

**CITY OF MARSHALL, TEXAS**

**ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED**

**DECEMBER 31, 2018**

# CITY OF MARSHALL, TEXAS

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## **FINANCIAL SECTION**

# 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

## 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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### *Change in Accounting Principle*

As discussed in Note 1 to the financial statements, in 2018, the City adopted new accounting guidance prescribed by GASB No. 75 for its post employment benefits other than pensions (other postemployment benefits-OPEB). It also improves information provided by state and local governmental employers about support for OPEB that is provided to entities. Because GASB No. 75 implements new measurement criteria and reporting provisions, significant information has been added to the Government-Wide Statements. Exhibit A-1 discloses the City's Net OPEB Liability and some deferred resource outflows and deferred resource inflows related to the City's post employment benefit plans. Exhibit B-1 discloses the adjustment to the City's Beginning Net Position. Our opinion is not modified with respect to the matter.

## **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, Schedule of Contributions, and Schedule of Changes in Net OPEB Liability and Related Ratios 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 12, 2019, on our consideration of City of Marshall, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Marshall, Texas' internal control over financial reporting and compliance.

Respectfully submitted,

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

Knuckles, Duvall, Hallum & Co.

Certified Public Accountants

Marshall, Texas

November 12, 2019

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

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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, 2018, 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 12, 2019.

### **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.**

Knuckols, Duvall, Hallum & Co.

Certified Public Accountants

Marshall, Texas

November 12, 2019

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

# CITY OF MARSHALL, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2018

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, 2018. 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 14.

### Financial Highlights

- The assets of the City of Marshall exceeded its liabilities at the close of the most recent fiscal year by \$81,119,823 (net position). Of this amount, \$3,770,224 (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 \$8,865,459. Approximately 55% of this total amount is *available for spending* at the City's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,940,971 or 26% 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, 2018

**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, 2018

### 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 \$81,119,823 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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and other assets	15,105,563	15,773,431	5,563,605	6,451,230	20,669,168	22,224,661
Capital assets	46,135,403	45,680,942	40,551,815	40,873,502	86,687,218	86,554,444
Total assets	<u>61,240,966</u>	<u>61,454,373</u>	<u>46,115,420</u>	<u>47,324,732</u>	<u>107,356,386</u>	<u>108,779,105</u>
Deferred outflows of resources:						
Deferred charges on refunding, net of unamortized premium	-	-	23,515	28,019	23,515	28,019
Deferred outflows related to pensions	1,318,359	3,166,081	270,025	648,474	1,588,384	3,814,555
Deferred outflows related to OPEB	54,570	-	11,177	-	65,747	-
Deferred outflows related to OPEB Health Ins.	10,270	-	-	-	10,270	-
Total outflows of resources	<u>1,383,199</u>	<u>3,166,081</u>	<u>304,717</u>	<u>676,493</u>	<u>1,687,916</u>	<u>3,842,574</u>
Liabilities:						
Current and other liabilities	1,955,308	1,717,723	3,631,038	3,369,508	5,586,346	5,087,231
Long-term liabilities	16,245,664	19,363,065	3,953,214	7,422,806	20,198,878	26,785,871
Total liabilities	<u>18,200,972</u>	<u>21,080,788</u>	<u>7,584,252</u>	<u>10,792,314</u>	<u>25,785,224</u>	<u>31,873,102</u>
Deferred inflows of resources:						
Deferred inflows related to pensions	1,758,500	514,998	360,175	105,482	2,118,675	620,480
Deferred inflows related to OPEB Health Ins. Pensions	20,580	-	-	-	20,580	-
Total inflows of resources	<u>1,779,080</u>	<u>514,998</u>	<u>360,175</u>	<u>105,482</u>	<u>2,139,255</u>	<u>620,480</u>
Net Position:						
Net invest. in capital assets	38,170,442	36,714,629	35,615,210	33,135,645	73,785,652	69,850,274
Restricted	3,563,947	3,800,999	-	-	3,563,947	3,800,999
Unrestricted	909,724	2,509,040	2,860,500	3,967,784	3,770,224	6,476,824
Total net position	<u>42,644,113</u>	<u>43,024,668</u>	<u>38,475,710</u>	<u>37,103,429</u>	<u>81,119,823</u>	<u>80,128,097</u>

An additional portion of the City of Marshall's net position (4.0%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$3,770,224) 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 3.5% or \$494,387. Increases in sales tax and

# CITY OF MARSHALL, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) DECEMBER 31, 2018

investment earnings, \$496,691 and \$115,001 respectively, were partially offset by a \$176,331 reduction in miscellaneous revenue.

Governmental activities increased the City of Marshall's net position by \$470,113, before the prior period adjustment for the adoption of GASB 75, 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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>REVENUES:</b>				
<b>Program Revenues:</b>				
Charges for Services	5,793,900	5,659,166	10,283,906	9,810,033
Operating Grants and Contributions	329,941	641,460	-	-
Capital Grants and Contributions	223,756	101,936	-	-
<b>General Revenues:</b>				
Property Taxes	5,541,193	5,511,365	-	-
Other Taxes	9,009,514	8,462,235	-	-
Other	<u>168,009</u>	<u>250,729</u>	<u>96,160</u>	<u>74,770</u>
<b>Total Revenues</b>	<b><u>21,066,313</u></b>	<b><u>20,626,891</u></b>	<b><u>10,380,066</u></b>	<b><u>9,884,803</u></b>
<b>EXPENSES:</b>				
General Government	1,058,684	797,115	-	-
Parks and Recreation	713,991	763,903	-	-
Finance	554,072	583,236	-	-
Community Facilities	752,915	778,135	-	-
Public Safety	8,965,610	9,022,084	-	-
Public Works	4,911,364	4,594,366	-	-
Support Services	1,664,212	1,713,299	-	-
Non-Departmental	1,957,236	1,759,933	-	-
Tax Collection	97,910	88,505	-	-
Tourist and Convention	317,934	329,960	-	-
Planning & Dev.	524,460	504,387	-	-
Interest on Long-Term Debt	231,673	230,683	-	-
Water and Sewer	-	-	7,698,238	7,449,426
Business Development Center	<u>-</u>	<u>-</u>	<u>43,776</u>	<u>43,777</u>
<b>Total Expenses</b>	<b><u>21,750,061</u></b>	<b><u>21,165,606</u></b>	<b><u>7,742,014</u></b>	<b><u>7,493,203</u></b>
<b>Increase (Decrease) in Net Position Before Transfers</b>	<b><u>(683,748)</u></b>	<b><u>(538,715)</u></b>	<b><u>2,638,052</u></b>	<b><u>2,391,600</u></b>
<b>Transfers</b>	<b><u>1,153,861</u></b>	<b><u>1,150,853</u></b>	<b><u>(1,153,861)</u></b>	<b><u>(1,150,853)</u></b>
<b>Change in Net Position</b>	<b><u>470,113</u></b>	<b><u>612,138</u></b>	<b><u>1,484,191</u></b>	<b><u>1,240,747</u></b>
<b>Net Position – 01/01/18</b>	<b><u>43,024,668</u></b>	<b><u>42,412,530</u></b>	<b><u>37,103,429</u></b>	<b><u>35,862,682</u></b>
<b>Prior Period Adjustment (adoption of GASB 75)</b>	<b><u>(850,668)</u></b>	<b><u>-</u></b>	<b><u>(111,910)</u></b>	<b><u>-</u></b>
<b>Net Position – 12/31/18</b>	<b><u>42,644,113</u></b>	<b><u>43,024,668</u></b>	<b><u>38,475,710</u></b>	<b><u>37,103,429</u></b>
			<b><u>81,119,823</u></b>	<b><u>80,128,097</u></b>

# CITY OF MARSHALL, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) DECEMBER 31, 2018

### **Business - Type Activities**

Revenues of the City's business-type activities were \$10,380,066 for the year ending December 31, 2018. Expenses for the City's business-type activities were \$7,742,014 for the year, resulting in an increase in net position before transfers of \$2,638,052.

### **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 \$8,865,459. Approximately 55% of this total amount (\$4,868,457) 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 \$344,746. Restricted fund balance consists of the following: 1) promotion and tourism \$340,022, 2) public safety \$1,013,904, 3) purpose of grantors and donors \$10,588, 4) debt service \$449,480, 5) library \$251,481, 6) capital projects \$632,684, 7) other post-employment benefits \$77,721, 8) street maintenance \$606,389, and 9) public works \$269,987.

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 \$4,940,971, with 92% of the total fund balance (\$5,363,438) 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 26% of total General Fund expenditures. Total fund balance represents 28% of total General Fund expenditures. The total fund balance of the City of Marshall's General Fund decreased by \$199,885 during the current fiscal year.

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

Unrestricted net position of the Water and Sewer Fund at the end of the year was \$2,695,417. 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 \$877,178 and expenditures exceeded amended budget estimates by \$36,561.

### **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, 2018, is \$86,687,218 (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, 2018**

### **Water – Wastewater Activities**

The primary function of the Water & Wastewater Utility Division is to provide an adequate supply of safe drinking water to the residents and business owners within the City. The Division utilizes the latest technology and treatment processes to maximize water supplies while also providing safe and reliable drinking water at adequate pressure throughout the water distribution system. The Division is also responsible for effectively collecting wastewater flow within the wastewater collection system while minimizing the amount of inflow and infiltration into the collection system.

In 2018, the Division committed to improvements to both the distribution and collection infrastructure. Specific projects on the Water Distribution side included the installation of 664' of 8" PVC C909 water line on Mary Mack Dr., from W. Carolanne Blvd. north to W. Martindale Dr. New services were installed for the residents, with new water meters, and the old water main was abandoned. In addition, 270 old meters were replaced.

On the Wastewater Collection side, we completed the Harper Dr. Sewer and Drainage Improvements project, which consisted of removing and replacing 120' of 6" sewer main, installing new sewer manholes, new lateral connections and re-channeling the existing creek, installing a new box culvert under Harper Dr., and removing several pine trees in the construction site. The Turtle Creek Outfall Phase 1 was started, but was paused due to property owner issues in obtaining easements. Smoke testing of manholes and manhole rehab was completed, and several inflow/infiltration issues were addressed.

The Drainage Division started in October 2017 with a crew of (3) employees and was able to address several storm drain repairs and improve drainage issues on several ditches and creeks throughout the City.

New equipment was purchased for the Distribution/Collection system including a 6" bypass pump, wash truck, backhoe, mini excavators and trailers to haul the excavators.

The Water Master Plan was completed in 2018. The plan identified existing and future water distribution line problems. It also set in place water line extensions for future growth, identified dead end water lines that can be looped, and areas of inadequate fire flows. In addition, the plan evaluated the water system, from the water supply through treatment and distribution, and established short and long term goals along with cost estimates.

The SCADA (Supervisory Control and Data Acquisition) and PLC's (Process Logic Control) was replaced. The system dates back to 1998 and provides remote control of pumps and valves and allows for the collection of system operating data. It also provides the operator with tank and tower levels and system operating data. This project cost \$202,500.

In addition, we reconditioned one high service pump and motor, replaced pneumatic valves at the raw water pump station, and purchased two chemical pumps at the water plant.

The Wastewater Master Plan was also completed in 2018 and while its primary focus was on the wastewater collection system, it also identified issues with sewer lift stations and treatment issues at the wastewater treatment plant.

The SCADA and PLC system at the wastewater plant was also completed in 2018 and like the water SCADA system, it remotely controls functions at the plant and collects plant operational data. The total cost for the wastewater SCADA/PLC was \$72,750.

The rotary distributor arm for Bio-Tower #2 was replaced in 2018 at a cost of \$135,000 and the Grit Chamber was rebuilt for \$25,985. Three influent pumps at the wastewater plant were also reconditioned in 2018.

In 2018, 1.90 billion gallons of water was treated and distributed through the City's distribution system, and 1.8 billion gallons of wastewater treated.

# CITY OF MARSHALL, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) DECEMBER 31, 2018

	City of Marshall's Capital Assets					
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	1,175,849	1,175,849	310,612	310,612	1,486,461	1,486,461
Buildings	21,087,880	20,933,752	3,031,435	3,031,435	24,119,315	23,965,187
Improvements other than buildings	3,863,734	3,848,786	-	-	3,863,734	3,848,786
Machinery and equipment	16,344,556	16,694,734	4,646,558	3,962,877	20,991,114	20,657,611
Infrastructure	63,562,513	63,417,058	-	-	63,562,513	63,417,058
Water and wastewater system	-	-	72,306,525	72,038,430	72,306,525	72,038,430
Construction in progress	4,911,306	2,436,271	399,689	149,542	5,310,995	2,585,813
Less accumulated depreciation	(64,810,435)	(62,825,508)	(40,143,004)	(38,619,394)	(104,953,439)	(101,444,902)
Total Capital Assets (Net of Accumulated Depreciation)	<u>46,135,403</u>	<u>45,680,942</u>	<u>40,551,815</u>	<u>40,873,502</u>	<u>86,687,218</u>	<u>86,554,444</u>

**Long-term debt.** At the end of the current fiscal year, the City of Marshall had total bonded debt outstanding of \$11,477,000. Of this amount, \$3,445,000 comprises debt backed by the full faith and credit of the government and \$3,595,000 is backed by the levy and collection of ad valorem taxes in the City as provided by law, and from surplus revenues in the City's Hotel Occupancy Tax Fund. The remainder of the City of Marshall's debt, \$4,437,000, represents bonds secured solely by specified revenue sources (i.e., revenue bonds and tax notes).

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Certificates of Obligation	3,595,000	3,875,000	-	-	3,595,000	3,875,000
General Obligation Bonds						
Series 2016	3,445,000	3,770,000	-	-	3,445,000	3,770,000
Premium (Refunding Bonds, Series 2016)	83,478	95,403	-	-	83,478	95,403
Revenue Bonds	-	-	<u>3,812,176</u>	<u>7,317,081</u>	<u>3,812,176</u>	<u>7,317,081</u>
Total	<u>7,123,478</u>	<u>7,740,403</u>	<u>3,812,176</u>	<u>7,317,081</u>	<u>10,935,654</u>	<u>15,057,484</u>

# **CITY OF MARSHALL, TEXAS**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) DECEMBER 31, 2018**

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 \$8,184,575, per year could be raised before reaching the maximum allowable tax base on the current year's appraised net taxable value of \$1,013,143,032.

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

#### **Economic Factors**

- New residential construction for 2018 was 15 single-family units.
- The average home price in Marshall is estimated to be \$74,500.
- The value of construction permits issued in 2018 was \$27,741,601.
- The tax rate remained at \$.54216 per \$100 valuation.
- The City benefits from its strategic location, which is approximately 23 miles from Longview and 36 miles from Shreveport at the intersection of U.S. Hwy 59 and I-20.
- 2018 Annual unemployment for Harrison County was 4.4%.
- 2018 Median household income for Harrison County was estimated at \$46,230.

