

OFFICIAL NOTICE OF SALE, BID FORM
and
PRELIMINARY OFFICIAL STATEMENT

\$13,300,000*
CITY OF MARSHALL, TEXAS

(A municipal corporation and political subdivision of the State of Texas located in Harrison County)

**COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION
SERIES 2023A**

Bids Due
Thursday, September 14, 2023
at
10:00 A.M., Central Time

**NOTICE OF SALE
AND
BIDDING INSTRUCTIONS**

ON

**\$13,300,000*
CITY OF MARSHALL, TEXAS
(Harrison County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2023A**

Bids Due Thursday, September 14, 2023, at 10:00 AM, CT

THE SALE

CERTIFICATES OFFERED FOR SALE AT COMPETITIVE BIDDING . . . The City of Marshall, Texas (the "City") is offering for sale its \$13,300,000* Combination Tax and Revenue Certificates of Obligation, Series 2023A (the "Certificates"). Bidders may submit bids for the Certificates electronically as described below in "Electronic Bidding Procedures."

ELECTRONIC BIDDING PROCEDURE . . . Any prospective bidder that intends to submit an electronic bid must submit its electronic bid through the facilities of PARITY. Subscription to i-Deal's BIDCOMP Competitive Bidding System is required in order to submit an electronic bid. The City will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe. Bidders submitting an electronic bid shall not be required to submit Official Bid Forms prior to award.

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Certificates on the terms provided in this Notice of Sale and Bidding Instructions, and shall be binding upon the bidder as if made by a signed, bid by facsimile to the City. The City shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of, PARITY, the use of such facilities being the sole risk of the prospective bidder.

If any provisions of this Notice of Sale and Bidding Instructions shall conflict with information provided by PARITY as the approved provider of electronic bidding services, this Notice of Sale and Bidding Instructions shall control. Further information about PARITY, including any fee charged, may be obtained from Ipreo's Municipal Client Services via telephone (212) 849-5021 or email munis@ipreo.com.

For purposes of the electronic bidding process, the time as maintained by i-Deal shall constitute the official time. For information purposes only, bidders are requested to state in their electronic bids the true interest cost to the City, as described under "Basis for Award" below. All electronic bids shall be deemed to incorporate the provisions of this Notice of Sale and Bidding Instructions and the Official Bid Form. The winning bidder shall submit a signed bid form if not previously submitted.

Bids by physical delivery shall not be allowed.

PLACE AND TIME OF BID OPENING . . . The bids for the Certificates will be publicly opened and read at the offices of Hilltop Securities Inc., Financial Advisor to the City, at 10:00 AM, CST, Thursday, September 14, 2023.

AWARD OF THE CERTIFICATES . . . The City Council will take action to award the Certificates (or reject all bids) at a meeting scheduled to convene at 6:00 PM, CST, on the date of the bid opening, and if the Certificates are awarded to the best bidder, will adopt an ordinance authorizing the Certificates and approving the Official Statement (the "Ordinance").

* Preliminary, subject to change. See "THE CERTIFICATES— Adjustment of Principal Amounts and/or Types of Bids."

THE CERTIFICATES

DESCRIPTION . . . The Certificates will be dated as of the date of initial delivery to the winning bidder (the “Date of Delivery”, anticipated to be on or about October 10, 2023). Interest will be paid on March 15 and September 15 of each year, commencing March 15, 2024, until maturity or prior redemption. The Certificates will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity. The Certificates will mature on September 15 in each year as follows:

MATURITY SCHEDULE*

<u>Maturity Date⁽¹⁾</u>	<u>Principal Amount</u>
9/15/2024	\$ 445,000
9/15/2025	425,000
9/15/2026	445,000
9/15/2027	465,000
9/15/2028	490,000
9/15/2029	515,000
9/15/2030	540,000
9/15/2031	570,000
9/15/2032	595,000
9/15/2033	625,000
9/15/2034	655,000
9/15/2035	690,000
9/15/2036	725,000
9/15/2037	760,000
9/15/2038	800,000
9/15/2039	840,000
9/15/2040	875,000
9/15/2041	910,000
9/15/2042	945,000
9/15/2043	985,000

OPTIONAL REDEMPTION . . .

The City reserves the right, at its option, to redeem Certificates having stated maturities on and after September 15, 2033 in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on September 15, 2032, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption (see “THE CERTIFICATES - Optional Redemption”).

ADJUSTMENT OF PRINCIPAL AMOUNTS AND/OR TYPES OF BIDS . . . Prior to 5:00 PM, CST on the business day before the bids are due, the City may, in its sole discretion, adjust the principal amount set forth above (the “Maturity Schedule”) and/or the type of bid required on the Certificates. Hilltop Securities Inc., as Financial Advisor to the City, will give notice of any such adjustment by Bloomberg and PARITY. Should such adjustments be made, a revised Official Bid Form will be made available through i-Deal Prospectus and PARITY. For purposes of this paragraph, the term “Maturity Schedule” shall include any adjustments to the principal amounts shown above including the total par amount so made by the City by posting to PARITY and a Bloomberg Wire. **Also see “CONDITIONS OF THE SALE” herein.**

After the Sale... After receipt of the Bids but prior to award, the City reserves the right to adjust the aggregate principal amount and the principal amount of each maturity of the Certificates shown on the Maturity Schedule. The principal amount of any maturity of the Certificates shall only be adjusted in \$5,000 increments and shall not be increased or decreased by an amount that exceeds 15% of the preliminary principal amount of such maturity (rounded up to the next higher integral of \$5,000) without permission of the successful bidder. Such adjustment(s), if any, shall be made within 4 hours of the award of the Certificates. THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR THE INITIAL REOFFERING PRICES AS A RESULT OF ANY CHANGES MADE TO THE REVISED AMOUNTS WITHIN THESE LIMITS. The dollar amount bid by the successful bidder will be adjusted to reflect changes in the aggregate principal amounts of the Certificates. Such adjusted bid price will reflect changes in the dollar amount of the underwriter’s discount and the original issue discount/premium, if any, but will not change the selling compensation per \$1,000 of par amount of Certificates from the selling compensation that would have been received based on the purchase price in the winning bid and initial reoffering prices. In the event of any adjustment of the maturity schedule for the Certificates as described herein, no

* Preliminary, subject to change. See “THE CERTIFICATES – Adjustment of Principal Amounts and/or Types of Bids.”

rebidding or recalculation of the proposals submitted will be required or permitted. Any such adjustment of the aggregate principal amount of the Certificates and/or the maturity schedules for the Certificates made by the City or its Financial Advisor shall be subsequent to the award of the Certificates to the winning bidder as determined pursuant to "CONDITIONS OF THE SALE – Basis for Award" herein and shall not affect such determination. The successful Bidder may not withdraw its bid as a result of any changes made within the aforementioned limits.

SERIAL CERTIFICATES AND/OR TERM CERTIFICATES . . . Bidders may provide that all of the Certificates be issued as serial Certificates or may provide that any two or more consecutive annual principal amounts be combined into one or more "Term Certificates".

The final Official Statement will incorporate the mandatory redemption provisions for the Certificates in the event the successful bidder elects to convert serial maturities into one or more Term Certificates.

MANDATORY SINKING FUND REDEMPTION . . . If the successful bidder elects to alter the Maturity Schedule reflected above and convert any consecutive serial Certificates into Term Certificates, such Term Certificates shall be subject to mandatory redemption on the first September 1 next following the last maturity for serial Certificates, and annually thereafter on each September 1 until the stated maturity for the Term Certificates at the redemption price of par plus accrued interest to the date of redemption. The principal amounts of the Term Certificates to be redeemed on each mandatory redemption date shall be the principal amounts that would have been due and payable in the Maturity Schedule shown above had no designation of such maturities as Term Certificates occurred.

The principal amount of Term Certificates required to be redeemed on any mandatory redemption date pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the City, by the principal amount of any Term Certificates which, at least 45 days prior to a mandatory redemption date (1) shall have been acquired by the City at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the City at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date of purchase, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

BOOK-ENTRY-ONLY SYSTEM . . . The City intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York ("DTC"). See "BOOK-ENTRY-ONLY SYSTEM" in the Preliminary Official Statement.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar shall be U.S. Bank Trust Company, National Association. See "REGISTRATION, TRANSFER AND EXCHANGE - Paying Agent/Registrar" in the Preliminary Official Statement.

SOURCE OF PAYMENT . . .

The Certificates constitute direct obligations of the City, payable from a combination of (i) a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and (ii) a pledge of the surplus net revenues of the City's Waterworks and Sewer System.

Further details regarding the Certificates are set forth in the Preliminary Official Statement.

CONDITIONS OF THE SALE

TYPE OF BIDS AND INTEREST RATES . . . The Certificates will be sold in one block, on an "All or None" basis, and at a price of not less than 102% of their par value and not more than 108% of their par value. The maximum coupon rate shall not exceed 5.00%. Bidders are invited to name the rate(s) of interest to be borne by the Certificates, provided that each rate bid must be in a multiple of 1/8 of 1% or 1/100 of 1% and the. The highest rate bid may not exceed the lowest rate bid by more than 3.00% in rate. **The high bidder will be required to submit reoffering yields and dollar prices prior to award.** No limitation is imposed upon bidders as to the number of rates or changes which may be used. All Certificates of one maturity must bear one and the same rate. Each bidder shall state in the bid the total interest cost in dollars and the True Interest Cost as defined below.

BASIS FOR AWARD . . . Subject to the City's right to reject any or all bids and to waive irregularities except for time of filing, the sale of the Certificates will be awarded to the bidder making a bid (the "Initial Purchaser" or "Purchaser") that conforms to the specifications herein and which produces the lowest True Interest Cost rate to the City. The True Interest Cost rate is that rate which, when used to compute the total present value as of the Date of Delivery of all debt service payments on the Certificates on the basis of semi-annual compounding, produces an amount equal to the sum of the par value of the Certificates plus any premium bid. In the event of a bidder's error in interest cost rate calculations, the interest rates, and premium, if any, set forth in the Official Bid Form will be considered as the official bid.

GOOD FAITH DEPOSIT . . . A Good Faith Deposit, payable to the "City of Marshall, Texas", in the amount of \$66,900.00 is required. Such Good Faith Deposit shall be in the form of a bank cashier's check or certified check, which is to be

retained uncashed by the City pending the Initial Purchaser's compliance with the terms of its bid and this Notice of Sale and Bidding Instructions. The Good Faith Deposit may accompany the Official Bid Form or it may be submitted separately. If submitted separately, it shall be made available to the City prior to the opening of the bids, and shall be accompanied by instructions from the bank on which it is drawn which authorize its use as a Good Faith Deposit by the Initial Purchaser who shall be named in such instructions. **The Good Faith Deposit of the Initial Purchaser will be returned to the Initial Purchaser upon payment for the Certificates.** No interest will be allowed on the Good Faith Deposit. **In the event the Initial Purchaser should fail or refuse to take up and pay for the Certificates in accordance with the bid, or if it is determined after the acceptance of its bid by the City that the Initial Purchaser was found not to satisfy the requirements described below under the caption "Standing Letter Requirement" and as a result the Texas Attorney General will not deliver its approving opinion of the Certificates, then said check shall be cashed and accepted by the City as full and complete liquidated damages.** The checks accompanying bids other than the winning bid will be returned immediately after the bids are opened, and an award of the Certificates has been made.

ADDITIONAL CONDITIONS OF AWARD — DISCLOSURE OF INTERESTED PARTY FORM

Obligation of the City to receive information from winning bidder. Pursuant to Texas Government Code Section 2252.908 (the "Interested Party Disclosure Act"), the City may not award the Certificates to the winning bidder unless the bidder (i) submits a Certificate of Interested Parties Form 1295 (the "Disclosure Form") to the City as prescribed by the Texas Ethics Commission ("TEC") or (ii) certifies in the Official Bid Form that it is exempt from filing the Disclosure Form by virtue of being a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity. In the event that the bidder's bid for the Certificates is the best bid received, the City, acting through its financial advisor, will promptly notify the bidder. That notification will serve as the conditional verbal acceptance of the bid, and, unless exempt, will obligate the bidder to promptly file a completed Disclosure Form, as described below, in order to complete the award. The City reserves the right to reject any bid that does not comply with the requirements prescribed herein.

Process for completing the Disclosure Form. Reference should be made to the Disclosure Form, the rules of the TEC with respect to the Disclosure Form (the "Disclosure Rules") and the Interested Party Disclosure Act. Instructional information regarding such matters are set forth at https://www.ethics.state.tx.us/whatsnew/elf_info_form1295.htm. For purposes of completing the Disclosure Form the Initial Purchaser will need the following information: (a) item 2 – name of governmental entity: City of Marshall, Texas and (b) item 3 – the identification number assigned to this contract by the City: Marshall Combination Tax and Revenue Certificates of Obligation, Series 2023A, and a description of the services to be provided under the contract: Purchase of Certificates. Unless a business entity is exempt from filing the Disclosure Form, the Interested Party Disclosure Act and the Disclosure Rules require a business entity contracting with the City to complete the form at the TEC Internet "portal" that may be accessed at the url set forth above, and then print, complete the unsworn declaration, sign and deliver the Disclosure Form by email to the City (Dawn Jones, Finance Director, jones.dawn@marshalltexas.net), Financial Advisor (John Martin, john.martin@hilltopsecurities.com) and Bond Counsel (Jeff Gulbas, jgulbas@mphlegal.com). Following the award of the Certificates, the City will acknowledge receipt of the completed Disclosure Form through the TEC website, if necessary, as required by the law.

Preparations and for completion, and the significance of, the reported information. The Interested Party Disclosure Act provides that such disclosure is made "under oath and under penalty of perjury." **Consequently, a bidder should take appropriate steps prior to completion of the Disclosure Form to familiarize itself with the Interested Party Disclosure Act, the Disclosure Rules and the Disclosure Form.** Time will be of the essence in submitting the form to the City, and, unless exempt, no award will be made by the City of the Certificates until a completed Disclosure Form from the winning bidder is received. The City reserves the right to reject any bid that is not accompanied by a completed Disclosure Form, as described herein. Neither the City nor its consultants have the ability to verify whether a bidder is exempt or the information included in a Disclosure Form, and neither have an obligation nor undertake responsibility for advising any bidder with respect to the proper completion of the Disclosure Form or exemption status. Consequently, an entity intending to bid on the Certificates should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form promptly upon notification from the City that its bid is the conditional winning bid.

VERIFICATION PURSUANT TO CHAPTER 2271 OF THE TEXAS GOVERNMENT CODE . . . To the extent the winning bid for the Certificates represents a contract for goods or services within the meaning of Section 2271.002 of the Texas Government Code, as amended, the bidder will be required to verify in the Official Bid Form, for purposes of Chapter 2271 of the Texas Government Code, as amended, that, at the time of execution and delivery of its bid, neither the bidder nor any syndicate member listed on the Official Bid Form, nor any parent company, wholly- or majority- owned subsidiaries, and other affiliates of the same, if any, boycotts Israel or will boycott Israel through the date of delivery of the Certificates. The foregoing verification is made solely to comply with Section 2271.002, Texas Government Code, and to the extent such Section does not contravene applicable Federal law. As used in the foregoing verification, "boycotts Israel" and "boycott Israel" means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does

not include an action made for ordinary business purposes. The bidder understands "affiliate" to mean an entity that controls, is controlled by, or is under common control with the bidder or any syndicate member listed on the Official Bid Form and exists to make a profit.

VERIFICATION PURSUANT TO CHAPTER 2252 OF THE TEXAS GOVERNMENT CODE . . . Pursuant to Chapter 2252 of the Texas Government Code, the winning bidder will be required to verify that neither the bidder nor any syndicate member listed on the Official Bid Form, nor any parent company, wholly- or majority-owned subsidiaries, or other affiliates of the same are companies identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2271.0201, Texas Government Code, and posted on any of the following pages of such officer's internet website: <https://comptroller.texas.gov/purchasing/docs/sudanlist.pdf>, <https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>, or <https://comptroller.texas.gov/purchasing/docs/ftolist.pdf>. The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Federal law and excludes the winning bidder or any syndicate member listed on the Official Bid Form and each parent company, wholly- or majority-owned subsidiaries, and other affiliates, of the same, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. The bidder understands "affiliate" to mean any entity that controls, is controlled by, or is under common control with the bidder or any syndicate member listed on the Official Bid Form and exists to make a profit.

COMPLIANCE WITH LAW PROHIBITING CONTRACTS WITH COMPANIES THAT DISCRIMINATE AGAINST FIREARM ENTITIES OR FIREARM TRADE ASSOCIATIONS . . . To the extent the winning bid for the Certificates constitutes a contract for the purchase of goods or services for which a written verification is required under Section 2274.002, Texas Government Code, (as added by Senate Bill 19, 87th Texas Legislature, Regular Session), as amended, the bidder verifies, for purposes of Chapter 2274 of the Texas Government Code, as amended, that neither the winning bidder nor any syndicate member listed on the Official Bid Form, nor any parent company, wholly- or majority-owned subsidiaries, and other affiliates of the same, if any, (1) do not have a practice, policy, guidance or directive that discriminates against a firearm entity or firearm trade association; and (2) will not discriminate through the delivery date of the Certificates against a firearm entity or firearm trade association. The foregoing verification is made solely to comply with Section 2274.002, Texas Government Code, as amended, to the extent Section 2274.002, Texas Government Code does not contravene applicable Texas or federal law. As used in the foregoing verification, "discriminate against a firearm entity or firearm trade association" (A) means, with respect to the entity or association, to (i) refuse to engage in the trade of any goods or services with the entity or association based solely on its status as a firearm entity or firearm trade association; (ii) refrain from continuing an existing business relationship with the entity or association based solely on its status as a firearm entity or firearm trade association; or (iii) terminate an existing business relationship with the entity or association based solely on its status as a firearm entity or firearm trade association; and (B) does not include: (i) the established policies of a merchant, retail seller, or platform that restrict or prohibit the listing or selling of ammunition, firearms, or firearm accessories; and (ii) a company's refusal to engage in the trade of any goods or services, decision to refrain from continuing an existing business relationship, or decision to terminate an existing business relationship: (aa) to comply with federal, state, or local law, policy, or regulations or a directive by a regulatory agency; or (bb) for any traditional business reason that is specific to the customer or potential customer and not based solely on an entity's or association's status as a firearm entity or firearm trade association. The bidder and each syndicate member listed on the Official Bid Form understands "affiliate" to mean any entity that controls, is controlled by, or is under common control with the bidder or any syndicate member listed on the Official Bid Form within the meaning of Securities and Exchange Commission ("SEC") Rule 405, 17. C.F.R. § 230.405, and exists to make a profit.

COMPLIANCE WITH LAW PROHIBITING CONTRACTS WITH COMPANIES THAT BOYCOTT ENERGY COMPANIES . . . To the extent the winning bid for the Certificates constitutes a contract for goods or services for which a written verification is required under Section 2274.002, Texas Government Code, (as added by Senate Bill 13, 87th Texas Legislature, Regular Session) as amended, neither the winning bidder nor any syndicate member listed on the Official Bid Form, nor any parent company, wholly- or majority-owned subsidiaries, and other affiliates of the same, if any, do not boycott energy companies and, will not boycott energy companies through the delivery date of the Certificates. The foregoing verification is made solely to comply with Section 2274.002, Texas Government Code, as amended, to the extent Section 2274.002, Texas Government Code does not contravene applicable Texas or federal law. As used in the foregoing verification, "boycott energy companies" shall mean, without an ordinary business purpose, refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations with a company because the company (A) engages in the exploration, production, utilization, transportation, sale, or manufacturing of fossil fuel-based energy and does not commit or pledge to meet environmental standards beyond applicable federal and state law; or (B) does business with a company described by (A) above. The winning bidder and any syndicate member listed on the Official Bid Form understands "affiliate" to mean any entity that controls, is controlled by, or is under common control with the bidder or any syndicate member listed on the Official Bid Form within the meaning of SEC Rule 405, 17. C.F.R. § 230.405, and exists to make a profit.

STANDING LETTER REQUIREMENT . . . The bidder must have a standing letter on file with the Municipal Advisory Council of Texas and the Texas Attorney General's Office as required by the All Bond Counsel Letter of the Texas Attorney General dated September 22, 2021 (the "All Bond Counsel Letter"). In submitting a bid, the bidder represents to the City that it has filed a standing letter that conforms to the requirements set forth in the All Bond Counsel Letter and it has no reason to believe that the City may not be entitled to rely on the standing letter on file with the Municipal Advisory Council of Texas and the Texas Attorney General's Office. Bidder agrees that it will not rescind its standing letter at any time before the delivery of the Certificates unless same is immediately replaced with a standing letter meeting the requirements of the All Bond Counsel Letter.

