	516,532	-	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	309,201	-	-	-	-	11,988	-	-	-	-	-	4,000	-	126,000	-
Motel Occupancy Tax	787,051	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Drainage Utility Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	216,892	-	-
Municipal Court Fines	-	-	9,132	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	2	-	-	621	-	187	1,073	-	-	-	-	-	-	-	-	-
Donations	-	-	-	6,326	-	655	2,105	-	-	-	-	2,300	-	-	-	-
Miscellaneous	20	-	-	-	46,274	-	32,453	-	-	-	-	-	-	-	-	-
Total Revenue	787,073	309,201	9,132	517,153	52,600	842	47,619	-	-	-	-	2,300	4,000	216,892	126,000	-
EXPENDITURES:																
Current:																
General Government	-	171,674	12,246	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	1,829	25,392	-	-	2,026	-	-	-	-	-	-
Public Works	-	-	-	-	52,600	-	-	-	-	-	-	-	-	10,545	-	-
Tourist and Convention Development	327,701	-	-	-	-	-	-	-	-	-	-	2,259	-	-	-	-
Planning and Development	-	35,591	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Support Services-Library	-	-	-	-	-	-	-	-	-	-	-	-	4,000	-	39,844	-
Debt Service- Principal Retirement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	783	-
Debt Service- Interest and Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	174,712	-
Capital Outlay	62,838	101,936	3,629	491,728	-	-	-	-	-	45,134	-	-	-	-	-	-
Total Expenditures	390,539	309,201	15,875	491,728	52,600	1,829	25,392	-	-	47,160	-	2,259	4,000	10,545	215,339	-
Excess (Deficiency) of Revenue Over Expenditures																
Before Other Financing Sources (Uses)	396,534	-	(6,743)	25,425	-	(987)	22,227	-	-	(47,160)	-	41	-	206,347	(89,339)	-
Other Financing Sources (Uses)																
Transfers In	-	-	-	-	-	-	-	-	-	30,425	-	-	-	-	-	348,609
Transfers Out	(195,988)	-	-	-	-	-	-	-	-	-	-	-	-	(3,009)	-	-
Proceeds from Issuance of Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	(195,988)	-	-	-	-	-	-	-	-	30,425	-	-	-	(3,009)	-	348,609
Net Change in Fund Balances	200,546	-	(6,743)	25,425	-	(987)	22,227	-	-	(16,735)	-	41	-	203,338	(89,339)	348,609
Fund Balances (Deficit) at Beginning of Year	(228,270)	-	18,218	19,157	-	32,072	128,296	3,266	4,533	16,735	2,646	1,472	143	-	45,097	295,354
Fund Balances (Deficit) at End of Year	(27,724)	-	11,475	44,582	-	31,085	150,523	3,266	4,533	-	2,646	1,513	143	203,338	(44,242)	643,963