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

The 2019 City of Marshall Annual Budget reflected an approximate 6.4% increase in revenues (\$1,996,225) over the 2018 budget. We will closely monitor economic indicators, revenues, and expenditures in 2019 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, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Temporary Investments	3,497,465	3,129,951	6,627,416
Certificates of Deposit	4,014,150	-	4,014,150
Receivables (Net, Where Applicable, of Allowance for Uncollectibles)	5,238,759	1,188,910	6,427,669
Due From Other Governments	1,965,388	-	1,965,388
Prepayments	258,135	132,481	390,616
Inventory	131,666	19,118	150,784
Restricted Assets:			
Cash and Temporary Investments	-	285,933	285,933
Certificates of Deposit	-	803,350	803,350
Accrued Interest Receivable	-	3,862	3,862
Capital Assets:			
Land	1,175,849	310,612	1,486,461
Construction in Progress	4,911,306	399,689	5,310,995
Buildings	21,087,880	3,031,435	24,119,315
Machinery and Equipment	16,344,556	4,646,558	20,991,114
Improvements	3,863,734	-	3,863,734
Infrastructure	63,562,513	-	63,562,513
Water and Wastewater System	-	72,306,525	72,306,525
Accumulated Depreciation	(64,810,435)	(40,143,004)	(104,953,439)
<b>Total Assets</b>	<b>61,240,966</b>	<b>46,115,420</b>	<b>107,356,386</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Charges on Refunding	-	23,515	23,515
Deferred Outflows Related to OPEB	54,570	11,177	65,747
Deferred Outflows Related to Pensions	1,318,359	270,025	1,588,384
Deferred Outflows Related to OPEB Health Ins	10,270	-	10,270
<b>Total Outflows of Resources</b>	<b>1,383,199</b>	<b>304,717</b>	<b>1,687,916</b>
<b>LIABILITIES</b>			
Accounts Payable	1,471,578	203,240	1,674,818
Accrued Interest Payable	21,814	-	21,814
Accrued Liabilities	461,916	113,355	575,271
Unearned Revenues	-	-	-
Payable From Restricted Assets:			
Current Portion of Bonds Payable	-	2,468,000	2,468,000
Customer Deposits	-	828,223	828,223
Accrued Liabilities	-	18,220	18,220
Security Deposits	-	-	-
Noncurrent Liabilities:			
Due Within One Year	939,899	182,732	1,122,631
Due In More Than One Year	15,305,765	3,770,482	19,076,247
<b>Total Liabilities</b>	<b>18,200,972</b>	<b>7,584,252</b>	<b>25,785,224</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows Related to Pensions	1,758,500	360,175	2,118,675
Deferred Inflows Related to OPEB Health Ins. Pensions	20,580	-	20,580
<b>Total Inflows of Resources</b>	<b>1,779,080</b>	<b>360,175</b>	<b>2,139,255</b>
<b>NET POSITION</b>			
Invested in Capital Assets,			
Net of Related Debt	38,170,442	35,615,210	73,785,652
Restricted for:			
Debt Service	449,480	-	449,480
Capital Projects	632,684	-	632,684
Promotion and Tourism	340,022	-	340,022
Public Safety	1,013,904	-	1,013,904
Public Works	269,987	-	269,987
Street Maintenance	606,389	-	606,389
Library	251,481	-	251,481
Unrestricted	909,724	2,860,500	3,770,224
<b>Total Net Position</b>	<b>42,644,113</b>	<b>38,475,710</b>	<b>81,119,823</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>	
6,311,629	241,997	-	-
88,751	13,005	-	-
317,813	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
4,235,720	-	-	-
2,580,447	-	-	-
10,347,337	50,217	-	-
199,306	-	-	-
808,400	-	-	-
-	-	-	-
(1,538,595)	(8,035)	-	-
<u>23,350,808</u>	<u>297,184</u>	<u>-</u>	<u>-</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
68,553	243,435	-	-
11,969	-	-	-
889	-	-	-
-	-	-	-
-	-	-	-
632,624	-	-	-
487,086	-	-	-
5,227,055	-	-	-
<u>6,428,176</u>	<u>243,435</u>	<u>-</u>	<u>-</u>
-	-	-	-
-	-	-	-
10,918,474	42,182	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
6,004,158	11,567	-	-
<u>16,922,632</u>	<u>53,749</u>	<u>-</u>	<u>-</u>

# CITY OF MARSHALL, TEXAS

## GOVERNMENT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2018

<u>PROGRAM ACTIVITIES</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Fees, Fines, and Charges for Services</u>	<u>Operating Grants and Contributions</u>	
<b>Primary Government:</b>				
Governmental Activities:				
General Government	1,058,684	698,611	194,218	
Finance	554,072	-	-	
Community Facilities	752,915	96,855	-	
Public Safety	8,965,610	1,888,656	46,415	
Public Works	4,911,364	2,810,456	6,290	
Planning and Dev.	524,460	-	58,736	
Non-Departmental	1,957,236	-	-	
Tax Collection	97,910	-	-	
Support Services	1,664,212	75,404	1,724	
Tourist and Convention Dev.	317,934	23,413	-	
Parks and Recreation	713,991	200,505	22,558	
Interest on Long-Term Debt	231,673	-	-	
Total Governmental Activities	<u>21,750,061</u>	<u>5,793,900</u>	<u>329,941</u>	
Business-Type Activities:				
Water and Sewer	7,698,238	10,283,906	-	
Business Development Center	43,776	-	-	
Total Business-Type Activities	<u>7,742,014</u>	<u>10,283,906</u>	<u>-</u>	
Total Primary Government	<u>29,492,075</u>	<u>16,077,806</u>	<u>329,941</u>	
<b>Component Units:</b>				
Marshall Economic Develop. Corp.	1,649,096	1,282,699	-	
Marshall Downtown Develop. Corp.	278,167	227,662	50,000	
Marshall Conv. & Vis. Bureau	-	-	-	
Total Component Units	<u>1,927,263</u>	<u>1,510,361</u>	<u>50,000</u>	
<b>General Revenues:</b>				
Taxes:				
Property				
Sales				
Franchise				
Investment Earnings				
Miscellaenous				
Transfers				
Total General Revenues and Transfers				
Change in Net Position				
Net Position Beginning of Year, As Originally Stated				
Prior Period Adjustment - (See Note 20)				
Net Position Beginning of Year, As Restated				
<b>Net Position End of Year</b>				

*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>
-	(165,855)	-	(165,855)	-	-	-
-	(554,072)	-	(554,072)	-	-	-
-	(656,060)	-	(656,060)	-	-	-
160,700	(6,869,839)	-	(6,869,839)	-	-	-
63,056	(2,031,562)	-	(2,031,562)	-	-	-
-	(465,724)	-	(465,724)	-	-	-
-	(1,957,236)	-	(1,957,236)	-	-	-
-	(97,910)	-	(97,910)	-	-	-
-	(1,587,084)	-	(1,587,084)	-	-	-
-	(294,521)	-	(294,521)	-	-	-
-	(490,928)	-	(490,928)	-	-	-
-	(231,673)	-	(231,673)	-	-	-
<b>223,756</b>	<b>(15,402,464)</b>	<b>-</b>	<b>(15,402,464)</b>	<b>-</b>	<b>-</b>	<b>-</b>
-	-	2,585,668	2,585,668	-	-	-
-	-	(43,776)	(43,776)	-	-	-
-	-	2,541,892	2,541,892	-	-	-
<b>223,756</b>	<b>(15,402,464)</b>	<b>2,541,892</b>	<b>(12,860,572)</b>	<b>-</b>	<b>-</b>	<b>-</b>
-	-	-	(366,397)	-	-	-
-	-	-	-	(505)	-	-
-	-	-	(366,397)	-	-	-
-	-	-	(366,397)	(505)	-	-
5,541,193	-	5,541,193	-	-	-	-
8,028,399	-	8,028,399	1,671,315	-	-	-
981,115	-	981,115	-	-	-	-
168,009	70,700	238,709	100,976	-	-	-
-	25,460	25,460	-	-	-	-
<b>1,153,861</b>	<b>(1,153,861)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>15,872,577</b>	<b>(1,057,701)</b>	<b>14,814,876</b>	<b>1,772,291</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>470,113</b>	<b>1,484,191</b>	<b>1,954,304</b>	<b>1,405,894</b>	<b>(505)</b>	<b>-</b>	<b>-</b>
<b>43,024,668</b>	<b>37,103,429</b>	<b>80,128,097</b>	<b>15,516,738</b>	<b>54,254</b>	<b>-</b>	<b>-</b>
<b>(850,668)</b>	<b>(111,910)</b>	<b>(962,578)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>42,174,000</b>	<b>36,991,519</b>	<b>79,165,519</b>	<b>15,516,738</b>	<b>54,254</b>	<b>-</b>	<b>-</b>
<b>42,644,113</b>	<b>38,475,710</b>	<b>81,119,823</b>	<b>16,922,632</b>	<b>53,749</b>	<b>-</b>	<b>-</b>

# CITY OF MARSHALL, TEXAS

Exhibit C-1

## GOVERNMENTAL FUNDS

### BALANCE SHEET

DECEMBER 31, 2018

	<i>General Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>ASSETS</b>			
Cash and Temporary Investments	211,365	3,388,916	3,600,281
Certificates of Deposit	3,982,546	31,604	4,014,150
Receivables (Net of Allowance for Uncollectible)			
Current Taxes	2,451,101	494,283	2,945,384
Delinquent Taxes	648,162	114,557	762,719
Customer	1,099,706	-	1,099,706
Franchise Taxes	228,153	-	228,153
Other	126,687	33,894	160,581
Accrued Interest	24,182	206	24,388
Prepaid Expenditures	258,135	-	258,135
Inventory	86,611	45,055	131,666
Due from Other Funds	184,982	100,169	285,151
Due from Other Governments	1,667,560	297,828	1,965,388
<b>TOTAL ASSETS</b>	<b>10,969,190</b>	<b>4,506,512</b>	<b>15,475,702</b>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts Payable	1,238,226	220,777	1,459,003
Accrued Liabilities	446,672	15,244	461,916
Due to Other Funds	100,169	184,982	285,151
Unearned Revenues	753,517	41,393	794,910
<b>Total Liabilities</b>	<b>2,538,584</b>	<b>462,396</b>	<b>3,000,980</b>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue-Property Taxes	3,067,168	542,095	3,609,263
<b>Total Inflows of Resources</b>	<b>3,067,168</b>	<b>542,095</b>	<b>3,609,263</b>
<b>Fund Balances</b>			
<b>Nonspendable:</b>			
Prepaid Expenditures	258,135	-	258,135
Inventory	86,611	-	86,611
<b>Restricted:</b>			
Promotion and Tourism	-	340,022	340,022
Public Safety	-	1,013,904	1,013,904
Public Works	-	269,987	269,987
Street Maintenance	-	606,389	606,389
Purpose of Grantors and Donors	-	10,588	10,588
Debt Service	-	449,480	449,480
Library	-	251,481	251,481
Capital Projects	-	632,684	632,684
Other Post-Employment Benefits	77,721	-	77,721
<b>Unassigned:</b>			
Reported in General Fund	4,940,971	-	4,940,971
Reported in EMS ESD Fund	-	(72,514)	(72,514)
<b>Total Fund Balances</b>	<b>5,363,438</b>	<b>3,502,021</b>	<b>8,865,459</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>			
	<b>10,969,190</b>	<b>4,506,512</b>	<b>15,475,702</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, 2018**

Total Fund Balances - Total Governmental Funds	8,865,459
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.)	46,135,403
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.	(21,814)
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.	(97,563)
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	(939,899)
Due in More Than One Year	(15,305,765)
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	4,404,173
Deferred outflows related to pensions.	1,318,359
Deferred outflows related to OPEB.	64,840
Deferred inflows related to pensions.	(1,758,500)
Deferred inflows related to OPEB.	<u>(20,580)</u>
Net Position of Governmental Activities	<u><u>42,644,113</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, 2018

	<i>General Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<b><u>REVENUE:</u></b>			
Ad Valorem Taxes	4,631,287	865,869	5,497,156
Sales Taxes	6,713,506	557,105	7,270,611
Franchise Tax	981,115	-	981,115
Motel Occupancy Tax	-	757,788	757,788
Drainage Utility Fees	-	341,346	341,346
Permits and Fees	4,499,265	-	4,499,265
Municipal Court Fines	673,181	8,295	681,476
Interest	127,924	37,312	165,236
Intergovernmental	416,194	521,997	938,191
Donations	-	36,810	36,810
Miscellaneous	83,357	65,933	149,290
<b>Total Revenue</b>	<b>18,125,829</b>	<b>3,192,455</b>	<b>21,318,284</b>
<b><u>EXPENDITURES:</u></b>			
Current:			
General Government	425,542	201,733	627,275
Finance	565,037	-	565,037
Public Safety	8,480,388	70,862	8,551,250
Public Works	3,090,680	203,272	3,293,952
Tourist and Convention Development	-	317,934	317,934
Non-Departmental	1,925,402	-	1,925,402
Tax Collection	97,910	-	97,910
Parks and Recreation	724,700	-	724,700
Planning and Development	474,894	58,736	533,630
Support Services	1,454,456	7,540	1,461,996
Community Facilities	563,159	-	563,159
Debt Service:			
Principal Retirement	384,427	605,000	989,427
Interest and Fees	29,849	222,285	252,134
Capital Outlay	1,156,779	2,111,371	3,268,150
<b>Total Expenditures</b>	<b>19,373,223</b>	<b>3,798,733</b>	<b>23,171,956</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, 2018

	<i>General Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<b><u>CONTINUED:</u></b>			
Excess (Deficiency) of Revenue Over Expenditures Before Other Financing Sources (Uses)	<u>(1,247,394)</u>	<u>(606,278)</u>	<u>(1,853,672)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	1,490,191	342,662	1,832,853
Transfers (Out)	<u>(442,682)</u>	<u>(336,330)</u>	<u>(779,012)</u>
<b>Total Other Financing Sources (Uses)</b>	<b><u>1,047,509</u></b>	<b><u>6,332</u></b>	<b><u>1,053,841</u></b>
Net Change in Fund Balances	(199,885)	(599,946)	(799,831)
Fund Balances at Beginning of Year	<u>5,563,323</u>	<u>4,101,967</u>	<u>9,665,290</u>
<b>Fund Balances at End of Year</b>	<b><u>5,363,438</u></b>	<b><u>3,502,021</u></b>	<b><u>8,865,459</u></b>

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

# CITY OF MARSHALL, TEXAS

Exhibit C-4

## **RECONCILIATION OF STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2018**

Net Change in Fund Balances - Total Governmental Funds (799,831)

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.

3,082,100

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.

(2,729,632)

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.

1,001,352

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.

8,536

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.

86,681

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.

(98,846)

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

(175,413)

Net change in TMRS expenditures, deferred resource inflows and outflows for the current year as required by GASB 75.

95,166

Changes in Net Position of Governmental Activities

470,113

*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, 2018

	<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	4,480,596	4,480,596	4,631,287	150,691
Sales Taxes	6,358,680	6,358,680	6,713,506	354,826
Franchise Tax	1,007,200	1,007,200	981,115	(26,085)
Permits and Fees	4,272,620	4,272,620	4,499,265	226,645
Municipal Court Fines	625,000	625,000	673,181	48,181
Interest	35,000	35,000	127,924	92,924
Intergovernmental	423,055	423,055	416,194	(6,861)
Miscellaneous	46,500	46,500	83,357	36,857
<b>Total Revenue</b>	<b>17,248,651</b>	<b>17,248,651</b>	<b>18,125,829</b>	<b>877,178</b>
<b>EXPENDITURES:</b>				
General Government	429,969	433,323	425,542	7,781
Finance	565,236	565,236	565,037	199
Public Safety	8,083,948	8,203,543	8,480,388	(276,845)
Public Works	2,835,138	2,835,138	3,090,680	(255,542)
Non-Departmental	1,711,150	1,932,854	1,925,402	7,452
Tax Collection	97,910	97,910	97,910	-
Parks and Recreation	728,499	766,234	724,700	41,534
Planning and Development	451,075	508,575	474,894	33,681
Support Services	1,525,237	1,525,237	1,454,456	70,781
Community Facilities	499,290	549,339	563,159	(13,820)
Debt Service	463,476	463,476	414,276	49,200
Capital Outlay	1,299,020	1,455,797	1,156,779	299,018
<b>Total Expenditures</b>	<b>18,689,948</b>	<b>19,336,662</b>	<b>19,373,223</b>	<b>(36,561)</b>
<b>Excess (Deficiency) of Revenue Over Expenditures Before Other Financing Sources (Uses)</b>	<b>(1,441,297)</b>	<b>(2,088,011)</b>	<b>(1,247,394)</b>	<b>840,617</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In	1,490,191	1,490,191	1,490,191	-
Transfers (Out)	(48,860)	(48,860)	(442,682)	(393,822)
<b>Total Other Financing Sources (Uses)</b>	<b>1,441,331</b>	<b>1,441,331</b>	<b>1,047,509</b>	<b>(393,822)</b>
Net Change in Fund Balance	34	(646,680)	(199,885)	446,795
<b>Fund Balance at Beginning of Year</b>	<b>5,563,323</b>	<b>5,563,323</b>	<b>5,563,323</b>	<b>-</b>
<b>Fund Balance at End of Year</b>	<b>5,563,357</b>	<b>4,916,643</b>	<b>5,363,438</b>	<b>446,795</b>