The City reserves the right, in its sole discretion, to reject any bid from a bidder that does not have such standing letter on file as of the deadline for bids for the Certificates. If requested by the City, the Purchaser agrees to provide such further representations, certifications or assurances regarding the matters described under the heading COMPLIANCE WITH LAW PROHIBITING CONTRACTS WITH COMPANIES THAT DISCRIMINATE AGAINST FIREARM ENTITIES OR FIREARM TRADE ASSOCIATIONS and COMPLIANCE WITH LAW PROHIBITING CONTRACTS WITH COMPANIES THAT BOYCOTT ENERGY COMPANIES, as of the date of delivery of the Certificates or such other date requested by the City.

In addition, the City reserves the right, in its sole and absolute discretion, to reject any bid from a bidder if the City has any belief or doubt, whether or not reasonable, that the bidder is under an active, pending or unresolved inquiry from the State of Texas as to the ability of the bidder to satisfy the representations and verifications required to be a standing letter.

FURTHER STATE LAW COMPLIANCE . . . THE CITY WILL NOT ACCEPT THE BID OF ANY BIDDER WHO IS, OR WHOSE PARENT COMPANY, SUBSIDIARIES OR AFFILIATES IS, ON A LIST MAINTAINED BY THE TEXAS COMPTROLLER OR HAS A PENDING OR UNRESOLVED INQUIRY FROM A POLITICAL SUBDIVISION OR THE TEXAS COMPTROLLER OR THE TEXAS ATTORNEY GENERAL RELATED TO COMPLIANCE WITH CHAPTER 2274 OF THE TEXAS GOVERNMENT CODE.

THE BIDDER REPRESENTS, BY SUBMISSION OF A BID, THAT NEITHER IT NOR ITS PARENT COMPANY, SUBSIDIARIES OR AFFILIATES HAS RECEIVED A LETTER FROM THE TEXAS COMPTROLLER RELATED TO ITS INCLUSION ON ANY LIST OF FINANCIAL COMPANIES BOYCOTTING ENERGY COMPANIES. BY SUBMITTING A BID, BIDDER AGREES, THAT SHOULD IT BE THE WINNING BIDDER, BIDDER SHALL TAKE ANY ACTION NECESSARY TO FURTHER VERIFY AND CONFIRM COMPLIANCE WITH STATE LAW. IF THE TEXAS ATTORNEY GENERAL REQUIRES ADDITIONAL DOCUMENTATION IN ORDER TO RELEASE ITS OPINION, IT IS THE BIDDER'S SOLE RESPONSIBILITY TO SATISFY ALL REQUESTS OF THE TEXAS ATTORNEY GENERAL. THE CITY HAS NO DUTY OR RESPONSIBILITY TO ASSIST THE BIDDER IN SATISFYING THESE REQUIREMENTS. BY SUBMITTING A BID, THE BIDDER UNDERSTANDS AND AGREES THAT THE CITY HAS THE SOLE DISCRETION TO KEEP THE BIDDER'S GOOD FAITH DEPOSIT IF THE BIDDER FAILS TO SATISFY THE OFFICE OF THE TEXAS ATTORNEY GENERAL AS TO THE REPRESENTATIONS DESCRIBED HEREIN."

IMPACT OF BIDDING SYNDICATE ON AWARD . . . For purposes of contracting for the sale of the Certificates, the entity signing the bid form as Purchaser shall be the sole contracting party with the City in connection with the sale of the Certificates and shall be solely responsible for the payment of the purchase price of the Certificates. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the City is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

DELIVERY OF THE CERTIFICATES AND ACCOMPANYING DOCUMENTS

CUSIP NUMBERS . . . It is anticipated that CUSIP identification numbers will appear on the Certificates, but neither the failure to print or type such number on any Note nor any error with respect thereto shall constitute cause for a failure or refusal by the Initial Purchaser to accept delivery of and pay for the Certificates in accordance with the terms of this Notice of Sale and Bidding Instructions and the terms of the Official Bid Form. All expenses in relation to the printing or typing of CUSIP numbers on the Certificates shall be paid by the City.

DELIVERY OF CERTIFICATES . . . Initial Delivery will be accomplished by the issuance of one Initial Note (the "Initial Note"), either in typed or printed form, in the aggregate principal amount of \$13,300,000*, payable for each maturity of the Certificates to the Initial Purchaser or its designee, signed by the Mayor and City Secretary, approved by the Attorney General of the State of Texas, and registered and manually signed by the Comptroller of Public Accounts of the

State of Texas. Upon delivery of the Initial Note, they shall be immediately cancelled and one definitive Note for each maturity will be registered and delivered only to Cede & Co., and deposited with DTC in connection with DTC's Book-Entry-Only System. Delivery will be at the office of the Paying Agent/Registrar in Dallas, Texas. Payment for the Certificates must be made in immediately available funds for unconditional credit to the City, or as otherwise directed by the City. The Initial Purchaser will be given six business days' notice of the time fixed for delivery of the Certificates. It is anticipated that delivery of the Certificates can be made on or about October 10, 2023, and it is understood and agreed

that the Initial Purchaser will accept delivery and make payment for the Certificates by 10:00 AM, CST, on October 10, 2023, or thereafter on the date the Certificates are tendered for delivery, up to and including September 20, 2023. If for any reason the City is unable to make delivery on or before September 20, 2023, the City shall immediately contact the Initial Purchaser and offer to allow the Initial Purchaser to extend its offer for an additional thirty (30) days. If the Initial Purchaser does not elect to extend its offer within six days thereafter, then its Good Faith Deposit will be returned, and both the City and the Initial Purchaser shall be relieved of any further obligation. In no event shall the City be liable for any damages by reason of its failure to deliver the Certificates, provided such failure is due to circumstances beyond the City's reasonable control.

CONDITIONS TO DELIVERY . . . The obligation of the Initial Purchaser to take up and pay for the Certificates is subject to the Initial Purchaser's receipt of (a) the legal opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel for the City ("Bond Counsel") and (b) the City's certification as to the Official Statement and no litigation, all as further described in the Official Statement. Bond Counsel may not deliver its approving opinion of the Certificates without the prior receipt of the approving opinion of the Texas Attorney General, as described on the cover of the Preliminary Official Statement under "LEGALITY".

In order to provide the City and its consultants with information required to be submitted to the Texas Bond Review Board pursuant to Section 1202.008, Texas Government Code, as amended, the Initial Purchaser will be required to provide the City (on or before the 10th day prior to delivery of the Certificates) with a breakdown of its "Underwriting Spread" among the following categories: Takedown, Management Fee (if any), Legal Counsel Fee (if any) and Spread Expenses (if any).

ESTABLISHING THE ISSUE PRICE FOR THE CERTIFICATES . . . The City intends to rely on Treasury Regulation section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of municipal bonds), which require, among other things, that the City receives bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds (the "Competitive Sale Requirement").

In the event that the bidding process does not satisfy the Competitive Sale Requirement, Bids will not be subject to cancellation and the winning bidder (i) agrees to promptly report to the City the first prices at which at least 10% of each maturity of the Certificates (the "First Price Maturity") have been sold to the Public on the Sale Date (the "10% Test") (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% Test) and (ii) agrees to hold-the-offering-price of each maturity of the Certificates that does not satisfy the 10% Test ("Hold-the-Price Maturity"), as described below.

In order to provide the City with information that enables it to comply with the establishment of the issue price of the Certificates under the Internal Revenue Code of 1986, as amended, the winning bidder agrees to complete, execute, and timely deliver to the City or to the City's municipal advisor, Hilltop Securities Inc. (the "City's Municipal Advisor") a certification as to the Certificates' "issue price" (the "Issue Price Certificate") substantially in the form and to the effect attached hereto or accompanying this Notice of Sale, within 5 business days prior to the Closing Date if the Competitive Sale Requirement is satisfied or within 5 business days of the date on which the 10% Test is satisfied with respect to all of the First Price Maturities. In the event the winning bidder will not reoffer any maturity of the Certificates for sale to the Public (as defined herein) by the Closing Date, the Issue Price Certificate may be modified in a manner approved by the City. It will be the responsibility of the winning bidder to institute such syndicate reporting requirements, to make such investigation, or otherwise to ascertain such facts necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel (identified in the Preliminary Official Statement).

For purposes of this section of this Notice of Sale:

- (i) "Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party to the Underwriter,
- (ii) "Underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the Public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Certificates to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Certificates to the Public),

* Preliminary, subject to change. See "THE CERTIFICATES— Adjustment of Principal Amounts and/or Types of Bids."

- (iii) "Related Party" means any two or more persons (including an individual, trust, estate, partnership, association, company, or corporation) that are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) "Sale Date" means the date that the Certificates are awarded by the City to the winning bidder.

All actions to be taken by the City under this Notice of Sale to establish the issue price of the Certificates may be taken on behalf of the City by the City's Municipal Advisor, and any notice or report to be provided to the City may be provided to the City's Municipal Advisor.

The City will consider any bid submitted pursuant to this Notice of Sale to be a firm offer for the purchase of the Certificates, as specified in the bid and, if so stated, in the Official Bid Form.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Certificates to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, (A) to report the prices at which it sells to the Public the unsold Certificates of each maturity allocated to it until either all such Certificates have been sold or it is notified by the winning bidder that either the 10% Test has been satisfied as to the Certificates of that maturity, (B) to promptly notify the winning bidder of any sales of Certificates that, to its knowledge, are made to a purchaser who is a Related Party to an Underwriter, and (C) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder will assume that based on such agreement each order submitted by the underwriter, dealer or broker-dealer is a sale to the Public; and (ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Certificates to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Certificates to the Public to require each underwriter or dealer that is a party to such third-party distribution agreement to report the prices at which it sells to the Public the unsold Certificates of each maturity allocated to it until either all such Certificates have been sold or it is notified by the winning bidder or such Underwriter that either the 10% Test has been satisfied as to the Certificates of that maturity. Sales of any Certificates to any person that is a Related Party to an Underwriter shall not constitute sales to the public for purposes of this Notice of Sale.

By submitting a bid, the winning bidder agrees, on behalf of each Underwriter participating in the purchase of the Certificates, that each Underwriter will neither offer nor sell any Hold-the-Price Maturity to any person at a price that is higher than the initial offering price to the Public during the period starting on the Sale Date and ending on the earlier of (1) the close of the fifth (5th) business day after the Sale Date; or (2) the date on which the Underwriters have sold at least 10% of that Hold-the-Price Maturity to the Public at a price that is no higher than the initial offering price to the Public. The winning bidder shall promptly advise the City when the Underwriters have sold 10% of a Hold-the-Price Maturity to the Public at a price that is no higher than the initial offering price to the Public, if that occurs prior to the close of the fifth (5th) business day after the Sale Date.

LEGAL OPINIONS. . . The Certificates are offered when, as and if issued, subject to the approval of the Attorney General of the State of Texas. Delivery of and payment for the Certificates is subject to the receipt by the Initial Purchaser of an opinion of Bond Counsel, substantially in the form reproduced in APPENDIX C to the Official Statement, to the effect that the Certificates are valid and binding obligations of the City and that the interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS" in the Official Statement.

CERTIFICATION OF PRELIMINARY OFFICIAL STATEMENT . . . On the Date of Delivery, the City will execute and deliver to the Initial Purchaser a certificate in the form set forth in the Preliminary Official Statement under "OTHER PERTINENT INFORMATION – Certification as to Official Statement."

CHANGE IN TAX EXEMPT STATUS . . . At any time before the Certificates are tendered for delivery, the Initial Purchaser may withdraw its bid if the interest received by private holders on obligations of the same type and character as the Certificates shall be declared to be includable in gross income under present federal income tax laws, either by ruling of the Internal Revenue Service or by a decision of any federal court, or shall be declared taxable or be required to be taken into account in computing any federal income taxes, by the terms of any federal income tax law enacted subsequent to the date of this Notice of Sale and Bidding Instructions.

GENERAL

FINANCIAL ADVISOR . . . Hilltop Securities Inc. is employed as Financial Advisor to the City in connection with the issuance of the Certificates. The Financial Advisor's fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. Hilltop Securities Inc. has agreed, in its Financial Advisory contract, not to bid for the Certificates, either independently or as a member of a syndicate organized to submit a bid for the Certificates. Hilltop Securities Inc., in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

BLUE SKY LAWS . . . By submission of its bid, the Initial Purchaser represents that the sale of the Certificates in states other than Texas will be made only pursuant to exemptions from registration or, where necessary, the Initial Purchaser will register the Certificates in accordance with the securities law of the states in which the Certificates are offered or sold. The City agrees to cooperate with the Initial Purchaser, at the Initial Purchaser's written request and sole expense, in registering the Certificates or obtaining an exemption from registration in any state where such action is necessary; provided, however, that the City shall not be obligated to qualify as a foreign corporation or to execute a general or special consent to service of process in any such jurisdiction.

NOT AN OFFER TO SELL . . . This Notice of Sale and Bidding Instructions does not alone constitute an offer to sell the Certificates, but is merely notice of the sale of the Certificates. The offer to sell the Certificates is being made by means of this Notice of Sale and Bidding Instructions, the Official Bid Form and the Preliminary Official Statement. Prospective purchasers are urged to carefully examine the Preliminary Official Statement to determine the investment quality of the Certificates.

ISSUANCE OF ADDITIONAL DEBT . . . The City does not anticipate the issuance of additional general obligation debt within the next 12 months.

RATINGS . . . The Certificates are rated "AA-" by S&P Global Ratings, a division of S&P Global, Inc. ("S&P"), without regard to credit enhancement (see "OTHER PERTINENT INFORMATION -Rating" in the Official Statement).

MUNICIPAL BOND INSURANCE . . . In the event the Certificates are qualified for municipal bond insurance, and the Initial Purchaser desires to purchase such insurance, the cost will be paid by the Initial Purchaser. Any fees to be paid to rating agencies other than S&P as a result of said insurance will be paid by the Initial Purchaser. It will be the responsibility of the Initial Purchaser to disclose the existence of insurance, its terms, and the effect thereof with respect to the reoffering of the Certificates. Any rating downgrade or notice of potential downgrade by Moody's or S&P, respectively, of the bond insurance provider after the Bid Opening shall not relieve the Initial Purchaser of its obligation under the heading "Delivery of the Certificates and Accompanying Documents".

THE PRELIMINARY OFFICIAL STATEMENT AND COMPLIANCE WITH SEC RULE 15c2-12 . . . The City has prepared, or caused to be prepared, the accompanying Preliminary Official Statement and, for the limited purpose of complying with SEC Rule 15c2-12 (the "Rule"), deems such Preliminary Official Statement to be final as of its date within the meaning of the Rule for the purpose of review prior to bidding. To the best knowledge and belief of the City, the Preliminary Official Statement contains information, including financial information or operating data, concerning every entity, enterprise, fund, account, or person that is material to an evaluation of the offering of the Certificates. Representations made and to be made by the City concerning the absence of material misstatements and omissions in the Preliminary Official Statement are addressed elsewhere in this Notice of Sale and Bidding Instructions and in the Preliminary Official Statement.

The City will furnish to the Initial Purchaser, acting through a designated senior representative, in accordance with instructions received from the Initial Purchaser, within seven (7) business days from the sale date, copies of the final Official Statement in such quantity and in the formats as the Initial Purchaser shall request in order for the Initial Purchaser to comply with Section (b)(4) of the Rule and the rules of the Municipal Securities Rulemaking Board; provided, however, that the cost of any Official Statements in excess of 100 shall be prepared and distributed at the cost of the Initial Purchaser. The Initial Purchaser shall be responsible for providing in writing the initial reoffering prices and other terms, if any, to the Financial Advisor by the close of the next business day after the award. Except as noted above, the City assumes no responsibility or obligation for the distribution or delivery of any copies of the Official Statement in connection with the offering or reoffering of the Certificates.

CONTINUING DISCLOSURE AGREEMENT . . . The City has agreed in the Ordinance to provide certain periodic information and notices of certain specified events in accordance with the Rule, as described in the Preliminary Official Statement under "CONTINUING DISCLOSURE OF INFORMATION". The Purchaser's obligation to accept and pay for the Certificates is conditioned upon delivery to the Purchaser or its agent of a certified copy of the Ordinance containing the agreement described under such heading.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the last five years, the City has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

ADDITIONAL COPIES OF NOTICE, BID FORM AND STATEMENT . . . A limited number of additional copies of this Notice of Sale and Bidding Instructions, the Official Bid Form and the Preliminary Official Statement, are available over and above the normal mailing, may be obtained at the offices of Hilltop Securities Inc., 717 North Harwood, Suite 3400, Dallas, Texas 75201, Financial Advisor to the City.

On the date of the sale, the City Council will, in the Ordinance authorizing the issuance of the Certificates, confirm its approval of the form and content of the Official Statement, and any addenda, supplement or amendment thereto, and authorize its use in the reoffering of the Certificates by the Initial Purchaser.

AMY WARE
Mayor
City of Marshall, Texas

ATTEST:

DAWN JONES
Finance Director

OFFICIAL BID FORM

Honorable Mayor and City Council
City of Marshall, Texas

September 14, 2023

Honorable Mayor and Members of the City Council:

Reference is made to your Preliminary Official Statement and Notice of Sale and Bidding Instructions, dated August 8, 2023 with respect to the \$13,300,000* CITY OF MARSHALL, TEXAS COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2023A (the "Certificates"), both of which constitute a part hereof.

For your legally issued Certificates, as described in said Notice of Sale and Bidding Instructions and Preliminary Official Statement, we will pay you par plus a net cash premium of \$ _____, for Certificates maturing and bearing interest as follows:

MATURITY SCHEDULE*

<u>Maturity Date⁽¹⁾</u>	<u>Principal Amount</u>
9/15/2024	\$ 445,000
9/15/2025	425,000
9/15/2026	445,000
9/15/2027	465,000
9/15/2028	490,000
9/15/2029	515,000
9/15/2030	540,000
9/15/2031	570,000
9/15/2032	595,000
9/15/2033	625,000
9/15/2034	655,000
9/15/2035	690,000
9/15/2036	725,000
9/15/2037	760,000
9/15/2038	800,000
9/15/2039	840,000
9/15/2040	875,000
9/15/2041	910,000
9/15/2042	945,000
9/15/2043	985,000

Of the principal maturities set forth in the table above, term Certificates have been created as indicated in the following table (which may include multiple term Certificates, one term Certificate or no term Certificate if none is indicated). For those years which have been combined into a "Term Certificate", the principal amount shown in the table above shall be the mandatory sinking fund redemption amounts in such years except that the amount shown in the year of the term Certificate maturity date shall mature in such year. The Term Certificates created are as follows:

<u>Maturity Date September 1</u>	<u>Year of First Maturity Redemption</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Our calculation (which is not a part of this bid) of the true interest cost from the above is:

TRUE INTEREST COST _____ %

*Preliminary, subject to change. See "THE CERTIFICATES – Adjustment of Principal Amounts and/or Types of Bids".

The Initial Note shall be registered in the name of _____, which will, upon payment for the Certificates, be canceled by the Paying Agent/Registrar. The Certificates will then be registered in the name of Cede & Co. (DTC's partnership nominee), under the Book-Entry-Only System.

A bank cashier's check or certified check of _____ in the amount of \$273,500.00, which represents our Good Faith Deposit has been made available to you prior to the opening of this bid, and is submitted in accordance with the terms as set forth in the Preliminary Official Statement and Notice of Sale and Bidding Instructions.

We agree to accept delivery of the Certificates utilizing the Book-Entry-Only System through DTC and make payment for the Initial Note in immediately available funds to U.S. Bank Trust Company, National Association, not later than 10:00 AM, CST, on September 14, 2023, or thereafter on the date the Certificates are tendered for delivery, pursuant to the terms set forth in the Notice of Sale and Bidding Instructions. It will be the obligation of the purchaser of the Certificates to complete the DTC Eligibility Questionnaire.

The undersigned agrees to complete, execute, and deliver to the City, by close of business on or before the sixth business day prior to the delivery of the Certificates a certificate relating to the "issue price" of the Certificates in the form and to the effect accompanying the Notice of Sale and Bidding Instructions, with such changes thereto as may be acceptable to the City's Bond Counsel. The undersigned also agrees to provide the City and its consultants, at least ten business days prior to the delivery of the Certificates, a breakdown of its "underwriting spread" among the following categories: Takedown, Management Fee (if any), Legal Counsel Fee (if any) and Spread Expenses (if any).

No Boycott of Israel Verification. The Purchaser hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, does not boycott Israel and, to the extent this bid for the Certificates is a contract for goods or services, will not boycott Israel through the date of initial delivery of the Certificates. The foregoing verification is made solely to comply with Section 2271.002, Texas Government Code, and to the extent such Section does not contravene applicable Federal law. As used in the foregoing verification, 'boycott Israel' means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. The Purchaser understands 'affiliate' to mean an entity that controls or is controlled by, or is under common control with, the Purchaser and exists to make a profit.