# CITY OF MARSHALL, TEXAS

## NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED DECEMBER 31, 2017

	Special Revenue	Debt Service	Capital Projects				Permanent	Total Nonmajor Governmental Funds
	Old City Hall Restoration Fund	2001 & 2007 Debt Service Funds	1995 Capital Imp. Fund	2007 Capital Imp. Fund	2010 Utility Conserv. Fund	2010 Memorial City Hall Fund	Library Fund	
<b>REVENUE:</b>								
Ad Valorem Taxes	-	786,983	-	-	-	-	-	786,983
Sales Taxes	-	-	-	-	-	-	-	516,532
Intergovernmental	-	-	-	-	-	-	-	451,189
Motel Occupancy Tax	-	-	-	-	-	-	-	787,051
Drainage Utility Fees	-	-	-	-	-	-	-	216,892
Municipal Court Fines	-	-	-	-	-	-	-	9,132
Interest	-	2,447	-	-	-	14,940	1,596	20,866
Donations	179,225	-	-	-	-	-	101,596	292,207
Miscellaneous	-	-	-	-	-	-	7,173	85,920
<b>Total Revenue</b>	<b>179,225</b>	<b>789,430</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,940</b>	<b>110,365</b>	<b>3,166,772</b>
<b>EXPENDITURES:</b>								
Current:								
General Government	-	-	-	-	-	4,786	-	188,706
Public Safety	-	-	-	-	-	-	-	29,247
Public Works	-	-	-	-	-	-	-	67,685
Tourist and Convention Development	-	-	-	-	-	4,540	-	329,960
Planning and Development	-	-	-	-	-	-	-	35,591
Support Services-Library	-	-	-	-	-	-	10	4,010
Debt Service- Principal Retirement	-	515,000	-	-	-	-	-	554,844
Debt Service- Interest and Fees	-	214,849	-	-	-	-	-	215,632
Capital Outlay	-	-	-	1,423	-	1,227,873	229,642	2,420,472
<b>Total Expenditures</b>	<b>-</b>	<b>729,849</b>	<b>-</b>	<b>1,423</b>	<b>-</b>	<b>1,232,659</b>	<b>229,652</b>	<b>3,846,147</b>
<b>Excess (Deficiency) of Revenue Over Expenditures</b>	<b>179,225</b>	<b>59,581</b>	<b>-</b>	<b>(1,423)</b>	<b>-</b>	<b>(1,217,719)</b>	<b>(119,287)</b>	<b>(679,375)</b>
<b>Other Financing Sources (Uses)</b>								
Transfers In	-	-	-	-	-	-	-	579,034
Transfers Out	-	-	-	-	-	-	-	(198,997)
Proceeds from Issuance of Bonds	-	-	-	-	-	2,000,000	-	2,000,000
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,000,000</b>	<b>-</b>	<b>2,380,037</b>
<b>Net Change in Fund Balances</b>	<b>179,225</b>	<b>59,581</b>	<b>-</b>	<b>(1,423)</b>	<b>-</b>	<b>782,281</b>	<b>(119,287)</b>	<b>1,700,662</b>
<b>Fund Balances (Deficit) at Beginning of Year</b>	<b>-</b>	<b>344,770</b>	<b>13,957</b>	<b>1,608</b>	<b>24,548</b>	<b>1,066,974</b>	<b>362,105</b>	<b>2,401,305</b>
<b>Fund Balances (Deficit) at End of Year</b>	<b>179,225</b>	<b>404,351</b>	<b>13,957</b>	<b>185</b>	<b>24,548</b>	<b>1,849,255</b>	<b>242,818</b>	<b>4,101,967</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, 2017

	<i>Motel Occupancy Tax Fund</i>				<i>Street Maintenance Fund</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>Basis</i>	<i>Variance with</i>			<i>Basis</i>	<i>Variance with</i>
				<i>Final Budget</i>				<i>Final Budget</i>
<b>REVENUE:</b>								
Motel Occupancy Tax	720,000	720,000	787,051	67,051	-	-	-	-
Sales Taxes	-	-	-	-	506,250	506,250	516,532	10,282
Interest	-	-	2	2	-	-	621	621
Donations	-	-	-	-	-	-	-	-
Miscellaneous	-	-	20	20	-	-	-	-
<b>Total Revenue</b>	<b>720,000</b>	<b>720,000</b>	<b>787,073</b>	<b>67,073</b>	<b>506,250</b>	<b>506,250</b>	<b>517,153</b>	<b>10,903</b>
<b>EXPENDITURES:</b>								
Current:								
Public Safety	-	-	-	-	-	-	-	-
Public Works	-	-	-	-	-	-	-	-
Tourist and Convention Development	398,000	398,000	327,701	70,299	-	-	-	-
Capital Outlay	-	-	62,838	(62,838)	506,250	506,250	491,728	14,522
<b>Total Expenditures</b>	<b>398,000</b>	<b>398,000</b>	<b>390,539</b>	<b>7,461</b>	<b>506,250</b>	<b>506,250</b>	<b>491,728</b>	<b>14,522</b>
Excess (Deficiency) of Revenue Over Expenditures Before Other Financing Sources (Uses)	<b>322,000</b>	<b>322,000</b>	<b>396,534</b>	<b>74,534</b>	<b>-</b>	<b>-</b>	<b>25,425</b>	<b>25,425</b>
Other Financing Sources (Uses)								
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	(322,638)	(340,988)	(195,988)	145,000	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(322,638)</b>	<b>(340,988)</b>	<b>(195,988)</b>	<b>145,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	(638)	(18,988)	200,546	219,534	-	-	25,425	25,425
Fund Balances (Deficit), Beginning of Year	(228,270)	(228,270)	(228,270)	-	19,157	19,157	19,157	-
Fund Balances (Deficit), End of Year	<u>(228,908)</u>	<u>(247,258)</u>	<u>(27,724)</u>	<u>219,534</u>	<u>19,157</u>	<u>19,157</u>	<u>44,582</u>	<u>25,425</u>