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

# CITY OF MARSHALL, TEXAS

## PROPRIETARY FUNDS STATEMENT OF NET POSITION DECEMBER 31, 2018

	Business-Type Activities - Enterprise Funds			
	Water and Sewer Fund	Nonmajor Enterprise Fund	Total	Governmental Internal Service Funds
<b>ASSETS</b>				
<i>Current Assets:</i>				
Cash and Temporary Investments	3,015,414	(50,546)	2,964,868	62,267
Customer Receivables (Net of Allowance for Uncollectibles)	1,138,364	50,546	1,188,910	17,828
Prepaid Expenditures	132,481	-	132,481	-
Inventory	19,118	-	19,118	
Total Current Assets	<u>4,305,377</u>	<u>-</u>	<u>4,305,377</u>	<u>80,095</u>
<i>Noncurrent Assets:</i>				
Restricted Assets:				
Cash and Temporary Investments	285,933	-	285,933	-
Certificates of Deposit	803,350	-	803,350	-
Accrued Interest Receivable	3,862	-	3,862	-
Total Restricted Assets	<u>1,093,145</u>	<u>-</u>	<u>1,093,145</u>	<u>-</u>
Capital Assets:				
Land	230,281	80,331	310,612	-
Construction in Progress	399,689	-	399,689	-
Buildings	824,091	2,188,820	3,012,911	141,120
Machinery and Equipment	3,393,846	320,313	3,714,159	1,587,283
Water and Wastewater System	72,306,525	-	72,306,525	-
Less: Accumulated Depreciation	(38,549,819)	(1,377,001)	(39,926,820)	(519,091)
Total Capital Assets (Net of Accumulated Depreciation)	<u>38,604,613</u>	<u>1,212,463</u>	<u>39,817,076</u>	<u>1,209,312</u>
Total Noncurrent Assets	<u>39,697,758</u>	<u>1,212,463</u>	<u>40,910,221</u>	<u>1,209,312</u>
<b>TOTAL ASSETS</b>	<u>44,003,135</u>	<u>1,212,463</u>	<u>45,215,598</u>	<u>1,289,407</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Charges on Refundings	23,515	-	23,515	-
Deferred Outflows Related to Pensions	270,025	-	270,025	-
Deferred Outflows Related to OPEB	11,177	-	11,177	-
<b>TOTAL OUTFLOWS OF RESOURCES</b>	<u>304,717</u>	<u>-</u>	<u>304,717</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			899,822	
Assets of Business-Type Activities			<u>46,420,137</u>	

# CITY OF MARSHALL, TEXAS

## PROPRIETARY FUNDS STATEMENT OF NET POSITION DECEMBER 31, 2018

### CONTINUED:

### LIABILITIES

#### *Current Liabilities:*

	<i>Water and Sewer Fund</i>	<i>Nonmajor Enterprise Fund</i>	<i>Total</i>	<i>Governmental Internal Service Funds</i>
Accounts Payable	203,240	-	203,240	12,575
Accrued Salaries and Wages	113,355	-	113,355	-
Current Portion of Notes Payable	182,732	-	182,732	-
Total Current Liabilities	<u>499,327</u>	<u>-</u>	<u>499,327</u>	<u>12,575</u>

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

	<i>Water and Sewer Fund</i>	<i>Nonmajor Enterprise Fund</i>	<i>Total</i>	<i>Governmental Internal Service Funds</i>
Current Portion of Bonds Payable	2,468,000	-	2,468,000	-
Customer Deposits	828,223	-	828,223	-
Unearned Revenue	10,000	-	10,000	-
Accrued Liabilities	8,220	-	8,220	-
Total Current Liabilities Payable from Restricted Assets	<u>3,314,443</u>	<u>-</u>	<u>3,314,443</u>	<u>-</u>

#### *Other Liabilities:*

	<i>Water and Sewer Fund</i>	<i>Nonmajor Enterprise Fund</i>	<i>Total</i>	<i>Governmental Internal Service Funds</i>
Bonds Payable (Net of Current Portion)	1,344,176	-	1,344,176	-
Note Payable (Net of Current Portion)	965,212	-	965,212	-
Accrued Post Retirement Health Care and TMRS	1,136,172	-	1,136,172	-
Compensated Absences	324,922	-	324,922	-
Total Other Liabilities	<u>3,770,482</u>	<u>-</u>	<u>3,770,482</u>	<u>-</u>

### **TOTAL LIABILITIES**

<b>TOTAL LIABILITIES</b>	<b>7,584,252</b>	<b>-</b>	<b>7,584,252</b>	<b>12,575</b>
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### **DEFERRED INFLOWS OF RESOURCES**

	<i>Water and Sewer Fund</i>	<i>Nonmajor Enterprise Fund</i>	<i>Total</i>	<i>Governmental Internal Service Funds</i>
Deferred Inflows Related to Pensions	360,175	-	360,175	-
<b>TOTAL INFLOWS OF RESOURCES</b>	<b>360,175</b>	<b>-</b>	<b>360,175</b>	<b>-</b>

### **NET POSITION**

	<i>Water and Sewer Fund</i>	<i>Nonmajor Enterprise Fund</i>	<i>Total</i>	<i>Governmental Internal Service Funds</i>
Invested in Capital Assets, Net of Related Debt	33,668,008	1,212,463	34,880,471	1,209,312
Restricted for Retirement of Bonds	-	-	-	-
Unrestricted	2,695,417	-	2,695,417	67,520
<b>TOTAL NET POSITION</b>	<b>36,363,425</b>	<b>1,212,463</b>	<b>37,575,888</b>	<b>1,276,832</b>

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

##### Adjustment to Reflect the Consolidation of Internal Service Funds Activities

Related to Enterprise Funds	899,822
Assets of Business-Type Activities	<u>38,475,710</u>

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

# CITY OF MARSHALL, TEXAS

## PROPRIETARY FUNDS

### STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEAR ENDED DECEMBER 31, 2018

	Business-Type Activities - Enterprise Funds			<i>Governmental Internal Service Funds</i>
	<i>Water and Sewer Fund</i>	<i>Nonmajor Enterprise Fund</i>	<i>Total</i>	
<b><u>OPERATING REVENUE:</u></b>				
Charges for Services	10,283,906	-	10,283,906	258,603
Miscellaneous	<u>25,460</u>	<u>-</u>	<u>25,460</u>	<u>-</u>
<b>Total Operating Revenue</b>	<b><u>10,309,366</u></b>	<b><u>-</u></b>	<b><u>10,309,366</u></b>	<b><u>258,603</u></b>
<b><u>OPERATING EXPENSES:</u></b>				
Administrative	315,266	-	315,266	*
Water Production	1,301,802	-	1,301,802	*
Water Distribution/ Collection	1,324,358	-	1,324,358	-
Sewage Treatment	1,384,585	-	1,384,585	-
Water Billing	509,184	-	509,184	-
Engineering	59,740	-	59,740	-
Non-Departmental	919,500	-	919,500	-
Materials and Supplies	-	-	-	274,715
Depreciation and Amortization	1,468,137	43,776	1,511,913	139,634
Bad Debt Expense	<u>39,422</u>	<u>-</u>	<u>39,422</u>	<u>-</u>
<b>Total Operating Expenses</b>	<b><u>7,321,994</u></b>	<b><u>43,776</u></b>	<b><u>7,365,770</u></b>	<b><u>414,349</u></b>
<b>Operating Income (Loss)</b>	<b><u>2,987,372</u></b>	<b><u>(43,776)</u></b>	<b><u>2,943,596</u></b>	<b><u>(155,746)</u></b>
<b><u>NONOPERATING REVENUE (EXPENSES):</u></b>				
Interest Income	62,686	-	62,686	10,787
Interest Expense and Fees	<u>(309,231)</u>	<u>-</u>	<u>(309,231)</u>	<u>-</u>
<b>Total Nonoperating Revenues (Expenses)</b>	<b><u>(246,545)</u></b>	<b><u>-</u></b>	<b><u>(246,545)</u></b>	<b><u>10,787</u></b>
<b>Income (Loss) Before Transfers</b>	<b><u>2,740,827</u></b>	<b><u>(43,776)</u></b>	<b><u>2,697,051</u></b>	<b><u>(144,959)</u></b>
Transfers In	-	-	-	184,548
Transfers (Out)	<u>(1,238,389)</u>	<u>-</u>	<u>(1,238,389)</u>	<u>-</u>
<b>Total Transfers In (Out)</b>	<b><u>(1,238,389)</u></b>	<b><u>-</u></b>	<b><u>(1,238,389)</u></b>	<b><u>184,548</u></b>
<b>Change in Net Position</b>	<b><u>1,502,438</u></b>	<b><u>(43,776)</u></b>	<b><u>1,458,662</u></b>	<b><u>39,589</u></b>
Net Position, Beginning of Year, As Restated	34,860,987	1,256,239	36,117,226	1,237,243
<b>Total Net Position, End of Year</b>	<b><u>36,363,425</u></b>	<b><u>1,212,463</u></b>	<b><u>37,575,888</u></b>	<b><u>1,276,832</u></b>
 <b>Reconciliation to Government-Wide Statement of Net Position:</b>				
Adjustment to Reflect the Consolidation of Internal Service Funds Activities				
Related to Enterprise Funds			899,822	
Assets of Business-Type Activities			<u>38,475,710</u>	

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

# CITY OF MARSHALL, TEXAS

## PROPRIETARY FUNDS STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2018

	Business-Type Activities - Enterprise Funds			
	Water and Sewer Fund	Nonmajor Enterprise Fund	Total	Internal Service Funds
<b>Cash Flows from Operating Activities:</b>				
Cash Received from Customers	10,145,441	-	10,145,441	265,176
Cash Payments to Suppliers for Goods and Services	(3,306,042)	-	(3,306,042)	(269,182)
Cash Payments to Employees for Services	(2,499,291)	-	(2,499,291)	-
Net Cash Provided (Used) by Operating Activities	4,340,108	-	4,340,108	(4,006)
<b>Cash Flows from Noncapital Financing Activities:</b>				
Transfers In	-	-	-	184,548
Transfers (Out)	(1,238,389)	-	(1,238,389)	-
Net Cash Provided (Used) by Noncapital Financing Activities	(1,238,389)	-	(1,238,389)	184,548
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Acquisition and Construction of Capital Assets	(984,813)	-	(984,813)	(374,420)
Principal Paid on Bonds	(7,156,905)	-	(7,156,905)	-
Proceeds from Bonds	3,652,000	-	3,652,000	-
Principal Paid on Loan	(85,851)	-	(85,851)	-
Proceeds from Loan	785,000	-	785,000	-
Payment of Interest on Bonds and Other Debt	(313,276)	-	(313,276)	-
Net Cash (Used) by Capital and Related Financing Activities	(4,103,845)	-	(4,103,845)	(374,420)
<b>Cash Flows from Investing Activities:</b>				
Purchase of Investments	(794,042)	-	(794,042)	-
Proceeds from Sale and Maturities of Investments	777,862	-	777,862	-
Interest on Investments	60,989	-	60,989	10,787
Net Cash Provided by Investing Activities	44,809	-	44,809	10,787
Net (Decrease) in Cash and Cash Equivalents	(957,317)	-	(957,317)	(183,091)
Cash and Cash Equivalents (Deficit), Beginning of Year	4,258,664	(50,546)	4,208,118	245,358
<b>Cash and Cash Equivalents (Deficit), End of Year</b>	<b>3,301,347</b>	<b>(50,546)</b>	<b>3,250,801</b>	<b>62,267</b>

# CITY OF MARSHALL, TEXAS

Exhibit D-3  
Page 2 of 2

**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<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>Continued</u></b>				
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</u></b>				
<b>Operating Income (Loss)</b>	<b>2,987,372</b>	<b>(43,776)</b>	<b>2,943,596</b>	<b>(155,746)</b>
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>				
Depreciation and Amortization	1,468,137	43,776	1,511,913	139,634
Other Post Employment Benefits	(31,720)	-	(31,720)	-
(Increase) Decrease in Assets:				
Accounts Receivable	(187,912)	-	(187,912)	6,573
Prepaid Expenses	(46,500)	-	(46,500)	-
Inventory	2,713	-	2,713	12,243
Increase (Decrease) in Liabilities:				
Accounts Payable	54,941	-	54,941	(6,710)
Accrued Liabilities	13,150	-	13,150	-
Customer Deposits	23,987	-	23,987	-
Compensated Absences	55,940	-	55,940	-
<b>Total Adjustments</b>	<b>1,352,736</b>	<b>43,776</b>	<b>1,396,512</b>	<b>151,740</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>4,340,108</b>	<b>-</b>	<b>4,340,108</b>	<b>(4,006)</b>

*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, 2018**

	<i>Agency Funds</i>
<b><u>ASSETS</u></b>	
Cash and Temporary Investments	123,074
<b>TOTAL ASSETS</b>	<u><u>123,074</u></u>
<b><u>LIABILITIES</u></b>	
Accounts Payable	983
Due to Employees	122,091
<b>TOTAL LIABILITIES</b>	<u><u>123,074</u></u>

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

**Notes to Financial Statements**

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018**

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

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

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

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

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

### **New Accounting Standards Adopted**

In fiscal year 2018, the City adopted a new statement of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

*Statement No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.*

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statements No. 45, Accounting Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB.

The financial statements and note disclosures have been updated for the effects of the adoption of GASB Statement No. 75.

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

# CITY OF MARSHALL, TEXAS

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018**

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

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

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

Marshall Economic Development Corporation (MEDCO) was incorporated under the Development Corporation Act of 1979, as amended, Article 5190.6, Tex. Rev. Civ. Stat. Ann., as amended as a non-profit industrial development corporation. The purpose of the corporation is to promote and develop industrial and manufacturing enterprises in order to eliminate unemployment and underemployment, and to promote and encourage employment and the public welfare of, for, and on behalf of the City. The City appoints its five (5) member board of directors and all its policies for program administration must be submitted to the City for approval. Marshall Economic Development Corporation is subject to audit by the City or its representatives, and may not issue any debt without City approval. Its revenue is derived from a \$.00375 City sales tax. A separate audit for the year ended December 31, 2018, 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 2018, 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, 2018, 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 2018, 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.

# CITY OF MARSHALL, TEXAS

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018**

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

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

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

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

#### **Governmental Funds:**

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

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

Additionally, the City reports the following governmental fund types:

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

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

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

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

#### **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

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018**

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

system, and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

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

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

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

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

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

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

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

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

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

Prior to the end of August, the City Commission, City Manager, and department heads meet in publicly held budget workshops and prepare a tentative budget for the following year. Duly advertised public hearings are held to obtain taxpayers comments. Prior to October 1, the budget is legally enacted. The General Fund, 2007 General Obligation and 2001 Certificate of Obligation Debt Service Funds, Motel Occupancy Tax Fund, Street Maintenance Fund, Litter Control Fund, D.A.R.E. Donations Fund, Municipal Drainage Utility Fund, EMS ESD Fund, 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.

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018**

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

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 \$221,704; Parks and Recreation increased by \$37,735; Planning and Development Expenditures were increased by \$57,500; Public Safety expenditures were increased by \$119,595; Community Facilities expenditures were increased by \$50,049; and Capital Outlay expenditures were increased by \$156,777.

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 \$276,845; Public Works expenditures exceeded the budget by \$255,542; Community Facilities expenditures exceeded the budget by \$13,820; and Transfers Out also exceeded the budget by \$393,822. In the future, the City will strive to amend the budget throughout the year to adhere to the budget that is legally adopted.

The 2001 Combination Tax and Revenue and 2007 General Obligation Debt Service Funds, Motel Occupancy Tax Fund, Street Maintenance Fund, Litter Control Fund, D.A.R.E. Donations Fund, Municipal Drainage Utility Fund, and EMS ESD 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, 2018. The market values of temporary investments are based on values provided by TexPool at December 31, 2018.

#### **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".

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018**

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

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

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

#### **Estimates:**

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

#### **Reclassifications:**

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

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

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

#### **Capital Assets:**

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

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

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

#### **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.

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018**

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

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

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

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

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

#### **Net Position:**

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

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

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

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

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

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

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

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

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018**

### **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, 2018. 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 \$4,719 petty cash and \$4,817,500 certificates of deposit) was \$6,435,795 and the respective bank balances totaled \$6,237,255. For GASB 40 purposes, certificates of deposit are included under deposits. All of the certificates of deposit have maturity dates of one year, or less.

Of the total bank balances, \$250,500 was covered by Federal Depository Insurance for all accounts. The remainder of the accounts were covered by a Federal Home Loan of Dallas letter of credit in the amount of \$7,000,000.

