Jean Birmingham Council Chambers, City Hall
401 South Alamo
Marshall, TX 75670
903-935-4421

Members
Amy Ware, District 4 - Mayor
Risa Jordan-Anderson, District 1
Leo Morris, District 2
Dathaniel Campbell, District 3
Reba Godfrey, District 5
Amanda Abraham, District 6
Micah Fenton, District 7

PLEASE SILENCE ALL DEVICES
REGULAR CITY COUNCIL MEETING

June 25, 2026
6:00 PM

1. **Call to Order and Roll Call**

2. **Invocation and Pledges**

3. **Presentations & Proclamations**

   A. Recognition of the June Yard of the Month winners.

4. **Citizen Comments**

   Texas Government Code, Sec. 551.007 requires that a governmental body must allow each member of the public who desires to address the body regarding an item on the agenda the opportunity to do so before or during the body's consideration of the item. The “Citizens Comments” portion of the meeting meets the requirements of this law and is the public’s opportunity to speak on any item on the agenda. Those who wish to speak are requested to fill out a public comment form and will have three (3) minutes to speak unless additional time has been requested.

5. **Items to be Withdrawn From Consent Agenda**

6. **Consent Agenda**

   The items on the Consent Agenda require little or no deliberation by the Council. Approval of the Consent Agenda authorizes the City Manager or his designee to proceed with conclusion of each in accordance with staff recommendations, a copy of which is filed with the minutes of the meeting. A Councilmember may remove items from the Consent Agenda by making such request prior to a motion and vote on the Consent Agenda.

   A. Consider approval of the minutes from the May 28, 2026, Regular City Council Meeting. (City Secretary)

   B. Consider approval of the minutes from the June 11, 2026, Regular City Council Meeting. (City Secretary)

   C. Consider approval of the reappointment of Richie Arnold and Brooke LaBouve to the Planning and Zoning Commission.

7. **Consideration of Items Withdrawn From the Consent Agenda**

8. **Public Hearing & Ordinance**

9. **Ordinance**

   A. Consider an ordinance authorizing the issuance and sale of Combination Tax and Revenue Certificates of Obligation, Series 2026, for water and wastewater system improvements; levying an annual ad valorem tax and providing for the security and payment of said certificates; approving an official statement; providing an effective date; and enacting other provisions relating to the subject.

10. Resolution

11. Action Items for City Council Consideration

A. Consider and accept the Independent Auditor's Report for the fiscal year ended December 31, 2025.

12. Discussion and Reports for City Council Consideration and Direction

13. Executive Session

A. An executive session under Section 551.071, which authorizes a governmental body to consult with its attorney in an executive session to seek his or her advice on a matter in which the duty of the attorney to the governmental body under the Texas Disciplinary Rules of Professional Conduct of theState Bar of Texas clearly conflicts with this chapter; to wit advice on contracts and proposal relating to Big Cypress Bayou

14. Action Item Following Executive Session

15. Adjournment

Posted: J. McCrary
June 18, 2026
2:30 PM

This meeting will be conducted in accordance with the Americans with Disabilities Act. Requests for sign interpretive services will be available with at least 72-hour notice prior to the meeting. To make arrangements for these services, please call the City Secretary’s Office at 903-935-4446.

TO:	City Council
DATE:	June 25, 2026
ITEM #:	3.A
SUBJECT:	Recognition of the June Yard of the Month winners.

Recommendation for Action: Recognize recipients of Keep Marshall Beautiful's June Yard of the Month award.

Executive Summary: Keep Marshall Beautiful selected a residential and commercial property for the June Yard of the Month award. Representatives from the Keep Marshall Board will present both winners with a $50 gift card from Lowe's.

Residential Winner:
Allen & Aunie Lewis (1105 Calloway)

Commercial Winner:
Marshall Overhead Garage Doors, McBrayer Ins. Agency & Julie Simmons CPA (314 S. Lafayette)

Focus Area(s): This item aligns with the following council adopted focus area(s): Improving Community Appearance

Budget Cost:

Staff Contact: Reggie Cooper, Neighborhood Code Enforcement Director

Attachments:
1. Yard of the Month Award June 2026
2. June 2026 Yard of the Month Council Memo

Keep Marshall Beautiful

June 2025 Yard of the Month Recognition

Item 3A: Keep Marshall Beautiful

June Residential Award Winner

1105 Calloway

Allen& Aunie Lewis

June Commercial Award Winner

314 S. Lafayette

Winners receive a $50 Lowe's Gift Card.

Yard of the Month Nomination Form

https://www.marshalltexas.net

City of MARSHALL TEXAS

CITY OF MARSHALL, TEXAS

Agenda Item: Keep Marshall Beautiful – Yard of the Month Recognition
Department: Neighborhood Code Enforcement / Keep Marshall Beautiful Liaison
Meeting Date: June 25, 2026

Background

Keep Marshall Beautiful, an affiliate of Keep Texas Beautiful, administers the City's Yard of the Month program to recognize residents and businesses that demonstrate exceptional property maintenance, landscaping, and community pride.

Each month, the Keep Marshall Beautiful Board selects one residential property and one commercial property for recognition. Award recipients receive a $50 Lowe's gift card in appreciation of their efforts to enhance the appearance and beautification of the City of Marshall.

June 2026 Yard of the Month Recipients

- **Residential Award:** 1105 Calloway – Allen & Aunie Lewis
- **Commercial Award:** 314 S. Lafayette

Purpose

The Yard of the Month program promotes community engagement, encourages property upkeep, and supports beautification efforts throughout Marshall. Residents and businesses may submit future nominations through the City of Marshall website.

Fiscal Impact

Gift card expenses are funded through Keep Marshall Beautiful program resources.

Recommendation

This item is presented for recognition and informational purposes only. No action by the City Council is required.

Reginald K. Cooper
Neighborhood Code Enforcement Director
City Liaison – Keep Marshall Beautiful Board

City of MARSHALL TEXAS	TO:	City Council
	DATE:	June 25, 2026
	ITEM #:	6.A
	SUBJECT:	Consider approval of the minutes from the May 28, 2026, Regular City Council Meeting. (City Secretary)

Recommendation for Action: Motion to approve the minutes from the May 28, 2026, Regular City Council Meeting.

Executive Summary: Minutes from the May 28, 2026, Regular City Council Meeting.

Focus Area(s): Improving Communication

Budget Cost: N/A

Staff Contact: Nikki Smith, City Secretary

Attachments: 1. City Council Regular Meeting 5-28-2026 Minutes

Jean Birmingham Council Chambers, City Hall
401 South Alamo
Marshall, TX 75670
903-935-4421

Members
Amy Ware, District 4 - Mayor
Risa Jordan-Anderson, District 1
Leo Morris, District 2
Dathaniel Campbell, District 3
Reba Godfrey, District 5
Amanda Abraham, District 6
Micah Fenton, District 7

MINUTES
PLEASE SILENCE ALL DEVICES
REGULAR CITY COUNCIL MEETING
May 28, 2026
6:00 PM

1. Call to Order and Roll Call

Mayor Amy Ware called the Regular meeting to order in the Council Chambers, City Hall at 6:06 PM.