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>
-	-	-	-	-	-	-	-	720,000	720,000	787,051	67,051
-	-	-	-	-	-	-	-	506,250	506,250	516,532	10,282
-	-	-	-	-	-	187	187	-	-	810	810
6,700	6,700	6,326	(374)	1,800	1,800	655	(1,145)	8,500	8,500	6,981	(1,519)
48,700	48,700	46,274	(2,426)	-	-	-	-	48,700	48,700	46,294	(2,406)
<u>55,400</u>	<u>55,400</u>	<u>52,600</u>	<u>(2,800)</u>	<u>1,800</u>	<u>1,800</u>	<u>842</u>	<u>(958)</u>	<u>1,283,450</u>	<u>1,283,450</u>	<u>1,357,668</u>	<u>74,218</u>
-	-	-	-	7,500	7,500	1,829	5,671	7,500	7,500	1,829	5,671
55,400	55,400	52,600	2,800	-	-	-	-	55,400	55,400	52,600	2,800
-	-	-	-	-	-	-	-	398,000	398,000	327,701	70,299
-	-	-	-	-	-	-	-	506,250	506,250	554,566	(48,316)
<u>55,400</u>	<u>55,400</u>	<u>52,600</u>	<u>2,800</u>	<u>7,500</u>	<u>7,500</u>	<u>1,829</u>	<u>5,671</u>	<u>967,150</u>	<u>967,150</u>	<u>936,696</u>	<u>30,454</u>
-	-	-	-	(5,700)	(5,700)	(987)	4,713	316,300	316,300	420,972	104,672
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	(322,638)	(340,988)	(195,988)	145,000
-	-	-	-	-	-	-	-	(322,638)	(340,988)	(195,988)	145,000
-	-	-	-	(5,700)	(5,700)	(987)	4,713	(6,338)	(24,688)	224,984	249,672
-	-	-	-	32,072	32,072	32,072	-	(177,041)	(177,041)	(177,041)	-
-	-	-	-	26,372	26,372	31,085	4,713	(183,379)	(201,729)	47,943	249,672

# 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, 2017**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Positive</i>
	<i>Original</i>	<i>Final</i>	<i>GAAP</i>	<i>(Negative)</i>
			<i>Basis</i>	<i>Variance with</i>
				<i>Final Budget</i>
<b><u>REVENUE:</u></b>				
Ad Valorem Taxes	702,530	702,530	786,983	84,453
Interest	500	500	2,447	1,947
<b>Total Revenue</b>	<b>703,030</b>	<b>703,030</b>	<b>789,430</b>	<b>86,400</b>
<b><u>EXPENDITURES:</u></b>				
Principal Retirement	515,000	533,350	515,000	18,350
Interest and Fees	192,463	192,463	214,849	(22,386)
<b>Total Expenditures</b>	<b>707,463</b>	<b>725,813</b>	<b>729,849</b>	<b>(4,036)</b>
Net Change in Fund Balance	(4,433)	(22,783)	59,581	82,364
Fund Balance, Beginning of Year	344,770	344,770	344,770	-
<b>Fund Balance, End of Year</b>	<b>340,337</b>	<b>321,987</b>	<b>404,351</b>	<b>82,364</b>