# CITY OF MARSHALL, TEXAS

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018**

### **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, 2018, 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, 2018**

### **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, 2018 are:

<b>Investment Type</b>	<b>Rating</b>	<b>Concentration of Credit Risk</b>	<b>Market Value</b>	<b>Investment Maturities (Callable In Years)</b>	
				<b>Less Than 1</b>	<b>1-5</b>
<b><i>Public Funds Investment Pool:</i></b>					
TexPool (2a7- Like Pool)	AAAm (S&P)	100%	5,418,128	5,418,128	-
<b>Total</b>		<b>100%</b>	<b>5,418,128</b>	<b>5,418,128</b>	<b>-</b>

At December 31, 2018, 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, 2018

### NOTE 3: RECEIVABLES:

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

	<u>General</u>	<u>Water and Sewer</u>	<u>Nonmajor Governmental</u>	<u>Nonmajor Enterprise</u>	<u>Internal Service</u>	<u>Total</u>
<b>Receivables:</b>						
Interest	24,182	3,862	206	-	-	28,250
Taxes	3,490,535	-	637,670	-	-	4,128,205
Accounts	1,105,904	1,168,556	-	50,546	17,828	2,342,834
Other	126,687	-	33,894	-	-	160,581
<b>Gross</b>	<b>4,747,308</b>	<b>1,172,418</b>	<b>671,770</b>	<b>50,546</b>	<b>17,828</b>	<b>6,659,870</b>
<b>Receivables Less:</b>						
Allowance for Uncollectibles	(169,317)	(30,192)	(28,830)	-	-	(228,339)
<b>Net Total Receivables</b>	<b>4,577,991</b>	<b>1,142,226</b>	<b>642,940</b>	<b>50,546</b>	<b>17,828</b>	<b>6,431,531</b>

### NOTE 4: CAPITAL ASSETS:

	<u>December 31,</u>		<u>December 31,</u>
	<u>2017</u>	<u>Additions</u>	<u>Deletions</u>
<b>Governmental Activities:</b>			
Capital Assets Not Being Depreciated:			
Land	1,175,849	-	-
Construction in Progress	2,436,271	2,475,035	-
Total Capital Assets Not Being Depreciated	<u>3,612,120</u>	<u>2,475,035</u>	<u>-</u>
Capital Assets Being Depreciated:			
Buildings	20,933,752	154,128	-
Machinery and Equipment	16,694,734	580,574	(930,752)
Improvements	3,848,786	14,948	-
Infrastructure	63,417,058	145,455	-
Total Capital Assets, Being Depreciated	<u>104,894,330</u>	<u>895,105</u>	<u>(930,752)</u>
Less: Accumulated Depreciation For:			
Buildings	8,930,024	389,430	-
Equipment	11,868,737	846,443	(744,705)
Improvements	1,731,565	136,893	-
Infrastructure	40,295,182	1,356,866	-
Total Accumulated Depreciation	<u>62,825,508</u>	<u>2,729,632</u>	<u>(744,705)</u>
Total Capital Assets, Being Depreciated, Net	<u>42,068,822</u>	<u>(1,834,527)</u>	<u>(186,047)</u>
Governmental Activities Capital Assets, Net	<u>45,680,942</u>	<u>640,508</u>	<u>(186,047)</u>

# CITY OF MARSHALL, TEXAS

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

<u>Business-Type Activities:</u>	<u>December 31,</u>			<u>December 31,</u>
	<u>2017</u>	<u>Additions</u>	<u>Deletions</u>	
Capital Assets Not Being Depreciated:				
Land	310,612	-	-	310,612
Construction in Progress	149,542	281,261	(31,114)	399,689
Total Capital Assets Not Being Depreciated	<u>460,154</u>	<u>281,261</u>	<u>(31,114)</u>	<u>710,301</u>
Capital Assets Being Depreciated:				
Buildings	3,031,435	-	-	3,031,435
Machinery and Equipment	3,962,877	741,246	(57,565)	4,646,558
Water and Wastewater System	72,038,430	268,095	-	72,306,525
Total Capital Assets, Being Depreciated	<u>79,032,742</u>	<u>1,009,341</u>	<u>(57,565)</u>	<u>79,984,518</u>
Less: Accumulated Depreciation For:				
Buildings and Improvements	1,508,613	59,463	-	1,568,076
Machinery and Equipment	2,995,690	387,072	(55,316)	3,327,446
Water and Wastewater System	34,115,091	1,132,391	-	35,247,482
Total Accumulated Depreciation	<u>38,619,394</u>	<u>1,578,926</u>	<u>(55,316)</u>	<u>40,143,004</u>
Total Capital Assets, Being Depreciated, Net	<u>40,413,348</u>	<u>(569,585)</u>	<u>(2,249)</u>	<u>39,841,514</u>
Business-Type Activities Capital Assets, Net	<u>40,873,502</u>	<u>(288,324)</u>	<u>(33,363)</u>	<u>40,551,815</u>

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

#### Governmental Activities:

General Government	145,721
Community Facilities	198,196
Support Services	221,902
Public Safety	522,926
Public Works	1,627,378
Planning and Development	1,696
Non-Departmental	11,813
Total Depreciation Expense - Governmental Activities	<u>2,729,632</u>

#### Business-Type Activities:

Water and Sewer	1,535,150
Business Development Center	43,776
Total Depreciation Expense - Business-Type Activities	<u>1,578,926</u>

# CITY OF MARSHALL, TEXAS

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018**

### **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, 2018, \$114,000 of the loan considered defeased is still outstanding.

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

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

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

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 Obligation Bonds, Series 2007 in order to realize interest cost savings. The bonds were issued on April 15, 2016, with interest payable June 15 and December 15 of each year commencing June 15, 2016, until maturity or prior redemption. The City reserves the right, at its option, to redeem the bonds maturing on and after June 15, 2026, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof (and, if within a stated maturity, selected at random and by lot by the Paying Agent/Registrar), at the redemption price of par plus accrued interest to the date fixed for redemption, at any time beginning June 15, 2025.

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

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.

# CITY OF MARSHALL, TEXAS

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018**

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

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 the Waterworks and Sewer System Revenue Bonds, Series 1998 through 2011, and to pay costs of issuance relating to the bonds.

Also, 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.

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

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

Accordingly, pursuant to the terms of the ordinance authorizing the issuance of the refunded bonds in accordance with Texas Law, the refunded bonds are deemed to be no longer outstanding obligations payable from the Water and Sewer System or for any other purpose except for the purpose of being paid from the funds held in such Escrow Fund. On December 31, 2018, \$9,365,000 of the bonds considered defeased are still outstanding.

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018**

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

A summary of the refunded bond maturities is as follows:

<u>Schedule of Refunded Bonds</u>		<u>Interest</u>	
	<u>Maturity Dates</u>	<u>Rates</u>	<u>Amount</u>
Waterworks and Sewer System Revenue Bonds, Series 1998	June 15, 2013-2019	4.500%	1,000,000
Waterworks and Sewer System Revenue Bonds, Series 1999	June 15, 2011-2019	4.750% - 6.350%	425,000
Waterworks and Sewer System Revenue Bonds, Series 2000	June 15, 2014-2019	5.125%	380,000
		4.750% -	
Waterworks and Sewer System Revenue Bonds, Series 2001	June 15, 2017-2022	5.000%	310,000
Waterworks and Sewer System Revenue Bonds, Series 2006	June 15, 2019-2022	4.000%	2,430,000
Waterworks and Sewer System Revenue Bonds, Series 2012	June 15, 2019-2023	3.500%	2,385,000
		3.600% -	
Waterworks and Sewer System Revenue Bonds, Series 2003	June 15, 2014-2023	4.500%	2,435,000
			<u><u>9,365,000</u></u>

# CITY OF MARSHALL, TEXAS

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

A summary of changes in long-term debt for the year ended December 31, 2018 is as follows:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Issued</u>	<u>Amounts Outstanding 1/1/2018</u>	<u>Issued Current Year</u>	<u>Refunded/Retired Current Year</u>				<u>Interest Current Year</u>	<u>Due Within One Year</u>						
					<u>Retired Current Year</u>	<u>Amounts Outstanding 12/31/2018</u>	<u>Interest Current Year</u>	<u>Due Within One Year</u>								
<u>Governmental Activities:</u>																
<u>Bonded Indebtedness</u>																
Certificate of Obligation, Series 2010A	2.00-4.00%	2,100,000	1,275,000	-	(140,000)	1,135,000	43,400	145,000								
Certificate of Obligation, Series 2010	2.75-4.50%	1,140,000	600,000	-	(90,000)	510,000	19,344	95,000								
Combination Tax and Revenue Certificates of Obligation, Series 2017	2.173%	2,000,000	2,000,000	-	(50,000)	1,950,000	42,917	75,000								
General Obligation Refunding Bonds, Series 2016	2.00-4.00%	3,845,000	3,770,000	-	(325,000)	3,445,000	108,600	335,000								
Premium (Refunding Bonds, Series 2016)	N/A	119,253	95,403	-	(11,925)	83,478	-	-								
<b>Total Governmental Activities</b>		<b>9,204,253</b>	<b>7,740,403</b>		<b>(616,925)</b>	<b>7,123,478</b>	<b>214,261</b>	<b>650,000</b>								
<u>Business-Type Activities:</u>																
<u>Bonded Indebtedness</u>																
Water and Sewer Revenue Refunding Bonds, 2006	4.00-5.50%	9,235,000	4,290,000	-	(4,290,000)	-	99,750	-								
Water and Sewer Revenue Refunding Bonds Series 2012	3.60-4.75%	5,065,000	2,815,000	-	(2,815,000)	-	47,075	-								
General Obligation Refunding Bonds Series 2018	2.649%	3,652,000	-	3,652,000	-	3,652,000	41,653	2,468,000								
Premium (Refunding Bonds, Series 2010)	N/A	31,250	13,391	-	(2,233)	11,158	-	-								
Premium (Refunding Bonds, Series 2006)	N/A	745,082	198,690	-	(49,672)	149,018	-	-								
<b>Total Business-Type Bonded Indebtedness</b>		<b>18,728,332</b>	<b>7,317,081</b>	<b>3,652,000</b>	<b>(7,156,905)</b>	<b>3,812,176</b>	<b>188,478</b>	<b>2,468,000</b>								
<b>Total Bonded Indebtedness</b>		<b>27,932,585</b>	<b>15,057,484</b>	<b>3,652,000</b>	<b>(7,773,830)</b>	<b>10,935,654</b>	<b>402,739</b>	<b>3,118,000</b>								

# CITY OF MARSHALL, TEXAS

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

Debt service requirements are as follows:

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

<b>Year Ended</b>	<b>Governmental Activities</b>			<b>Total Requirements</b>
	<b>Principal</b>	<b>Interest</b>		
<b>December 31,</b>				
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	380,000	64,600		444,600
2024-2027	<u>1,670,000</u>	<u>133,050</u>		<u>1,803,050</u>
<b>Total</b>	<u>3,445,000</u>	<u>557,125</u>		<u>4,002,125</u>

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

<b>Year Ended</b>	<b>Governmental Activities</b>			<b>Total Requirements</b>
	<b>Principal</b>	<b>Interest</b>		
<b>December 31,</b>				
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	355,000	54,100		409,100
2024-2028	<u>1,095,000</u>	<u>151,960</u>		<u>1,246,960</u>
2029-2032	<u>830,000</u>	<u>36,615</u>		<u>866,615</u>
<b>Total</b>	<u>3,595,000</u>	<u>567,886</u>		<u>4,162,886</u>

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

<b>Year Ended</b>	<b>Business-Type Activities</b>			<b>Total Requirements</b>
	<b>Principal</b>	<b>Interest</b>		
<b>December 31,</b>				
2019	2,468,000	64,053		2,532,053
2020	663,000	22,583		685,583
2021	521,000	6,901		527,901
<b>Total</b>	<u>3,652,000</u>	<u>93,537</u>		<u>3,745,537</u>

# CITY OF MARSHALL, TEXAS

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018**

### **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. This lease was paid off this year.

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. This lease was paid off this year.

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 (5)	181,176
2015 Ford F150	28,158
2016 Club Car Golf Cars (15)	48,333
2018 Ford Interceptor SUVs	244,132
2018 Dodge Charger	21,403
<b>Total</b>	<b>523,202</b>
Less: Accumulated Depreciation	(223,056)
<b>Total</b>	<b>300,146</b>

The future minimum lease payments under the capital leases and the present value of the net minimum lease payments at December 31, 2018, were as follows:

<b><u>Year Ended December 31,</u></b>	<b><u>Various Equipment</u></b>
2019	93,943
2020	<u>93,943</u>
Total Minimum Lease Payments	187,886
Less: Amount Representing Interest Costs	<u>(7,576)</u>
Present Value of Minimum Lease Payments	<u>180,310</u>

# CITY OF MARSHALL, TEXAS

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018**

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

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

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 2018 was \$3,048.

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%. Interest paid on this loan in 2018 was \$15,888.

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

<b><u>Year Ended December 31,</u></b>	<b>Governmental Activities</b>		
	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total Requirements</u></b>
2019	201,173	12,790	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>661,173</b>	<b>35,216</b>	<b>696,389</b>

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

On August 21, 2015, the City entered into a loan agreement with Texas Bank and Trust in the amount of \$614,844 for the purchase of a bio-tower media filter for the Water and Sewer Fund. Payments are due annually in 7 payments of \$95,880 (includes principal and interest) beginning on August 21, 2016, and on the same day each year thereafter. The interest rate on the loan is fixed at 2.238%. Interest paid on this loan in 2018 was \$10,029.

Also, on June 14, 2018, the City approved an ordinance authorizing the issuance and sale of City of Marshall, Texas, Limited Tax Note, Series 2018, levying an annual ad valorem tax and providing for the security for and payment of the note in the amount of \$785,000 with an interest rate of 2.92%. The purpose of the Note is to acquire equipment for the Public Services Department consisting of wash trucks, sweep arms, and supervisory control and data acquisition (SCADA). This Note is issuable in the form of one fully-registered note without coupons. Payments are due annually in 6 principal payments and interest will be paid semiannually on June 15 and December 15 thereafter to the date of maturity or redemption prior to maturity. Interest paid on this note in 2018 was \$9,869.

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

<b><u>Year Ended December 31,</u></b>	<b>Business-Type Activities</b>		
	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total Requirements</u></b>
2019	182,732	29,658	212,390
2020	218,704	24,441	243,145
2021	221,728	18,636	240,364
2022	232,780	12,680	245,460
2023	144,000	6,424	150,424
2024	148,000	2,161	150,161
<b>Total</b>	<b>1,147,944</b>	<b>94,000</b>	<b>1,241,944</b>

# CITY OF MARSHALL, TEXAS

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

### 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, 2018, was as follows:

	**	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>						
Bonds Payable:						
General Obligation Bonds		3,865,403	-	(336,925)	3,528,478	335,000
Certificate of Obligations and Revenue Bonds		3,875,000	-	(280,000)	3,595,000	315,000
Total Bonds Payable		<u>7,740,403</u>	<u>-</u>	<u>(616,925)</u>	<u>7,123,478</u>	<u>650,000</u>
Other Liabilities:						
Capital Leases Payable		365,035	-	(184,725)	180,310	88,726
Notes Payable		860,875	-	(199,702)	661,173	201,173
*Accrued Post Retirement Health Care, OPEB, and TMRS		8,755,400	80,807	(3,393,062)	5,443,145	-
Compensated Absences		2,507,276	330,282	-	2,837,558	-
Total Other Liabilities		<u>12,488,586</u>	<u>411,089</u>	<u>(3,777,489)</u>	<u>9,122,186</u>	<u>289,899</u>
Total Governmental Activities		<u>20,228,989</u>	<u>411,089</u>	<u>(4,394,414)</u>	<u>16,245,664</u>	<u>939,899</u>
<b>Business-Type Activities:</b>						
Revenue and General Obligation Bonds Payable		7,317,081	3,652,000	(7,156,905)	3,812,176	2,468,000
Total Bonds Payable		<u>7,317,081</u>	<u>3,652,000</u>	<u>(7,156,905)</u>	<u>3,812,176</u>	<u>2,468,000</u>
Other Liabilities:						
Notes Payable		448,795	785,000	(85,851)	1,147,944	182,732
*Accrued Post Retirement Health Care, OPEB, and TMRS		1,792,982	16,551	(673,361)	1,136,172	-
Compensated Absences		268,982	55,940	-	324,922	-
Total Other Liabilities		<u>2,510,759</u>	<u>857,491</u>	<u>(759,212)</u>	<u>2,609,038</u>	<u>182,732</u>
Total Business-Type Activities		<u>9,827,840</u>	<u>4,509,491</u>	<u>(7,916,117)</u>	<u>6,421,214</u>	<u>2,650,732</u>
Total Government		<u>30,056,829</u>	<u>4,920,580</u>	<u>(12,310,531)</u>	<u>22,666,878</u>	<u>3,590,631</u>

\*\*Adjusted for OPEB liability for GASB 75 that was implemented this year.