Iran, Sudan and Foreign Terrorist Organizations. The Purchaser represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under section 2252.153 or Section 2271.0201, Texas Government Code, and posted on any of the following pages of such officer's internet website: <https://comptroller.texas.gov/purchasing/docs/sudanlist.pdf>, <https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>, or <https://comptroller.texas.gov/purchasing/docs/ftolist.pdf>.

The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Federal law and excludes the Purchaser and the Purchaser's parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. The Purchaser understands "affiliate" to mean any entity that controls, is controlled by, or is under common control with, the Purchaser and exists to make a profit.

To the extent this bid constitutes a contract for goods or services for which a written verification is required under Section 2274.002 (as added by Senate Bill 13 in the 87th Legislature, Regular Session), Texas Government Code, as amended, the Purchaser hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and will not boycott energy companies through the date of initial delivery of the Certificates. The foregoing verification is made solely to enable the City to comply with such Section and to the extent such Section does not contravene applicable Texas or federal law. As used in the foregoing verification, "boycott energy companies" shall mean, without all ordinary business purpose, refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations with a company because the company (A) engages in the exploration, production, utilization, transportation, sale, or manufacturing of fossil fuel-based energy and does not commit or pledge to meet environmental standards beyond applicable federal and state law; or (B) does business with a company described by (A) above. The Purchaser understands "affiliate" to mean any entity that controls, is controlled by, or is under common control with the bidder, within the meaning of SEC Rule 405, 17. C.F.R. § 230.405, and exists to make a profit. In addition to the foregoing, the Purchaser hereby represents that neither it, nor its parent company, subsidiaries, or affiliates, has received a letter from the Texas Comptroller related to its inclusion on any list of financial companies boycotting energy companies.

To the extent this bid constitutes a contract for goods or services for which a written verification is required under Section 2274.002 (as added by Senate Bill 19 in the 87th Texas Legislature, Regular Session), Texas Government Code, as amended, the Purchaser hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and will not discriminate through the date of initial delivery of the Certificates against a firearm entity or firearm trade association. The foregoing verification is made solely to enable the City to comply with such Section and to the extent such Section does not contravene applicable Texas or federal law. As used in the foregoing verification, 'discriminate against a firearm entity or firearm trade association' (A) means, with respect to the firearm entity or firearm trade association, to (i) refuse to engage in the trade of any goods or services with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association, (ii) refrain from continuing an existing business relationship with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association, or (iii) terminate an existing business relationship with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association and (B) does not include (i) the established policies of a merchant, retail seller, or platform that restrict or prohibit the listing or selling of ammunition, firearms, or firearm accessories and (ii) a company's refusal to engage in the trade of any goods or services, decision to refrain from continuing an existing business relationship, or decision to terminate an existing business relationship (aa) to comply with federal, state, or local law, policy, or regulations or a directive by a regulatory agency or (bb) for any traditional business reason that is specific to the customer or potential customer and not based solely on an entity's or association's status as a firearm entity or firearm trade association. As used in the foregoing verification, 'firearm entity' means a manufacturer, distributor, wholesaler, supplier, or retailer of firearms (i.e., weapons that expel projectiles by the action of explosive or expanding gases), firearm accessories (i.e., devices specifically designed or adapted to enable an individual to wear, carry, store, or mount a firearm on the individual or on a conveyance and items used in conjunction with or mounted on a firearm that are not essential to the basic function of the firearm, including detachable firearm magazines), or ammunition (i.e., a loaded cartridge case, primer, bullet, or propellant powder with or without a projectile) or a sport shooting range (as defined by Section 250.001, Texas Local Government Code), and 'firearm trade association' means a person, corporation, unincorporated association, federation, business league, or business organization that (i) is not organized or operated for profit (and none of the net earnings of which inures to the benefit of any private shareholder or individual), (ii) has two or more firearm entities as members, and (iii) is exempt from federal income taxation under Section 501(a), Internal Revenue Code of 1986, as an organization described by Section 501(c) of that code. The Purchaser understands "affiliate" to mean any entity that controls, is controlled by, or is under common control with the bidder, within the meaning of SEC Rule 405, 17. C.F.R. § 230.405, and exists to make a profit.

By submitting this bid, the Purchaser understands and agrees that if Purchaser should fail or refuse to take up and pay for the Certificates in accordance with this bid, or it is determined that after the acceptance of this bid by the City that the Purchaser was found not to satisfy the requirements described in the Notice of Sale and Bidding Instructions under the heading "CONDITIONS OF THE SALE" and as a result the Texas Attorney General will not deliver its approving opinion of the Certificates, then the check submitted herewith as the Purchaser's Good Faith Deposit shall be cashed and accepted by the City as full and complete liquidated damages.

FURTHER STATE LAW COMPLIANCE: IN ADDITION TO THE FOREGOING, THE BIDDER HEREBY REPRESENTS, BY SUBMISSION OF THIS BID, THAT NEITHER IT NOR ITS PARENT COMPANY, SUBSIDIARIES OR AFFILIATES IS ON A LIST MAINTAINED BY THE TEXAS COMPTROLLER OR HAS A PENDING OR UNRESOLVED INQUIRY FROM A POLITICAL SUBDIVISION OR THE TEXAS COMPTROLLER OR THE TEXAS ATTORNEY GENERAL RELATED TO COMPLIANCE WITH CHAPTER 2274 OF THE TEXAS GOVERNMENT CODE.

The bidder understands that the City reserves the right, in its sole and absolute discretion, to reject any bid from a bidder if the City has any belief or doubt, whether or not reasonable, that the bidder is under an active, pending or unresolved inquiry from the State of Texas as to the ability of the bidder to satisfy the representations and verifications required to be a standing letter.

THE UNDERSIGNED BIDDER HEREBY REPRESENTS, BY SUBMISSION OF A BID, THAT NEITHER IT NOR ITS PARENT COMPANY, SUBSIDIARIES OR AFFILIATES HAS RECEIVED A LETTER FROM THE TEXAS COMPTROLLER RELATED TO ITS INCLUSION ON ANY LIST OF FINANCIAL COMPANIES BOYCOTTING ENERGY COMPANIES. BY SUBMITTING A BID, BIDDER AGREES, THAT SHOULD IT BE THE WINNING BIDDER, BIDDER SHALL TAKE ANY ACTION NECESSARY TO FURTHER VERIFY AND CONFIRM COMPLIANCE WITH STATE LAW. IF THE TEXAS ATTORNEY GENERAL REQUIRES ADDITIONAL DOCUMENTATION IN ORDER TO RELEASE ITS OPINION, IT IS THE BIDDER'S SOLE RESPONSIBILITY TO SATISFY ALL REQUESTS OF THE TEXAS ATTORNEY GENERAL. THE CITY HAS NO DUTY OR RESPONSIBILITY TO ASSIST THE BIDDER IN SATISFYING THESE REQUIREMENTS. BY SUBMITTING A BID, THE BIDDER UNDERSTANDS AND AGREES THAT THE CITY HAS THE SOLE DISCRETION TO KEEP THE

BIDDER'S GOOD FAITH DEPOSIT IF THE BIDDER FAILS TO SATISFY THE OFFICE OF THE TEXAS ATTORNEY GENERAL AS TO THE REPRESENTATIONS DESCRIBED HEREIN.

In accordance with Texas Government Code Section 2252.908 (the "Interested Party Disclosure Act"), the City may not award the Certificates to a bidder unless the winning bidder either: (i) submits a Certificate of Interested Parties Form 1295 (the "Disclosure Form") to the City as prescribed by the Texas Ethics Commission ("TEC"), or (ii) certifies below that it is exempt from filing the Disclosure Form by virtue of being a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity.

Unless the bidder certifies that it is exempt from filing a Disclosure Form with the City, upon notification of conditional verbal acceptance, the undersigned will complete an electronic form of the Certificate of Interested Parties Form 1295 (the "Disclosure Form") through the Texas Ethics Commission's (the "TEC") electronic portal and the resulting certified Disclosure Form that is generated by the TEC's electronic portal will be printed, signed and sent by email to the City's financial advisor at john.martin@hilltopsecurities.com. The undersigned understands that the failure to provide the certified Disclosure Form will prohibit the City from providing final written award of the enclosed bid.

The Purchaser (mark one):

(i) Agrees to timely make a filing of a completed Disclosure Form with the City

or

(ii) Hereby certifies that it is exempt from filing the Disclosure Form by virtue of being a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity .

Respectfully submitted,

Syndicate Members:

Name of Underwriter or Manager

Authorized Representative

Phone Number

Signature

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by the City of Marshall, Texas, subject to and in accordance with the Notice of Sale and Bidding Instructions, this the ____ day of September, 2023.

Authorized Officer

ISSUE PRICE CERTIFICATE

(Form of Certificate if at least 3 bids are received from underwriters)

The undersigned, as the underwriter or the manager of the syndicate of underwriters ("Purchaser"), with respect to the purchase at competitive sale of the Combination Tax and Revenue Certificates of Obligation, Series 2023A issued by the City of Marshall, Texas ("Issuer") in the principal amount of \$_____ ("Certificates"), hereby certifies and represents, based on its records and information, as follows:

- (a) On the first day on which there was a binding contract in writing for the purchase of the Certificates by the Purchaser, the Purchaser's reasonably expected initial offering prices of each maturity of the Certificates with the same credit and payment terms (the "Expected Offering Prices") to a person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter are as set forth in the pricing wire or equivalent communication for the Certificates, as attached to this Certificate as Schedule A. The Expected Offering Prices are the prices for the Certificates used by the Purchaser in formulating its bid to purchase the Certificates.
- (b) The Purchaser had an equal opportunity to bid to purchase the Certificates and it was not given the opportunity to review other bids that was not equally given to all other bidders (i.e., no last look).
- (c) The bid submitted by the Purchaser constituted a firm bid to purchase the Certificates.
- (d) The Purchaser has [___]/has not [___] purchased bond insurance for the Certificates. The bond insurance has been purchased from _____ (the "Insurer") for a fee of \$_____ (net any nonguarantee cost, e.g., rating agency fees). The amount of such fee is set forth in the Insurer's commitment and does not include any payment for any direct or indirect services other than the transfer of credit risk, unless the compensation for those other services is separately stated, reasonable, and excluded from such fee. Such fee does not exceed a reasonable, arm's-length charge for the transfer of credit risk and it has been paid to a person who is not exempt from federal income taxation and who is not a user or related to the user of any proceeds of the Certificates. The present value of the debt service savings expected to be realized as a result of such insurance exceeds the amount of the fee set forth above. For this purpose, present value is computed using the yield on the Certificates, determined by taking into account the amount of the fee set forth above, as the discount rate. No portion of the fee payable to the Insurer is refundable upon redemption of any of the Certificates in an amount which would exceed the portion of such fee that has not been earned.

For purposes of this Issue Price Certificate, the term "Underwriter" means (1) (i) a person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the Public, or (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (1)(i) of this paragraph (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Certificates to the Public) to participate in the initial sale of the Certificates to the Public, and (2) any person who has more than 50% common ownership, directly or indirectly, with a person described in clause (1) of this paragraph.

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Certificates, and by McCall, Parkhurst & Horton L.L.P. in connection with rendering its opinion that the interest on the Certificates is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Certificates. Notwithstanding anything set forth herein, the Purchaser is not engaged in the practice of law and makes no representation as to the legal sufficiency of the factual matters set forth herein.

EXECUTED and DELIVERED as of this [ISSUE DATE].

[NAME OF PURCHASER], as Purchaser

By: _____

Name: _____

ISSUE PRICE CERTIFICATE

(Form of Certificate if less than 3 bids are received from underwriters)

The undersigned, as the underwriter or the manager of the syndicate of underwriters ("Purchaser"), with respect to the purchase at competitive sale of the Combination Tax and Revenue Certificates of Obligation, Series 2023A issued by the City of Marshall, Texas ("Issuer") in the principal amount of \$_____ ("Certificates"), hereby certifies and represents, based on its records and information, as follows:

(a) [Other than the Certificates maturing in ____ ("Hold-the-Price Maturities"), the][The] first prices at which at least ten percent ("Substantial Amount") of the principal amount of each maturity of the Certificates having the same credit and payment terms ("Maturity") was sold to a person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter ("Public") are their respective initial offering prices, as listed in the pricing wire or equivalent communication for the Certificates that is attached to this Certificate as Schedule A.

(Add (b) and (c) only if winning bidder designates one or more maturities as Hold-the-Price Maturities)

(b) On or before the first day on which there is a binding contract in writing for the sale of the Certificates ("Sale Date"), the Purchaser offered to the Public each Maturity of the Hold-the-Price Maturities at their respective initial offering prices, as set forth in Schedule A hereto ("Initial Offering Price").

(c) As set forth in the Notice of Sale, the Purchaser agreed in writing to neither offer nor sell any of the Hold-the-Price Maturities to any person at any higher price than the Initial Offering Price for each such Maturity until the earlier of the close of the fifth business day after the Sale Date or the date on which the Purchaser sells at least ten percent of a Hold-the-Price-Maturity of the Certificates to the Public at no higher price than the Initial Offering Price for such Maturity.

(d) The Purchaser has [___]/has not [___] purchased bond insurance for the Certificates. The bond insurance has been purchased from _____ (the "Insurer") for a fee of \$_____ (net any nonguarantee cost, e.g., rating agency fees). The amount of such fee is set forth in the Insurer's commitment and does not include any payment for any direct or indirect services other than the transfer of credit risk, unless the compensation for those other services is separately stated, reasonable, and excluded from such fee. Such fee does not exceed a reasonable, arm's-length charge for the transfer of credit risk and it has been paid to a person who is not exempt from federal income taxation and who is not a user or related to the user of any proceeds of the Certificates. The present value of the debt service savings expected to be realized as a result of such insurance exceeds the amount of the fee set forth above. For this purpose, present value is computed using the yield on the Certificates, determined by taking into account the amount of the fee set forth above, as the discount rate. No portion of the fee payable to the Insurer is refundable upon redemption of any of the Certificates in an amount which would exceed the portion of such fee that has not been earned.

For purposes of this Issue Price Certificate, the term "Underwriter" means (1) (i) a person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the Public, or (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (1)(i) of this paragraph (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Certificates to the Public) to participate in the initial sale of the Certificates to the Public, and (2) any person who has more than 50% common ownership, directly or indirectly, with a person described in clause (1) of this paragraph.

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Certificates, and by McCall, Parkhurst & Horton L.L.P. in connection with rendering its opinion that the interest on the Certificates is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Certificates. Notwithstanding anything set forth herein, the Purchaser is not engaged in the practice of law and makes no representation as to the legal sufficiency of the factual matters set forth herein.

EXECUTED and DELIVERED as of this [ISSUE DATE].

[NAME OF PURCHASER], as Purchaser

By: _____
Name: _____

SCHEDULE A

PRICING WIRE OR EQUIVALENT COMMUNICATION

(Attached)

PRELIMINARY OFFICIAL STATEMENT

Dated: September 6, 2023

In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under “Tax Matters” herein, including the alternative minimum tax on certain corporations.

CITY OF MARSHALL, TEXAS

(A municipal corporation and political subdivision of the State of Texas located in Harrison County)

\$13,300,000***Combination Tax and Revenue Certificates of Obligation, Series 2023A****Dated Date: Date of Delivery****Due: September 15, as shown on page ii**

The City of Marshall, Texas (the “City” or “Issuer”) \$13,300,000* Combination Tax and Revenue Certificates of Obligation, Series 2023A (the “Certificates”) are being issued pursuant to the Constitution and general laws of the State of Texas (the “State”), including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, and an ordinance to be adopted by the City Council on September 14, 2023 (referred to herein as the “Ordinance”). (See “THE CERTIFICATES - Authority for Issuance” herein.)

The Certificates constitute direct obligations of the Issuer payable from an annual ad valorem tax levied against all taxable property in the City, within the limits prescribed by law, and are further secured by and payable from a pledge of the surplus net revenues, derived from the operation of the City’s waterworks and sewer system (the “System”). (See “THE CERTIFICATES - Security for Payment” herein.)

Interest on the Certificates will accrue from October 10, 2023 (the “Dated Date”), will be payable March 15 and September 15 of each year, commencing March 15, 2024, until maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Certificates will be issued as fully-registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository (the “Securities Depository”). Book-entry interests in the Certificates, within a stated maturity, will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Certificates (“Beneficial Owners”) will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by U.S. Bank Trust Company, National Association, Dallas, Texas, as Paying Agent/Registrar, to the Securities Depository, which will in turn remit such principal and interest to its participating members, which will in turn remit such principal and interest to the Beneficial Owners of the Certificates. (See “BOOK-ENTRY-ONLY SYSTEM” herein.)

Proceeds from the sale of the Certificates will be used for (i) convention center roofing, HVAC and renovations; (ii) fire stations and fire facility improvements and fire apparatus; (iii) police department improvements consisting of parking and expanding the Emergency Command Center & Training Room; (iv) information technology and public safety communication upgrades; (v) municipal administrative building improvements; (vi) fleet fuel facility; (vii) arena improvements consisting of drainage, parking and electrical upgrades; (viii) park and recreational facility improvements; (ix) street and road improvements including related lighting, signage and streetscape improvements; (x) drainage and detention pond improvements; (xi) water system meters and (xii) paying legal, fiscal, engineering, architectural and other professional services rendered in connection therewith. (See “THE CERTIFICATES – Use of Certificate Proceeds” herein.)

The City reserves the right, at its option, to redeem Certificates having stated maturities on and after September 15, 2033, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on September 15, 2032, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. (See “THE CERTIFICATES - Redemption” herein.)

MATURITY SCHEDULE

(See Page ii)

The Certificates are offered for delivery when, as and if received by the Purchaser listed below (collectively referred to herein as the “Underwriter”), subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. It is expected that the Certificates will be available for delivery through DTC on or about October 10, 2023.

*Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor there any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

\$13,300,000*
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2023A
MATURITY SCHEDULE*
(Due August 15)
Base CUSIP Number: 572699 ⁽¹⁾

<u>Stated Maturity (September 15)</u>	<u>Principal Amount *</u>	<u>Interest Rate (%)</u>	<u>Initial Yield (%)</u>	<u>CUSIP Suffix⁽¹⁾</u>
2024	\$ 445,000			
2025	425,000			
2026	445,000			
2027	465,000			
2028	490,000			
2029	515,000			
2030	540,000			
2031	570,000			
2032	595,000			
2033	625,000			
2034	655,000			
2035	690,000			
2036	725,000			
2037	760,000			
2038	800,000			
2039	840,000			
2040	875,000			
2041	910,000			
2042	945,000			
2043	985,000			

(Interest to accrue from the Dated Date)

⁽¹⁾ CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of the City, its Financial Advisor or the Purchaser are responsible for the selection or correctness of the CUSIP numbers set forth herein.

⁽²⁾ The City reserves the right, at its option, to redeem Certificates having stated maturities on and after September 15, 2033, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on September 15, 2032, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. (See "THE CERTIFICATES - Redemption" herein.)

*Preliminary; subject to change.

**CITY OF MARSHALL, TEXAS
401 S Alamo Blvd.
Marshall, Texas 75670
(903) 935-4421
ELECTED OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>First Elected</u>	<u>Term Expires</u>	<u>Occupation</u>
Amy Ware	Mayor	2019	2024	Business Manager
Marvin Bonner	Council Member	2019	2024	Retired
Leo Morris	Council Member	2020	2024	Retired
Jennifer Truelove	Council Member	2021	2024	Attorney
Reba Godfrey	Council Member	2022	2026	Retired
Amanda Abraham	Council Member	2020	2026	Attorney
Micah Fenton	Council Member	2020	2026	Chief Operating Officer

ADMINISTRATION

<u>Name</u>	<u>Position</u>	<u>Years of Service in Current Position</u>	<u>Total Years of Service</u>
Terrell Smith	City Manager	1	8
Nikki Smith	City Secretary	3	19
Dawn Jones	Finance Director	2	5

CONSULTANTS AND ADVISORS

Bond Counsel	McCall, Parkhurst & Horton L.L.P. Dallas, Texas
Financial Advisor	Hilltop Securities, Inc. Dallas, Texas
Certified Public Accountants	Patillo, Brown & Hill, L.L.P. Waco, Texas

For Additional Information Please Contact:

Dawn Jones
Finance Director
City of Marshall
401 S Alamo Blvd.
Marshall, Texas 75670
(903) 935-4421
Jones.Dawn@marshalltexas.net

John L. Martin, Jr.
Michael P. Martin
Hilltop Securities, Inc.
717 N. Harwood St., Ste. 3400
Dallas, Texas 75201
(214) 859-9447
john.martin@hilltopsecurities.com
michael.martin@hilltopsecurities.com

USE OF INFORMATION IN THE OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission (the "Rule"), this document constitutes a Preliminary Official Statement of the City with respect to the Certificates that has been "deemed final" by the City as of its date except for the omission of no more than the information permitted by the Rule.