# CITY OF MARSHALL, TEXAS

Exhibit G-1

## WATER AND SEWER ENTERPRISE FUND STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2017

	<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	10,089,500	10,089,500	9,810,033	(279,467)
Miscellaneous	3,000	3,000	32,087	29,087
<b>Total Operating Revenue</b>	<u>10,092,500</u>	<u>10,092,500</u>	<u>9,842,120</u>	<u>(250,380)</u>
<b><u>OPERATING EXPENSES:</u></b>				
Administrative	356,918	356,918	355,132	1,786
Water Production	1,282,530	1,282,530	1,189,935	92,595
Water Distribution/ Collection	1,117,159	1,117,159	1,181,402	(64,243)
Wastewater Treatment	1,316,233	1,316,233	1,387,419	(71,186)
Water Billing	511,727	511,727	433,654	78,073
Engineering	62,327	62,327	61,232	1,095
Non-Departmental	793,680	803,461	971,489	(168,028)
Depreciation and Amortization	-	-	1,502,817	(1,502,817)
Bad Debt Expense	-	-	13,527	(13,527)
<b>Total Operating Expenses</b>	<u>5,440,574</u>	<u>5,450,355</u>	<u>7,096,607</u>	<u>(1,646,252)</u>
<b>Operating Income (Loss)</b>	<u>4,651,926</u>	<u>4,642,145</u>	<u>2,745,513</u>	<u>(1,896,632)</u>
<b><u>NONOPERATING REVENUE (EXPENSES):</u></b>				
Interest Income	3,000	3,000	38,804	35,804
Interest Expense and Fees	-	-	(348,049)	(348,049)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>3,000</u>	<u>3,000</u>	<u>(309,245)</u>	<u>(312,245)</u>
<b>Income (Loss) Before Transfers</b>	<u>4,654,926</u>	<u>4,645,145</u>	<u>2,436,268</u>	<u>(2,208,877)</u>
Transfers In	-	-	3,009	3,009
Transfers (Out)	<u>(1,153,861)</u>	<u>(1,153,861)</u>	<u>(1,259,881)</u>	<u>(106,020)</u>
<b>Change in Net Position</b>	<u>3,501,065</u>	<u>3,491,284</u>	<u>1,179,396</u>	<u>(2,311,888)</u>
<b><u>ADDITIONAL BUDGETED AMOUNTS:</u></b>				
Capital Outlay	919,337	1,067,251	470,690	596,561
Principal Retirement	2,581,643	2,581,643	2,145,000	436,643
	<u>3,500,980</u>	<u>3,648,894</u>	<u>2,615,690</u>	<u>1,033,204</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, 2017