# CITY OF MARSHALL, TEXAS

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018**

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

#### **Interfund balances at December 31, 2018, 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)	67
<b>Total Due to General Fund</b>	<b>184,982</b>
Due to Street Maintenance Fund (Nonmajor Governmental Fund) From:	
General Fund (Major Governmental Fund)	100,169
<b>Total Due to Street Maintenance Fund</b>	<b>100,169</b>

#### **Interfund transfers for the year ended December 31, 2018, consisted of the following amounts:**

Transfers to General Fund From (Major Governmental Fund):	
Motel Occupancy Tax Fund (Nonmajor Governmental Fund)	276,330
Water and Sewer Fund (Major Enterprise Fund)	1,153,861
Police Special Projects Fund (Nonmajor Governmental Fund)	60,000
<b>Total Transfers to General Fund (Major Governmental Fund)</b>	<b>1,490,191</b>
Transfers to Police Special Projects Fund (Nonmajor Governmental Fund):	
General Fund (Major Governmental Fund)	342,662
<b>Total Transfers to Police Special Projects Fund</b>	<b>342,662</b>
Transfers to Equipment Replacement Funds (Internal Service Funds):	
Water and Sewer Fund (Major Enterprise Fund)	84,528
General Fund (Major Governmental Fund)	100,020
<b>Total Transfers to Equipment Replacement Funds</b>	<b>184,548</b>

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

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

<b>Nonmajor Governmental Funds:</b>	
EMS ESD Fund	(72,514)

# CITY OF MARSHALL, TEXAS

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018**

### **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	<u>(42,490)</u>
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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, 2018</u></b>
<b><u>Budgeted Special Revenue Funds:</u></b>	
Motel Occupancy Tax Fund	136,726
Street Maintenance Fund	606,389
Litter Control Fund	-
D.A.R.E. Donations Fund	28,845
Municipal Drainage Utility Fund	269,987
EMS ESD Fund	<u>(72,514)</u>
<b>Total</b>	<b><u>969,433</u></b>
<b><u>Non-budgeted Special Revenue Funds:</u></b>	
Controlled Substance Fund	169,145
Art Center Projects Fund	3,266
Muni Court Tech Fund	7,204
Park Trails Fund	4,533
Disaster Relief Fund	2,646
Police Special Projects Fund	808,710
State Grant Fund	143
Main Street Fund	1,513
Old City Hall Restoration Fund	<u>201,783</u>
<b>Total</b>	<b><u>1,198,943</u></b>
<b>All Special Revenue Funds</b>	<b><u>2,168,376</u></b>

# CITY OF MARSHALL, TEXAS

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018**

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

*Texas Municipal Retirement System –*

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

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

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

#### **Benefits Provided:**

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

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

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

	<u>Plan Year 2017</u>	<u>Plan Year 2016</u>
Employee deposit rate	7%	7%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	20 years at any age, 5 years at age 60 and above	20 years at any age, 5 years at age 60 and above
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

# CITY OF MARSHALL, TEXAS

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018**

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

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

At the December 31, 2017, valuation and measurement date, the following employees were covered by the benefit terms:

	<u>12/31/2017</u>	<u>12/31/2016</u>
Inactive employees or beneficiaries currently receiving benefits	174	173
Inactive employees entitled to but not yet receiving benefits	75	67
Active employees	<u>181</u>	<u>183</u>
Total	<u>430</u>	<u>423</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 16.19% and 16.84% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended December 31, 2018, were \$1,380,364, and satisfied the required contributions.

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

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, 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, 2017, 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, 2018**

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

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

Actuarial assumptions used in the December 2017, 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. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. 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). At its meeting in July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return (Arithmetic)</u>
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, 2018

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

#### Changes in the Net Pension Liability:

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Asset Liability (a)-(b)</b>
<b>Balance at December 31, 2016</b>	<b>55,507,905</b>	<b>46,302,651</b>	<b>9,205,254</b>
<b>Changes for the year:</b>			
Service cost	1,360,160	-	1,360,160
Interest	3,692,623	-	3,692,623
Difference between expected and actual experience	(735,674)	-	(735,674)
Changes of assumptions	-	-	-
Contributions - employer	-	1,336,984	(1,336,984)
Contributions - employee	-	560,308	(560,308)
Net investment income	-	6,415,707	(6,415,707)
Benefit payments, including refunds of employee contributions	(2,964,912)	(2,964,912)	-
Administrative expense	-	(33,258)	33,258
Other changes	-	(1,685)	1,685
Net changes	<u>1,352,197</u>	<u>5,313,144</u>	<u>(3,960,947)</u>
<b>Balance at December 31, 2017</b>	<b><u>56,860,102</u></b>	<b><u>51,615,795</u></b>	<b><u>5,244,307</u></b>

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

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

	<b>1% Decrease in Discount Rate (5.75%)</b>	<b>Discount Rate (6.75%)</b>	<b>1% Increase in Discount Rate (7.75%)</b>
City's Net Pension Liability	<u>12,567,922</u>	<u>5,244,307</u>	<u>(812,848)</u>

# CITY OF MARSHALL, TEXAS

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018**

### **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.tmrss.com](http://www.tmrss.com).

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

For the year ended December 31, 2018, the City recognized pension expense of \$1,143,782.

At December 31, 2018, 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	-	851,518
Changes in actuarial assumptions	208,020	-
Contributions paid to TMRS subsequent to the measurement date	1,380,364	-
Differences between projected and actual investment earnings (Net of current year amortization)	-	1,267,157
<b>Total</b>	<b><u>1,588,384</u></b>	<b><u>2,118,675</u></b>

\$1,380,364 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, 2018.

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>
2019	(176,973)
2020	(205,199)
2021	(835,394)
2022	(693,089)
2023	-
<b>Total</b>	<b><u>(1,910,655)</u></b>

# CITY OF MARSHALL, TEXAS

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018**

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

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

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

The City contributes to the Firemen's Relief and Retirement Fund ("Fund") a single employer public employee retirement system (PERS). The City's payroll for employees covered by the Fund for the year ended December 31, 2018, was \$2,770,444. All active City Firefighters are eligible to participate in the Fund. Benefits vest after 10 years of service and the attainment of age 50. Retirement benefits are based upon years of service and salary. The Fund also provides death and disability benefits. Benefit provisions and all other requirements are established by State statute, City ordinance and the Marshall Firemen's Relief and Retirement Fund Board of Trustees.

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

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

The latest actuarial study of the Fund was made as of December 31, 2018. 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 7.50% per year, and projected salary increases based on a graded scale based on service. The market value of the Firemen's Relief and Retirement Fund at December 31, 2018 was \$7,278,840, 106%, of the book value as of December 31, 2018.

The December 31, 2018, actuarial valuation determined that contributions at the rates then in existence (14.00% for firefighters and 19.80% for the City of Marshall) will amortize the unfunded liability, based on certain actuarial assumptions, in approximately 59 years. Guidelines published by the Texas State Pension Review Board specify that the amortization period of the unfunded actuarial accrued liability should never exceed 30 years, with a 10 to 25 year period being preferable. Plans, such as this Fund, with amortization periods in excess of 30 years should reduce their amortization period to 30 years or less as soon as practicable, but not later than June 30, 2025 ("transition rule"). The 2018 valuation indicates the current financing arrangement continues to be outside of the transition rule in the PRB funding policy guidelines.

Contributions for 2018 totaling \$915,601 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, 2018. The components of net pension liability at December 31, 2018 are as follows:

<b>Total Pension Liability</b>	<b>20,169,069</b>
<b>Plan Fiduciary Net Position</b>	<b><u>7,278,840</u></b>
<b>Net Pension Liability</b>	<b><u>12,890,229</u></b>

# CITY OF MARSHALL, TEXAS

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018**

### **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 \$566 and retirees is \$647 per month. Employees who have retired, completed 20 years of service, and have reached age 60 and wish to continue on the City's health plan must pay the difference between the retiree blended rate and the amount the City currently pays for active employee coverage. The current rate for these retirees is \$782 per month, which is intended to be the blended rate that does not create an implicit subsidy. Retiree medical and dental coverage ends at age 65. Retirees pay for any dependent coverage and for dental coverage. Employees hired after August 1, 2005 will not be eligible to remain on the health plan upon retirement.

Employees covered by benefit terms. At December 31, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments:	15
Inactive employees entitled to but not yet receiving benefit payments:	-
Active employees:	75
Total	<u>90</u>

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

The City's total OPEB liability of \$560,985 was measured as of December 31, 2018, and was determined by an actuarial valuation as of December 31, 2017, rolled forward to December 31, 2018.

#### **Actuarial Assumptions:**

The City's annual other post employment benefit cost is calculated based on an actuarial valuation. The actuarial method utilized was the projected unit credit method. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations reflect a long-term perspective and actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Projections of benefits are based on the types of benefits provided under the substantive plan at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members to that point. Projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

The City had a simplified actuarial valuation performed on December 31, 2018. The City has elected to have a full valuation performed every two years. The allocation of the total liability was based upon straight years of service ratio and was amortized over a 22 year period, using a 4.09% 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 6.5% 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.

# CITY OF MARSHALL, TEXAS

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018**

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

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

The total OPEB liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement, unless otherwise specified:

*Valuation Date:* December 31, 2017

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

Discount Rate 4.09% per annum, which includes inflation (rolled forward to December 31, 2018)

Salary Increases: 3.50% per annum

Healthcare cost trend rates: 6.50% initial medical trend rate for pre-65 retirees decreasing to an ultimate rate of 4.50%

Mortality rates were updated and are based upon the RP-2014 back-projected to 2006, projected forward using scale MP-17.

#### **Discount Rate:**

The discount rate of 4.09% is based upon the yield of 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The other financial assumptions for long-term inflation, payroll growth, and salary scale were taken from the TMRS actuary study. The per capita claims costs and how these costs are expected to escalate in the future were set by HUB International who develops the funding rates.

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

Service Cost	12,393
Interest	21,351
Changes of benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions	(22,867)
Benefit payments	(116,353)
Net change in total OPEB liability	(105,476)
Total OPEB liability at 12/31/2017	<u>666,461</u>
Total OPEB liability at 12/31/2018	<u>560,985</u>

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

The following presents the plan's total OPEB liability, calculated using a discount rate of 4.09%, as well as what the plan's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

	Current Discount Rate		
	1% Decrease to 3.09%	Assumption 4.09%	1% Increase to 5.09%
	<u>595,000</u>	<u>560,985</u>	<u>531,000</u>

# CITY OF MARSHALL, TEXAS

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018**

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

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

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

<b>Current Healthcare Cost Trend Rate</b>		
<b>1% Decrease to</b>	<b>Assumption</b>	<b>1% Increase to</b>
<b>5.50%</b>	<b>6.50%</b>	<b>7.50%</b>
<b><u>511,000</u></b>	<b><u>560,985</u></b>	<b><u>623,000</u></b>

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

For the year ended December 31, 2018, the City recognized a negative OPEB expense of \$95,166. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	-	-
Changes of assumptions/inputs	<u>10,270</u>	<u>(20,580)</u>
Total	<u>10,270</u>	<u>(20,580)</u>

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

<b>Fiscal Year</b>	<b>Net Deferred Outflows (Inflows) of Resources</b>
2019	(1,003)
2020	(1,003)
2021	(1,003)
2022	(1,003)
2023	(1,003)
Thereafter	<u>(5,295)</u>
Total	<u>(10,310)</u>

# CITY OF MARSHALL, TEXAS

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018**

### **NOTE 11: 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 \$566, which is the amount the City currently pays for active employee coverage. Currently, the City contributes \$566 per employee and \$647 for retirees per month, and the employee, at their option, may authorize payroll withholdings to pay dependent premiums if applicable.

### **NOTE 12: POST-EMPLOYMENT BENEFITS (OPEB) - TMRS SUPPLEMENTAL DEATH BENEFITS FUND:**

#### **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.

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

#### **Benefits Provided:**

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

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

At the December 31, 2017, valuation and measurement date, the following employees were covered by the benefit terms:

	<u>12/31/17</u>
Inactive employees currently receiving benefits	127
Inactive employees entitled to but not yet receiving benefits	24
Active employees	<u>181</u>
	<u>332</u>

#### **Contributions:**

The member cities contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree life insurance during employees' entire careers.

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

# CITY OF MARSHALL, TEXAS

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018**

### **NOTE 12: POST-EMPLOYMENT BENEFITS (OPEB) - TMRS SUPPLEMENTAL DEATH BENEFITS FUND: (Continued)**

For the calendar years 2017 and 2018, the total SDB contributions rate for the City was 0.23% and 0.24%, respectively, while the retiree portion of the SDB contribution was 0.08% and 0.09%. The City's retiree-only portion of contributions for the years ended December 31, 2018 and 2017, were \$19,673 and \$18,381, respectively. Due to the SDBF being considered an unfunded OPEB plan, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

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

The City's total OPEB liability was measured as of December 31, 2017, and was determined by an actuarial valuation as of that date.

#### **Actuarial Assumptions**

The total OPEB liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Overall	3.50% to 1.5% including inflation
Discount rate *	3.31%
Retiree's share of benefit-related costs	-
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	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.
Mortality rates - disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a three year set-forward for both males and females. The rates are projected on a full generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

\* The discount rate was based on the Fidelity Index's "20-Year Municipal GOAA Index" rate as of December 31, 2017.

# CITY OF MARSHALL, TEXAS

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018**

### **NOTE 12: POST-EMPLOYMENT BENEFITS (OPEB) - TMRS SUPPLEMENTAL DEATH BENEFITS FUND: (Continued)**

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

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

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four period from December 31, 2010 to December 31, 2014. The post-retirement mortality assumption for health annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2010 and dated December 31, 2013.

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

	<b><u>Total OPEB Liability</u></b>
<b>Balance at December 31, 2016</b>	676,668
Changes for the year	
Service cost	20,778
Interest	25,850
Change of benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions or other inputs	57,123
Benefit payments	(6,393)
Net changes	<u>97,358</u>
<b>Balance at December 31, 2017</b>	<u>774,026</u>

# CITY OF MARSHALL, TEXAS

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018**

### **NOTE 12: POST-EMPLOYMENT BENEFITS (OPEB) - TMRS SUPPLEMENTAL DEATH BENEFITS FUND: (Continued)**

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.31%, would be if it were calculated using a discount rate that is 1-percentage-point lower (2.31%) or 1-percentage-point higher (4.31%) than the current rate:

	<b><u>1% Decrease in Discount Rate (2.31%)</u></b>	<b><u>Discount Rate (3.31%)</u></b>	<b><u>1% Increase in Discount Rate (4.31%)</u></b>
Total OPEB Liability	<u>920,090</u>	<u>774,026</u>	<u>659,369</u>

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

For the year ended December 31, 2018, the City recognized OPEB expense of \$57,677.

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

Service Cost	20,778
Interest on total OPEB liability	25,850
Changes in benefit terms	-
Employer administrative costs	-
Recognition of deferred outflows/inflows of resources:	
Differences between expected and actual experience	-
Changes in assumptions or other inputs	<u>11,049</u>
Total OPEB expense	<u>57,677</u>

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

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual economic experience	-	-
Changes in actuarial assumptions	46,074	-
Difference between projected and actual investment earnings	-	-
Contributions subsequent to the measurement date	<u>19,673</u>	-
<b>Total</b>	<b><u>65,747</u></b>	<b>-</b>

# CITY OF MARSHALL, TEXAS

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018**

### **NOTE 12: POST-EMPLOYMENT BENEFITS (OPEB) - TMRS SUPPLEMENTAL DEATH BENEFITS FUND: (Continued)**

The City had \$19,673 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending December 31, 2018. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>Deferred Outflow of Resources</u>
2019	11,049
2020	11,049
2021	11,049
2022	11,049
2023	1,878
Thereafter	-
<b>Total</b>	<b>46,074</b>

### **NOTE 13: 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 reinsurance 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	80,812,995		1,000
Mobile Equipment	2,368,142		500
Boiler & Machinery	5,531,392		5,000
Supplemental Sewage Backup	25,000	Each Structure	
	50,000	Each Occurrence	500
Information Security and Privacy			
Liability and Website Media			
Content Liability	1,000,000	Aggregate Limit	1,250
Regulatory Defense and Penalties	50,000	Aggregate Limit	2,500

### **NOTE 14: 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, 2018**

### **NOTE 15: 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 16: LITIGATION:**

The City is not a defendant in any significant litigation as of December 31, 2018.

### **NOTE 17: 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 18: 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 19: SUBSEQUENT EVENTS:**

The City has evaluated subsequent events through November 12, 2019, the date which the financial statements were available for issue and the following items were noted:

On August 8, 2019, the City approved an ordinance authorizing the issuance and sale of City of Marshall, Texas, General Obligation Refunding Bonds, Series 2019, (Bonds) levying an annual ad valorem tax and providing for the security for and payment of the Bonds in the amount of \$1,033,000, with an interest rate of 2.34% for 10 years. The Bonds are expected to be self-supported by Hotel/Motel taxes. The purpose of the Bonds are to refund the Combination Tax & Limited Surplus Revenue Certificates of Obligation Series 2010 & 2010A and to realize approximately \$10,000 of net present value savings.