PRESENT:

Mayor and Council Members:
Mayor Amy Ware
Councilmember Leo Morris
Councilmember Reba Godfrey
Councilmember Amanda Abraham
Councilmember Dathaniel Campbell
Councilmember Risa Jordan-Anderson

ABSENT: Councilmember Micah Fenton

ADMINISTRATIVE STAFF PRESENT:
Melissa Vossmer, City Manager
Scott Rectenwald, City Attorney
Lisa Pepi, Finance Director
Christol Hall, HR/Civil Service Director
Doug Box, Interim Public Works Director
Cheryel Carpenter, Community Engagement
Reggie Cooper, Neighborhood Code Enforcement Director
Alex Agnor, Asst. City Manager/Econ. Dev. & Strat. Init. Director
Tom Forrest, Interim Planning and Development Services Director
Cliff Carruth, Police Chief
Nikki Smith, City Secretary

2. Invocation and Pledges

Mayor Ware

3. Presentations & Proclamations

A. Recognition of Melissa Byrne Vossmer's work as City Manager and congratulations on her retirement.

Mayor Ware invited the community to attend the recognition event for Melissa Vossmer to be held on Friday, May 29, 2026, at Memorial City Hall from 11:00 AM - 1:00 PM. The Council thanked Melissa Vossmer for her work and dedication to the City of Marshall and wished her well in her retirement.

Melissa Vossmer, City Manager, stated this moment was bitter-sweet and thanked the council, staff and citizens for all they accomplished together during her time in Marshall, Texas.

4. Citizen Comments

Texas Government Code, Sec. 551.007 requires that a governmental body must allow each member of the public who desires to address the body regarding an item on the agenda the opportunity to do so before or during the body's consideration of the item. The "Citizens Comments" portion of the meeting meets the requirements of this law and is the public's opportunity to speak on any item on the agenda. Those who wish to speak are requested to fill out a public comment form and will have three (3) minutes to speak unless additional time has been requested.

There were no citizen comments.

5. Items to be Withdrawn From Consent Agenda

There were no items withdrawn from the Consent Agenda.

6. Consent Agenda

The items on the Consent Agenda require little or no deliberation by the Council. Approval of the Consent Agenda authorizes the City Manager or his designee to proceed with conclusion of each in accordance with staff recommendations, a copy of which is filed with the minutes of the meeting. A Councilmember may remove items from the Consent Agenda by making such request prior to a motion and vote on the Consent Agenda.

Councilmember Morris made a motion to approve the Consent Agenda. Councilmember Jordan-Anderson seconded the motion, which passed by a vote of 6:0.

A. Consider approval of the minutes from the May 6, 2026, Special-Called City Council Meeting. (City Secretary)

B. Consider approval of the minutes from the May 11, 2026, Special-Called City Council Meeting. (City Secretary)

7. Consideration of Items Withdrawn From the Consent Agenda

There were no items withdrawn from the Consent Agenda.

8. Public Hearing & Ordinance

A. Conduct a public hearing to consider an application to rezone 209 Sunset Parcel R000030776, a 0.4870 acre lot SUBD: A C HESTER, LOT 14B from R-1 (Single Family Detached) to R-3 (Single Family Detached). (Planning & Development)

Tom Forrest, Interim Planning and Development Services Director, stated this zoning request is to rezone 209 Sunset from R1 to R3 with the applicant wanting to build three (3) houses. The plans meet all requirements and, if approved, will be replotted with

Planning & Zoning. The Planning & Zoning Commission approved the rezone change by a vote of 5:0. All responses received from the surrounding residents were submitted to Council.

Mayor Ware opened the public hearing.

Belinda Carter, 300 Sunset Drive, stated she was concerned this item was already decided on. The location is a residential neighborhood, and she expressed concerns about noise, traffic, utility needs and property maintenance.

Donald Hocutt, 302 Sunset Drive, stated he sent information to councilmembers regarding concerns about high grass and lack of lot maintenance, increased noise and traffic, infrastructure issues and concerns about additional usage.

Mayor Ware closed the public hearing.

Councilmembers asked questions regarding the difference between R1 and R3, what types of zoning is in the area and what the requirements are for R3. The difference between the two is the ability to build smaller homes. There are areas zoned as R3 and R6 in the area, and the lot requirements are for smaller houses and smaller square footage. There were two (2) responses received in opposition to the rezone from the surrounding residents, and none in support.

Councilmember Abraham made a motion to deny. The motion did not receive a second.

Councilmember Godfrey made a motion to table the application to rezone 209 Sunset Parcel R000030776, a 0.4870 acre lot SUBD: A C HESTER, LOT 14B from R-1 (Single Family Detached) to R-3 (Single Family Detached). Councilmember Abraham seconded the motion, which passed by the following vote:

Ayes: 5, Mayor Ware, Councilmembers Godfrey, Abraham, Jordan-Anderson, and Campbell
Noes: 1, Councilmember Morris

B. Conduct a public hearing to consider an application to rezone a property on the corner of Leslie & Lancaster Parcel R000026901, a 4.300 acre lot SUBD: OL SW, LOT: PT 269, STG from R-2 (Single Family Detached) to PD (Planned Development). (Planning & Development)

Tom Forrest stated the applicant was present and that the application is for 21 duplexes on a little over four (4) acres. The request was sent to the development review committee and all requirements were met. The Planning & Zoning Commission approved the rezone of the property on the corner of Leslie & Lancaster from R-2 to PD by a vote of 5:0.

Mayor Ware opened the public hearing.

John Bailey, 1302 W. Pinecrest Dr., spoke of concerns about 42 units on the acreage. The high density in the single-family area would change the nature of the neighborhood, have negative effects on infrastructure, increase traffic and drainage issues.

CB Lewis, 1300 W. Pinecrest Dr., spoke of concerns regarding drainage and sewer.

Nicole Angeles, 1200 W. Pinecrest Dr., spoke of concerns regarding people looking into her property and seeing her kids, increased foot traffic, flooding issues, and requested a full comprehensive review be considered.

Vicki Martin, 1414 Lancaster St., spoke in opposition to the rezone and spoke of concerns for the safety of her special-needs child, fire hydrant ability, size of road, speeders and tax increases on the properties.

Jennifer Reyes, 1108 W. Pinecrest Dr., spoke of several concerns including infrastructure, water pressure issues, groundwater and drainage, parking, traffic flow, and pedestrian safety.

Clayton Allen, the applicant, provided site maps to the council, and stated that all the concerns mentioned were valid, the water and sewer take away capacity and pressure were within requirements. The responses received were seven (7) against and three (3) in support. There are six (6) other properties in the area zoned for duplexes.