	<i>Equipment Replacement Fund - W&amp;S</i>	<i>Equipment Replacement Fund - GF</i>	<i>Stores Inventory Fund</i>	<i>Total</i>
<b><u>ASSETS</u></b>				
<i>Current Assets:</i>				
Cash and Temporary Investments	344,968	(55,873)	(43,737)	245,358
Accounts Receivable	-	-	24,401	24,401
Inventory	-	-	12,243	12,243
Total Current Assets	<u>344,968</u>	<u>(55,873)</u>	<u>(7,093)</u>	<u>282,002</u>
<i>Noncurrent Assets:</i>				
Capital Assets:				
Buildings	18,524	-	122,596	141,120
Machinery and Equipment	659,972	532,232	20,660	1,212,864
Less: Accumulated Depreciation	<u>(149,171)</u>	<u>(87,031)</u>	<u>(143,256)</u>	<u>(379,458)</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>529,325</u>	<u>445,201</u>	<u>-</u>	<u>974,526</u>
Total Noncurrent Assets	<u>529,325</u>	<u>445,201</u>	<u>-</u>	<u>974,526</u>
<b>TOTAL ASSETS</b>	<u>874,293</u>	<u>389,328</u>	<u>(7,093)</u>	<u>1,256,528</u>
<b><u>LIABILITIES</u></b>				
<i>Current Liabilities:</i>				
Accounts Payable	<u>-</u>	<u>-</u>	<u>19,285</u>	<u>19,285</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>19,285</u>	<u>19,285</u>
<b><u>NET POSITION (DEFICIT)</u></b>				
Invested in Capital Assets, Net of Related Debt	529,325	445,201	-	974,526
Unrestricted (Deficit)	<u>344,968</u>	<u>(55,873)</u>	<u>(26,378)</u>	<u>262,717</u>
<b>TOTAL NET POSITION (DEFICIT)</b>	<u>874,293</u>	<u>389,328</u>	<u>(26,378)</u>	<u>1,237,243</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, 2017

	<i>Equipment Replacement Fund - W&amp;S</i>	<i>Equipment Replacement Fund - GF</i>	<i>Stores Inventory Fund</i>	<i>Total</i>
<b><u>OPERATING REVENUE:</u></b>				
Charges for Services	-	-	291,027	291,027
<b>Total Operating Revenue</b>	-	-	291,027	291,027
<b><u>OPERATING EXPENSES:</u></b>				
Materials and Supplies	-	-	293,944	293,944
Depreciation	48,548	33,878	-	82,426
<b>Total Operating Expenses</b>	48,548	33,878	293,944	376,370
<b>Operating (Loss)</b>	(48,548)	(33,878)	(2,917)	(85,343)
<b><u>NONOPERATING REVENUE:</u></b>				
Interest Income	3,879	2,121	-	6,000
<b>Total Nonoperating Revenue</b>	3,879	2,121	-	6,000
<b>Income (Loss) Before Transfers</b>	(44,669)	(31,757)	(2,917)	(79,343)
Transfers In	106,020	53,587	-	159,607
<b>Change in Net Position</b>	61,351	21,830	(2,917)	80,264
<b>Total Net Position (Deficit), Beginning of Year</b>	812,942	367,498	(23,461)	1,156,979
<b>Total Net Position (Deficit), End of Year</b>	874,293	389,328	(26,378)	1,237,243

# CITY OF MARSHALL, TEXAS

Exhibit H-3

## INTERNAL SERVICE FUNDS STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2017

	<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	-	-	286,392	286,392
Cash Payments to Suppliers for Goods and Services	-	-	(279,116)	(279,116)
Net Cash Provided (Used) by Operating Activities	-	-	7,276	7,276
<b><u>Cash Flows from Noncapital Financing Activities:</u></b>				
Transfers In (Out)	106,020	53,587	-	159,607
Net Cash Provided by Noncapital Financing Activities	106,020	53,587	-	159,607
<b><u>Cash Flows from Capital and Related Financing Activities:</u></b>				
Acquisition of Capital Assets	(113,245)	(292,433)	-	(405,678)
Net Cash (Used) by Capital and Related Financing Activities	(113,245)	(292,433)	-	(405,678)
<b><u>Cash Flows from Investing Activities:</u></b>				
Interest on Investments	3,879	2,121	-	6,000
Net Cash Provided (Used) by Investing Activities	3,879	2,121	-	6,000
Net Increase (Decrease) in Cash and Cash Equivalents	(3,346)	(236,725)	7,276	(232,795)
Cash and Cash Equivalents (Deficit), Beginning of Year	348,314	180,852	(51,013)	478,153
Cash and Cash Equivalents (Deficit), End of Year	344,968	(55,873)	(43,737)	245,358
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</u></b>				
Operating (Loss)	(48,548)	(33,878)	(2,917)	(85,343)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>				
Depreciation	48,548	33,878	-	82,426
(Increase) Decrease in Assets:				
Accounts Receivable	-	-	(4,635)	(4,635)
Inventory	-	-	5,303	5,303
Increase (Decrease) in Liabilities:				
Accounts Payable	-	-	9,525	9,525
Total Adjustments	48,548	33,878	10,193	92,619
Net Cash Provided (Used) by Operating Activities	-	-	7,276	7,276