Also, on August 8, 2019, the City approved an ordinance authorizing the issuance and sale of City of Marshall, Texas, Tax Note, Series 2019, (Note) for \$854,000, with an interest rate of 2.33% for 7 years. The Note will constitute a direct obligation of the City, payable both as to principal and interest from the pledge of ad valorem taxes levied and collected. The purpose of the Note is to fund the remaining amount required to complete Memorial City Hall renovations.

### **NOTE 20: PRIOR PERIOD ADJUSTMENT:**

During the fiscal year 2018, the City adopted GASB Statement No. 75 for Accounting and Reporting for Other Post-Employment Benefits (OPEB). With GASB 75, the City must assume their proportionate share of the Net OPEB Liability of the Texas Municipal Retirement System. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively. The amount of the total prior period adjustment is (\$962,578). The total restated beginning net position is \$79,165,519.

# **CITY OF MARSHALL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018**

### **NOTE 21: COMPONENT UNIT DISCLOSURES – MARSHALL ECONOMIC DEVELOPMENT CORPORATION:**

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

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

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

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

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

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

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

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

At December 31, 2018, the carrying amount of MEDCO's deposits (including \$200 petty cash) was \$277,306, and the respective bank balance was \$364,825. MEDCO's cash deposits at December 31, 2018, 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, 2018, 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.

# CITY OF MARSHALL, TEXAS

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

### **NOTE 21: COMPONENT UNIT DISCLOSURES – MARSHALL ECONOMIC DEVELOPMENT CORPORATION:** (Continued)

4. Credit Risk and Concentration Risk - MEDCO's main goal of their investment program is to ensure its safety and maximize financial returns within current market conditions in accordance with policy. MEDCO's investment policy states that diversification strategies shall be established and periodically reviewed. At a minimum, diversification standards by security type and issuer shall be:

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

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

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

MEDCO's investments as of December 31, 2018 are:

	<u>Rating</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Public Funds Investment Pools (TexPool)	AAAm (S&P)	<u>6,034,323</u>	<u>6,034,323</u>

At December 31, 2018, the public funds investment pools consisted of investments in TexPool. TexPool is duly chartered and administered by the Texas Comptroller's Office and the portfolio normally consists of U.S. T-Bills, T-Notes, collateralized certificates of deposit, and repurchase agreements. Oversight by the Texas Comptroller's Office over TexPool includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. These investments are classified as temporary investments in MEDCO's financial statements because these investments are not subject to any restrictions for withdrawal purposes.

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

# CITY OF MARSHALL, TEXAS

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018**

### **NOTE 21: COMPONENT UNIT DISCLOSURES – MARSHALL ECONOMIC DEVELOPMENT CORPORATION:** (Continued)

#### **Receivables:**

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

	<u>General Economic Dev. Fund</u>	<u>Business Development Center</u>	<u>Center For Applied Technology</u>	<u>Total</u>
Receivables:				
Accounts	<u>66,602</u>	<u>15,481</u>	<u>22,950</u>	<u>105,033</u>
Gross	<u>66,602</u>	<u>15,481</u>	<u>22,950</u>	<u>105,033</u>
Receivables Less:				
Allowance for Uncollectibles	<u>-</u>	<u>(6,449)</u>	<u>(9,833)</u>	<u>(16,282)</u>
Net Total Receivables	<u>66,602</u>	<u>9,032</u>	<u>13,117</u>	<u>88,751</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, 2018, the amount due to MEDCO from the City for its portion of sales tax revenue was \$305,845, including \$5,339 due from the City from previous years and an additional \$11,968 for payroll expenditures.

#### **Capital Assets:**

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

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

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

# CITY OF MARSHALL, TEXAS

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

### NOTE 21: COMPONENT UNIT DISCLOSURES – MARSHALL ECONOMIC DEVELOPMENT CORPORATION: (Continued)

Capital asset activity for the year ended December 31, 2018, was as follows:

<u>Component Unit Activities:</u>	<u>December 31,</u>			<u>December 31,</u> <u>2018</u>
	<u>2017</u>	<u>Additions</u>	<u>Deletions</u>	
<b>Capital Assets Not Being Depreciated:</b>				
Land	4,235,720	-	-	4,235,720
Construction In Progress	<u>2,545,783</u>	<u>34,664</u>	<u>-</u>	<u>2,580,447</u>
Total Capital Assets Not Being Depreciated	<u>6,781,503</u>	<u>34,664</u>	<u>-</u>	<u>6,816,167</u>
<b>Capital Assets Being Depreciated:</b>				
Buildings	10,347,337	-	-	10,347,337
Improvements	804,800	3,600	-	808,400
Machinery, Tools, and Equipment	<u>195,544</u>	<u>3,762</u>	<u>-</u>	<u>199,306</u>
Total Capital Assets Being Depreciated	<u>11,347,681</u>	<u>7,362</u>	<u>-</u>	<u>11,355,043</u>
<b>Less Accumulated Depreciation For:</b>				
Buildings	(835,117)	(258,683)	-	(1,093,800)
Improvements	(220,501)	(38,253)	-	(258,754)
Machinery, Tools, and Equipment	<u>(174,139)</u>	<u>(11,902)</u>	<u>-</u>	<u>(186,041)</u>
Total Accumulated Depreciation	<u>(1,229,757)</u>	<u>(308,838)</u>	<u>-</u>	<u>(1,538,595)</u>
Total Capital Assets, Being Depreciated, Net	<u>10,117,924</u>	<u>(301,476)</u>	<u>-</u>	<u>9,816,448</u>
<b>Component Unit Activities Capital Assets, Net</b>	<u>16,899,427</u>	<u>(266,812)</u>	<u>-</u>	<u>16,632,615</u>

# CITY OF MARSHALL, TEXAS

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

### NOTE 21: COMPONENT UNIT DISCLOSURES – MARSHALL ECONOMIC DEVELOPMENT CORPORATION: (Continued)

#### Notes Payable:

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

On May 22, 2014, MEDCO entered into a loan agreement for \$6,540,000 with Texas Bank and Trust. The interest rate of the loan is 3.25% and the payment terms are: accrued interest shall be payable monthly starting June 1, 2014, and continuing each month until and including December 31, 2014. Principal and interest shall be payable in monthly installments of \$46,100 including interest, starting February 1, 2015, and continuing each month until the entire principal balance is due on January 1, 2025. The entire unpaid interest and principal shall be due and payable in full with a balloon payment on January 1, 2025, the scheduled maturity date. The purposes of the loan are to provide funds to pay for a project relating to a Performance Agreement and lease between MEDCO and Rio Ammunition, Inc. to the extent of \$5,900,000 and to the extent of \$624,932 the loan represents a refinance and renewal of an existing loan. MEDCO pledges and grants a security interest and a first lien on pledged revenues (sales tax). Interest paid on this loan for the year ending December 31, 2018, was \$171,956.

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, 2018, was \$26,986.

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>		
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	557,655	113,313		670,968
2024 - 2025	<u>3,105,290</u>	<u>83,771</u>		<u>3,189,061</u>
<b>TOTAL</b>	<b><u>5,714,141</u></b>	<b><u>829,762</u></b>		<b><u>6,543,903</u></b>

Long-term debt activity for the year ended December 31, 2018, 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	6,186,168	-	(472,027)	5,714,141	487,086
Total Other Liabilities	<u>6,186,168</u>	<u>-</u>	<u>(472,027)</u>	<u>5,714,141</u>	<u>487,086</u>
Total Governmental Activities					
Long-Term Liabilities	<u>6,186,168</u>	<u>-</u>	<u>(472,027)</u>	<u>5,714,141</u>	<u>487,086</u>

# CITY OF MARSHALL, TEXAS

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018**

### **NOTE 21: 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 22: 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, 2018, the carrying amount of MDDC's deposits was \$241,997 and the respective bank balances were \$241,997. MDDC's cash consists of demand deposits. For GASB 40 purposes, all of MDDC's deposits and investments are covered under deposits. Also, all of MDDC's cash deposits at December 31, 2018, were entirely covered by FDIC insurance.

# CITY OF MARSHALL, TEXAS

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

### NOTE 22: COMPONENT UNIT DISCLOSURES – MARSHALL DOWNTOWN DEVELOPMENT CORPORATION: (Continued)

#### Capital Assets:

Capital asset activity for the year ended December 31, 2018, was as follows:

<u>Component Unit Activities:</u>	<u>December 31,</u>		<u>December 31,</u>
	<u>2017</u>	<u>Additions</u>	<u>2018</u>
Capital Assets Being Depreciated:			
Building	50,217	-	50,217
Total Capital Assets Being Depreciated	<u>50,217</u>	<u>-</u>	<u>50,217</u>
Less Accumulated Depreciation For:			
Building	7,029	1,006	8,035
Total Accumulated Depreciation	<u>7,029</u>	<u>1,006</u>	<u>8,035</u>
Total Capital Assets Being Depreciated, Net	43,188	(1,006)	42,182
Component Unit Activities Capital Assets, Net	<u>43,188</u>	<u>(1,006)</u>	<u>42,182</u>

## **Required Supplementary Information**

# CITY OF MARSHALL, TEXAS

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<b>Plan Year Ended December 31,</b>
<b><u>Total Pension Liability:</u></b>					
Service Cost	1,360,160	1,349,774	1,317,472	1,305,622	
Interest (on the Total Pension Liability)	3,692,623	3,561,898	3,556,882	3,496,478	
Changes in Benefit Terms	-	-	-	-	
Difference Between Expected and Actual Results	(735,674)	(25,089)	(575,781)	(852,294)	
Change of Assumptions	-	-	695,565	-	
Benefit Payments, Including Refunds of Employee Contributions	<u>(2,964,912)</u>	<u>(2,945,304)</u>	<u>(3,162,757)</u>	<u>(3,022,865)</u>	
Net Change in Total Pension Liability	1,352,197	1,941,279	1,831,381	926,941	
Total Pension Liability - Beginning	<u>55,507,905</u>	<u>53,566,626</u>	<u>51,735,245</u>	<u>50,808,304</u>	
Total Pension Liability - Ending (a)	<u>56,860,102</u>	<u>55,507,905</u>	<u>53,566,626</u>	<u>51,735,245</u>	
<b><u>Plan Fiduciary Net Position:</u></b>					
Contributions - Employer	1,336,984	1,280,192	1,311,982	1,334,649	
Contributions - Employee	560,308	553,510	548,947	541,924	
Net Investment Income	6,415,707	3,003,122	67,466	2,537,589	
Benefit Payments, Including Refunds of Employee Contributions	<u>(2,964,912)</u>	<u>(2,945,304)</u>	<u>(3,162,757)</u>	<u>(3,022,865)</u>	
Administrative Expense	<u>(33,258)</u>	<u>(33,924)</u>	<u>(41,096)</u>	<u>(26,495)</u>	
Other	<u>(1,685)</u>	<u>(1,828)</u>	<u>(2,030)</u>	<u>(2,178)</u>	
Net Change in Plan Fiduciary Net Position	5,313,144	1,855,768	(1,277,488)	1,362,624	
Plan Fiduciary Net Position - Beginning	<u>46,302,651</u>	<u>44,446,883</u>	<u>45,724,371</u>	<u>44,361,747</u>	
Plan Fiduciary Net Position - Ending (b)	<u>51,615,795</u>	<u>46,302,651</u>	<u>44,446,883</u>	<u>45,724,371</u>	
Net Pension Liability (Asset) - Ending (a)-(b)	<u>5,244,307</u>	<u>9,205,254</u>	<u>9,119,743</u>	<u>6,010,874</u>	
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	90.78%	83.42%	82.97%	88.38%	
Covered Employee Payroll	7,991,538	7,907,288	7,842,093	7,719,153	
Net Pension Liability as a Percentage of Covered Employee Payroll	65.62%	116.41%	116.29%	77.87%	

# CITY OF MARSHALL, TEXAS

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CONTRIBUTIONS TEXAS MUNICIPAL RETIREMENT SYSTEM FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution	1,380,364	1,336,984	1,280,192	1,311,982
Contribution in Relation to the Actuarially Determined Contributions	(1,380,364)	(1,336,984)	(1,280,192)	(1,311,982)
Contribution Deficiency	_____	_____	_____	_____
Covered Employee Payroll	8,196,933	7,991,538	7,907,289	7,842,093
Contributions as a Percentage of Covered Employee Payroll	16.84%	16.73%	16.19%	16.73%

### NOTES TO SCHEDULE OF CONTRIBUTIONS:

Valuation Date:	Actuarially determined contribution rates as of December 31 and become effective in January 13 months later.
<b>Methods and Assumptions Used to Determine Contribution Rates:</b>	
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	28 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.

# **CITY OF MARSHALL, TEXAS**

## REQUIRED SUPPLEMENTARY INFORMATION

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

## TEXAS MUNICIPAL RETIREMENT SYSTEM SUPPLEMENTAL DEATH BENEFITS PLAN

**ANNUAL FINANCIAL STATEMENT  
FOR THE YEAR ENDED DECEMBER 31, 2018**

## Measurement Year 2017

### Total OPEB Liability:

Service Cost	20,778
Interest	25,850
Changes of Benefit Terms	-
Difference Between Expected and Actual Experience	-
Changes of Assumptions	57,123
Benefit Payments	<u>(6,393)</u>
 Net Change in Total OPEB Liability	97,358
 Total OPEB liability - Beginning	<u>676,668</u>
 Total OPEB liability - Ending	<u>774,026</u>
 Covered employee payroll	7,991,538
 Total OPEB liability as a percentage of covered employee payroll	9.69%

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

#### **NOTES TO SCHEDULE**

**Valuation Date** Actuarially determined contribution rates are calculated as of December 31, and become effective in January 13 months later.

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	17 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table based on rates that are specific to the City's plan
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment.
<b>Other Information:</b>	There were no benefit changes during the year.

# CITY OF MARSHALL, TEXAS

## **REQUIRED SUPPLEMENTARY INFORMATION**

### **SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS CITY OF MARSHALL RETIREE HEALTH CARE PLAN FOR THE YEAR ENDED DECEMBER 31, 2018**

<b>Measurement</b>
<b>Year</b>
<b>2018</b>

#### **Total OPEB Liability – Retiree Health Care Plan:**

Service Cost	12,393
Interest	21,351
Changes of Benefit Terms	-
Difference Between Expected and Actual Experience	-
Changes of Assumptions	(22,867)
Benefit Payments	<u>(116,353)</u>
Net Change in Total OPEB Liability	(105,476)
Total OPEB Liability - Beginning	<u>666,461</u>
Total OPEB Liability - Ending	<u>560,985</u>
 Covered payroll	 10,515,495
Total OPEB liability as a percentage of covered payroll	5%

#### **NOTES TO SCHEDULE**

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

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

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

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

# CITY OF MARSHALL, TEXAS

Exhibit F-1

## GENERAL FUND BALANCE SHEET DECEMBER 31, 2018

	<i>General Fund</i>
<b>ASSETS</b>	
Cash and Temporary Investments	211,365
Certificates of Deposit	3,982,546
Receivables (Net of Allowance for Uncollectible)	
Current Taxes	2,451,101
Delinquent Taxes	648,162
Customer:	
Sanitation	261,121
Ambulance	<u>838,585</u>
Franchise Taxes	1,099,706
Other	228,153
Accrued Interest	126,687
Total Receivables	<u>24,182</u>
Prepaid Expenditures	4,577,991
Inventory	258,135
Due from Other Funds	86,611
Due from Other Governments	184,982
<b>TOTAL ASSETS</b>	<u>1,667,560</u>
	<u>10,969,190</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE</b>	
<b>Liabilities</b>	
Accounts Payable	1,238,226
Accrued Liabilities	446,672
Due to Other Funds	100,169
Unearned Revenues	<u>753,517</u>
<b>Total Liabilities</b>	<u>2,538,584</u>
<b>Deferred Inflows of Resources</b>	
Unavailable Revenue-Property Taxes	<u>3,067,168</u>
<b>Total Inflows of Resources</b>	<u>3,067,168</u>
<b>Fund Balances:</b>	
<b>Nonspendable:</b>	
Prepaid Expenditures	258,135
Inventory	86,611
<b>Restricted:</b>	
Other Post-Employment Benefits	77,721
<b>Unassigned</b>	<u>4,940,971</u>
<b>Total Fund Balance</b>	<u>5,363,438</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE</b>	<u>10,969,190</u>