This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Certain information set forth herein has been obtained from the City and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness of such information. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

THE CERTIFICATES ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BE REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION OR EXEMPTION OF THE CERTIFICATES IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THE CERTIFICATES HAVE BEEN REGISTERED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

THE COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY AND IS NOT INTENDED AS A SUMMARY OF THIS OFFERING. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

NONE OF THE CITY, ITS FINANCIAL ADVISOR OR THE PURCHASER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS PRELIMINARY OFFICIAL STATEMENT REGARDING DTC OR ITS BOOK-ENTRY-ONLY SYSTEM.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS.

The Purchaser have provided the following sentence for inclusion in this Official Statement. The Purchaser have reviewed the information in this Official Statement pursuant to their responsibilities to investors under federal securities laws, but the Purchaser do not guarantee the accuracy or completeness of such information.

No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City.

The prices and other terms respecting the offering and sale of the Certificates may be changed from time to time by the Purchaser after such Certificates are released for sale, and the Certificates may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Certificates into investment accounts.

IN CONNECTION WITH THIS OFFERING, THE PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for purposes of, and as that term is defined in, the Rule.

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The cover page, subsequent pages hereof and appendices attached hereto, are part of this Official Statement.

SELECTED DATA FROM THE OFFICIAL STATEMENT

The selected data is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Certificates to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this page from this Official Statement or to otherwise use it without the entire Official Statement.

The Issuer	The City of Marshall, Texas (the “City” or “Issuer”), is located in Harrison County. The City is a political subdivision of the State of Texas (the “State”) and a Home Rule municipal corporation organized and existing under the laws of the State and its Home Rule Charter.
Paying Agent/Registrar	The initial Paying Agent/Registrar is U.S. Bank Trust Company, National Association, Dallas, Texas.
Security	The Certificates constitute direct obligations of the Issuer payable from an annual ad valorem tax levied against all taxable property in the City, within the limits prescribed by law, and are further secured by and payable from a pledge of the surplus net revenues, derived from the operation of the City’s combined Waterworks and Sewer System (the “System”). (See “THE CERTIFICATES – Security for Payment” and “AD VALOREM TAX PROCEDURES – Debt Tax Rate Limitation” herein).
Redemption Provisions	The Certificates maturing on and after September 15, 2033, are subject to redemption prior to their stated maturity at the option of the City on September 15, 2032, or any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof within a maturity, at the redemption price of par plus accrued interest. (See “THE CERTIFICATES – Redemption Provisions” herein.)
Tax Exemption	In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under “Tax Matters” herein, including the alternative minimum tax on certain corporations.
Use of Proceeds	Proceeds from the sale of the Certificates will be used for (i) convention center roofing, HVAC and renovations; (ii) fire stations and fire facility improvements and fire apparatus; (iii) police department improvements consisting of parking and expanding the Emergency Command Center & Training Room; (iv) information technology and public safety communication upgrades; (v) municipal administrative building improvements; (vi) fleet fuel facility; (vii) arena improvements consisting of drainage, parking and electrical upgrades; (viii) park and recreational facility improvements; (ix) street and road improvements including related lighting, signage and streetscape improvements; (x) drainage and detention pond improvements; (xi) water system meters and (xii) paying legal, fiscal, engineering, architectural and other professional services rendered in connection therewith. (See “THE CERTIFICATES – Use of Certificate Proceeds” and “Sources and Uses of Funds” herein.)
Book-Entry-Only System	The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company (“DTC”), New York, New York described herein. No physical delivery of the Certificates will be made to the beneficial owners of the Certificates. Such Book-Entry-Only System may affect the method and timing of payments on the Certificates and the manner the Certificates may be transferred. (See “BOOK-ENTRY-ONLY SYSTEM” herein.)
Ratings	S&P Global Ratings, a division of S&P Global Inc. (“S&P”), has assigned their credit rating of “_____” to the Certificates. An explanation of the significance of any rating may be obtained from S&P Global Ratings. (See “OTHER PERTINENT INFORMATION-Ratings” herein.)
Payment Record	The City has not defaulted in repayment of any of its bonded indebtedness.
Delivery	When issued, it is anticipated the Certificates will be available for delivery through DTC on or about September 19, 2023.
Legality	Delivery of the Certificates is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion by McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas in substantially the form attached hereto as Appendix C.

INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by the City of Marshall, Texas (the "City" or "Issuer"), of its \$13,300,000* Combination Tax and Revenue Certificates of Obligation, Series 2023A (the "Certificates").

The Issuer is a political subdivision and a Home Rule municipality of the State of Texas (the "State") and operates under the statutes and the Constitution of the State of Texas and its Home Rule Charter. The Certificates are being issued pursuant to the laws of the State of Texas including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended and an ordinance to be adopted by the City Council on September 14, 2023 (referred to herein as the "Ordinance"). (See "THE CERTIFICATES - Authority for Issuance" herein.)

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance. Included in this Official Statement are descriptions of the Certificates and certain information about the Issuer and its finances. **ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT.** Copies of such documents may be obtained from the Issuer or the Financial Advisor.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the Official Statement will be submitted to the Municipal Securities Rulemaking Board and will be available through its Electronic Municipal Market Access ("EMMA") system. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

THE CERTIFICATES

General

The Certificates will be dated the date of delivery (the "Dated Date"). The Certificates are stated to mature on September 15 in the years and in the principal amounts set forth on page ii hereof. The Certificates shall bear interest from the Dated Date on the unpaid principal amounts, and the amount of interest to be paid each payment period shall be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Certificates will be payable on March 15 and September 15 of each year commencing March 15, 2024, until maturity or prior redemption. Interest on the Certificates shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar, initially U.S. Bank Trust Company, National Association, Dallas, Texas, (the "Paying Agent/Registrar") at the close of business on the Record Date (hereinafter defined), and such interest shall be paid (i) by check sent United States Mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Certificates will be paid to the registered owner at their stated maturity or upon prior redemption upon presentation to designated payment/transfer office of the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Certificates, all payments will be made as described under "BOOK-ENTRY-ONLY SYSTEM" herein. If the date for any payment on the Certificates shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the City where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Authority for Issuance

The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and the Ordinance.

Security for Payment

The Certificates constitute direct obligations of the Issuer payable from an annual ad valorem tax levied against all taxable property in the City, within the limits prescribed by law, and are further secured by and payable from a pledge of the surplus net revenues, derived from the operation of the City's combined Waterworks and Sewer System (the "System"). (See "AD VALOREM TAX PROCEDURES" herein).

Tax Rate Limitation

All taxable property within the City is subject to the assessment, levy, and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5 of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 taxable assessed valuation for all City purposes. Administratively, the Attorney General of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance and based on a 90% tax collection rate.

*Preliminary; subject to change.

Redemption

Optional Redemption: The Certificates maturing on and after September 15, 2033 are subject to redemption prior to their stated maturity at the option of the City on September 15, 2032, or any date thereafter, 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.

Notice of Redemption: At least 30 days prior to the date fixed for any such redemption, the Issuer shall cause a written notice of such redemption to be deposited in the United States mail, first class postage prepaid, addressed to each registered owner of a Certificate to be redeemed at the address shown on the registration books of the Paying Agent/Registrar on the business day of mailing such notice. ANY NOTICE OF REDEMPTION SO MAILED TO THE REGISTERED OWNERS WILL BE DEEMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE OF THE REGISTERED OWNERS FAIL TO RECEIVE SUCH NOTICE. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Certificates or portions thereof, which are to be so redeemed. If such notice of redemption is given and if due provisions for such payment is made, all as provided above, the Certificates or portions thereof shall be deemed to be redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar from the funds provided for such payment.

The City reserves the right to give notice of its election or direction to redeem Certificates conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the City retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the City delivers a certificate of the City to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Certificates subject to conditional redemption and such redemption has been rescinded shall remain Outstanding and the rescission of such redemption shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the City to make moneys and or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

The Paying Agent/Registrar and the City, so long as a Book-Entry-Only System is used for the Certificates, will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Certificates only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, will not affect the validity of the redemption of the Certificates called for redemption or any other action premised on any such notice. Redemption of portions of the Certificates by the Issuer will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Certificates held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Certificates from the beneficial owners. Any such selection of Certificates to be redeemed will not be governed by the Ordinance and will not be conducted by the Issuer or the Paying Agent/Registrar. Neither the Issuer nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Certificates or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Certificates for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Limitation on Transfer or Exchange of Certificates

The Paying Agent/Registrar is not required to transfer or exchange any Certificate during the period commencing with the close of business on any Record Date immediately preceding a principal or interest payment date for such Certificates and ending with the opening of business on the next following such principal or interest payment date.

Use of Certificate Proceeds

Proceeds from the sale of the Certificates will be used for (i) convention center roofing, HVAC and renovations; (ii) fire stations and fire facility improvements and fire apparatus; (iii) police department improvements consisting of parking and expanding the Emergency Command Center & Training Room; (iv) information technology and public safety communication upgrades; (v) municipal administrative building improvements; (vi) fleet fuel facility; (vii) arena improvements consisting of drainage, parking and electrical upgrades; (viii) park and recreational facility improvements; (ix) street and road improvements including related lighting, signage and streetscape improvements; (x) drainage and detention pond improvements; (xi) water system meters and (xii) paying legal, fiscal, engineering, architectural and other professional services rendered in connection therewith.

Payment Record

The City has never defaulted in repayment of its bonded indebtedness.

Legality

The Certificates are offered when, as and if issued, subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. The form of the legal opinion of Bond Counsel appears in Appendix C attached hereto.

Defeasance

The Ordinance provides for the defeasance of the Certificates when the payment of the principal of and premium, if any, on the Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent (or other financial institution permitted by applicable law), in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates. Thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Certificates including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Ordinance provides that "Defeasance Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (d) any other then authorized securities or obligations under applicable state law that may be used to defease obligations such as the Certificates. The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance. The foregoing obligations may be in book entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment of the Certificates.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of the Certificates have been made as described above, all rights of the City to take any action amending the terms of the Certificates are extinguished.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described in clauses (a) – (c) in the first paragraph of this section above to be made with amounts deposited to defease the Certificates. Because the Ordinance specifically permits the use of other investments that may be permitted by future law, registered owners are deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under Texas law. There is no assurance that the ratings for U.S. Treasury Securities used as Defeasance Securities or those for any other Defeasance Security will be maintained at any particular rating category.

Amendments to the Ordinance

In the Ordinance, the City has reserved the right to amend the Ordinance without the consent of any holder for the purpose of amending or supplementing the Ordinance to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of the Ordinance that do not materially adversely affect the interests of the holders, (iv) qualify the Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect or (v) make such other provisions in regard to matters or questions arising under the Ordinance that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the City, do not materially adversely affect the interests of the holders.

The Ordinance further provides that the holders of the Certificates aggregating in principal amount 51% of the outstanding Certificates shall have the right from time to time to approve any amendment not described above to the Ordinance if it is deemed necessary or desirable by the City; provided, however, that without the consent of 100% of the holders in original principal amount of the then outstanding Certificates so affected, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Certificates; (ii) reducing the rate of interest borne by any of the outstanding Certificates; (iii) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Certificates; (iv) modifying the terms of payment of principal or of interest or redemption premium on outstanding Certificates, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Certificates necessary for consent to such amendment.

Defaults and Remedies

The Ordinance establishes specific events of default with respect to the Certificates. If the City defaults in the payment of principal or interest on the Certificates when due, or defaults in the observation or performance of any other covenants,

conditions, or obligations set for in the Ordinance, the failure to perform which materially, adversely affects the rights of the registered owners of the Certificates, including, but not limited to, their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any registered owner, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Certificates if there is no other available remedy at law to compel performance of the Certificates or Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, and with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the holders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

The Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W.3rd 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, holders may not be able to bring such a suit against the city for breach of the Certificates or Ordinance covenants. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates.

Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or holders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors and may be limited by general principles of equity which permit the exercise of judicial discretion and by governmental immunity.

Sources and Uses of Funds

The proceeds from the sale of the Certificates will be applied approximately as follows:

<u>Sources of Funds</u>	<u>Amount</u>
Par Amount of Certificates:	
Net Premium:	
Total Sources of Funds	_____

<u>Uses of Funds</u>	
Deposit to Project Fund:	
Deposit to Debt Service Fund:	
Costs of Issuance:	
Initial Purchaser's Discount:	
Total Uses of Funds	_____

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is U.S. Bank Trust Company, National Association, Dallas, Texas. In the Ordinance, the Issuer retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the Issuer, shall be a national or state banking institution, shall be an association or a corporation organized and doing business under the laws of the United States America or of any state, authorized under such laws to exercise trust powers, shall be subject to supervision or examination by federal or state authority, and shall be authorized by law to serve as a Paying Agent/Registrar. Upon a change in the Paying Agent/Registrar for the Certificates, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Certificates by United States mail, first-class, postage prepaid.

In the event the Book-Entry-Only System should be discontinued, interest on the Certificates will be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest will be paid (i) by check sent United States mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method,

acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Certificates will be paid to the registered owner at the stated maturity or earlier redemption upon presentation to the designated payment/transfer office of the Paying Agent/Registrar. If the date for the payment of the principal or interest on the Certificates is a Saturday, Sunday, a legal holiday or a day when banking institutions in the City where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment will be the next succeeding day which is not such a day, and payment on such date will have the same force and effect as if made on the date payment was due. So long as Cede & Co. is the registered owner of the Certificates, principal, interest and redemption payments on the Certificates will be made as described in "BOOK-ENTRY-ONLY SYSTEM" herein.

Record Date

The record date ("Record Date") for interest payable to the registered owner of a Certificate on any interest payment date means the last day of the month next preceding such interest payment date. (See "Special Record Date for Interest Payment" herein.)

Special Record Date for Interest Payment

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date"), which shall be 15 days after the Special Record Date, shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of a Certificate appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Registration

The Certificates are initially to be issued utilizing the Book-Entry-Only System of DTC. In the event such Book-Entry-Only System should be discontinued, printed certificates will be delivered and thereafter, the Certificates may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer will be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Certificate may be assigned by the execution of an assignment form on the Certificate or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate will be delivered by the Paying Agent/Registrar in lieu of the Certificates being transferred or exchanged at the designated office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. To the extent possible, new Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner not more than three (3) business days after the receipt of the Certificate to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer will be in denominations of \$5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Certificate surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be initially utilized in regard to ownership and transferability of the Certificates.)

Replacement Certificates

In the Ordinance, provision is made for the replacement of mutilated, destroyed, lost, or stolen Certificates upon surrender of the mutilated Certificates to the Paying Agent/Registrar, or the receipt of satisfactory evidence of destruction, loss, or theft, and the receipt by the Issuer and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The Issuer may require payment of taxes, governmental charges, and other expenses in connection with any such replacement.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Certificates is to be transferred and how the principal of, any premium, interest and redemption payments on the Certificates are to be paid to and credited by DTC while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Issuer, the Purchaser and the Financial Advisor believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The Issuer and the Purchaser cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Certificates, or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Certificates), or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission (the "SEC"), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized

representative of DTC. One fully registered certificate will be issued for each stated maturity of the Certificates, in the aggregate principal amount of each maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of certificated securities. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of "AA+" from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of Certificates ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices for the Certificates shall be sent to DTC. If less than all of the Certificates within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Certificates are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Paying Agent/Registrar, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of the Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Certificates at any time by giving reasonable notice to the Issuer or the Paying Agent/Registrar. Under such circumstances, and in the event that a successor securities depository is not obtained, Certificates are required to be printed and delivered to DTC Participants or the Beneficial Owners, as the case may be.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, physical Certificates will be printed and delivered. (See "REGISTRATION, TRANSFER, AND EXCHANGE" herein.)

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer and the Purchaser believe to be reliable, but neither the Issuer nor the Purchaser take responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Certificates are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Direct or Indirect Participant acquires an interest in the Certificates, but (i) all rights of ownership must be exercised through

DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

INVESTMENT POLICIES

Under State law, the City is authorized to make investments meeting the requirements of the PFIA, which currently include (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the City selects from a list the governing body or designated investment committee of the City adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the City selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the City's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the City appoints as the City's custodian of the banking deposits issued for the City's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the SEC and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of the Public Funds Investment Act (Chapter 2256, Texas Government Code) (the "PFIA") that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for City deposits, or (ii) certificates of deposits where (a) the funds are invested by the City through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the City, (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1) above, clause (12) below, require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (13) no-load money market mutual funds registered with and regulated by the United States SEC that provide the City with a prospectus and other

information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with federal SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (14) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and either (a) a duration of one year or more and invest exclusively in obligations described in under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract and are pledged to the City and deposited with the City or a third party selected and approved by the City.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than ten (10) years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Political subdivisions such as the City are authorized to implement securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less.

Under State law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for City funds, the maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under State law, the City's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." At least quarterly the City's investment officers must submit an investment report to the City Council detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest for the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) State law. No person may invest City funds without express written authority from the City Council.

Additional Provisions

Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt by written instrument a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the entity's entire portfolio, requires an interpretation of subjective investment standards or relates to investment transactions of the entity

that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority), and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the Treasurer, chief financial officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

Current Investments

As of July 31, 2023, the City had investments totaling \$17,883,204 (unaudited) held in savings, investment pools and certificates of deposit.

DEFINED BENEFIT PENSION PLAN

The City of Marshall participates as one of 895 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 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. 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. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available Comprehensive Annual Financial Report (CAFR) that can be obtained at www.tmr.com.

All eligible employees of the City are required to participate in TMRS. For more detailed information concerning the benefits provided, contributions and net pension liability in connection with the Defined Benefit Pension Plan, see Appendix D, "Certificates to the Basic Financial Statements from the City's Annual Financial Report", Note VII, Page 47.

AD VALOREM TAX PROCEDURES

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Prospective investors are encouraged to review Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Valuation of Taxable Property

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Harrison Central Appraisal District (the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property (the "10% Homestead Cap"). See "APPENDIX A – Financial Information of the Issuer - Table 1" for the reduction in taxable valuation attributable to the 10% Homestead Cap.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity ("Productivity Value"). The same land may not be qualified as both agricultural and open-space land. See "APPENDIX A – Financial Information of the Issuer - Table 1" for the reduction in taxable valuation attributable to valuation by Productivity Value.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates. See “AD VALOREM TAX PROCEDURES – Issuer and Taxpayer Remedies.”

State Mandated Homestead Exemptions

State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action, and surviving spouses of first responders killed or fatally wounded in the line of duty. See “APPENDIX A – Financial Information of the Issuer - Table 1” for the reduction, if any, attributable to state mandated homestead exemptions.

Local Option Homestead Exemptions

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than \$5,000) and (2) an additional exemption of at least \$3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit. See “APPENDIX A – Financial Information of the Issuer - Table 1” for the reduction, if any, attributable to local option homestead exemptions.

Local Option Freeze for the Elderly and Disabled

The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded. See “APPENDIX A – Financial Information of the Issuer - Table 1” for the reduction, if any, attributable to the local option freeze for the elderly and disabled.

Personal Property

Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the “production of income” is taxed based on the property’s market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

Freeport and Goods-In-Transit Exemptions

Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication (“Freeport Property”) are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days (“Goods-in-Transit”), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer’s motor vehicle, boat, or heavy equipment inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

See “APPENDIX A – Financial Information of the Issuer - Table 1” for the reduction, if any, attributable to Freeport Property and/or Goods-in-Transit exemptions.

Other Exempt Property

Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

Tax Increment Financing Zones

A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment financing zones ("TIRZ") within its boundaries, and other overlapping taxing units may agree to contribute taxes levied against the "Incremental Value" in the TIRZ to finance or pay for project costs, as defined in Chapter 311, Texas Government Code, general located within the TIRZ. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the "Incremental Value", and during the existence of the TIRZ, all or a portion of the taxes levied by each participating taxing unit against the Incremental Value in the TIRZ are restricted to paying project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units. See "CITY APPLICATION OF THE PROPERTY TAX CODE" for descriptions of any TIRZ created in the City.

Tax Abatement Agreements

Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. See "CITY APPLICATION OF THE PROPERTY TAX CODE" for descriptions of any of the City's tax abatement agreements.

For a discussion of how the various exemptions described above are applied by the City, see "CITY APPLICATION OF THE PROPERTY TAX CODE" herein.

Temporary Exemption for Qualified Property Damaged by a Disaster

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the City, adopting its tax rate for the tax year. A taxing unit, such as the City, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established by the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised. There is currently no judicial precedent for how the statute will be applied but Texas Attorney General Opinion KP-0299, issued on April 13, 2020, concluded a court would likely find the Texas Legislature intended to limit the temporary tax exemption to apply to property physically harmed as a result of a declared disaster.

Public Hearing and Maintenance and Operations Tax Rate Limitations

The following terms as used in this section have the meanings provided below:

"adjusted" means lost values are not included in the calculation of the prior year's taxes and new values are not included in the current year's taxable values.