# CITY OF MARSHALL, TEXAS

Exhibit I-1

**AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
DECEMBER 31, 2017**

	<i>Balance December 31, 2016</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance December 31, 2017</i>
<b><u>POLICE LOCAL RELIEF FUND:</u></b>				
<b><u>ASSETS</u></b>				
Cash and Temporary Investments	69,565	3,621	3,589	69,597
<b>TOTAL ASSETS</b>	<u>69,565</u>	<u>3,621</u>	<u>3,589</u>	<u>69,597</u>
<b><u>LIABILITIES</u></b>				
Accounts Payable	330	1,177	330	1,177
Due to Employees	69,235	3,621	4,436	68,420
<b>TOTAL LIABILITIES</b>	<u>69,565</u>	<u>4,798</u>	<u>4,766</u>	<u>69,597</u>
<b><u>FIREMEN'S EMERGENCY RELIEF FUND:</u></b>				
<b><u>ASSETS</u></b>				
Cash and Temporary Investments	51,400	11,207	8,372	54,235
<b>TOTAL ASSETS</b>	<u>51,400</u>	<u>11,207</u>	<u>8,372</u>	<u>54,235</u>
<b><u>LIABILITIES</u></b>				
Accounts Payable	1,159	1,996	1,159	1,996
Due to Employees	50,241	11,207	9,209	52,239
<b>TOTAL LIABILITIES</b>	<u>51,400</u>	<u>13,203</u>	<u>10,368</u>	<u>54,235</u>
<b><u>TOTAL AGENCY FUNDS:</u></b>				
<b><u>ASSETS</u></b>				
Cash and Temporary Investments	120,965	14,828	11,961	123,832
<b>TOTAL ASSETS</b>	<u>120,965</u>	<u>14,828</u>	<u>11,961</u>	<u>123,832</u>
<b><u>LIABILITIES</u></b>				
Accounts Payable	1,489	3,173	1,489	3,173
Due to Employees	119,476	14,828	13,645	120,659
<b>TOTAL LIABILITIES</b>	<u>120,965</u>	<u>18,001</u>	<u>15,134</u>	<u>123,832</u>

## **Supplemental Schedules**

# CITY OF MARSHALL, TEXAS

Exhibit SS-1

## SCHEDULE OF GENERAL OBLIGATION DEBT DECEMBER 31, 2017

<u>Description</u>	<u>Issue Year</u>	<u>Original Amount Issued</u>	<u>Balance January 1, 2017</u>	<u>Issued 2017</u>	<u>Refunded/ Retired 2017</u>	<u>Dec. 31, 2017</u>	<u>Requirements Calendar Year 2018</u>	
							<u>Interest</u>	<u>Principal</u>
General Obligation Bonds March 28, 2007 Rate 3.85% - 5.00%	2007	6,230,000	300,000	-	(300,000)	-	-	-
Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2010 January 28, 2010 Rate 2.75% - 4.5%	2010	1,140,000	685,000	-	(85,000)	600,000	19,344	90,000
Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2010A May 13, 2010 Rate 2.00% - 4.00%	2010	2,100,000	1,405,000	-	(130,000)	1,275,000	43,413	140,000
General Obligation Bonds April 15, 2016 Rate 2.00% - 4.00%	2016	3,845,000	3,770,000	-	-	3,770,000	108,600	325,000
Combination Tax and Revenue Certificates of Obligations, Series 2017 July 13, 2017 Rate 2.173%	2017	2,000,000	-	2,000,000	-	2,000,000	42,916	50,000
<b>TOTAL GENERAL OBLIGATION DEBT</b>		<b>15,315,000</b>	<b>6,160,000</b>	<b>2,000,000</b>	<b>(515,000)</b>	<b>7,645,000</b>	<b>214,273</b>	<b>605,000</b>