Mayor Ware closed the public hearing.

Council asked about other lots zoned in the area, and there are other R-6 areas. There has been no traffic flow study. Council asked questions of Clayton Allen regarding the site map, parking, drainage, and infrastructure. A discussion was held regarding the width of streets, traffic flow, the developers' record of maintaining properties and for a completed plan to be submitted.

Council allowed a question and answer period between the citizens and the applicant.

Mayor Ware made a motion to table consideration of an application to rezone a property on the corner of Leslie & Lancaster Parcel R000026901, a 4.300 acre lot SUBD: OL SW, LOT: PT 269, STG from R-2 (Single Family Detached) to PD (Planned Development). Councilmember Abraham seconded the motion, which passed by the following vote:

Ayes: 4, Mayor Ware, Councilmembers Abraham, Morris and Campbell
Noes: 2, Councilmembers Godfrey and Jordan-Anderson

9. Ordinance

A. Consider approval of amendments to the Wrecker Ordinance. (Police)
This item was withdrawn.

B. Consider approval of an ordinance amending ordinance O-25-15 Comprehensive Fee Schedule. (City Secretary)
This item was withdrawn.

10. Action Items for City Council Consideration

A. Consider approval of the Program Year 2026 Community Development Block Grant (CDBG). (CDBG)
Councilmember Morris left the Council Chambers at this point in the meeting.

Tami Henderson, CDBG Coordinator, provided information regarding the CDBG PY26 Action Plan. The totals for the Program Year are $377,950 with Public Services Agencies $47,638; Neighborhood Development $266,434; and Program Administration $63,518.

Councilmember Jordan-Anderson made a motion to approve the Program Year 2026 Community Development Block Grant (CDBG). Councilmember Godfrey seconded the motion, which passed by a vote of 5:0.

B. Consideration of an in-depth housing study of the Marshall, Texas area by Gap Strategies not to exceed $110,000. (Marshall EDC)
Councilmember Morris returned to the Council Chambers at this point int the meeting.

Councilmember Jordan-Anderson left the meeting at this point in the meeting.

Rush Harris, Marshall EDC Director, provided the scope and objective of the in-depth housing study stating the goal was to look at housing conditions and types of housing. The study would talk to citizens, developers, and staff, and community forums would be held. The total cost is anticipated to be $98,000, not to exceed $110,000 with funding coming from the EDC.

Jeff Barton, Gap Strategies, explained what will be addressed by the study and the community-wide survey.

Council asked if any conclusions had been reached, and it was stated this effort is just starting and would be all-inclusive, reaching out to all the community.

Mayor Ware made a motion to approve an in-depth housing study of the Marshall, Texas area by Gap Strategies not to exceed $110,000. Councilmember Morris seconded the motion, which passed by a vote of 5:0.

C. Consideration of a proposed expenditure of up to $95,000 for a High Demand Job Training (HDJT) Grant for Texas State Technical College Marshall (TSTC). (Marshall EDC)
Rush Harris stated that the total needed for Texas State Technical College (TSTC) for the High Demand Job Training was $190,000. The Marshall EDC would provide half of this amount, $95,000, the grant would provide the rest. The purpose of this grant is to allow for lighting to be improved in the class/workroom. Jill Crocker, TSTC representative, stated the lights are a safety concern for the staff and students.

Councilmember Godfrey made a motion to approve a proposed expenditure of up to $95,000 for a High Demand Job Training (HDJT) Grant for Texas State Technical College Marshall (TSTC). Councilmember Morris seconded the motion, which passed by a vote of 5:0.

D. Consider Approval of Compensation Adjustments Adopting the Minimum Hourly Rate of $15 for the City; Recognizing the Significant Additional Work the ERP Project has

Created for the IT Dept. and Utility Billing Manager; and the Recognition of the Guidance and Direction Provided by the Municipal Court Administrator. (City Manager)
Melissa Vossmer stated compensation is important. There are 10 part-time positions that currently earn less than $15 per hour and an increase will help retain the part-time workers. There are eight (8) full-time positions that currently earn less than $15 per hour and an increase will provide competition and stabilize the full-time positions. An increase for the employees who are right above the $15 per hour mark is also being requested. Melissa Vossmer stated that due to the increased workload of the IT Department and Water Billing Manager because of the ERP transition, an increase is being requested to recognize the hard work that this will require. An increase for the Court Administrator is also being requested as a stabilizing factor and due to the turnover in the department.

Councilmember Godfrey made a motion to approve Compensation Adjustments Adopting the Minimum Hourly Rate of $15 for the City; Recognizing the Significant Additional Work the ERP Project has Created for the IT Dept. and Utility Billing Manager; and the Recognition of the Guidance and Direction Provided by the Municipal Court Administrator. Councilmember Morris seconded the motion, which passed by a vote of 5:0.

E. Consider the approval of a renewal for FY2026 for the annual Street Improvement Program - Rayford Truck & Tractor. (Public Works)
Doug Box, Interm Public Works Director, asked for approval of the renewal of the contract for the FY2026 Street Improvement Program at a proposed cost of $1,995,574.40. The Engineering Cost would be approximately $118,000.00.

Melissa Vossmer noted this is the first time the city has made these funds available for streets.

Councilmember Godfrey made a motion to approve the renewal for FY2026 for the annual Street Improvement Program - Rayford Truck & Tractor. Councilmember Campbell seconded the motion, which passed by a vote of 5:0.

11. Discussion and Reports for City Council Consideration and Direction

A. Update on the Strategic Communication and Marketing Plan for the City of Marshall and next steps. (Tourism & Main Street)
Alex Agnor introduced Bart Johnston, who stated he has been working on the marketing plan for the City of Marshall. The plan was to highlight Marshall as an experience platform, and he provided a video of the advertisement.

A discussion was held regarding the types of ads and lengths, the idea of making Marshall the hub of East Texas, and the photos used to set the feel and tone of the video. It was noted the video is not the final product. Council requested the cast be intentionally inclusive and highlight more events that occur at the universities, to showcase Memorial City Hall, and inclusive music events.

B. Review of the Semi-Annual report for Marshall Economic Development (MED). (Marshall EDC)

Rush Harris provided the semi-annual report for the Marshall EDC including highlights of the year such as the career expo, WE Align status, the near completion of the Strategic Plan, the Retail Strategy, housing study, etc.

12. Executive Session

Councilmember Godfrey made a motion to convene into Executive Session. Councilmember Morris seconded the motion, which passed by a vote of 5:0. The time was 9:11 PM.

A. An executive session pursuant to Texas Government Code 551.072, permitting a governmental body to conduct a closed meeting to deliberate the purchase, exchange, lease, or value of real property if deliberation in an open meeting would have a detrimental effect on the position of the governmental body in negotiations with a third person; to wit, exchange of properties located within the 200-300 blocks of N. Wellington and N. Washington.