# CITY OF MARSHALL, TEXAS

Exhibit F-2  
Page 1 of 2

## GENERAL FUND STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED DECEMBER 31, 2018

	<i>General Fund</i>
<b><u>REVENUE:</u></b>	
Ad Valorem Taxes	4,631,287
Sales Taxes	6,713,506
Franchise Tax	981,115
Permits and Fees:	
Refuse Collections	2,448,203
Ambulance Fees	1,153,669
Other Fees and Permits	<u>897,393</u>
Total Permits and Fees	4,499,265
Municipal Court Fines	673,181
Interest	127,924
Intergovernmental	416,194
Miscellaneous	<u>83,357</u>
<b>Total Revenue</b>	<u>18,125,829</u>
<b><u>EXPENDITURES:</u></b>	
Current:	
General Government:	
Legislative	35,685
Legal	84,000
Administrative	150,377
Human Resources	154,065
Purchasing	<u>1,415</u>
Total General Government	425,542
Finance:	
Finance	226,395
City Secretary	83,072
Municipal Court	<u>255,570</u>
Total Finance	565,037
Public Safety:	
Police Department	4,488,375
Fire Department	<u>3,992,013</u>
Total Public Safety	8,480,388
Public Works	3,090,680
Non-Departmental	1,925,402
Tax Collection	97,910
Parks and Recreation	724,700
Planning and Development	474,894
Support Services	1,454,456
Community Facilities	563,159
Debt Service	414,276
Capital Outlay	<u>1,156,779</u>
<b>Total Expenditures</b>	<u>19,373,223</u>

# CITY OF MARSHALL, TEXAS

Exhibit F-2

Page 2 of 2

## GENERAL FUND

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED DECEMBER 31, 2018

	<i>General Fund</i>
<b><u>CONTINUED:</u></b>	
Excess (Deficiency) of Revenue Over Expenditures Before Other Financing Sources	<u>(1,247,394)</u>
<b>Other Financing Sources</b>	
Transfers In	1,490,191
Transfers (Out)	(442,682)
<b>Total Other Financing Sources</b>	<u>1,047,509</u>
Net Change in Fund Balance	(199,885)
Fund Balance at Beginning of Year	<u>5,563,323</u>
<b>Fund Balance at End of Year</b>	<b><u>5,363,438</u></b>

# CITY OF MARSHALL, TEXAS

## NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET DECEMBER 31, 2018

										Special Revenue						
ASSETS																
Cash and Temporary Investments	84,447	(54,583)	7,204	506,220	4,050	28,845	158,425	3,266	4,533	-	2,646	1,513	143	244,489	(72,514)	
Certificates of Deposit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	817,431	
Receivable- Current Taxes	61,073	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Receivable- Delinquent Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other Receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Accrued Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Inventory	45,055	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Due from Other Funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Due from Other Governments	220,121	66,719	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>TOTAL ASSETS</b>	<b>410,696</b>	<b>12,136</b>	<b>7,204</b>	<b>606,389</b>	<b>4,050</b>	<b>28,845</b>	<b>169,413</b>	<b>3,266</b>	<b>4,533</b>	<b>-</b>	<b>2,646</b>	<b>1,513</b>	<b>143</b>	<b>278,383</b>	<b>(72,514)</b>	
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>																
Liabilities																
Accounts Payable	83,096	12,136	-	-	-	4,050	-	-	-	-	-	-	-	4,694	-	
Accrued Liabilities	5,951	-	-	-	-	-	-	-	-	-	-	-	-	3,702	-	
Due to Other Funds	184,915	-	-	-	-	-	-	-	67	-	-	-	-	-	-	
Uncared Revenues	8	-	-	-	-	-	-	-	268	-	-	-	-	-	-	
<b>Total Liabilities</b>	<b>273,970</b>	<b>12,136</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,050</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,396</b>	<b>-</b>	
Deferred Inflows of Resources															-	-
Unavailable Revenue-Property Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Inflows of Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Fund Balances (Deficit)																-
Restricted:	136,726	-	7,204	-	-	28,845	169,145	-	-	-	-	-	-	1,513	-	
Promotion and Tourism	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Public Safety	-	-	-	-	-	-	-	-	-	-	-	-	-	269,987	-	
Public Works	-	-	-	-	-	-	-	-	-	-	-	-	-	-	808,710	
Street Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Purpose of Grantors and Donors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Debt Service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Library	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Capital Projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Unassigned (Deficit)	-	-	-	-	-	-	-	-	-	-	-	-	-	(72,514)	(72,514)	
<b>Total Fund Balances (Deficit)</b>	<b>136,726</b>	<b>-</b>	<b>7,204</b>	<b>-</b>	<b>-</b>	<b>28,845</b>	<b>169,145</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,513</b>	<b>-</b>	
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>																
	410,696	12,136	7,204	606,389	4,050	28,845	169,413	3,266	4,533	-	2,646	1,513	143	278,383	(72,514)	

# CITY OF MARSHALL, TEXAS

## NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET DECEMBER 31, 2018

	Special Revenue	Debt Service	Capital Projects				Permanent Nonmajor Governmental Funds	Total Nonmajor Governmental Funds
			1995 Capital Imp. Fund	2007 Capital Imp. Fund	2010 Utility Conserv. Fund	2010 Memorial City Hall Fund		
<b>CONTINUED:</b>								
<b>ASSETS</b>								
Cash and Temporary Investments	201,783	443,808	13,957	185	24,548	386,322	362,527	219,671
Certificates of Deposit	-	-	-	-	-	-	-	31,604
Receivable- Current Taxes	-	433,210	-	-	-	-	-	494,283
Receivable- Delinquent Taxes	-	114,557	-	-	-	-	-	114,557
Other Receivables	-	-	-	-	-	-	-	53,894
Accrued Interest	-	-	-	-	-	-	-	206
Inventory	-	-	-	-	-	-	-	45,055
Due from Other Funds	-	-	-	-	-	-	-	100,169
Due from Other Governments	-	-	-	-	-	-	-	297,828
<b>TOTAL ASSETS</b>	<b>201,783</b>	<b>991,575</b>	<b>13,957</b>	<b>185</b>	<b>24,548</b>	<b>386,322</b>	<b>362,527</b>	<b>251,481</b>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>								
<b>Liabilities</b>								
Accounts Payable	-	-	-	-	-	107,879	-	220,777
Accrued Liabilities	-	-	-	-	-	5,591	-	15,244
Due to Other Funds	-	-	-	-	-	41,385	-	184,982
Unearned Revenues	-	-	-	-	-	154,855	-	41,393
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>462,396</b>
<b>Deferred Inflows of Resources</b>								
Unavailable Revenue-Property Taxes	-	542,095	-	-	-	-	-	542,095
<b>Total Inflows of Resources</b>	<b>-</b>	<b>542,095</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>542,095</b>
<b>Fund Balances (Deficit)</b>								
Restricted:								
Promotion and Tourism	201,783	-	-	-	-	-	-	340,022
Public Safety	-	-	-	-	-	-	-	1,013,904
Public Works	-	-	-	-	-	-	-	269,987
Street Maintenance	-	-	-	-	-	-	-	606,389
Purpose of Grantors and Donors	-	-	-	-	-	-	-	10,588
Debt Service	-	449,480	-	-	-	-	-	449,480
Library	-	-	13,957	185	24,548	231,467	362,527	251,481
Capital Projects	-	-	-	-	-	-	-	632,684
Unassigned (Deficit)	-	-	-	-	-	-	-	(72,514)
<b>Total Fund Balances (Deficit)</b>	<b>201,783</b>	<b>449,480</b>	<b>13,957</b>	<b>185</b>	<b>24,548</b>	<b>231,467</b>	<b>362,527</b>	<b>251,481</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>	<b>201,783</b>	<b>991,575</b>	<b>13,957</b>	<b>185</b>	<b>24,548</b>	<b>386,322</b>	<b>362,527</b>	<b>251,481</b>
								<b>4,506,512</b>

**CITY OF MARSHALL, TEXAS**

**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

# CITY OF MARSHALL, TEXAS

## NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>				<u>Permanent</u>	<u>Total Nonmajor Governmental Funds</u>
			<u>1995</u>	<u>2007</u>	<u>2010</u>	<u>2010</u>		
<u>CONTINUED:</u>			<u>Capital Imp. Fund</u>	<u>Memorial City Hall Conserv. Fund</u>	<u>Capital Improvement Fund</u>	<u>Library Fund</u>		
<u>REVENUE:</u>								
Ad Valorem Taxes		865,869	-	-	-	-	-	865,869
Sales Taxes		-	-	-	-	-	-	557,105
Intragovernmental		-	-	-	-	-	-	521,997
Motel Occupancy Tax		-	-	-	-	-	-	757,788
Drainage Utility Fees		-	-	-	-	-	-	341,346
Municipal Court Fines		-	-	-	-	-	-	8,395
Interest		6,545	-	-	20,816	-	-	37,312
Donations		22,558	-	-	-	-	-	2,558
Miscellaneous		-	-	-	-	-	-	36,810
<b>Total Revenue</b>	<b>22,558</b>	<b>872,414</b>			<b>20,816</b>		<b>16,203</b>	<b>3,192,455</b>
<u>EXPENDITURES:</u>								
Current:								
General Government		-	-	-	-	-	-	201,733
Public Safety		-	-	-	-	-	-	70,862
Public Works		-	-	-	-	-	-	203,272
Tourist and Convention Development		-	-	-	-	-	-	317,934
Planning and Development		-	-	-	-	-	-	58,736
Support Services-Library		-	-	-	-	-	-	7,540
Debt Service- Principal Retirement		605,000	-	-	-	-	-	605,000
Debt Service- Interest and Fees		222,285	-	-	-	-	-	222,285
Capital Outlay		-	-	-	1,638,604	-	-	2,111,371
<b>Total Expenditures</b>	<b>-</b>	<b>827,285</b>			<b>1,638,604</b>		<b>7,540</b>	<b>3,798,733</b>
<u>Excess (Deficiency) of Revenue Over Expenditures</u>								
<u>Before Other Financing Sources (Uses)</u>	<b>22,558</b>	<b>45,129</b>			<b>(1,617,788)</b>		<b>8,663</b>	<b>(606,278)</b>
<u>Other Financing Sources (Uses)</u>								
Transfers In	-	-	-	-	-	-	-	342,662
Transfers Out	-	-	-	-	-	-	-	(336,330)
Proceeds from Issuance of Bonds	-	-	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>			<b>(1,617,788)</b>		<b>-</b>	<b>6,332</b>
<u>Net Change in Fund Balances</u>	<b>22,558</b>	<b>45,129</b>			<b>(1,617,788)</b>		<b>8,663</b>	<b>(599,946)</b>
<u>Fund Balances (Deficit) at Beginning of Year</u>	<b>179,225</b>	<b>404,351</b>	<b>13,957</b>	<b>185</b>	<b>1,849,255</b>	<b>362,527</b>	<b>242,818</b>	<b>4,101,067</b>
<u>Fund Balances (Deficit) at End of Year</u>	<b>201,783</b>	<b>449,480</b>	<b>13,957</b>	<b>185</b>	<b>24,548</b>	<b>321,467</b>	<b>251,481</b>	<b>3,502,021</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, 2018

	<i>Motel Occupancy Tax Fund</i>				<i>Street Maintenance Fund</i>			
	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Positive (Negative) Variance with Final Budget</i>	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Positive (Negative) Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>	<i>GAAP Basis</i>	<i>Variance with Final Budget</i>	<i>Original</i>	<i>Final</i>	<i>GAAP Basis</i>	<i>Variance with Final Budget</i>
<b>REVENUE:</b>								
Motel Occupancy Tax	750,000	750,000	757,788	7,788	-	-	557,105	31,848
Sales Taxes	-	-	-	-	525,257	525,257	4,702	4,702
Interest	-	-	4	4	-	-	-	-
Donations	-	-	-	-	-	-	-	-
Miscellaneous	-	-	922	922	-	-	-	-
<b>Total Revenue</b>	<b>750,000</b>	<b>750,000</b>	<b>758,714</b>	<b>8,714</b>	<b>525,257</b>	<b>525,257</b>	<b>561,807</b>	<b>36,550</b>
<b>EXPENDITURES:</b>								
Current:								
Public Safety	-	-	-	-	-	-	-	-
Public Works	-	-	-	-	525,257	549,083	-	549,083
Tourist and Convention Development	418,000	418,000	317,934	100,066	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>418,000</b>	<b>418,000</b>	<b>317,934</b>	<b>100,066</b>	<b>525,257</b>	<b>549,083</b>	<b>-</b>	<b>549,083</b>
Excess (Deficiency) of Revenue Over Expenditures Before Other Financing Sources (Uses)	332,000	332,000	440,780	108,780	-	(23,826)	561,807	585,633
Other Financing Sources (Uses)								
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	(276,330)	(276,330)	(276,330)	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(276,330)</b>	<b>(276,330)</b>	<b>(276,330)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	55,670	55,670	164,450	108,780	-	(23,826)	561,807	585,633
Fund Balances (Deficit), Beginning of Year	(27,724)	(27,724)	(27,724)	-	44,582	44,582	44,582	-
<b>Fund Balances (Deficit), End of Year</b>	<b>27,946</b>	<b>27,946</b>	<b>136,726</b>	<b>108,780</b>	<b>44,582</b>	<b>20,756</b>	<b>606,389</b>	<b>585,633</b>

**Exhibit F-5**

Page 1 of 2

Litter Control Fund				D.A.R.E. Donations Fund			
Budgeted Amounts		Actual GAAP Basis	Positive (Negative) Variance with Final Budget	Budgeted Amounts		Actual GAAP Basis	Positive (Negative) Variance with Final Budget
Original	Final			Original	Final		
-	-	-	-	-	-	-	-
-	-	-	-	-	-	385	385
6,700	6,700	6,290	(410)	1,000	1,000	1,125	125
48,700	48,700	40,320	(8,380)	-	-	-	-
<b>55,400</b>	<b>55,400</b>	<b>46,610</b>	<b>(8,790)</b>	<b>1,000</b>	<b>1,000</b>	<b>1,510</b>	<b>510</b>
-	-	-	-	-	-	-	-
-	-	-	-	6,200	6,200	3,750	2,450
55,400	55,400	46,610	8,790	-	-	-	-
-	-	-	-	-	-	-	-
<b>55,400</b>	<b>55,400</b>	<b>46,610</b>	<b>8,790</b>	<b>6,200</b>	<b>6,200</b>	<b>3,750</b>	<b>2,450</b>
-	-	-	-	(5,200)	(5,200)	(2,240)	2,960
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	(5,200)	(5,200)	(2,240)	2,960
-	-	-	-	31,085	31,085	31,085	-
-	-	-	-	<b>25,885</b>	<b>25,885</b>	<b>28,845</b>	<b>2,960</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, 2018**

	<i>Municipal Drainage Utility Fund</i>				<i>EMS ESD Fund</i>			
	<i>Budgeted Amounts</i>		<i>Actual GAAP Basis</i>	<i>Positive (Negative) Variance with Final Budget</i>	<i>Budgeted Amounts</i>		<i>Actual GAAP Basis</i>	<i>Positive (Negative) Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>			<i>Original</i>	<i>Final</i>		
<b>REVENUE:</b>								
Motel Occupancy Tax	-	-	-	-	-	-	-	-
Drainage Utility Fees	380,100	380,100	341,346	(38,754)	-	-	-	-
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	164,400	164,400	160,700	(3,700)
Interest	150	150	-	(150)	-	-	-	-
Donations	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
<b>Total Revenue</b>	<b>380,250</b>	<b>380,250</b>	<b>341,346</b>	<b>(38,904)</b>	<b>164,400</b>	<b>164,400</b>	<b>160,700</b>	<b>(3,700)</b>
<b>EXPENDITURES:</b>								
Current:								
Public Safety	-	-	-	-	38,000	38,000	-	38,000
Public Works	184,718	184,718	156,662	28,056	-	-	-	-
Tourist and Convention Development	-	-	-	-	-	-	-	-
Debt Service	30,600	30,600	-	30,600	-	-	-	-
Capital Outlay	165,000	165,000	118,035	46,965	-	169,223	188,972	(19,749)
<b>Total Expenditures</b>	<b>380,318</b>	<b>380,318</b>	<b>274,697</b>	<b>105,621</b>	<b>38,000</b>	<b>207,223</b>	<b>188,972</b>	<b>18,251</b>
Excess (Deficiency) of Revenue								
Over Expenditures Before								
Other Financing Sources (Uses)	(68)	(68)	66,649	66,717	126,400	(42,823)	(28,272)	14,551
Other Financing Sources (Uses)								
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	(68)	(68)	66,649	66,717	126,400	(42,823)	(28,272)	14,551
Fund Balances (Deficit), Beginning of Year	203,338	203,338	203,338	-	(44,242)	(44,242)	(44,242)	-
<b>Fund Balances (Deficit), End of Year</b>	<b>203,270</b>	<b>203,270</b>	<b>269,987</b>	<b>66,717</b>	<b>82,158</b>	<b>(87,065)</b>	<b>(72,514)</b>	<b>14,551</b>