"de minimis rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted), plus the rate that produces an additional \$500,000 in tax revenue when applied to the current year's taxable value, plus the debt service tax rate.

"no-new-revenue tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted).

"special taxing unit" means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per \$100 of taxable value.

"unused increment rate" means the cumulative difference between a city's voter-approval tax rate and its actual tax rate for each of the tax years 2020 through 2022, which may be applied to a city's tax rate in tax years 2021 through 2023 without impacting the voter-approval tax rate.

"voter-approval tax rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the "unused increment rate".

The City's tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the "maintenance and operations tax rate"), and (2) a rate for funding debt service in the current year (the "debt service

tax rate”). Under State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the City to the City Council by August 1 or as soon as practicable thereafter.

A city must annually calculate its “voter-approval tax rate” and “no-new-revenue tax rate” (as such terms are defined above) in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its “de minimis rate”, an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase.

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a city’s adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the city’s voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any city located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its “voter-approval tax rate” using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such city’s total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City’s ability to set a debt service tax rate in each year sufficient to pay debt service on all the City’s tax-supported debt obligations, including the Certificates.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

Debt Tax Rate Limitations

All taxable property within the City is subject to the assessment, levy, and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5 of the Texas Constitution is applicable to the city and limits its maximum ad valorem tax rate to \$2.50 per \$100 taxable assessed valuation for all City purposes. Administratively, the Attorney General of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance and based on a 90% tax collection rate.

Issuer and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the City, may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the City may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Owners of certain property with a taxable value in excess of the current year “minimum eligibility amount”, as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$52,978,200 for the 2022 tax year, \$57,216,456 million for the 2023 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases (see “AD VALOREM TAX PROCEDURES – Public Hearing and Maintenance and Operations Tax Rate Limitations”). The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

City’s Rights in the Event of Tax Delinquencies

Taxes levied by the City are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the City, having power to tax the property. The City’s tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the City is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property.

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer’s debt.

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

Levy and Collection of Taxes

The City is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the city may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

Penalties and Interest

Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

<u>Month</u>	<u>Penalty</u>	<u>Interest</u>	<u>Total</u>
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July ^(a)	12	6	18

^(a) After July, penalty remains at 12% and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, a 20% attorney’s collection fee may be added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed.

In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

CITY APPLICATION OF THE PROPERTY TAX CODE

The City grants an exemption of \$12,500 to the market value of the residence homestead of persons 65 years of age or older and the disabled.

The City has not granted an additional exemption of 20% of the market value of residence homesteads.

The City has not adopted the tax freeze for citizens who are disabled or are 65 years of age or older.

The City does not tax non-business personal property.

The City does not permit split payments and discounts are not allowed.

The City does grant the Article VIII, Section 1-j ("Freeport Property") exemption.

The City does not tax goods in transit.

The City does collect an additional one-half cent sales tax for reduction of ad valorem taxes. City's Total Local Sales Tax Rate is 2%. Breakdown: 50% to General Fund, 25% to Property Tax Reduction; 18.75% to EDC; 6.25% to Street Maintenance.

The City has adopted a tax abatement policy and has no active tax abatement agreements.

The City one active TIRZ.

ADDITIONAL TAX COLLECTIONS

The city has adopted the Municipal Sales and Use Tax Act, Texas, Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Certificates.

The city also collects a one-quarter percent local sales and use tax to be expended for authorized economic development purposes and one-quarter percent local sales and use tax to be expended for street maintenance in accordance with Chapters 501, 502 and 504, Texas Local Government Code, as amended.

Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly.

The total local sales tax rate for the City is 8.25%.

TAX MATTERS

Opinion

On the date of initial delivery of the Certificates, McCall, Parkhurst & Horton L.L.P., Bond Counsel to the City, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Certificates for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Certificates will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel to the City will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Certificates. See Appendix C - Form of Opinion of Bond Counsel.

In rendering its opinion, Bond Counsel to the City will rely upon (a) the City's federal tax certificate and (b) covenants of the City with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Certificates and certain other matters. Failure of the City to comply with these representations or covenants could cause the interest on the Certificates to become includable in gross income retroactively to the date of issuance of the Certificates.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Certificates in order for interest on the Certificates to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Certificates to be included

in gross income retroactively to the date of issuance of the Certificates. The opinion of Bond Counsel to the City is conditioned on compliance by the City with the covenants and the requirements described in the preceding paragraph, and Bond Counsel to the City has not been retained to monitor compliance with these requirements subsequent to the issuance of the Certificates.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. The Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Certificates.

A ruling was not sought from the Internal Revenue Service by the City with respect to the Certificates or the facilities financed or refinanced with the proceeds of the Certificates. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the City that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Certificates, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the holders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Certificates may be less than the principal amount thereof or one or more periods for the payment of interest on the Certificates may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Certificates"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Certificate, and (ii) the initial offering price to the public of such Original Issue Discount Certificate would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Certificates less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Certificate in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Certificate equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Certificate prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Certificate was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Certificate is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Certificates and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Certificate for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Certificate.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Certificates which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Certificates should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Certificates and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Certificates.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Certificates. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance

premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE CERTIFICATES.

Interest on the Certificates may be includable in certain corporation's "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Certificates, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Certificates, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount Certificates" to the extent such gain does not exceed the accrued market discount of such Certificates; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Certificates under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Certificates will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of foreign investors, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Certificates under Federal or state law and could affect the market price or marketability of the Certificates. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Certificates should consult their own tax advisors regarding the foregoing matters.

LEGAL MATTERS

The City will furnish to the Purchaser a complete transcript of proceedings had incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Certificates are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel. A form of such opinion is attached hereto as Appendix C.

The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates, or which would affect the provisions made for their payment or security, or in any manner questioning the validity of said Certificates, will also be furnished. In connection with the issuance of the Certificates, Bond Counsel has been engaged by and only represents the City. Though it may represent the Financial Advisor and the Purchaser from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel has been engaged by and only represents the City in the issuance of the Certificates. Except as noted below, Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein except that in its capacity as Bond Counsel, such firm has reviewed the information appearing under the captions or subcaptions "THE CERTIFICATES" (except under the subcaptions "Payment Record", "Default and Remedies" and "Sources and Uses of Funds"), "REGISTRATION, TRANSFER AND EXCHANGE", "LEGAL MATTERS" (excluding the last two sentences of the

second paragraph thereof), "TAX MATTERS", "OTHER PERTINENT INFORMATION- Registration and Qualification of Certificates for Sale" and "CONTINUING DISCLOSURE OF INFORMATION" (except under the subcaption "Compliance with Prior Agreements"), and such firm is of the opinion that the information relating to the Certificates and legal matters contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Certificates, such information conforms to the Ordinance. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent upon the sale and delivery of the Certificates. The legal opinion of Bond Counsel will accompany the Certificates deposited with DTC or will be printed on the definitive Certificates in the event of the discontinuance of the Book-Entry-Only System.

The various legal opinions to be delivered concurrently with the delivery of the Certificates express the professional judgment of the attorneys rendering the opinion as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates unless it amends or repeals the agreement as described below. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB"). This information will be available free of charge from the MSRB's Electronic Municipal Market Access ("EMMA") System at www.emma.msrb.org.

Annual Reports

The City will provide certain updated financial information and operating data to the MSRB on an annual basis in an electronic format that is prescribed by the MSRB and available via the Electronic Municipal Market Access System ("EMMA") at www.emma.msrb.org. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered Tables 1-4, 6, 7 and 11 Appendix A (the "Updated Tables"), and the information in Appendix D. The City will update and provide the information in the Updated Tables within six months after the end of each fiscal year ending in and after 2023. If the City does not provide audited financial statements with such financial information and operating data, the City will provide audited financial statements when and if available, within 12 months after the end of each fiscal year ending in or after 2023. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City will file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available.

Any such financial statements will be prepared in accordance with the accounting principles described in Appendix D or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation. The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site identified below or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule").

The City's current fiscal year end is December 31. Accordingly, it must provide the Updated Tables by the last day of June in each year and audited financial statements, or unaudited financial statement if audited financial statements are not yet available, must be provided by December 31 of each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

Notice of Certain Events

The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial

obligation of the City, any of which reflect financial difficulties. Neither the Certificates nor the Ordinance make any provision for debt service reserves, liquidity enhancement, credit enhancement, or a trustee though there is a paying agent/registrars. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports".

For these purposes, any event described in the immediately preceding clause (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. For the purposes of the above described event notices (15) and (16), the term "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

Availability of Information

In connection with its continuing disclosure agreements entered into with respect to the Certificates, the City will file all required information and documentation with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB at www.emma.msrb.org.

Limitations and Amendments

The City has agreed to update information and to provide notices of events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Certificates at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders or beneficial owners of Certificates may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreements from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell the Certificates in the primary offering of the Certificates in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provision of the Ordinance that authorize such an amendment) of the outstanding Certificates subject to the proposed amendment, as the case may be, consent to such amendment or (b) a person that is unaffiliated with the City (such as nationally recognized Bond Counsel) determines that such amendment will not materially impair the interest of the registered owners and beneficial owners of the Certificates subject to the proposed amendment. The City may also amend or repeal the provisions of its continuing disclosure agreements if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates. If the City amends its agreements, it must include with the next financial information and operating data provided in accordance with its agreements described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

Compliance with Prior Agreements

During the last five (5) years, the City has complied in all material respects with all continuing disclosure agreements made by it in accordance with Rule 15c2-12.

OTHER PERTINENT INFORMATION

Registration and Qualification of Certificates for Sale

The sale of the Certificates has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Certificates have not been qualified under the Securities Act of Texas, as amended in reliance upon various exemptions contained therein, nor have the Certificates been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

Litigation

The City is not a party to any pending or threatened litigation.

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Government Code, as amended) provides that the Certificates are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, as amended, and are authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended, requires that the Certificates be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "OTHER PERTINENT INFORMATION – Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their fair market value. No review has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

No representation is made that the Certificates will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes. The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to any such persons or entities or which might otherwise limit the suitability of the Certificates for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Certificates for such purposes.

Ratings

S&P Global Ratings, a division of S&P Global Inc. ("S&P"), has assigned its credit rating of "____" to the Certificates. An explanation of the significance of any rating may be obtained from S&P. A rating by S&P reflects only the view of such company at the time the rating is given, and the Issuer makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time, or that it will not be revised downward or withdrawn entirely by S&P, if, in the judgment of them, circumstances so warrant. Any such downward revision or withdrawal of any rating may have an adverse effect on the market price of the Certificates.

Financial Advisor

Hilltop Securities Inc. is employed as a Financial Advisor to the Issuer in connection with the issuance of the Certificates. In this capacity, the Financial Advisor has compiled certain data relating to the Certificates and has assisted in drafting this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Issuer to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fees for the Financial Advisor are contingent upon the issuance, sale and delivery of the Certificates.

Initial Purchaser

After requesting competitive bids for the Certificates, the City accepted the bid of _____ (the "Initial Purchaser") to purchase the Certificates at the interest rates shown on page ii of this Official Statement at a price of _____, which produces compensation to the Initial Purchaser of \$_____. The Initial Purchaser can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Initial Purchaser. The initial yields shown on page ii of this Official Statement will be established by and are the sole responsibility of the Initial Purchaser and may subsequently be changed at the sole discretion of the Initial Purchaser. The City has no control over the determination of the initial yields and has no control over the prices at which the Certificates are sold in the secondary market.

Certification as to Official Statement

At the time of payment for and delivery of the Certificates, the City will furnish a certificate, executed by an authorized representative of the City, acting in such officer's representative capacity, to the effect that to the best of such person's knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in the Official Statement, and any addenda, supplement, or amendment thereto, on the date of the Official Statement, on the date of sale of the Certificates, and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, the Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in the Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City; and (e) no litigation of any nature has been filed or is pending, as of the date hereof, to restrain or enjoin

the issuance or delivery of the Certificates or which would affect the provisions made for their payment or security or in any manner question the validity of the Certificates

AUDITED FINANCIAL STATEMENTS

Patillo, Brown & Hill, L.L.P., the City's independent auditor, has not reviewed, commented on, or approved, and is not associated with, this Official Statement. Excerpts from the report of Patillo, Brown & Hill, L.L.P. relating to City's financial statements for the fiscal year ended December 31, 2021 are included in this Official Statement in Appendix D; however, Patillo, Brown & Hill, L.L.P. has not performed any procedures on such financial statements since the date of such report, and has not performed any procedures on any other financial information of the City, including without limitation any of the information contained in this Official Statement.

FORWARD-LOOKING STATEMENTS DISCLAIMER

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. The City's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials.

Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

CONCLUDING STATEMENT

The financial data and other information contained in this Official Statement have been obtained from the City's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and ordinance contained in this Official Statement are made subject to all of the provisions of such statutes, documents and ordinance. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

In the Ordinance, the City Council will authorize (i) the form and content of this Preliminary Official Statement, and any addenda, supplement or amendment thereto, and (ii) the Purchaser' use of this Preliminary Official Statement in connection with the public offering and the sale of the Certificates in accordance with the provisions of the Rule.

APPENDIX A

FINANCIAL INFORMATION OF THE CITY OF MARSHALL

FINANCIAL INFORMATION OF THE CITY

ASSESSED VALUATION AND DEBT INFORMATION

TABLE 1

2022 Actual Market Value of Taxable Property		\$ 1,856,706,057
Less Exemptions and Losses:		
Homestead	\$ 104,822,975	
Exempt Property	422,666,340	
Homestead Local Over 65/Disabled	23,398,658	
Veterans	14,393,755	
Homestead Cap Loss	21,053,510	
Minimum Value	248,328	
Abatements	-	
Freeport	8,487,617	
Pollution Control	-	
Productivity Value Loss	12,464,310	
Other	1,950,485	
Total Exemptions	\$ 609,485,978	
2022 Net Taxable Assessed Valuation:		\$ 1,247,220,079
Source: Harrison County Appraisal District and the City.		
General Obligation Debt Principal Outstanding (as of October 10, 2023):		
Total Gross General Obligation Debt Principal Outstanding	\$ 7,360,000	
Certificates of Obligation, Series 2023A (the Certificates)	13,300,000	*
Total Gross General Obligation Debt Outstanding	\$ 20,660,000	*
Less: Self-Supporting General Obligation Debt (See Table 7)	\$ 11,076,270	
Total Net General Obligation Debt Outstanding:	\$ 9,583,730	
Ratio of Net General Obligation Debt to 2022 Net Assessed Valuation		1.66% *
2022 Net Assessed Valuation		\$ 1,247,220,079
Population: 1990-23,682; 2000-23,935; 2010-23,523; 2023 estimate		23,641

PROPERTY TAX RATES AND COLLECTIONS

TABLE 2

Tax Year	Net Taxable Valuation	Tax Rate	Adjusted Tax Levy	% Collections ^(a)		Year Ended
				Current	Total	
2018	\$ 1,013,143,032	\$ 0.5422	\$ 5,492,856	92.76%	98.03%	12/31/2019
2019	1,070,962,452	0.5422	5,806,330	95.92%	96.19%	12/31/2020
2020	1,059,618,956	0.5422	5,744,830	96.00%	96.00%	12/31/2021
2021	1,083,098,550	0.5672	6,142,902	96.94%	97.55%	12/31/2022
2022	1,247,220,079	0.5652	7,049,300	94.93%	94.93%	12/31/2023

^(a) Excludes penalties and interest.

Source: Texas Comptroller of Public Accounts and Harrison County Appraisal District

TAX RATE DISTRIBUTION

TABLE 3

	2022-23	2021-22	2020-21	2019-20	2018-19
General Fund	\$ 0.4764	\$ 0.4741	\$ 0.4513	\$ 0.4610	\$ 0.4607
I & S Fund	0.0888	0.0931	0.0908	0.0812	0.0814
TOTAL	\$ 0.5652	\$ 0.5672	\$ 0.5422	\$ 0.5422	\$ 0.5422

Source: Texas Comptroller of Public Accounts and Harrison County Appraisal District

PRINCIPAL TAXPAYERS

TABLE 4

<u>Name of Taxpayer</u>	<u>Type of Property</u>	2022	
		<u>Assessed Valuation</u>	<u>% of 2022 A.V.</u>
Southwestern Electric Power Co.- SWEPCO	Electric Utility	\$ 22,136,330	1.77%
Republic National of TX	Alcohol Distribution	16,386,690	1.31%
Union Pacific Railroad Co	Railroad	13,473,570	1.08%
Nextier Completion Solutions	Oil Field Services	9,355,340	0.75%
Comstock Oil and Gas LLC	Oil & Gas	7,838,460	0.63%
Wal-Mart Stores Texas LP#01918	Retail Store	7,705,520	0.62%
Marshall Mall Investors	Shopping Mall	7,299,990	0.59%
Cobridge Communications	Utility	6,761,050	0.54%
Wal-Mart Real Estate Bus. Trust 01 0918	Real Estate	6,488,000	0.52%
Cole Richard N.	Personal	6,390,390	0.51%
	Total	\$ 103,835,340	8.33%
2022 Net Taxable Assessed Valuation	\$	1,247,220,079	

<u>Name of Taxpayer</u>	<u>Type of Property</u>	2021	
		<u>Assessed Valuation</u>	<u>% of 2021 A.V.</u>
Southwestern Electric Power Co.- SWEPCO	Electric Utility	\$ 18,687,540	1.73%
Republic National of TX	Alcohol Distribution	14,923,230	1.38%
Union Pacific Railroad Co	Railroad	12,618,790	1.17%
Nextier Completion Solutions	Oil Field Services	12,306,060	1.14%
Wal-Mart Stores Texas LP#01918	Retail Store	7,549,770	0.70%
Marshall Mall Investors	Shopping Mall	7,038,620	0.65%
Cobridge Communications	Utility	6,909,740	0.64%
Wal-Mart Real Estate Bus. Trust 01 0918	Real Estate	6,472,440	0.60%
Comstock Oil and Gas LLC	Oil & Gas	6,285,010	0.58%
Lowe's Home Centers Inc. #1762	Retail Store	5,868,860	0.54%
	Total	\$ 98,660,060	9.11%
2021 Net Taxable Assessed Valuation	\$	1,083,098,550	

<u>Name of Taxpayer</u>	<u>Type of Property</u>	2020	
		<u>Assessed Valuation</u>	<u>% of 2020 A.V.</u>
Southwestern Electric Power Co.- SWEPCO	Electric Utility	\$ 18,533,720	1.75%
Union Pacific Railroad Co.	Railroad	11,729,300	1.11%
Republic National of TX	Alcohol Distribution	11,272,210	1.06%
Wal-Mart Stores Texas LP#01918	Retail Store	7,626,520	0.72%
Wal-Mart Real Estate Bus. Trust 01 0918	Real Estate	6,881,580	0.65%
Marshall Mall Investors	Shopping Mall	6,857,410	0.65%
Fidelity Cablevision	Utility	6,563,180	0.62%
Nextier Completion Solutions	Oil Field Services	6,316,950	0.60%
Cole Richard N	Residential	5,854,930	0.55%
Lowe's Home Centers Inc. #1762	Retail Store	4,970,630	0.47%
	Total	\$ 86,606,430	8.17%
2020 Net Taxable Assessed Valuation	\$	1,059,618,956	

SHORT-TERM OBLIGATIONS

TABLE 5

<u>Item Purchased</u>	<u>Principal Amount Outstanding</u>	<u>Final Payment Amount</u>	<u>Final Payment Date</u>	<u>Frequency</u>	<u>Source</u>
7 Police Vehicles	\$ 230,750	\$ 80,000	1/5/2026	yearly	Vera Bank
Pumper Truck	726,495	199,901	5/23/2027	yearly	Frost Bank
10 Police Vehicles & 1 Fire Marshal Vehicle	338,345	122,126	5/31/2026	yearly	Frost Bank
Case Tractor, Loader, Backhoe, Bucket	15,287	15,287	1/1/2024	yearly	CNH Capital
3 - Mini Excavators	82,790	41,601	4/1/2025	yearly	CNH Capital
Mini Excavator, Hydraulic Thumb, Bucket	26,490	13,268	4/1/2025	yearly	CNH Capital

Source: The Issuer

CLASSIFICATION OF ASSESSED VALUATION BY USE CATEGORY

TABLE 6

<u>Property Use Category</u>	<u>Total Tax Roll for Tax Years</u>				
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Real Property					
Single-Family Residential	\$ 791,193,980	\$ 684,425,380	\$ 671,860,920	\$ 662,644,570	\$ 654,632,490
Multi-Family Residential	61,840,530	52,930,150	51,825,960	52,131,670	45,595,840
Vacant Lots/Tracts	21,564,410	22,867,250	20,382,840	20,771,760	21,169,050
Acreage (Land Only)	25,594,420	20,641,600	17,969,390	11,118,540	16,341,030
Farm/Ranch/Rural Improvements	-	-	-	5,973,910	-
Real, Commercial & Industrial	285,476,127	232,227,493	236,489,282	231,606,150	216,549,908
Real Minerals, Oil and Gas	6,920,320	5,066,380	4,637,890	5,767,420	5,554,140
Real & Tangible Personal Utilities	52,236,030	46,670,900	45,245,240	42,138,790	38,495,930
Personal, Commercial & Industrial	181,658,990	160,771,770	147,068,210	173,487,270	148,502,610
Tangible Personal, Mobile Homes	1,951,390	1,777,880	1,751,740	1,812,130	1,925,390
Real Property Inventory	15,491,030	13,934,850	14,078,680	11,917,550	11,154,240
Special Inventory	-	-	-	828,260	-
Total Exempt Property	412,778,830	313,990,030	322,064,200	324,004,260	214,473,970
Total Assessed Valuation	\$ 1,856,706,057	\$ 1,555,303,683	\$ 1,533,374,352	\$ 1,544,202,280	\$ 1,374,394,598
Less Exemptions:					
Homestead	\$ 104,822,975	\$93,349,484	\$ 92,026,640	\$ 91,225,746	\$ 90,600,253
Exempt Property	422,666,340	319,671,873	326,333,850	327,949,310	218,023,098
Homestead Local Over 65/Disabled	23,398,658	22,886,331	24,778,468	24,332,271	24,340,710
Veterans	14,393,755	11,606,076	10,410,826	9,532,842	8,834,254
Homestead Cap Loss	21,053,510	1,319,570	457,143	1,344,974	1,566,209
Minimum Value / Other	248,328	1,223,224	734,589	75,750	286,358
Abatements	-	-	251,860	521,420	613,190
Freeport	8,487,617	8,595,650	8,118,380	7,394,426	6,813,914
Pollution Control	-	-	-	4,740	-
Productivity Loss	12,464,310	11,491,780	10,643,640	10,198,180	10,173,580
Other	1,950,485	2,061,145	-	660,169	-
Total Exemptions	\$ 609,485,978	\$ 472,205,133	\$ 473,755,396	\$ 473,239,828	\$ 361,251,566
Net Taxable Valuation	\$ 1,247,220,079	\$ 1,083,098,550	\$ 1,059,618,956	\$ 1,070,962,452	\$ 1,013,143,032

Source: Harrison County Appraisal District and Texas Comptroller of Public Accounts

COMPUTATION OF SELF-SUPPORTING DEBT BY SOURCE**TABLE 7**

(Following issuance of the Certificates.)