B. An executive session pursuant to Section 551.087 of the Texas Government Code (Deliberation Regarding Economic Development Negotiations) (1) to discuss or deliberate regarding commercial or financial information that the City Council has received from a business prospect that the City Council seeks to have locate, stay, or expand in or near the territory of the City and with which the City Council is conducting economic development negotiations; or (2) to deliberate the offer of a financial or other incentive to a business prospect described above; concerning Project L&W.

Councilmember Godfrey made a motion to reconvene from Executive Session. Councilmember Morris seconded the motion, which passed by a vote of 5:0. The time was 9:54 PM.

13. Action Item Following Executive Session

A. Consider action regarding discussion from the executive session.

There was no action taken regarding this item.

B. Consider action regarding discussion from the executive session.

Mayor Ware made a motion to approve an expenditure up to $100,000 by Marshall EDC for Project L&W. Councilmember Godfrey seconded the motion, which passed by a vote of 5:0.

14. Adjournment

Councilmember Godfrey made a motion to adjourn. Councilmember Morris seconded the motion, which passed by a vote of 5:0.

TO:	City Council
DATE:	June 25, 2026
ITEM #:	6.B
SUBJECT:	Consider approval of the minutes from the June 11, 2026, Regular City Council Meeting. (City Secretary)

Recommendation for Action: Motion to approve the minutes from the June 11, 2026, Regular City Council Meeting.

Executive Summary: Minutes from the June 11, 2026, Regular City Council Meeting.

Focus Area(s): Improving Communication

Budget Cost: N/A

Staff Contact: Nikki Smith, City Secretary

Attachments: 1. City Council Regular Meeting 6-11-2026 Minutes

Jean Birmingham Council Chambers, City Hall
401 South Alamo
Marshall, TX 75670
903-935-4421

Members
Amy Ware, District 4 - Mayor
Risa Jordan-Anderson, District 1
Leo Morris, District 2
Dathaniel Campbell, District 3
Reba Godfrey, District 5
Amanda Abraham, District 6
Micah Fenton, District 7

MINUTES
PLEASE SILENCE ALL DEVICES
REGULAR CITY COUNCIL MEETING
June 11, 2026
6:00 PM

1. Call to Order and Roll Call

Mayor Pro-Tem Amana Abraham called the Regular meeting to order in the Council Chambers, City Hall at 6:00 PM.

PRESENT:

Mayor and Council Members:
Councilmember Leo Morris
Councilmember Reba Godfrey
Councilmember Amanda Abraham
Councilmember Micah Fenton
Councilmember Risa Jordan-Anderson

ABSENT: Councilmember Amy Ware
Councilmember Dathaniel Campbell
Motion to excuse: Councilmember Abraham Second: Godfrey Vote: 5:0

ADMINISTRATIVE STAFF PRESENT:

Greg Smith, City Manager
Cliff Carruth, Police Chief
Scott Rectenwald, City Attorney
Nikki Smith, City Secretary
Lisa Pepi, Finance Director
David Rainwater, Fire Chief
Christol Hall, HR/Civil Service Director
Doug Box, Interim Public Works Director
Randy Pritchard, Support Services Director
Cheryel Carpenter, Community Engagement
Reggie Cooper, Neighborhood Code Enforcement Director
Alex Agnor, Asst. City Manager/Econ. Dev. & Strat. Init. Director

2. Invocation and Pledges

Councilmember Godfrey

3. Presentations & Proclamations

A. Presentation of the Employee of the Month - June. (Employee Engagement Committee)

Lacy Burson, Employee Engagement Committee, stated the Employee of the Month for June is Anel Garay, Tourism and Main Street. The sponsor is NWC Services, LLC. Anel Garay stated she was honored to receive this recognition and thanked Lacy Burson.

4. Citizen Comments

Texas Government Code, Sec. 551.007 requires that a governmental body must allow each member of the public who desires to address the body regarding an item on the agenda the opportunity to do so before or during the body's consideration of the item. The “Citizens Comments” portion of the meeting meets the requirements of this law and is the public’s opportunity to speak on any item on the agenda. Those who wish to speak are requested to fill out a public comment form and will have three (3) minutes to speak unless additional time has been requested.

There were no citizen comments.

5. Items to be Withdrawn From Consent Agenda

Item E was withdrawn from the Consent Agenda.

6. Consent Agenda

The items on the Consent Agenda require little or no deliberation by the Council. Approval of the Consent Agenda authorizes the City Manager or his designee to proceed with conclusion of each in accordance with staff recommendations, a copy of which is filed with the minutes of the meeting. A Councilmember may remove items from the Consent Agenda by making such request prior to a motion and vote on the Consent Agenda.

Councilmember Godfrey made a motion to approve the Consent Agenda. Councilmember Jordan-Anderson seconded the motion, which passed by a vote of 5:0.

A. Consider approval of the minutes from the May 14, 2026, Special-Called City Council Meeting. (City Secretary)

B. Consider approval of the minutes from the May 14, 2026, Regular City Council Meeting. (City Secretary)

C. Consider approval of the minutes from the May 28, 2026, Special-Called City Council Meeting. (City Secretary)

D. Consider approval of a fuel contract renewal with Pete McArty Oil Company (Support Services)

7. Consideration of Items Withdrawn From the Consent Agenda

E. Consider approval of a resolution updating authorized representatives at the City’s depository bank. (Finance)

Councilmember Godfrey asked about the names of this resolution. Lisa Pepi, Finance Director, stated it was the City Manager, Greg Smith, Assistant City Manager, Alex Agnor, and the Finance Director, Lisa Pepi.

Councilmember Godfrey made a motion to approve a resolution updating

authorized representatives at the City's depository bank. Councilmember Jordan-Anderson seconded the motion, which passed by a vote of 5:0.

8. Ordinance

A. Consider approval of an ordinance to update the staffing for the Marshall Fire Department Assistant Fire Marshal. (Fire)
David Rainwater, Fire Chief, explained the rank structure of the Fire Department. The structure needed to be amended to allow for a lieutenant position to be changed to a captain position in order to keep the Assistant Fire Marshall in his place in the organization. The ordinance was reviewed by the civil service lawyer and the City Attorney.

Councilmember Godfrey made a motion to approve an ordinance to update the staffing for the Marshall Fire Department Assistant Fire Marshal. Councilmember Jordan-Anderson seconded the motion, which passed by a vote of 5:0.

9. Adjournment

Councilmember Godfrey made a motion to adjourn. Councilmember Jordan-Anderson seconded the motion, which passed by a vote of 5:0.

TO: City Council
DATE: June 25, 2026
ITEM #: 6.C
SUBJECT: Consider approval of the reappointment of Richie Arnold and Brooke LaBouve to the Planning and Zoning Commission.