		<i>Total</i>	
<i>Budgeted Amounts</i>		<i>Actual GAAP Basis</i>	<i>Positive (Negative) Variance with Final Budget</i>
<i>Original</i>	<i>Final</i>		
750,000	750,000	757,788	7,788
380,100	380,100	341,346	(38,754)
525,257	525,257	557,105	31,848
164,400	164,400	160,700	(3,700)
150	150	5,091	4,941
7,700	7,700	7,415	(285)
48,700	48,700	41,242	(7,458)
<u>1,876,307</u>	<u>1,876,307</u>	<u>1,870,687</u>	<u>(5,620)</u>
44,200	44,200	3,750	40,450
765,375	789,201	203,272	585,929
418,000	418,000	317,934	100,066
30,600	30,600	-	30,600
165,000	334,223	307,007	27,216
<u>1,423,175</u>	<u>1,616,224</u>	<u>831,963</u>	<u>784,261</u>
<u>453,132</u>	<u>260,083</u>	<u>1,038,724</u>	<u>778,641</u>
<u>(276,330)</u>	<u>(276,330)</u>	<u>(276,330)</u>	<u>-</u>
<u>(276,330)</u>	<u>(276,330)</u>	<u>(276,330)</u>	<u>-</u>
<u>176,802</u>	<u>(16,247)</u>	<u>762,394</u>	<u>778,641</u>
<u>207,039</u>	<u>207,039</u>	<u>207,039</u>	<u>-</u>
<u>383,841</u>	<u>190,792</u>	<u>969,433</u>	<u>778,641</u>

# 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, 2018**

	<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	819,397	819,397	865,869	46,472
Interest	1,000	1,000	6,545	5,545
<b>Total Revenue</b>	<b>820,397</b>	<b>820,397</b>	<b>872,414</b>	<b>52,017</b>
<b>EXPENDITURES:</b>				
Principal Retirement	605,000	605,000	605,000	-
Interest and Fees	220,274	220,274	222,285	(2,011)
<b>Total Expenditures</b>	<b>825,274</b>	<b>825,274</b>	<b>827,285</b>	<b>(2,011)</b>
Net Change in Fund Balance	(4,877)	(4,877)	45,129	50,006
Fund Balance, Beginning of Year	404,351	404,351	404,351	-
<b>Fund Balance, End of Year</b>	<b>399,474</b>	<b>399,474</b>	<b>449,480</b>	<b>50,006</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, 2018

	<i>Budgeted Amounts</i>	<i>Actual GAAP Basis</i>	<i>Positive (Negative) Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>	
<b>OPERATING REVENUE:</b>			
Charges for Services	10,319,240	10,319,240	10,283,906 (35,334)
Miscellaneous	48,000	48,000	25,460 (22,540)
<b>Total Operating Revenue</b>	<b>10,367,240</b>	<b>10,367,240</b>	<b>10,309,366 (57,874)</b>
<b>OPERATING EXPENSES:</b>			
Administrative	368,536	368,536	315,266 53,270
Water Production	1,264,480	1,264,480	1,301,802 (37,322)
Water Distribution/ Collection	1,147,489	1,167,437	1,324,358 (156,921)
Wastewater Treatment	1,306,364	1,306,364	1,384,585 (78,221)
Water Billing	509,758	509,758	509,184 574
Engineering	59,328	59,328	59,740 (412)
Non-Departmental	889,507	900,099	919,500 (19,401)
Depreciation and Amortization	-	-	1,468,137 (1,468,137)
Bad Debt Expense	-	-	39,422 (39,422)
<b>Total Operating Expenses</b>	<b>5,545,462</b>	<b>5,576,002</b>	<b>7,321,994 (1,745,992)</b>
<b>Operating Income (Loss)</b>	<b>4,821,778</b>	<b>4,791,238</b>	<b>2,987,372 (1,803,866)</b>
<b>NONOPERATING REVENUE (EXPENSES):</b>			
Interest Income	7,000	7,000	62,686 55,686
Interest Expense and Fees	-	-	(309,231) (309,231)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>7,000</b>	<b>7,000</b>	<b>(246,545) (253,545)</b>
<b>Income (Loss) Before Transfers</b>	<b>4,828,778</b>	<b>4,798,238</b>	<b>2,740,827 (2,057,411)</b>
Transfers In	-	-	-
Transfers (Out)	(1,238,389)	(1,238,389)	(1,238,389) -
<b>Change in Net Position</b>	<b>3,590,389</b>	<b>3,559,849</b>	<b>1,502,438 (2,057,411)</b>
<b>ADDITIONAL BUDGETED AMOUNTS:</b>			
Capital Outlay	849,600	1,599,600	987,064 612,536
Principal Retirement	2,740,730	2,740,730	7,575,278 (4,834,548)
	<b>3,590,330</b>	<b>4,340,330</b>	<b>8,562,342 (4,222,012)</b>

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

# CITY OF MARSHALL, TEXAS

Exhibit H-1

## INTERNAL SERVICE FUNDS STATEMENT OF NET POSITION DECEMBER 31, 2018

	<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	165,083	(55,073)	(47,743)	62,267
Accounts Receivable	-	-	17,828	17,828
Total Current Assets	<u>165,083</u>	<u>(55,073)</u>	<u>(29,915)</u>	<u>80,095</u>
<i>Noncurrent Assets:</i>				
Capital Assets:				
Buildings	18,524	-	122,596	141,120
Machinery and Equipment	932,399	634,224	20,660	1,587,283
Less: Accumulated Depreciation	<u>(216,184)</u>	<u>(159,651)</u>	<u>(143,256)</u>	<u>(519,091)</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>734,739</u>	<u>474,573</u>	<u>-</u>	<u>1,209,312</u>
Total Noncurrent Assets	<u>734,739</u>	<u>474,573</u>	<u>-</u>	<u>1,209,312</u>
<b>TOTAL ASSETS</b>	<u>899,822</u>	<u>419,500</u>	<u>(29,915)</u>	<u>1,289,407</u>
<b><u>LIABILITIES</u></b>				
<i>Current Liabilities:</i>				
Accounts Payable	-	-	12,575	12,575
<b>TOTAL CURRENT LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>12,575</u>	<u>12,575</u>
<b><u>NET POSITION (DEFICIT)</u></b>				
Invested in Capital Assets, Net of Related Debt	734,739	474,573	-	1,209,312
Unrestricted (Deficit)	<u>165,083</u>	<u>(55,073)</u>	<u>(42,490)</u>	<u>67,520</u>
<b>TOTAL NET POSITION (DEFICIT)</b>	<u>899,822</u>	<u>419,500</u>	<u>(42,490)</u>	<u>1,276,832</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, 2018

	<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	-	-	258,603	258,603
<b>Total Operating Revenue</b>	<b>-</b>	<b>-</b>	<b>258,603</b>	<b>258,603</b>
<b><u>OPERATING EXPENSES:</u></b>				
Materials and Supplies	-	-	274,715	274,715
Depreciation	67,013	72,621	-	139,634
<b>Total Operating Expenses</b>	<b>67,013</b>	<b>72,621</b>	<b>274,715</b>	<b>414,349</b>
<b>Operating (Loss)</b>	<b>(67,013)</b>	<b>(72,621)</b>	<b>(16,112)</b>	<b>(155,746)</b>
<b><u>NONOPERATING REVENUE:</u></b>				
Interest Income	8,014	2,773	-	10,787
<b>Total Nonoperating Revenue</b>	<b>8,014</b>	<b>2,773</b>	<b>-</b>	<b>10,787</b>
<b>Income (Loss) Before Transfers</b>	<b>(58,999)</b>	<b>(69,848)</b>	<b>(16,112)</b>	<b>(144,959)</b>
Transfers In	84,528	100,020	-	184,548
<b>Change in Net Position</b>	<b>25,529</b>	<b>30,172</b>	<b>(16,112)</b>	<b>39,589</b>
<b>Total Net Position (Deficit), Beginning of Year</b>	<b>874,293</b>	<b>389,328</b>	<b>(26,378)</b>	<b>1,237,243</b>
<b>Total Net Position (Deficit), End of Year</b>	<b>899,822</b>	<b>419,500</b>	<b>(42,490)</b>	<b>1,276,832</b>

# CITY OF MARSHALL, TEXAS

Exhibit H-3

## INTERNAL SERVICE FUNDS STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2018

	Equipment Replacement Fund - W&S	Equipment Replacement Fund - GF	Stores Inventory Fund	Total
<b><u>Cash Flows from Operating Activities:</u></b>				
Cash Received from Customers	-	-	265,176	265,176
Cash Payments to Suppliers for Goods and Services	-	-	(269,182)	(269,182)
Net Cash (Used) by Operating Activities	-	-	(4,006)	(4,006)
<b><u>Cash Flows from Noncapital Financing Activities:</u></b>				
Transfers In (Out)	84,528	100,020	-	184,548
Net Cash Provided by Noncapital Financing Activities	84,528	100,020	-	184,548
<b><u>Cash Flows from Capital and Related Financing Activities:</u></b>				
Acquisition of Capital Assets	(272,427)	(101,993)	-	(374,420)
Net Cash (Used) by Capital and Related Financing Activities	(272,427)	(101,993)	-	(374,420)
<b><u>Cash Flows from Investing Activities:</u></b>				
Interest on Investments	8,014	2,773	-	10,787
Net Cash Provided by Investing Activities	8,014	2,773	-	10,787
Net Increase (Decrease) in Cash and Cash Equivalents	(179,885)	800	(4,006)	(183,091)
Cash and Cash Equivalents (Deficit), Beginning of Year	344,968	(55,873)	(43,737)	245,358
Cash and Cash Equivalents (Deficit), End of Year	165,083	(55,073)	(47,743)	62,267
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</u></b>				
Operating (Loss)	(67,013)	(72,621)	(16,112)	(155,746)
<b><u>Adjustments to Reconcile Operating Income (Loss) to Net Cash (Used) by Operating Activities:</u></b>				
Depreciation	67,013	72,621	-	139,634
(Increase) Decrease in Assets:				
Accounts Receivable	-	-	6,573	6,573
Inventory	-	-	12,243	12,243
Increase (Decrease) in Liabilities:				
Accounts Payable	-	-	(6,710)	(6,710)
Total Adjustments	67,013	72,621	12,106	151,740
Net Cash (Used) by Operating Activities	-	-	(4,006)	(4,006)

# CITY OF MARSHALL, TEXAS

Exhibit I-1

## AGENCY FUNDS

### COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

DECEMBER 31, 2018

	<i>Balance</i> <i>December 31,</i> <i>2017</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance</i> <i>December 31,</i> <i>2018</i>
<b><u>POLICE LOCAL RELIEF FUND:</u></b>				
<b>ASSETS</b>				
Cash and Temporary Investments	69,597	4,276	5,074	68,799
<b>TOTAL ASSETS</b>	<b>69,597</b>	<b>4,276</b>	<b>5,074</b>	<b>68,799</b>
<b>LIABILITIES</b>				
Accounts Payable	1,177	-	1,177	-
Due to Employees	68,420	4,276	3,897	68,799
<b>TOTAL LIABILITIES</b>	<b>69,597</b>	<b>4,276</b>	<b>5,074</b>	<b>68,799</b>
<b><u>FIREMEN'S EMERGENCY RELIEF FUND:</u></b>				
<b>ASSETS</b>				
Cash and Temporary Investments	54,235	11,397	11,357	54,275
<b>TOTAL ASSETS</b>	<b>54,235</b>	<b>11,397</b>	<b>11,357</b>	<b>54,275</b>
<b>LIABILITIES</b>				
Accounts Payable	1,996	983	1,996	983
Due to Employees	52,239	11,397	10,344	53,292
<b>TOTAL LIABILITIES</b>	<b>54,235</b>	<b>12,380</b>	<b>12,340</b>	<b>54,275</b>
<b><u>TOTAL AGENCY FUNDS:</u></b>				
<b>ASSETS</b>				
Cash and Temporary Investments	123,832	15,673	16,431	123,074
<b>TOTAL ASSETS</b>	<b>123,832</b>	<b>15,673</b>	<b>16,431</b>	<b>123,074</b>
<b>LIABILITIES</b>				
Accounts Payable	3,173	983	3,173	983
Due to Employees	120,659	15,673	14,241	122,091
<b>TOTAL LIABILITIES</b>	<b>123,832</b>	<b>16,656</b>	<b>17,414</b>	<b>123,074</b>

## **Supplemental Schedules**

# CITY OF MARSHALL, TEXAS

Exhibit SS-1

## SCHEDULE OF GENERAL OBLIGATION DEBT

DECEMBER 31, 2018

<u>Description</u>	<u>Issue</u>	<u>Original</u>	<u>Balance</u>	<u>Issued</u>	<u>Refunded/Retired</u>	<u>Dec. 31,</u>	<u>Requirements</u>		
	<u>Year</u>	<u>Amount</u>	<u>January 1,</u>				<u>2018</u>	<u>2018</u>	<u>2019</u>
Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2010									
January 28, 2010									
Rate 2.75% - 4.5%	2010	1,140,000	600,000		-	(90,000)	510,000	16,338	95,000
Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2010A									
May 13, 2010									
Rate 2.00% - 4.00%	2010	2,100,000	1,275,000		-	(140,000)	1,135,000	38,781	145,000
General Obligation Bonds									
April 15, 2016									
Rate 2.00% - 4.00%	2016	3,845,000	3,770,000		-	(325,000)	3,445,000	102,000	335,000
Combination Tax and Revenue Certificates of Obligations, Series 2017									
July 13, 2017									
Rate 2.173%	2017	2,000,000	2,000,000		-	(50,000)	1,950,000	41,558	75,000
<b>TOTAL GENERAL OBLIGATION DEBT</b>		<b>9,085,000</b>	<b>7,645,000</b>		-	<b>(605,000)</b>	<b>7,040,000</b>	<b>198,677</b>	<b>650,000</b>

# CITY OF MARSHALL, TEXAS

Exhibit SS-2

## SCHEDULE OF WATER AND SEWER REVENUE BONDS DECEMBER 31, 2018

<u>Description</u>	<u>Issue Year</u>	<u>Original Amount Issued</u>	<u>Balance January 1, 2018</u>	<u>Issued 2018</u>	<u>Retired 2018</u>	<u>Dec. 31, 2018</u>	<u>Requirements</u>	
							<u>Calendar Year 2019</u>	<u>Interest</u>
Water and Sewer Revenue Refunding Bonds December 1, 2006 Rate 4.25%, 5.50%, 4.00%	2006	9,235,000	4,290,000	-	(4,290,000)	-	-	-
Tax and Surplus Revenue Refunding Bonds April 1, 2012 Rate 3.6%, 4.5%, 4.6%, 4.75%	2012	5,065,000	2,815,000	-	(2,815,000)	-	-	-
General Obligation Refunding Bonds July 10, 2018 Rate 2.649%	2018	3,652,000	-	3,652,000	-	3,652,000	64,053	2,468,000
<b>TOTAL WATER AND SEWER REVENUE BONDS</b>		<b>17,952,000</b>	<b>7,105,000</b>	<b>3,652,000</b>	<b>(7,105,000)</b>	<b>3,652,000</b>	<b>64,053</b>	<b>2,468,000</b>

# CITY OF MARSHALL, TEXAS

Exhibit SS-3

## SCHEDULE OF DELINQUENT TAXES RECEIVABLE DECEMBER 31, 2018

<u>Year</u>	<u>Amount</u>
1993	376
1994	422
1995	693
1996	1,167
1997	1,778
1998	5,348
1999	5,946
2000	6,543
2001	7,703
2002	9,301
2003	10,643
2004	13,962
2005	15,528
2006	17,854
2007	19,199
2008	24,262
2009	28,500
2010	30,831
2011	32,817
2012	39,895
2013	49,597
2014	60,539
2015	94,218
2016	126,182
2017	<u>199,558</u>
Total Delinquent Taxes Receivable	802,862
Less: Allowance for Uncollectibles	<u>(40,143)</u>
<b>NET DELINQUENT TAXES RECEIVABLE</b>	<b><u>762,719</u></b>

# CITY OF MARSHALL, TEXAS

Exhibit SS-4

## COMPARISON OF ASSESSED VALUATIONS FROM 1989 THROUGH 2018

<u>Tax Levy Year</u>	<u>Tax Rate</u>	<u>Assessed Value</u>
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
2018	.54216	990,431,364