# CITY OF MARSHALL, TEXAS

Exhibit SS-2

## SCHEDULE OF WATER AND SEWER REVENUE BONDS DECEMBER 31, 2017

<u>Description</u>	<u>Issue Year</u>	<u>Original Amount Issued</u>	<u>Balance January 1, 2017</u>	<u>Issued 2017</u>	<u>Retired 2017</u>	<u>Dec. 31, 2017</u>	<u>Requirements Calendar Year 2018</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	5,485,000	-	(1,195,000)	4,290,000	148,350	1,860,000
Tax and Surplus Revenue Refunding Bonds July 8, 2010 Rate 2.0%, 2.5%, 3.0%	2010	3,490,000	535,000	-	(535,000)	-	-	-
Tax and Surplus Revenue Refunding Bonds April 1, 2012 Rate 3.6%, 4.5%, 4.6%, 4.75%	2012	5,065,000	3,230,000	-	(415,000)	2,815,000	87,700	430,000
<b>TOTAL WATER AND SEWER REVENUE BONDS</b>		<u>17,790,000</u>	<u>9,250,000</u>	<u>-</u>	<u>(2,145,000)</u>	<u>7,105,000</u>	<u>236,050</u>	<u>2,290,000</u>



# **CITY OF MARSHALL, TEXAS**

**Exhibit SS-3**

## **SCHEDULE OF DELINQUENT TAXES RECEIVABLE DECEMBER 31, 2017**

<b><u>Year</u></b>	<b><u>Amount</u></b>
1993	475
1994	662
1995	1,245
1996	5,700
1997	5,932
1998	6,145
1999	6,871
2000	7,650
2001	9,072
2002	10,676
2003	11,740
2004	15,120
2005	17,330
2006	19,983
2007	21,764
2008	27,660
2009	32,795
2010	35,974
2011	39,751
2012	49,970
2013	62,482
2014	82,831
2015	134,239
2016	<u>192,568</u>
Total Delinquent Taxes Receivable	798,635
Less: Allowance for Uncollectibles	<u>(40,929)</u>
<b>NET DELINQUENT TAXES RECEIVABLE</b>	<b><u><u>757,706</u></u></b>

# CITY OF MARSHALL, TEXAS

Exhibit SS-4

## COMPARISON OF ASSESSED VALUATIONS FROM 1988 THROUGH 2017

<u>Tax Levy Year</u>	<u>Tax Rate</u>	<u>Assessed Value</u>
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
2015	.47604	974,498,318
2016	.54216	967,774,068
2017	.54216	971,310,928

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

CERTIFIED PUBLIC ACCOUNTANTS

204 S. WELLINGTON STREET  
POST OFFICE BOX 1315  
MARSHALL, TEXAS 75670  
(903) 938-0331 • FAX (903) 938-0334

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

The Honorable City Commission  
City of Marshall, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Marshall, Texas for the year ended December 31, 2017, and have issued our report thereon dated November 30, 2018. Professional standards require that we provide you information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter dated November 30, 2018. Professional standards also require that we communicate to you the following information related to our audit.

### **Our Responsibilities Under U.S. Generally Accepted Auditing Standards:**

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

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

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

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

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

### **Significant Audit Findings:**

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

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

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

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

**Difficulties Encountered in Performing the Audit:**

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

**Corrected and Uncorrected Misstatements:**

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

**Disagreements with Management:**

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

**Management Representations:**

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

**Management Consultations with Other Independent Accountants:**

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

**Other Audit Findings or Issues:**

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

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

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

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

Respectfully submitted,

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

*Knuckols, Duvall, Hallum & Co.*  
Certified Public Accountants

Marshall, Texas

November 30, 2018