Recommendation for Action: Consider approving the reappointment of Richie Arnold and Brooke LaBouve to the Planning and Zoning Commission.

Executive Summary: The Planning and Zoning Commission hears and makes recommendations on requests for zoning changes and special use permits. This commission also reviews and approves subdivision plats in the city limits and within one mile of the city limits. The term of service on this board is three years, beginning on June 1 after the appointment is made. A member can serve a maximum of two consecutive full terms. The current members of this commission are Stacy Adams, Richie Arnold, LaDarius Carter, Anthony Glanton, Brooke LaBouve, Robert Lisman, and Ken Moon.

The Planning and Zoning Commission is not part of the annual year-end appointment process. The appointment procedures for the Planning and Zoning Commission are provided for by ordinance in the Zoning Ordinance. It is required by ordinance that the appointments to the Planning and Zoning Commission be made in May or June each year, and that all members must be resident citizens and qualified to be voters in the City of Marshall.

Richie Arnold and Brooke LaBouve are eligible to be reappointed for another term. Ken Moon reached the end of his final three-year term on May 31, 2026, leaving one vacancy on the board. The City will actively seek applications to fill the vacant position.

Focus Area(s): This item aligns with the following council adopted focus area(s):

Budget Cost:

Staff Contact: Thomas Forrest, Interim Planning & Development Director

Attachments: None

TO:	City Council
DATE:	June 25, 2026
ITEM #:	9.A
SUBJECT:	Consider an ordinance authorizing the issuance and sale of Combination Tax and Revenue Certificates of Obligation, Series 2026, for water and wastewater system improvements; levying an annual ad valorem tax and providing for the security and payment of said certificates; approving an official statement; providing an effective date; and enacting other provisions relating to the subject.

Recommendation for Action: Approval of the ordinance authorizing the issuance and sale of Combination Tax and Revenue Certificates of Obligation, Series 2026.

Executive Summary: This ordinance is on the Council's agenda authorizing the issuance and sale of Combination Tax and Revenue Certificates of Obligation, Series 2026, for water and wastewater system improvements; levying an annual ad valorem tax and providing for the security and payment of said certificates; approving an Official Statement; providing an effective date; and enacting other provisions relating to the subject.

On April 23, 2026, the City Council approved a Resolution ("Notice Resolution") directing publication of notice of the City's intention to issue Combination Tax and Revenue Certificates of Obligation, Series 2026, in an amount not to exceed $35,000,000. The purpose of the financing is to fund critical water system reliability and replacement improvements, including water transmission line stabilization and control improvements, reimbursement of previously authorized emergency repairs, engineering services, and long-term water line replacement projects throughout the community. Approval of this ordinance is required to provide financing for these projects and continue implementation of the City's long-term utility infrastructure improvement program. The certificates are secured by two sources — annual ad valorem taxes levied against all taxable property in the city, and surplus revenues from the city's water/wastewater system after operating expenses and existing debt are covered (the City can repay the Certificates from any lawfully available funding source).

Since approval of the Notice Resolution of Intent, City staff has worked with Hilltop Securities, the City's Financial Advisor, McCall, Parkhurst & Horton L.L.P., the City's Bond Counsel, and the underwriting team to complete the legal, financial, and disclosure requirements associated with the issuance. The underwriting team consists of PNC Capital Markets LLC, serving as Senior Managing Underwriter, and Raymond James & Associates, Inc., serving as Co-Manager.

As of the date this agenda item was submitted, the City had not yet received its bond rating for the Series 2026 Certificates of Obligation from S&P Global Ratings. The rating process is currently underway, and the City's financing team anticipates receiving the rating prior to pricing. The final rating will be presented to the City Council as part of the financing presentation on June 25, 2026.

Unlike the City's October 2025 Certificates of Obligation issuance, which was sold through a competitive bidding process, the Series 2026 Certificates are being issued through a negotiated sale. Given current market conditions and interest rate volatility, the financing team recommended a negotiated sale process to provide greater flexibility in responding to changing market conditions and investor demand. This approach allows the underwriting team to market the bonds directly to potential investors and work with the City and its financial advisors to optimize the structure and pricing of the financing at the time of sale. The goal of this approach is to secure the most favorable borrowing terms available while successfully financing this significant utility infrastructure investment. The Certificates are sold to underwriters PNC Capital Markets and Raymond James & Associates, with BOK Financial Corporate Trust serving as the Paying Agent/Registrar.

The bonds are scheduled to be priced on the morning of June 25, 2026, prior to the City Council meeting. Representatives from Hilltop Securities, and McCall, Parkhurst & Horton L.L.P, will attend the meeting and present the results of the pricing process, including the final interest rates, debt service requirements, and financing costs, for Council's consideration as part of the ordinance authorizing issuance.

The ordinance includes extensive covenants to maintain the certificates' federal tax-exempt status, including restrictions on arbitrage and private business use of the proceeds. The city commits to annual financial reporting to the Municipal Securities Rulemaking Board (MSRB) and timely notice of material events (rating changes, defaults, etc.) per SEC Rule 15c2-12. Note that several financial figures (principal amount, interest rates, maturity schedule, pricing) are left as placeholders, indicating this is a template/draft version pending finalization of the bond sale terms.

Focus Area(s): This item aligns with the following council adopted focus area(s):

Budget Cost: N/A

Staff Contact: Lisa Pepi

Attachments: 1. Ordinance - CO (ver 1)

CERTIFICATE FOR ORDINANCE

THE STATE OF TEXAS
HARRISON COUNTY
CITY OF MARSHALL

We, the undersigned officers of the City of Marshall, Texas (the "City"), hereby certify as follows:

1. The City Council of said City convened in a Regular Meeting on June 25, 2026 at City Hall and the roll was called of the duly constituted officers and members of said City Council, to wit:

Amy Ware, Mayor, District 4	Amanda Abraham, Mayor Pro Tem, District 6
Risa Jordan-Anderson, District 1	Reba Godfrey, District 5
Leo Morris, District 2	Dathaniel Campbell, District 3
Micah Fenton, District 7	

and all of said persons were present except ____________________________, thus constituting a quorum. Whereupon, among other business, the following was transacted at said Meeting: a written

AN ORDINANCE AUTHORIZING THE ISSUANCE AND SALE OF CITY OF MARSHALL, TEXAS, COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026; LEVYING AN ANNUAL AD VALOREM TAX AND PROVIDING FOR THE SECURITY FOR AND PAYMENT OF SAID CERTIFICATES; APPROVING AN OFFICIAL STATEMENT; PROVIDING AN EFFECTIVE DATE; AND ENACTING OTHER PROVISIONS RELATING TO THE SUBJECT

was duly introduced for the consideration of said City Council. It was then duly moved and seconded that said Ordinance be adopted and, after due discussion, said motion, carrying with it the adoption of said Ordinance, prevailed and carried by the following vote:

AYES: ________ NOES: ________ ABSTAIN: ________

2. That a true, full and correct copy of the aforesaid Ordinance adopted at the Meeting described in the above and foregoing paragraph is attached to and follows this Certificate; that said Ordinance has been duly recorded in said City Council's minutes of said Meeting; that the above and foregoing paragraph is a true, full and correct excerpt from said City Council's minutes of said Meeting pertaining to the adoption of said Ordinance; that the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of said City Council as indicated therein; that each of the officers and members of said City Council was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the aforesaid Meeting, and that said Ordinance would be introduced and considered for adoption at said Meeting, and each of said officers and members consented, in advance, to the holding of said Meeting for such purpose, and that said Meeting was open to the public and public notice of the time, place and purpose of said meeting was given, all as required by Chapter 551, Texas Government Code.