General Obligation Refunding Bonds, Series 2016		
Gross Balance Outstanding	\$	1,670,000
% of Self Supporting Utility System		0.00%
Balance Supported by Utility System	\$	-
Certificates of Obligation, Series 2017		
Gross Balance Outstanding	\$	1,570,000
% of Self Supporting Hotel Occupancy Taxes		100.00%
Balance Supported by Hotel Occupancy Taxes	\$	1,570,000
Tax Notes, Series 2019		
Gross Balance Outstanding	\$	382,000
% of Self Supporting Utility System		0.00%
Balance Supported by Utility System	\$	-
General Obligation Refunding Bonds, Series 2019		
Gross Balance Outstanding	\$	648,000
% of Self Supporting Hotel Occupancy Taxes		100.00%
Balance Supported by Hotel Occupancy Taxes	\$	648,000
Tax Notes, Series 2020		
Gross Balance Outstanding	\$	1,040,000
% of Self Supporting Utility System		0.00%
Balance Supported by Utility System	\$	-
Certificates of Obligation, Taxable Series 2023		
Gross Balance Outstanding	\$	2,050,000
% of Self Supporting Drainage Fees		100.00%
Balance Supported by Drainage Fees	\$	2,050,000
Certificates of Obligation, Series 2023A (the Certificates) *		
Gross Balance Outstanding	\$	13,300,000
% of Self Supporting Utility System		51.19%
Balance Supported by Utility System	\$	6,808,270
Combined Totals: *		
Gross Balance Outstanding:	\$	20,660,000
Balance Supported by Utility System:	\$	6,808,270
% Self Supporting from Utility System:		32.95%
Balance Supported by Hotel Occupancy Taxes:	\$	2,218,000
% Self Supporting from Hotel Occupancy Taxes:		10.74%
Balance Supported by Drainage Fees	\$	2,050,000
% of Self Supporting Drainage Fees		9.92%

* Preliminary; subject to change.

Source: The City.

Chapter 321, Texas Tax Code, provides for the maximum levy of a one percent sales tax which may be used by the City for any lawful purpose except that the City may not pledge any of the anticipated sales tax revenue to secure the payment of obligations or other indebtedness. The Texas Local Government Code now also provides certain cities and counties the option of assessing a maximum one-half percent (½%) sales tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional tax is approved and levied, the ad valorem property tax levy must be reduced by the amount of the estimated sales tax revenues to be generated in the current year. Further, the Texas Tax Code provides certain cities the option of assessing a maximum one-half percent (½%) sales tax on retail sales of taxable items for economic development purposes and a separate maximum one-half percent (1/2%) sales tax on retail sales of taxable items for economic development purposes and/or community development purposes, in each case, if approved by a majority of the voters in a local option election. The total local sales tax cannot exceed 2%.

The City of Marshall now levies the maximum 2% sales tax. One-half percent of the sales tax levy is for the reduction of ad valorem taxes, another 3/8 percent is for economic development and 1/8 percent providing revenue for maintenance and repair of municipal streets. Net sales tax collections are shown below:

Calendar Year	General Fund 1.000%	Economic Develp. Corp. 0.375%	Street Maintenance 0.125%	Ad Valorem Tax Reduction 0.500%	Total Collected 2.000%
2019	\$ 9,338,265	\$ 3,501,849	\$ 1,167,283	\$ 1,959,773	\$ 7,839,093
2020	9,324,314	3,496,618	1,165,539	1,954,264	7,817,055
2021	10,488,001	3,933,000	1,311,000	2,051,320	8,205,278
2022	11,712,433	4,392,162	1,464,054	2,058,038	8,232,150
2023 ^(a)	8,670,820	3,251,558	1,083,853	361,155	1,444,620

^(a) Through August 18, 2023

Sources: Texas Comptroller of Public Accounts Website and the Issuer.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

TABLE 9

Fisc Year 31-Dec	Existing Debt Service	The Certificates			Combined Debt Service	Less: Self-Supported Debt Service ⁽¹⁾	Ad Valorem Tax Debt Service
		Principal*	Interest*	Total*			
2023	\$ 1,075,186				\$ 1,075,186	\$ (381,842)	\$ 693,343
2024	1,163,623	\$ 445,000	\$ 585,331	\$ 1,030,331	2,193,954	(992,181)	1,201,773
2025	1,159,465	425,000	606,763	1,031,763	2,191,227	(991,718)	1,199,509
2026	1,160,703	445,000	585,513	1,030,513	2,191,215	(988,875)	1,202,340
2027	1,169,409	465,000	563,263	1,028,263	2,197,672	(1,126,859)	1,070,812
2028	449,384	490,000	540,013	1,030,013	1,479,397	(976,630)	502,767
2029	449,618	515,000	515,513	1,030,513	1,480,130	(977,120)	503,011
2030	298,463	540,000	489,763	1,029,763	1,328,225	(825,580)	502,645
2031	298,954	570,000	462,763	1,032,763	1,331,716	(827,607)	504,109
2032	299,336	595,000	434,263	1,029,263	1,328,598	(826,198)	502,401
2033	82,000	625,000	404,513	1,029,513	1,111,513	(608,990)	502,523
2034	82,000	655,000	373,263	1,028,263	1,110,263	(608,350)	501,912
2035	82,000	690,000	340,513	1,030,513	1,112,513	(609,502)	503,011
2036	82,000	725,000	306,013	1,031,013	1,113,013	(609,758)	503,255
2037	82,000	760,000	269,763	1,029,763	1,111,763	(609,118)	502,645
2038	82,000	800,000	231,763	1,031,763	1,113,763	(610,142)	503,621
2039	82,000	840,000	191,763	1,031,763	1,113,763	(610,142)	503,621
2040	82,000	875,000	158,163	1,033,163	1,115,163	(610,858)	504,304
2041	82,000	910,000	123,163	1,033,163	1,115,163	(610,858)	504,304
2042	82,000	945,000	84,488	1,029,488	1,111,488	(608,977)	502,510
2043	82,000	985,000	44,325	1,029,325	1,111,325	(608,894)	502,431
2044	82,000				82,000	(82,000)	
2045	82,000				82,000	(82,000)	
2046	82,000				82,000	(82,000)	
2047	82,000				82,000	(82,000)	
2048	82,000				82,000	(82,000)	
	<u>\$ 8,836,140</u>	<u>\$ 13,300,000</u>	<u>\$ 7,310,906</u>	<u>\$ 20,610,906</u>	<u>\$ 29,447,046</u>	<u>\$ (16,030,201)</u>	<u>\$ 13,416,845</u>

*Preliminary; subject to change

⁽¹⁾ See Table 7 herein - "Computation of Self-Supporting Debt By Source"

TAX ADEQUACY (Includes Self-Supporting Debt)

TABLE 10A

2022 Assessed Valuation	\$ 967,774,068
Maximum Annual Debt Service Requirements (Fiscal Year Ending 2027)	\$ 2,197,672 *
Indicated Maximum Interest and Sinking Fund Tax Rate at 98% Collections	\$ 0.231720

Note: Above computation is exclusive of investment earnings, delinquent tax collections and penalties and interest on delinquent tax collections.

*Preliminary; subject to change

TAX ADEQUACY (Excludes Self-Supporting Debt)

TABLE 10B

2022 Assessed Valuation	\$ 967,774,068
Maximum Annual Debt Service Requirements (Fiscal Year Ending 2026)	\$ 1,202,340 *
Indicated Maximum Interest and Sinking Fund Tax Rate at 98% Collections	\$ 0.126773

Note: Above computation is exclusive of investment earnings, delinquent tax collections and penalties and interest on delinquent tax collections.

*Preliminary; subject to change

GENERAL OBLIGATION DEBT AUTHORIZED BUT UNISSUED

TABLE 11

None.

FUND BALANCES

TABLE 12

(Unaudited as of July 31, 2023)

Fund	Amount
General Fund	\$ 8,906,156
General Obligation Bond Interest and Sinking Funds	300
Capital Projects Funds	
Hotel/Motel Tax Fund	560,000
Other Funds	<u>2,126,000</u>
Total	<u>\$ 11,592,456</u>

Source: The City

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE

TABLE 13

Fiscal Year Ending 12/31	Outstanding Debt Principal	The Certificates*	Total*	Bonds Unpaid at End of Year	Percent of Principal Retired (%)
2023				\$ 20,660,000	
2024	\$ 1,042,000	\$ 445,000	\$ 1,487,000	19,173,000	7.20%
2025	1,060,000	425,000	1,485,000	17,688,000	14.39%
2026	1,088,000	445,000	1,533,000	16,155,000	21.81%
2027	1,126,000	465,000	1,591,000	14,564,000	29.51%
2028	424,000	490,000	914,000	13,650,000	33.93%
2029	432,000	515,000	947,000	12,703,000	38.51%
2030	287,000	540,000	827,000	11,876,000	42.52%
2031	292,000	570,000	862,000	11,014,000	46.69%
2032	297,000	595,000	892,000	10,122,000	51.01%
2033	82,000	625,000	707,000	9,415,000	54.43%
2034	82,000	655,000	737,000	8,678,000	58.00%
2035	82,000	690,000	772,000	7,906,000	61.73%
2036	82,000	725,000	807,000	7,099,000	65.64%
2037	82,000	760,000	842,000	6,257,000	69.71%
2038	82,000	800,000	882,000	5,375,000	73.98%
2039	82,000	840,000	922,000	4,453,000	78.45%
2040	82,000	875,000	957,000	3,496,000	83.08%
2041	82,000	910,000	992,000	2,504,000	87.88%
2042	82,000	945,000	1,027,000	1,477,000	92.85%
2043	82,000	985,000	1,067,000	410,000	98.02%
2044	82,000		82,000	328,000	98.41%
2045	82,000		82,000	246,000	98.81%
2046	82,000		82,000	164,000	99.21%
2047	82,000		82,000	82,000	99.60%
2048	82,000		82,000		100.00%
	<u>\$ 7,360,000</u>	<u>\$ 13,300,000</u>	<u>\$ 20,660,000</u>		

*Preliminary; subject to change

COMPUTATION OF SELF-SUPPORTING GENERAL OBLIGATION DEBT

TABLE 14

Utility System

Net Utility System Revenues, Fiscal Year Ended December 31, 2022	\$10,393,358
Less: 2022 Debt Service Revenue Bond Requirements	-
Balance Available for Other Purposes	<u>\$ 10,393,358</u>
Maximum Annual Utility-Supported General Obligation Debt Service	<u>\$ -</u>

Hotel/Motel Tax

Motel Occupancy Tax Revenues, Fiscal Year ended December 31, 2022	\$1,100,886
Less: Tourist and Convention Development Expenses	659,900
Balance Available for Other Purposes	<u>\$ 440,986</u>
Maximum Annual Motel Occupancy Tax-Supported General Obligation Debt Service	<u>\$ 367,619</u>

OVERLAPPING DEBT DATA AND INFORMATION

TABLE 15

<u>Taxing Body</u>	<u>As of</u>	<u>Amount</u>	<u>% Overlapping</u>	<u>Amount Overlapping</u>
Harrison County	7/31/2023	-	15.29%	-
Marshall ISD	7/31/2023	74,265,000	42.94%	31,889,391
Total Gross Overlapping Debt				\$ 31,889,391
City of Marshall		\$ 20,660,000 ⁽¹⁾	100.00%	20,660,000
Total Direct and Overlapping Debt				<u>\$ 52,549,391</u>
Ratio of Direct and Overlapping Debt to 2022 Assessed Valuation				4.21%
Ratio of Direct and Overlapping Debt to 2022 Actual Value				2.83%
Per Capita Direct and Overlapping Debt				\$2,222.81

⁽¹⁾ Includes the Certificates.

Source: Texas Municipal Reports prepared by Municipal Advisory Council of Texas

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ENTITIES

TABLE 16

<u>Governmental Entity</u>		<u>Net Taxable Values</u>	<u>Tax Rate</u>
Harrison County	2022	\$ 8,491,552,882	\$ 0.31100
Marshall ISD	2022	2,916,080,042	1.15200

Source: Gregg County Appraisal District & Harrison Central Appraisal District.

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS OF DIRECT AND OVERLAPPING GOVERNMENTAL ENTITIES

TABLE 17

<u>Taxing Body</u>	<u>Date Authorized</u>	<u>Amount Authorized</u>	<u>Issued to Date</u>	<u>Unissued</u>
Marshall, City of	11/7/2006	\$ 6,230,000	\$ 6,230,000	\$ -
Harrison County		-	-	-
Marshall ISD	5/6/2023	41,900,000	41,900,000	-

**GENERAL FUND COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES
AND ANALYSIS OF CHANGES IN FUND BALANCES**

TABLE 18

	Fiscal Year Ending December 31				
	2022 *	2021	2020	2019	2018
Fund Balance - Beginning of Year	\$ 8,528,096	\$ 6,608,201	\$ 5,321,822	\$ 5,363,438	\$ 5,563,323
Revenues:					
Ad Valorem Taxes	\$ 5,484,257	\$ 5,800,220	\$ 4,869,636	\$ 4,701,420	\$ 4,631,287
Sales Tax	8,784,325	8,120,201	7,140,161	7,018,342	6,713,506
Franchise Tax	750,355	888,137	896,394	935,176	981,115
Charges for Services		4,689,078	-	-	-
Permits	374,732				
Fees	5,682,677	685,914	5,131,130	5,100,630	4,499,265
Municipal Court Fines	302,395	305,608	275,187	482,448	673,181
Sales Revenue	1,776				
Interest	90,138	14,964	69,896	147,308	127,924
Intergovernmental	132,850	383,477	1,692,384	392,300	416,194
Donations	56,728	85,842	-	-	-
Miscellaneous	85,520	50,999	229,699	386,258	83,357
Total Revenues	\$ 21,745,753	\$ 21,024,440	\$ 20,304,487	\$ 19,163,882	\$ 18,125,829
Expenditures:					
Current					
General Government	\$ 779,146	\$ 525,924	\$ 543,743	\$ 474,524	\$ 425,542
Tourism and Cultural Arts		1,156,644	972,859	427,450	-
Finance	747,330	499,991	482,542	531,486	565,037
Public Safety	11,296,627	8,990,631	8,677,272	8,676,952	8,480,388
Public Works	5,475,737	3,973,885	3,820,442	3,747,545	3,090,680
Human Resources	224,911				
Planning / Community and Economic Development	602,826	513,719	495,140	515,785	474,894
Non-Departmental	586,243	2,210,955	2,327,775	2,052,943	1,925,402
Tax Collection		101,513	93,308	93,487	97,910
Support Services	2,081,351	854,450	860,409	1,478,029	1,454,456
Community Facilities	907,748	-	-	-	563,159
Parks and Recreation		348,747	361,674	699,180	724,700
Debt Service		251,152	345,794	430,291	414,276
Capital Outlay		1,436,641	1,075,105	1,738,322	1,156,779
Total Expenditures	\$ 22,701,919	\$ 20,864,252	\$ 20,056,063	\$ 20,865,994	\$ 19,373,223
Other Sources (Uses)					
Excess (Deficit) of Revenues Over Expenditures	\$ (956,166)	\$ 160,188	\$ 248,424	\$ (1,702,112)	\$ (1,247,394)
Other Financing Sources (Uses)					
Transfers in	\$ 2,584,589	\$ 1,912,747	\$ 2,033,908	\$ 1,514,201	\$ 1,490,191
Transfers out	(210,000)	(529,892)	(995,953)	(418,738)	(442,682)
Loan Proceeds		376,852	-	-	-
Proceeds From Capital Leases		-	-	565,033	-
Total	\$ 2,374,589	\$ 1,759,707	\$ 1,037,955	\$ 1,660,496	\$ 1,047,509
Net Change in Fund Balances	\$ 1,418,423	\$ 1,919,895	\$ 1,286,379	\$ (41,616)	\$ (199,885)
Period Prior Adjustment	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balance - End of Year	\$ 9,946,519	\$ 8,528,096	\$ 6,608,201	\$ 5,321,822	\$ 5,363,438

* Unaudited

Source: The Issuer's Financial Statements.

WATER RATES**TABLE 19***(Effective January 1, 2023)*

Residential Rates		
	<u>Inside City Limits</u>	<u>Outside City Limits</u>
User Charge Per 1,000 Gallons		
First 1,000 gallons or any part thereof	\$10.79	\$21.58
1,001 - 15,000 Gallons	\$5.00	\$10.00
15,001 - 20,000 Gallons	\$5.00	\$10.00
20,001 - 30,000 Gallons	\$5.00	\$10.00
30,001 - 50,000 Gallons	\$5.00	\$10.00
All over 50,001 gallons	\$5.00	\$10.00
	<u>Connection Fee Developed</u>	<u>Connection Un-developed</u>
3/4 inch meter connection	\$675	\$675
1 inch meter connection	\$675	\$675
2 inch meter connection	\$2,500	\$2,500

Commercial Rates		
	<u>Inside City Limits</u>	<u>Outside City Limits</u>
User Charge Per 1,000 Gallons		
First 1,000 gallons or any part thereof	\$10.79	\$21.58
1,001 - 15,000 Gallons	\$5.00	\$10.00
15,001 - 20,000 Gallons	\$5.00	\$10.00
20,001 - 30,000 Gallons	\$5.00	\$10.00
30,001 - 50,000 Gallons	\$5.00	\$10.00
All over 50,001 gallons	\$5.00	\$10.00
	<u>Connection Fee Developed</u>	<u>Connection Un-developed</u>
3/4 inch meter connection	\$675	\$675
1 inch meter connection	\$675	\$675
2 inch meter connection	\$2,500	\$2,500

PRINCIPAL WATER CUSTOMERS**TABLE 20**

<u>Name of Customer</u>	<u>Average Monthly Consumption (000 Gals.)</u>	<u>Average Monthly Bill (Water Only)</u>
NORIT	1,184,008,000	\$ 22,140.95
ETBU	257,616,000	13,886.49
BICC (PRYSMIAN)	140,200,000	7,144.53
BURRIS RENTAL MANAGEMENT	134,316,000	7,414.43
WILEY	108,758,000	5,943.50
CHRISTUS HEALTH	91,475,000	4,832.42
BEL AIR MANOR	82,083,000	4,903.35
MISD	69,791,000	4,502.67
MARSHALL MANOR	60,333,000	3,089.25
SNIDER IND	59,550,000	6,095.11
	<u>2,188,130,000</u>	<u>\$ 79,952.70</u>

Source: City of Marshall

SEWER RATES

TABLE 21

(Effective January 1, 2023)

Residential Rates		
	<u>Per Month</u>	
First 1,000 gallons or any part thereof	\$12.00	
1,001 - 25,000 gallons (cap at 25,000 gallons)	\$5.92	
	<u>Connection Fee Developed</u>	<u>Connection Fee Un-developed</u>
For each connection		
4 inch	\$500	\$500
6 inch	\$750	\$750

Commerical Rates		
	<u>Per Month</u>	
First 1,000 gallons or any part thereof	\$12.00	
1,001 - 25,000 gallons	\$5.92	
over 25,000 gallons (no cap)		
	<u>Connection Fee Developed</u>	<u>Connection Fee Un-developed</u>
For each connection		
4 inch	\$500	\$500
6 inch	\$750	\$750

APPENDIX B

**GENERAL INFORMATION REGARDING
THE CITY OF MARSHALL AND HARRISON COUNTY, TEXAS**

**GENERAL INFORMATION REGARDING THE CITY OF MARSHALL
AND HARRISON COUNTY, TEXAS**



General

The City of Marshall serves as the county seat of Harrison County and is an important commercial and industrial center in east Texas located on Interstate 20 approximately 135 miles east of Dallas. Founded in 1841, Marshall rapidly grew to be one of the largest cities in Texas as a center of operations for the Texas and Pacific Railroad.