3. That the Mayor of said City has approved and hereby approves the aforesaid Ordinance; that the Mayor and the City Secretary of said City have duly signed said Ordinance; and that the Mayor and the City Secretary of said City hereby declare that their signing of this Certificate shall constitute the signing of the attached and following copy of said Ordinance for all purposes.

SIGNED AND SEALED ON JUNE 25, 2026.

City Secretary City of Marshall, Texas	Mayor City of Marshall, Texas

(CITY SEAL)

ORDINANCE AUTHORIZING THE ISSUANCE AND SALE OF CITY OF MARSHALL, TEXAS, COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026; LEVYING AN ANNUAL AD VALOREM TAX AND PROVIDING FOR THE SECURITY FOR AND PAYMENT OF SAID CERTIFICATES; APPROVING AN OFFICIAL STATEMENT; PROVIDING AN EFFECTIVE DATE; AND ENACTING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, the City Council of the City of Marshall, Texas, deems it advisable to issue Certificates of Obligation in the amount of $[Par] for the purposes hereinafter set forth; and

WHEREAS, the Certificates of Obligation hereinafter authorized and designated are to be issued and delivered for cash pursuant to Subchapter C of Chapter 271, Local Government Code and Chapter 1502, Texas Government Code; and

WHEREAS, the City Council has heretofore passed a resolution authorizing and directing the City Secretary to give notice of intention to issue Certificates of Obligation ("Notice"), and the Notice has been duly published in a newspaper of general circulation in the City with the date of the first publication occurring before the 45th day before the date of this ordinance and with the newspaper being a "newspaper" as defined in Section 2051.044, Texas Government Code; and

WHEREAS, the City received no petition from the qualified electors of the City protesting the issuance of such Certificates of Obligation; and

WHEREAS, during the preceding three years, the City has not submitted a bond proposition to authorize the issuance of bonds for the same purpose for which the Certificates of Obligation are hereby being issued and which proposition was disapproved by voters; and

WHEREAS, it is considered to be to the best interest of the City that said interest-bearing Certificates of Obligation be issued; and

WHEREAS, it is officially found, determined, and declared that the meeting at which this Ordinance has been adopted was open to the public and public notice of the time, place and subject matter of the public business to be considered and acted upon at said meeting, including this Ordinance, was given, all as required by the applicable provisions of Texas Government Code, Chapter 551; Now, Therefore

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF MARSHALL, TEXAS:

Section 1. RECITALS, AMOUNT AND PURPOSE OF THE CERTIFICATES. The recitals set forth in the preamble hereof are incorporated herein and shall have the same force and effect as if set forth in this Section. The certificates of the City of Marshall, Texas (the "Issuer") are hereby authorized to be issued and delivered in the aggregate principal amount of $[Par] for paying all or a portion of the Issuer's contractual obligations incurred in connection with: (i) water and wastewater system repairs, upgrades, replacements and improvements of transmission lines, disinfection systems and pump stations (ii) paying legal, fiscal, engineering, architectural and other professional services in connection with these projects (collectively, the "Project").

Section 2. DESIGNATION, DATE, DENOMINATIONS, NUMBERS, AND MATURITIES AND INTEREST RATES OF CERTIFICATES; REDEMPTION PROVISIONS.

(a) Each certificate issued pursuant to this Ordinance shall be designated: "CITY OF MARSHALL, TEXAS, COMBINATION TAX AND REVENUE CERTIFICATE OF OBLIGATION, SERIES 2026," and initially there shall be issued, sold, and delivered hereunder one fully registered certificate, without interest coupons, dated [-], 2026, in the principal amount stated above and in the denominations hereinafter stated, numbered T-1, with certificates issued in replacement thereof being in the denominations and principal amounts hereinafter stated and numbered consecutively from R-1 upward, payable to the respective Registered Owners thereof (with the initial certificate being made payable to the Underwriters as described in Section 10 hereof), or to the registered assignee or assignees of said certificates or any portion or portions thereof (in each case, the "Registered Owner"), and said certificates shall mature and be payable on the Maturity Dates and in the Principal Amounts, respectively, and shall bear interest from [-], 2026 (the "Delivery Date") as set forth in the FORM OF CERTIFICATE in **Exhibit A** of this Ordinance to their respective dates of maturity or redemption prior to maturity at the rates per annum, as set forth in the following schedule:

Maturity Date	Principal Amount	Interest Rates
[]		

The term "Certificates" as used in this Ordinance shall mean and include collectively the certificates initially issued and delivered pursuant to this Ordinance and all substitute certificates exchanged therefor, as well as all other substitute certificates and replacement certificates issued pursuant hereto, and the term "Certificate" shall mean any of the Certificates.

(b) On [] or any date thereafter, the Certificates of this series may be redeemed prior to their scheduled maturities, at the option of the Issuer, with funds derived from any available and lawful source, as a whole, or in part, and, if in part, the particular Certificates, or portions thereof, to be redeemed shall be selected and designated by the Issuer (provided that a portion of a Certificate may be redeemed only in an integral multiple of $5,000), at a redemption price equal to the principal amount to be redeemed plus accrued interest to the date fixed for redemption.

(c) The Certificates scheduled to mature on August 15 in the years [] (the "*Term Certificates*") are subject to scheduled mandatory redemption by the Paying Agent/Registrar by lot, or by any other customary method that results in a random selection, at a price equal to the principal amount thereof, plus accrued interest to the redemption date, out of moneys available for such purpose in the interest and sinking fund for the Certificates, on each August 15 of the years and in the respective principal amounts, set forth in the following schedule:

Term Certificates due :	
Mandatory Redemption Date: 8/15/20	Principal Amount: $,000.00
Mandatory Redemption Date: 8/15/20 *	Principal Amount: $,000.00

* Maturity

The principal amount of Term Certificates of a stated maturity 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 Issuer, by the principal amount of any Term Certificates of the same maturity which, at least 50 days prior to a mandatory redemption date (1) shall have been acquired by the Issuer 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 Issuer 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.

Section 3. CHARACTERISTICS OF THE CERTIFICATES.