Currently, the City's economy is primarily based on petroleum, lumber processing, varied manufacturing and tourism, with major employment in service, trade and manufacturing. Principal manufacturers within the City produce wooden cabinets, pottery, ceramics, activated carbon, bricks, lumber and wood chips.

The County is a far-east Texas county bordering the State of Louisiana, traversed by Interstate Highway 20, United States Highways 59 and 80; State Highways 43, 31, and 154 and 13 farm-to-market roads. The economy is based on manufacturing, mineral production and agriculture. Principal manufacturers of the County located outside the City include Texas Eastman, BICC Cable Company, Huntsman Corporation, Trinity Industries, Witco Polymers and Sabine Mining. Minerals produced in the County include oil, gas, lignite coal, clay and gravel. The County's 2010 Census was 65,631.

POPULATION TRENDS

<u>Year</u>	<u>City of Marshall</u>	<u>Harrison County</u>
2023 Est.	23,641	69,955
2020 Census	23,392	68,839
2010 Census	23,523	65,621
2000 Census	23,935	62,110
1990 Census	23,682	57,483

Source: Bureau of the Census and the City of Marshall.

EMPLOYMENT STATISTICS

The Texas Work Force Commission reports the following employment statistics for the County and the State of Texas.

	Harrison County		State of Texas	
	July 2022	July 2023	July 2022	July 2023
Total Civilian Labor Force	28,798	29,468	14,678,367	15,180,378
Total Employment	27,451	27,907	14,088,346	14,496,912
Total Unemployment	1,344	1,561	590,021	683,466

Source: Texas Work Force Commission, Austin, Texas

UNEMPLOYMENT RATES

	July 2022	July 2023
Harrison County	4.7%	5.3%
State of Texas	4.0	4.5
United States of America	3.8	3.8

Source: Texas Work Force Commission, Austin, Texas

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

Proposed Form of Opinion of Bond Counsel

*An opinion in substantially the following form will be delivered by McCall,
Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the
Certificates, assuming no material changes in facts or law.*

**CITY OF MARSHALL, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION
SERIES 2023A**

IN THE AGGREGATE PRINCIPAL AMOUNT OF \$13,675,000

AS BOND COUNSEL FOR THE CITY OF MARSHALL, TEXAS, (the "Issuer") in connection with the issuance of the Certificates of Obligation described above (the "Certificates"), we have examined into the legality and validity of the Certificates, which bear interest from the dates and mature on the dates, and are not subject to redemption, in accordance with the terms and conditions stated in the text of the Certificates and in the ordinance of the Issuer authorizing the issuance and sale of the Certificates (the "Ordinance"). Terms used herein and not otherwise defined shall have the meaning given in the Ordinance.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance and sale of the Certificates, including executed Certificate Number R-1.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Certificates have been duly authorized, issued and delivered in accordance with law; and that except as may be limited by laws applicable to the Issuer relating to bankruptcy, reorganization and other similar matters affecting creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion, the Certificates constitute valid and legally binding obligations of the Issuer; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Certificates have been levied and pledged for such purpose, within the limit prescribed by law, and that the Certificates are additionally secured by and payable from a pledge of the surplus revenues from the operation of the Issuer's waterworks and sewer system remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve and other requirements in connection with all of the Issuer's revenue obligations (now or hereafter outstanding) that are secured by a lien on all or any part of the net revenues of the Issuer's waterworks and sewer system, all as defined and provided in the Ordinance.

IT IS FURTHER OUR OPINION that, except as discussed below, under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion, for federal income tax purposes, the interest on the Certificates (i) is excludable from the gross income of the owners thereof and (ii) the Certificates will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, we express



no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Certificates.

IN EXPRESSING THE AFOREMENTIONED OPINIONS, we have relied on, certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants regarding the use and investment of the proceeds of the Certificates and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the Issuer fails to comply with such covenants, interest on the Certificates may become includable in gross income retroactively to the date of issuance of the Certificates.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Certificates, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Certificates, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Certificates is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Certificates for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Certificates, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Certificates and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of, and assessed valuation of taxable property within, and the sufficiency of the pledged revenues of, the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "*Service*"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Certificates. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control,



that if taken or omitted, respectively, may result in the treatment of interest on the Certificates as includable in gross income for federal income tax purposes.

Respectfully,

APPENDIX D

AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2021

(Independent Auditor's Report, General Financial Statements, and Notes to the Financial Statements. These documents are not intended to be a complete statement of the issuer's financial condition; reference is made to the complete annual financial report for further information.)

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CITY OF MARSHALL, TEXAS

ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2021

CITY OF MARSALL, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2021

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Marshall, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Marshall, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

OFFICE LOCATIONS

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



Auditor's Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

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

The combining nonmajor fund financial statements and schedules and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Waco, Texas
November 10, 2022

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**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Marshall, we offer readers of the City of Marshall's financial statements this narrative overview and analysis of the financial activities of the City of Marshall for the fiscal year ended December 31, 2021. We encourage readers to consider the information presented here in conjunction with the Independent Auditors' Report and the City's Basic Financial Statements.

FINANCIAL HIGHLIGHTS

- The assets of the City of Marshall exceeded its liabilities at the close of the most recent fiscal year by \$76,758,364 (net position). Of this amount, \$7,753,066 is a deficit unrestricted net position.
- As of the close of the current fiscal year, the City of Marshall's governmental funds reported combined ending fund balances of \$13,205,572. Approximately 62% of this total amount is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$8,227,655 or 39% of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

Fund Financial Statements – A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Marshall, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Marshall can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The City of Marshall maintains 29 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the other 25 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Marshall, assets exceeded liabilities by \$76,758,364 at the close of the most recent fiscal year.

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

Figure A-1
CITY OF MARSHALL'S NET POSITION

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

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

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

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

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

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

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program Revenues:						
Charges for services	\$ 7,510,337	\$ 6,625,279	\$ 9,254,614	\$ 8,813,683	\$ 16,764,951	\$ 15,438,962
Operating grants and contributions	1,623,099	2,048,400	-	-	1,623,099	2,048,400
Capital grants and contributions	26,659	276,130	-	-	26,659	276,130
General Revenues:						
Taxes:						
Property taxes	6,364,454	5,856,718	-	-	6,364,454	5,856,718
Other taxes	9,684,382	9,329,136	-	-	9,684,382	9,329,136
Miscellaneous	146,028	-	3,128	26,494	149,156	26,494
Investment income	15,920	76,709	4,776	35,098	20,696	111,807
Total revenues	25,370,879	24,212,372	9,262,518	8,875,275	34,633,397	33,087,647
Expenses:						
General government	803,539	1,113,718	-	-	803,539	1,113,718
Parks and recreation	330,015	365,639	-	-	330,015	365,639
Finance	460,432	488,986	-	-	460,432	488,986
Public safety	9,516,798	9,548,981	-	-	9,516,798	9,548,981
Public works	5,871,617	5,631,361	-	-	5,871,617	5,631,361
Support services	1,069,245	1,094,313	-	-	1,069,245	1,094,313
Non-departmental	2,253,989	2,288,891	-	-	2,253,989	2,288,891
Tax collection	103,732	93,308	-	-	103,732	93,308
Tourism and cultural arts	1,709,875	1,195,902	-	-	1,709,875	1,195,902
Community and economic dev.	903,450	842,353	-	-	903,450	842,353
Interest on long-term debt	206,309	258,058	-	-	206,309	258,058
Water and sewer	-	-	8,291,277	6,956,266	8,291,277	6,956,266
Business development center	-	-	43,774	43,897	43,774	43,897
Total expenses	23,229,001	22,921,510	8,335,051	7,000,163	31,564,052	29,921,673
Change in net position before transfers	2,141,878	1,290,862	927,467	1,875,112	3,069,345	3,165,974
Transfers	1,445,820	1,585,000	(1,445,820)	(1,585,000)	-	-
Change in net position	3,587,698	2,875,862	(518,353)	290,112	3,069,345	3,165,974
Net position - beginning	46,334,611	43,458,749	39,879,214	39,589,102	86,213,825	83,047,851
Prior period adjustment	(12,524,806)	-	-	-	(12,524,806)	-
Net position - ending	\$ 37,397,503	\$ 46,334,611	\$ 39,360,861	\$ 39,879,214	\$ 76,758,364	\$ 86,213,825

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

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, the City of Marshall's governmental funds reported combined ending fund balances of \$13,205,572. Approximately 62% of this total amount (\$8,205,357) constitutes unassigned, which is available for spending at the government's discretion. The remainder of fund balance is restricted or non-spendable to indicate that it is not available for new spending because it has already been committed. The portion of fund balance classified as nonspendable totals \$339,212. Restricted fund balance consists of the following: (1) promotion and tourism \$731,347, (2) public safety \$377,309, (3) debt service \$566,584, (4) library \$345,713, (5) capital projects \$1,147,705, (6) street maintenance \$853,440, and (7) public works \$638,905.

The General Fund is the chief operating fund of the City of Marshall. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$8,227,655, with 96% of the total fund balance (\$8,227,655) being unassigned. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 39% of total General Fund expenditures. Total fund balance represents 41% of total General Fund expenditures. The total fund balance of the City of Marshall's General Fund increased by \$1,919,895 during the current fiscal year.

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

Unrestricted net position of the Water and Sewer Fund at the end of the year was \$1,630,203. Other factors concerning the finances of this fund have already been addressed in the discussion of the City of Marshall's business-type activities.

General Fund Budgetary Highlights – During the year, expenditures were under amended budget estimates by \$560,172.

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

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

In 2021, 1.538 billion gallons of water was treated and distributed through the City's distribution system, and 2.065 billion gallons of wastewater treated.

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

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

In 2021, the following water treatment\wastewater treatment plant projects and upgrades were started and/or completed:

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

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

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

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

Specific drainage projects include:

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

CAPITAL ASSETS

The City of Marshall's investment in capital assets for its governmental and business type activities as of December 31, 2021, is \$86,382,626 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, infrastructure, and water and wastewater systems. Street improvements are a primary focus of the Public Works Department.

**CITY OF MARSHALL'S CAPITAL ASSETS AT YEAR-END
(Net of accumulated depreciation)**

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

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

DEBT ADMINISTRATION

Long-term Debt – At the end of the current fiscal year, the City of Marshall had total bonded debt outstanding of \$7,200,703. Of this amount, \$5,034,703 is backed by the levy and collection of ad valorem taxes in the City as provided by law and from surplus revenues in the City's Hotel Occupancy Tax Fund. The remainder of the City of Marshall's debt, \$2,166,000, represents bonds secured solely by specified revenue sources (i.e., revenue bonds and tax notes).

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

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

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Economic Factors

- The average home price in Marshall is estimated to be \$134,181.
- The value of construction permits issued in 2022 is \$143,381,742.
- The tax rate remained at \$0.54216 per \$100 valuation.
- The City benefits from its strategic location, which is approximately 23 miles from Longview and 36 miles from Shreveport at the intersection of U.S. Hwy 59 and 1-20.
- 2020 Annual unemployment for Harrison County was 7.9%.
- 2020 Median household income for Harrison County was estimated at \$54,234.

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

REQUESTS FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

CITY OF MARSHALL, TEXAS

STATEMENT OF NET POSITION

DECEMBER 31, 2021

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

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

Discretely Presented
Component Units

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

CITY OF MARSHALL, TEXAS

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2021

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

General revenues:

Taxes:
 Property
 Sales
 Franchise
 Investment earnings
 Miscellaneous
Transfers
 Total general revenues and transfers

Change in net position
Net position - beginning
Prior period adjustment
Net position - ending

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

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

CITY OF MARSHALL, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS

DECEMBER 31, 2021

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

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

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

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CITY OF MARSHALL, TEXAS

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

DECEMBER 31, 2021

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

CITY OF MARSHALL, TEXAS

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

FOR THE YEAR ENDED SDECEMBER 31, 2021

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

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

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

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CITY OF MARSHALL, TEXAS

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

FOR THE YEAR ENDED DECEMBER 31, 2021

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

CITY OF MARSHALL, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

DECEMBER 31, 2021

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

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

CITY OF MARSHALL, TEXAS

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 (Continued)

DECEMBER 31, 2021

	Business-type Activities - Enterprise Funds			Governmental
	Water	Business	Total	Internal Service
	and Sewer	Development		
Fund	Center			
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 305,981	\$ -	\$ 305,981	\$ -
Accrued liabilities	49,097	-	49,097	-
Unearned revenue	23,074	-	23,074	-
Capital lease	21,374	-	21,374	-
Notes payable	93,687	-	93,687	-
Compensated absences	99,483	-	99,483	-
Total OPEB liability - retiree health plan	11,660	-	11,660	-
Total OPEB liability - SDBF	18,983	-	18,983	-
Total current liabilities	<u>623,339</u>	<u>-</u>	<u>623,339</u>	<u>-</u>
Current liabilities payable from restricted assets:				
Customer deposits	904,819	-	904,819	-
Total current liabilities payable from restricted assets	<u>904,819</u>	<u>-</u>	<u>904,819</u>	<u>-</u>
Noncurrent liabilities:				
Capital lease payable	46,647	-	46,647	-
Compensated absences	298,450	-	298,450	-
Total OPEB liability - retiree health plan	154,906	-	154,906	-
Total OPEB liability - SDBF	252,203	-	252,203	-
Net pension liability	1,230,038	-	1,230,038	-
Total noncurrent liabilities	<u>1,982,244</u>	<u>-</u>	<u>1,982,244</u>	<u>-</u>
Total liabilities	<u>3,510,402</u>	<u>-</u>	<u>3,510,402</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Pension related	458,340	-	458,340	-
OPEB related - retiree health plan	65,861	-	65,861	-
OPEB related - SDBF	20,490	-	20,490	-
Total deferred inflows of resources	<u>544,691</u>	<u>-</u>	<u>544,691</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	35,786,358	1,081,016	36,867,374	941,904
Unrestricted	1,630,203	-	1,630,203	401,725
Total net position	<u>\$ 37,416,561</u>	<u>\$ 1,081,016</u>	<u>38,497,577</u>	<u>\$ 1,343,629</u>
Reconciliation to government-wide Statement of Net Position:				
Adjustment to reflect the consolidation of Internal Service Funds activities related to enterprise funds				
Capital assets			<u>863,284</u>	
Net position of Business-type Activities			<u>\$ 39,360,861</u>	

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CITY OF MARSHALL, TEXAS

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

FOR THE YEAR ENDED DECEMBER 31, 2021

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

Reconciliation to government-wide Statement of Net Position:

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

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

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

CITY OF MARSHALL, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2021

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

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

CITY OF MARSHALL, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2021
(Continued)

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

CITY OF MARSHALL, TEXAS

COMBINING STATEMENT OF FIDUCIARY NET POSITION
ALL FIDUCIARY FUNDS

DECEMBER 31, 2021

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

CITY OF MARSHALL, TEXAS

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
ALL FIDUCIARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2021

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

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CITY OF MARSHALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

A. Reporting Entity

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

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

Discretely Presented Component Units

Marshall Economic Development Corporation (MEDCO) was incorporated under the Development Corporation Act of 1979, as amended, Article 5190.6, Tex. Rev. Civ. Stat. Ann., as amended as a non-profit industrial development corporation. The purpose of the corporation is to promote and develop industrial and manufacturing enterprises in order to eliminate unemployment and underemployment, and to promote and encourage employment and the public welfare of, for, and on behalf of the City. The City appoints its five (5) member board of directors and all its policies for program administration must be submitted to the City for approval. Marshall Economic Development Corporation is subject to audit by the City or its representatives and may not issue any debt without City approval. Its revenue is derived from a \$.00375 City sales tax. A separate audit for the year ended December 31, 2021, was performed and may be obtained by contacting MEDCO.

Marshall Higher Education Financing Corporation (HEFCO) was incorporated as a non-profit organization to provide an instrumentality to exercise the powers granted to a higher education authority under Section 53.33 of the Texas Education Code, as authorized by Section 53.35(b) of the Texas Education Code. The Board of Directors are appointed by and subject to removal by the governing body of the City of Marshall and consists of seven (7) persons. HEFCO is authorized by the City of Marshall to carry on functions of a higher education authority for the purpose of financing educational institutions in Harrison County. HEFCO had no assets at year-end and no activity for the year. Since HEFCO had no assets or activity for 2021, it was not included in the financial statements.

The Marshall Downtown Development Corporation (MDDC) was established by resolution of the City Commission of Marshall, Texas, on March 13, 2003, to act as a non-profit corporation for the benefit of the City of Marshall, Texas, specifically to promote and assist in the development, growth, and economic wellbeing of the downtown area. On June 3, 2004, MDDC filed amendments to Articles of Incorporation with the Secretary of State changing the status of the Corporation to a Local Government Corporation under applicable provisions of the Texas Transportation Code. The Board of Directors are appointed by and subject to removal by the governing body of the City of Marshall and consists of not more than seven (7) persons. A separate audit for the year ended December 31, 2021, was performed and may be obtained by contacting MDDC.

Marshall Convention and Visitors Bureau (MCVB) was incorporated under the Texas Business Organizations Code, Chapter 22 on October 12, 2007. MCVB also complies with Chapter 351 of the Texas Tax Code with regard to any funds granted to MCVB by the City of Marshall. The purposes of the Corporation are to promote the City of Marshall related to tourism, visitors and economic growth; solicit groups for conventions expositions and other events to increase the hotel activity; and branding and product development. MCVB has a Board of Directors comprised of seven (7) members who are all appointed by the City. Since MCVB did not have any activity for 2021, a separate audit report was not issued this year.

B. Basis of Presentation

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

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

C. Fund Financial Statements

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

Governmental Funds

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

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

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

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

Additionally, the City reports the following governmental fund types:

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

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

Proprietary Funds

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

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

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

All internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds are provided in the form of combining statements elsewhere in this report.

Fiduciary Funds

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

D. Measurement Focus/Basis of Accounting

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

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

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

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

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

1. Cash and investments – Statement of Cash Flows

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

The carrying amounts of investments (which are fair value) are based on quoted market values at December 31, 2021. The market values of temporary investments are based on values provided by TexPool at December 31, 2021.

2. Inventories and prepaid items

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

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

3. *Restricted assets*

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

4. *Interfund receivables and payables – transactions between funds*

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

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

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

5. *Estimates*

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

6. *Reclassifications*

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

7. *Ad Valorem Tax*

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

8. *Capital Assets*

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

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

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

9. *Deferred Inflows and Outflows of Resources*

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

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

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

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

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

10. *Compensated Absences*

A total of 10 to 15 days vacation and 15 days sick leave per year may be accumulated by each employee. A maximum of 30 days vacation and 90 days sick leave may be accumulated. (Civil Service employees may accumulate an unlimited amount of sick leave.) The City accrues a liability for compensated absences which meet the following criteria:

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

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

11. *Net Position*

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

12. *Defined Benefit Pension Plan*

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

13. *Other Postemployment Benefits (OPEB)*

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

14. *Fund Balance Classification*

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

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

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

II. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

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

Policies Governing Deposits and Investments

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

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

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

Of the total bank balances, \$250,000 was covered by Federal Depository Insurance for all accounts. The remainder of the accounts were covered by a Federal Home Loan of Dallas letter of credit in the amount of \$10,801,907.

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

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

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

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

Collateralization

Collateralization shall be required on two types of investments:

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

At December 31, 2021, all of the securities are in the City's name and held by the City or its agent.

At December 31, 2021, MEDCO was not exposed to custodial credit risk. MEDCO only had investments in TexPool, a state investment pool, which is not subject to custodial credit risk.

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

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

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

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

The City's investments as of December 31, 2021 are:

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

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

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

TexPool - TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rates TexPool "AAAm". As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review.

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

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

III. RECEIVABLES

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

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

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

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

IV. CAPITAL ASSETS

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

Primary Government

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

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

Discretely Presented Component Units

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

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

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

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

V. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Due to/from Other Funds

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

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

Similar transactions such as this also exist between the primary government and the City's discretely presented component unit. The City is required to contribute to MEDCO, \$.00375 of the \$.0825 sales tax levied on taxable sales. Monthly, the City receives sales tax remittances from the State of Texas for taxes collected by the State on behalf of the City. Because of the time allowed by the State for merchants to file Sales Tax Returns, a lag exists between when the tax is earned by the City and when it is received. At December 31, 2021, the amount due to MEDCO from the City for its portion of sales tax revenue was \$389,386.

Interfund Transfers

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

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

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

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

VI. LONG-TERM DEBT AND CAPITAL LEASES PAYABLE

General Obligation Debt

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

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

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

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

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

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

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

Water and Sewer Revenue Debt

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

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

Accordingly, pursuant to the terms of the ordinance authorizing the issuance of the refunded bonds in accordance with Texas Law, the refunded bonds are deemed to be no longer outstanding obligations payable from the Water and Sewer System or for any other purpose except for the purpose of being paid from the funds held in such Escrow Fund. On December 31, 2021, \$2,210,000 of the bonds considered defeased are still outstanding.

A summary of the refunded bond maturities is as follows:

Schedule of Refunded Bonds

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

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

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

Debt service requirements are as follows:

General Obligation Bonds:

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

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

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

Capital Leases Payable - Governmental Activities

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

The assets acquired through the capital leases are as follows:

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

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

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

Capital Leases Payable - Business Type Activities

On December 28, 2020, the City entered into a lease agreement with Associated Supply Company to assist the City in financing a backhoe. The City does not have legal title to the property during the lease term. This lease agreement totals \$89,395 and requires two payments of \$24,490 with a purchase option price of \$49,290.

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

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

Notes Payable - Governmental Activities

On November 15, 2016, the City entered into a loan agreement with Panola National Bank in the amount of \$690,000 for the purchase of a fire truck. In 2016, the City spent \$626,757 of the loan proceeds. The rest of the loan proceeds (\$61,439) was spent in 2017 for add-ons to the fire trucks. Five principal payments of \$115,000 plus interest are due annually beginning January 20, 2018 and one payment of \$117,243 is due on January 20, 2023. The interest rate on the loan is fixed at 1.950%. Interest paid on this loan in 2021 was \$6,752.

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

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

Notes Payable - Business-Type Activities

On August 21, 2015, the City entered into a loan agreement with Texas Bank and Trust in the amount of \$614,844 for the purchase of a bio-tower media filter for the Water and Sewer Fund. Payments are due annually in 7 payments of \$95,880 (includes principal and interest) beginning on August 21, 2016, and on the same day each year thereafter. The interest rate on the loan is fixed at 2.238%. Interest paid on this loan in 2021 was \$4,152.

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

Notes Payable – Discretely Presented Component Units

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

On May 22, 2014, MEDCO entered into a loan agreement for \$6,540,000 with Texas Bank and Trust. The interest rate of the loan is 3.25% and the payment terms are: accrued interest shall be payable monthly starting June 1, 2014 and continuing each month until and including December 31, 2014. Principal and interest shall be payable in monthly installments of \$46,100 including interest, starting February 1, 2015, and continuing each month until the entire principal balance is due on January 1, 2025. The entire unpaid interest and principal shall be due and payable in full with a balloon payment on January 1, 2025, the scheduled maturity date. The purposes of the loan are to provide funds to pay for a project relating to a Performance Agreement and lease between MEDCO and Rio Ammunition, Inc. to the extent of \$5,900,000 and to the extent of \$624,932 the loan represents a refinance and renewal of an existing loan. MEDCO pledges and grants a security interest and a first lien on pledged revenues (sales tax). Interest paid on this loan for the year ending December 31, 2021, was \$132,963.

On December 31, 2014, MEDCO entered into a loan agreement for \$967,965 with Bancorp South Bank. The interest rate of the loan is 3.950% and the payment terms are: principal and interest shall be payable in monthly installments of \$9,814 including interest, starting February 10, 2015, and continuing each month for 120 months. The purpose of the loan is to provide additional funding for the construction of Rio Ammunition, Inc. This loan is secured by real estate. Interest paid on this loan for the year ending December 31, 2020, was \$15,390.

Debt service requirements are as follows:

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

Changes in Long-term Debt - Discretely Presented Component Unit

Component unit activities:

Other liabilities:

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

VII. DEFINED BENEFIT PENSION PLANS

1. Texas Municipal Retirement System

Plan Description. The City of Marshall participates as one of 895 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at tmrs.com.

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

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

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

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

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

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

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

Contributions. Member contribution rates in TMRS are either 5%, 6%, or 7% of the Member's total compensation, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contributions rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

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

Net Pension Liability. The City's Net Pension Liability (NPL) was measured as of December 31, 2020, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

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

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

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

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

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

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

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

Changes in the Net Pension Liability

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

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

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

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

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

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

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

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

2. Firefighter Relief and Retirement Fund (FRRF)

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

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

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

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

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

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

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

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

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

Plan fiduciary net position as a percentage of the total pension liability 40.2%

Actuarial Assumptions. The total pension liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the City of Marshall, calculated using the discount rate of 7.25%, as well as what the city's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

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

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

Changes in the Net Pension Liability

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

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

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

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

For the Year Ended December 31,	
2022	\$ 39,805
2023	39,805
2024	39,805
2025	<u>39,806</u>
Total	<u>\$ 159,221</u>

VIII. OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATIONS

Post-retirement Health Benefits

Plan Description and Funding Policy. City Policy allows the City to provide health and dental insurance for all active employees and qualified retirees with Blue Cross/Blue Shield of Texas. The current rate for active employees is \$722 and retirees is \$822 per month. Employees who have retired, completed 20 years of service, and have reached age 60 and wish to continue on the City's health plan must pay the difference between the retiree blended rate and the amount the City currently pays for active employee coverage. The current rate for these retirees is \$822 per month, which is intended to be the blended rate that does not create an implicit subsidy. Retiree medical and dental coverage ends at age 65. Retirees pay for any dependent coverage and for dental coverage. Employees hired after August 1, 2005 will not be eligible to remain on the health plan upon retirement.

Employees covered by benefit terms. At December 31, 2020, the following employees were covered by the benefit terms:

Active members	39
Retirees	<u>5</u>
Total	<u><u>44</u></u>

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

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

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

The City had a simplified actuarial valuation performed on December 31, 2021. The City has elected to have a full valuation performed every two years. The allocation of the total liability was based upon straight years of service ratio and was amortized over a 20 year period, using a 2.06% discount rate. The participation percentage is the assumed rate of future eligible retirees who elect to continue health coverage at retirement. It is assumed 50% of future retirees elect the benefit. Medical inflation was taken at 5.5% for pre-Medicare grading down to 3.7% is the ultimate. Post Medicare benefits were not considered since the plan provides for no post-Medicare coverage or subsidy.

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

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

Discount Rate. The discount rate of 2.06% is based upon the yield of 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The other financial assumptions for long-term inflation, payroll growth, and salary scale were taken from the TMRS actuary study. The per capita claims costs and how these costs are expected to escalate in the future were set by HUB International who develops the funding rates.

Changes in the Total OPEB Liability

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

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

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

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

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

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

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

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

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

IX. DEFINED OTHER POSTEMPLOYMENT BENEFIT PLANS

TMRS Supplemental Death Benefits Fund

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

TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.tmrs.com.

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

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

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

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

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

For the calendar years 2020 and 2021, the total SDBF contributions rate for the City was 0.24% and 0.38%, respectively, while the retiree portion of the SDBF contribution was 0.10% and 0.27%. The City's retiree-only portion of contributions for the years ended December 31, 2021 and 2020, were \$22,905 and \$8,955, respectively. Due to the SDBF being considered an unfunded OPEB plan, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

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

Actuarial Assumptions:

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

Inflation	2.50%
Overall	3.50% to 11.5% including inflation
Discount rate	2.00%
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables with rates projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

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

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

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

	1% Decrease in Discount Rate (1%)	Discount Rate (2%)	1% Increase in Discount Rate (3%)
Total OPEB Liability	\$ 1,314,766	\$ 1,084,745	\$ 907,828

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

Changes in the Total OPEB Liability

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

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

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

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

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

X. RISK MANAGEMENT

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

	<u>Limit</u>		<u>Deductible</u>
General Liability	2,000,000	Each Occurrence	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	88,685,518		1,000
Mobile Equipment	2,681,749		500
Boiler & Machinery	5,531,392		5,000
Supplemental Sewage Backu	25,000	Each Structure	
	50,000	Each Occurrence	500
Cyber Liability and Data Breach Response:			
Information Security and Privacy Liability and Website Media Content Liability	1,000,000	Aggregate Limit	-
All Damages, Expenses, Loss and Costs	100,000	Aggregate Limit	-
Notified Individuals	10,000	Aggregate Limit	-
Breach Response: Professional Services	50,000	Aggregate Limit	-

XI. SOLID WASTE COLLECTION CONTRACT

The City has contracted for solid waste collection with a third party. The contract began January 1, 2019, and terminates December 31, 2025, with no extension. Under the terms of the agreement the City bills customers and collects payments and retains a percentage of the charges. Payments during 2021 for sanitation services were \$2,756,517.

XII. NORTHEAST TEXAS MUNICIPAL WATER DISTRICT RAW WATER PURCHASE CONTRACT

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

XIII. CONTINGENT LIABILITIES

Contingencies

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

Federal and State Programs

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

XIV. COMMITMENTS

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

XV. SUBSEQUENT EVENTS

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

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

XVI. SIGNIFICANT FORTH COMING STANDARDS

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

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

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

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

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**REQUIRED SUPPLEMENTARY
INFORMATION**

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CITY OF MARSHALL, TEXAS

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

FOR THE YEAR ENDED DECEMBER 31, 2021

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

The accompanying notes are an integral part of this schedule.

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CITY OF MARSHALL, TEXAS

NOTES TO BUDGETARY SCHEDULE

DECEMBER 31, 2021

Summary of Significant Accounting Policies

A. Budgetary Information

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

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

1. Prior to the end of August, the City Commission, City Manager, and department heads meet in publicly held budget workshops and prepare a tentative budget for the following year.
2. Duly advertised public hearings are held to obtain taxpayers comments.
3. Prior to October 1, the budget is legally enacted.
4. The City budgets by departmental category. Formal budget integration into the accounting system is employed as a management control device. Encumbrance accounting is not employed.

CITY OF MARSHALL, TEXAS

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

FOR THE YEAR ENDED DECEMBER 31, 2021

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

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

2016	2017	2018	2019	2020
\$ 1,349,774	\$ 1,360,160	\$ 1,395,937	\$ 1,498,701	\$ 1,524,142
3,561,898	3,692,623	3,777,242	3,882,459	4,021,627
(25,089)	(735,674)	(340,293)	(35,575)	(186,568)
-	-	-	264,805	-
(2,945,304)	(2,964,912)	(3,197,858)	(3,453,140)	(3,669,573)
1,941,279	1,352,197	1,635,028	2,157,250	1,689,628
<u>53,566,626</u>	<u>55,507,905</u>	<u>56,860,102</u>	<u>58,495,130</u>	<u>60,652,380</u>
\$ <u>55,507,905</u>	\$ <u>56,860,102</u>	\$ <u>58,495,130</u>	\$ <u>60,652,380</u>	\$ <u>62,342,008</u>
\$ 1,280,192	\$ 1,336,984	\$ 1,380,365	\$ 1,429,734	\$ 1,445,245
553,510	560,308	573,785	618,932	627,588
3,003,122	6,415,707	(1,545,251)	7,537,593	4,161,998
(2,945,304)	(2,964,912)	(3,197,858)	(3,453,140)	(3,669,573)
(33,924)	(33,258)	(29,882)	(42,625)	(26,958)
(1,828)	(1,685)	(1,561)	(1,280)	(1,052)
1,855,768	5,313,144	(2,820,402)	6,089,214	2,537,248
<u>44,446,883</u>	<u>46,302,651</u>	<u>51,615,795</u>	<u>48,795,393</u>	<u>54,884,607</u>
\$ <u>46,302,651</u>	\$ <u>51,615,795</u>	\$ <u>48,795,393</u>	\$ <u>54,884,607</u>	\$ <u>57,421,855</u>
\$ <u>9,205,254</u>	\$ <u>5,244,307</u>	\$ <u>9,699,737</u>	\$ <u>5,767,773</u>	\$ <u>4,920,153</u>
83.42%	90.78%	83.42%	90.49%	92.11%
\$ 7,907,289	\$ 7,991,538	\$ 8,196,928	\$ 8,841,891	\$ 8,965,540
116.41%	65.62%	118.33%	65.23%	54.88%

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CITY OF MARSHALL, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS FOR THE LAST 10 FISCAL YEARS

FOR THE YEAR ENDED DECEMBER 31, 2021

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

Notes to Schedule of Contributions

Valuation Date:

Notes 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	25 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.

Mortality Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes There were no benefit changes during the year.

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

CITY OF MARSHALL, TEXAS

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

FOR THE YEAR ENDED DECEMBER 31, 2021

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

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

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

CITY OF MARSHALL, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
FIREMAN'S RELIEF AND RETIREMENT FUND
SCHEDULE OF CONTRIBUTIONS FOR THE LAST 10 FISCAL YEARS

FOR THE YEAR ENDED DECEMBER 31, 2021

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

Notes to Schedule of Contributions

Valuation Date:

December 31, 2020

Notes

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	15 years
Asset Valuation Method	Market Value
Salary Increases	3.75% per annum
Investment Rate of Return	7.25% per annum
Retirement Age	50% of Active firefighters are assumed to retire at age 50 and 20. The remaining 50% are assumed enter DROP at age 53 and 20 years of service or current age if older and retire at age 56. Terminated firefighters entitled to deferred benefits are assumed to retire on the later of age 50 or age on the valuation date.
Mortality	Pubs-2010 mortality table projected generationally with Scale MP-2020.

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

CITY OF MARSHALL, TEXAS

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

FOR THE YEAR ENDED DECEMBER 31, 2021

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

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

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

CITY OF MARSHALL, TEXAS

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

FOR THE YEAR ENDED DECEMBER 31, 2021

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

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

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

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

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NONMAJOR GOVERNMENTAL FUNDS

CITY OF MARSHALL, TEXAS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2021

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

Special Revenue

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

CITY OF MARSHALL, TEXAS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2021

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

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

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CITY OF MARSHALL, TEXAS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2021

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

CITY OF MARSHALL, TEXAS

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

FOR THE YEAR ENDED DECEMBER 31, 2021

	Special Revenue				
	Motel Occupancy Fund	Community Development Fund	Municipal Court Tech Fund	Street Maintenance Fund	Litter Control Fund
REVENUES					
Sales taxes	\$ -	\$ -	\$ -	\$ 676,044	\$ -
Intergovernmental	-	424,781	-	97,500	-
Motel occupancy taxes	964,398	-	-	-	-
Charges for services	-	-	-	28,000	-
Fines and forfeitures	-	-	7,322	-	-
Investment income	64	-	-	180	-
Donations	-	-	-	-	6,459
Miscellaneous	241	-	-	-	-
Total revenues	<u>964,703</u>	<u>424,781</u>	<u>7,322</u>	<u>801,724</u>	<u>6,459</u>
EXPENDITURES					
Current:					
General government	-	-	7,322	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	807
Tourism and cultural arts	276,116	-	-	-	-
Community and economic development	-	424,781	-	-	-
Support services	-	-	-	-	-
Capital outlay	7,489	-	-	388,994	-
Total expenditures	<u>283,605</u>	<u>424,781</u>	<u>7,322</u>	<u>388,994</u>	<u>807</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>681,098</u>	<u>-</u>	<u>-</u>	<u>412,730</u>	<u>5,652</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	102,994	-	-	-
Transfers out	(396,080)	-	-	-	-
Total other financing sources (uses)	<u>(396,080)</u>	<u>102,994</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	285,018	102,994	-	412,730	5,652
FUND BALANCES, BEGINNING	<u>305,415</u>	<u>-</u>	<u>-</u>	<u>440,710</u>	<u>4,629</u>
FUND BALANCES, ENDING	<u>\$ 590,433</u>	<u>\$ 102,994</u>	<u>\$ -</u>	<u>\$ 853,440</u>	<u>\$ 10,281</u>

Special Revenue

D.A.R.E. Donations Fund	Controlled Substance Fund	Art Center Projects Fund	Park Trails Fund	Disaster Relief Fund	Wonderland of Lights	Municipal Drainage Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	3,255	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	98,531	345,163
-	-	-	-	-	-	-
6	42	-	-	-	-	-
1,086	9,435	-	-	-	7,100	-
-	10,191	-	-	-	-	-
<u>1,092</u>	<u>22,923</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>105,631</u>	<u>345,163</u>
-	-	-	-	-	-	-
2,000	20,431	-	-	-	-	-
-	-	-	-	-	-	167,287
-	-	-	-	-	129,442	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	122,158
<u>2,000</u>	<u>20,431</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>129,442</u>	<u>289,445</u>
(908)	2,492	-	-	-	(23,811)	55,718
-	-	-	-	-	33,632	-
-	-	-	-	-	-	-
-	-	-	-	-	33,632	-
(908)	2,492	-	-	-	9,821	55,718
<u>27,267</u>	<u>218,463</u>	<u>3,266</u>	<u>4,533</u>	<u>2,646</u>	<u>1,513</u>	<u>568,596</u>
\$ <u>26,359</u>	\$ <u>220,955</u>	\$ <u>3,266</u>	\$ <u>4,533</u>	\$ <u>2,646</u>	\$ <u>11,334</u>	\$ <u>624,314</u>

CITY OF MARSHALL, TEXAS

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

FOR THE YEAR ENDED DECEMBER 31, 2021

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

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

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CITY OF MARSHALL, TEXAS

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

FOR THE YEAR ENDED DECEMBER 31, 2021

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

CITY OF MARSHALL, TEXAS

DEBT SERVICE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2021

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

CITY OF MARSHALL, TEXAS

MOTEL OCCUPANCY TAX
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2021

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

CITY OF MARSHALL, TEXAS

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

FOR THE YEAR ENDED DECEMBER 31, 2021

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

CITY OF MARSHALL, TEXAS

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

FOR THE YEAR ENDED DECEMBER 31, 2021

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

CITY OF MARSHALL, TEXAS

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

FOR THE YEAR ENDED DECEMBER 31, 2021

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

CITY OF MARSHALL, TEXAS

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

FOR THE YEAR ENDED DECEMBER 31, 2021

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

CITY OF MARSHALL, TEXAS

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

FOR THE YEAR ENDED DECEMBER 31, 2021

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

NONMAJOR PROPRIETARY FUNDS

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CITY OF MARSHALL, TEXAS

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

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

CITY OF MARSHALL, TEXAS

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

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

CITY OF MARSHALL, TEXAS

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

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

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COMPLIANCE SECTION

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Marshall, Texas (the "City"), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 10, 2022.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2021-002 that we consider to be a material weakness.

Report on Compliance and Other Matters

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

The City of Marshall, Texas' Response to Findings

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

Purpose of this Report

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

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

Waco, Texas
November 10, 2022

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

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

Report on Compliance for Each Major Federal Program

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

In our opinion, the City of Marshall, Texas complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (*Uniform Guidance*). Our responsibilities under those standards and the *Uniform Guidance* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditors' Responsibility for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

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

Report on Internal Control over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-001 to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

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

Waco, Texas
November 10, 2022

CITY OF MARSHALL, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2021

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

CITY OF MARSHALL, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2021

1. BASIS OF PRESENTATION

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Expenditures reported on the Schedule of Expenditures of Federal Awards are reported on the modified accrual basis of accounting. These expenditures are accounted for in the General and Special Revenue Funds and are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.
2. The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF MARSHALL, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2021

Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued Unmodified

Internal control over financial reporting:

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

Significant deficiency(ies) identified? No

Noncompliance material to financial statements noted? No

Federal Awards:

Internal control over major programs:

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

Significant deficiency(ies) identified? No

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

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

Identification of major programs:

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

Dollar threshold used to distinguish between type A and type B programs \$750,000

Auditee qualified as low-risk auditee? No

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

2021-002

Findings and Questioned Costs for Federal Awards

2021-001

CITY OF MARSHALL TEXAS, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FOR THE YEAR ENDED DECEMBER 31, 2021

Findings and Questioned Costs for Federal Awards

Finding 2021-001

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

CITY OF MARSHALL TEXAS, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FOR THE YEAR ENDED DECEMBER 31, 2021

Financial Statement Findings

Finding 2021-002

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



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2021

None

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