(a) Registration, Transfer, Conversion and Exchange; Authentication. The Issuer shall keep or cause to be kept at the principal corporate trust office of BOK Financial Corporate Trust, Dallas, Texas (the "Paying Agent/Registrar") books or records for the registration of the transfer, conversion and exchange of the Certificates (the "Registration Books"), and the Issuer hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such registrations of transfers, conversions and exchanges under such reasonable regulations as the Issuer and Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such registrations, transfers, conversions and exchanges as herein provided. The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the registered owner of each Certificate to which payments with respect to the Certificates shall be mailed, as herein provided; but it shall be the duty of each registered owner to notify the Paying Agent/Registrar in writing of the address to which payments shall be mailed, and such interest payments shall not be mailed unless such notice has been given. The Issuer shall have the right to inspect the Registration Books during regular business hours of the Paying Agent/Registrar, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for making such registration, transfer, conversion, exchange and delivery of a substitute Certificate or Certificates. Registration of assignments, transfers, conversions and exchanges of Certificates shall be made in the manner provided and with the effect stated in the FORM OF CERTIFICATE set forth in this Ordinance. Each substitute Certificate shall bear a letter and/or number to distinguish it from each other Certificate.

(b) Except as provided in Section 3(d) of this Ordinance, an authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Certificate, date and manually sign said Certificate, and no such Certificate shall be deemed to be issued or outstanding unless such Certificate is so executed. The Paying Agent/Registrar shall promptly cancel all paid Certificates and Certificates surrendered for conversion and exchange. No additional ordinances, orders, or resolutions need be passed or adopted by the governing body of the Issuer or any other body or person so as to accomplish the foregoing conversion and exchange of any Certificate or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution, and delivery of the substitute Certificates in the manner prescribed herein, and said Certificates shall be printed or typed on paper of customary weight and strength. Pursuant to Chapter 1201, Government Code, as amended, the duty of conversion and exchange of Certificates as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of said Certificate, the converted and exchanged Certificate shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Certificates that initially were issued and delivered pursuant to this Ordinance, approved by the Attorney General and registered by the Comptroller of Public Accounts.

(c) Payment of Certificates and Interest. The Issuer hereby further appoints the Paying Agent/Registrar to act as the paying agent for paying the principal of and interest on the Certificates, all as provided in this Ordinance. The Paying Agent/Registrar shall keep proper records of all payments made by the Issuer and the Paying Agent/Registrar with respect to the Certificates, and of all conversions and exchanges of Certificates, and all replacements of Certificates, as provided in this Ordinance. However, in the event of a nonpayment of interest on a scheduled payment date, and for thirty (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 past due interest shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each registered owner appearing on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

(d) In General. The Certificates (i) shall be issued in fully registered form, without interest coupons, with the principal of and interest on such Certificates to be payable only to the registered owners thereof, (ii) may be redeemed prior to their scheduled maturities, (iii) may be converted and exchanged for other Certificates, (iv) may be transferred and assigned, (v) shall have the characteristics, (vi) shall be signed, sealed, executed and authenticated, (vii) the principal of and interest on the Certificates shall be payable, and (viii) shall be administered and the Paying Agent/Registrar and the Issuer shall have certain duties and responsibilities with respect to the Certificates, all as provided, and in the manner and to the effect as required or indicated, in the FORM OF CERTIFICATE set forth in this Ordinance. The Certificate initially issued and delivered pursuant to this Ordinance is not required to be, and shall not be, authenticated by the Paying Agent/Registrar, but on each substitute Certificate issued in conversion of and exchange for any Certificate or Certificates issued under this Ordinance the Paying Agent/Registrar shall execute the PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE, in the form set forth in the FORM OF CERTIFICATE.

(e) Paying Agent/Registrar for the Certificates. The Issuer covenants with the registered owners of the Certificates that at all times while the Certificates are outstanding the Issuer will provide a competent and legally qualified bank, trust company, financial institution, or other entity to act as and perform the services of Paying Agent/Registrar for the Certificates under this Ordinance, and that the Paying Agent/Registrar will be one entity. The Issuer reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 120 days written notice to the Paying Agent/Registrar, to be effective not later than 60 days prior to the next principal or interest payment date after such notice. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the Issuer covenants that promptly it will appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar under this Ordinance. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Certificates, to the new Paying Agent/Registrar designated and appointed by the Issuer. Upon any change in the Paying Agent/Registrar, the Issuer promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to each Registered Owner of the Certificates, by United States mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar. By accepting the position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Ordinance, and a certified copy of this Ordinance shall be delivered to each Paying Agent/Registrar.

(f) Authentication. Except as provided below, no Certificate shall be valid or obligatory for any purpose or be entitled to any security or benefit of this Ordinance unless and until there appears thereon the Certificate of Paying Agent/Registrar substantially in the form provided in this Ordinance, duly authenticated by manual execution of the Paying Agent/Registrar. It shall not be required that the same authorized representative of the Paying Agent/Registrar sign the Certificate of Paying Agent/Registrar on all of the Certificates. In lieu of the executed Certificate of Paying Agent/Registrar described above, the Initial Certificate delivered on the closing date shall have attached thereto the Comptroller's Registration Certificate substantially in the form provided in this Ordinance, manually executed by the Comptroller of Public Accounts of the State of Texas or by his duly authorized agent, which certificate shall be evidence that the Initial Certificate has been duly approved by the Attorney General of the State of Texas and that it is a valid and binding obligation of the Issuer, and has been registered by the Comptroller.

(g) Book-Entry Only System.

(i) The Certificates issued in exchange for the Certificate initially issued to the Underwriters specified herein shall be initially issued in the form of a separate single fully registered Certificate for each of the maturities thereof. Upon initial issuance, the ownership of each such Certificate shall be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), and except as provided in subsection (f) hereof, all of the outstanding Certificates shall be registered in the name of Cede & Co., as nominee of DTC.

(ii) With respect to Certificates registered in the name of Cede & Co., as nominee of DTC, the Issuer and the Paying Agent/Registrar shall have no responsibility or obligation to any securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created ("DTC Participant") to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants or to any person on behalf of whom such a DTC Participant holds an interest in the Certificates. Without limiting the immediately preceding sentence, the Issuer and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Certificates, (ii) the delivery to any DTC Participant or any other person, other than a Registered Owner of Certificates, as shown on the Registration Books, of any notice with respect to the Certificates, or (iii) the payment to any DTC Participant or any other person, other than a Registered Owner of Certificates, as shown in the Registration Books of any amount with respect to principal of or interest on the Certificates. Notwithstanding any other provision of this Ordinance to the contrary, the Issuer and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Certificate is registered in the Registration Books as the absolute owner of such Certificate for the purpose of payment of principal and interest with respect to such Certificate, for the purpose of registering transfers with respect to such Certificate, and for all other purposes whatsoever. The Paying

Agent/Registrar shall pay all principal of and interest on the Certificates only to or upon the order of the Registered Owners, as shown in the Registration Books as provided in this Ordinance, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Issuer's obligations with respect to payment of principal of and interest on the Certificates to the extent of the sum or sums so paid. No person other than a Registered Owner, as shown in the Registration Books, shall receive a Certificate evidencing the obligation of the Issuer to make payments of principal and interest pursuant to this Ordinance. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Ordinance with respect to interest checks being mailed to the Registered Owner at the close of business on the Record date, the words "Cede & Co." in this Ordinance shall refer to such new nominee of DTC.

(iii) The previous execution and delivery of the Blanket Letter of Representations with respect to obligations of the Issuer is hereby ratified and confirmed; and the provisions thereof shall be fully applicable to the Certificates.

(h) Successor Securities Depository; Transfers outside Book-Entry Only System. In the event that the Issuer determines that DTC is incapable of discharging its responsibilities described herein and in the representations letter of the Issuer to DTC or that it is in the best interest of the beneficial owners of the Certificates that they be able to obtain certificated Certificates, the Issuer shall (i) appoint a successor securities depository, qualified to act as such under Section 17A of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository and transfer one or more separate Certificates to such successor securities depository or (ii) notify DTC and DTC Participants of the availability through DTC of Certificates and transfer one or more separate certificated Certificates to DTC Participants having Certificates credited to their DTC accounts. In such event, the Certificates shall no longer be restricted to being registered in the Registration Books in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Registered Owners transferring or exchanging Certificates shall designate, in accordance with the provisions of this Ordinance.

(i) Payments to Cede & Co. Notwithstanding any other provision of this Ordinance to the contrary, so long as any Certificate is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of and interest on such Certificate and all notices with respect to such Certificate shall be made and given, respectively, in the manner provided in the representations letter of the Issuer to DTC.

(j) Cancellation of Initial Certificate. On the closing date, one initial Certificate representing the entire principal amount of the Certificates, payable in stated installments to the Underwriters designated in Section 10 or its designee, executed by manual or facsimile signature of the Mayor (or in the Mayor's absence, by the Mayor Pro Tem), City Manager and City Secretary of the Issuer, approved by the Attorney General of Texas, and registered and manually signed by the Comptroller of Public Accounts of the State of Texas, will be delivered to such Underwriters or its designee. Upon payment for the initial Certificate, the Paying Agent/Registrar shall cancel the initial Certificate and deliver to the Depository Trust Company on behalf of such Underwriters one registered definitive Certificate for each year of maturity of the Certificates, in the aggregate principal amount of all of the Certificates for such maturity.

(k) With respect to any optional redemption of the Certificates, unless certain prerequisites to such redemption required by this Ordinance have been met and money sufficient to pay the principal of and premium, if any, and interest on the Certificates to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the Issuer, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the Issuer will not redeem such Certificates, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that such Certificates have not been redeemed.

Section 4. FORM OF CERTIFICATES. The form of the Certificates, including the form of Paying Agent/Registrar's Authentication Certificate, the form of Assignment and the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas to be attached to the Certificates initially issued and delivered pursuant to this Ordinance, shall be substantially in the form provided in **Exhibit A**, with such appropriate variations, omissions or insertions as are permitted or required by this Ordinance. **Exhibit A** is incorporated in this Ordinance for all purposes.

Section 5. INTEREST AND SINKING FUND; SURPLUS REVENUES.

(a) A special "Interest and Sinking Fund" is hereby created and shall be established and maintained by the Issuer as a separate fund or account and the funds therein shall be deposited into and held at an official depository bank of said Issuer. Said Interest and Sinking Fund shall be kept separate and apart from all other funds and accounts of said Issuer, and shall be used only for paying the interest on and principal of said Certificates. Any amounts received from the sale of the Certificates as accrued interest shall be deposited upon receipt to the Interest and Sinking Fund, and all ad valorem taxes levied and collected for and on account of said Certificates shall be deposited, as collected, to the credit of said Interest and Sinking Fund. During each year while any of said Certificates are outstanding and unpaid, the governing body of said Issuer shall compute and ascertain a rate and amount of ad valorem tax that will be sufficient to raise and produce the money required to pay the interest on said Certificates as such interest comes due, and to provide and maintain a sinking fund adequate to pay the principal of said Certificates as such principal matures (but never less than 2% of the original amount of said Certificates as a sinking fund each year); and said tax shall be based on the latest approved tax rolls of said Issuer, with full allowances being made for tax delinquencies and the cost of tax collection. Said rate and amount of ad valorem tax is hereby levied, and is hereby ordered to be levied, against all taxable property in said Issuer, for each year while any of said Certificates are outstanding and unpaid, and said tax shall be assessed and collected each such year and deposited to the credit of the aforesaid Interest and Sinking Fund. Said ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Certificates, as such interest comes due and such principal matures, are hereby pledged for such payment, within the limit prescribed by law.

(b) The Certificates are additionally secured by revenues of the Issuer's waterworks and sewer system that remain after the payment of all maintenance and operation 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, constituting "Surplus Revenues." The Issuer shall deposit such Surplus Revenues to the credit of the Interest and Sinking Fund created pursuant to this Section, to the extent necessary to pay the principal and interest on the Certificates. Notwithstanding the requirements of Section 5(a), if Surplus Revenues or other lawfully available moneys of the Issuer are actually on deposit or budgeted to be on deposit in the Interest and Sinking Fund in advance of the time when ad valorem taxes are scheduled to be levied for any year, then the amount of taxes that otherwise would have been required to be levied pursuant to this Section may be reduced to the extent and by the amount of the Surplus Revenues or other lawfully available funds then on deposit in the Interest and Sinking Fund.

(c) Chapter 1208, Government Code, applies to the issuance of the Certificates and the pledge of the taxes and Surplus Revenues granted by the Issuer under this Section, and is therefore valid, effective, and perfected. Should Texas law be amended at any time while the Certificates are outstanding and unpaid, the result of such amendment being that the pledge of the taxes and Surplus Revenues granted by the Issuer under this Section is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, in order to preserve to the registered owners of the Certificates a security interest in said pledge, the Issuer agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Texas Business & Commerce Code and enable a filing of a security interest in said pledge to occur.

Section 6. DEFEASANCE OF CERTIFICATES.

(a) Any Certificate and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "Defeased Certificate") within the meaning of this Ordinance, except to the extent provided in subsection (d) of this Section, when payment of the principal of such Certificate, plus interest thereon to the due date (whether such due date be by reason of maturity or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar in accordance with an escrow agreement or other instrument (the "Future Escrow Agreement") for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the Issuer with the Paying Agent/Registrar for the payment of its services until all Defeased Certificates shall have become due and payable. At such time as a Certificate shall be deemed to be a Defeased Certificate hereunder, as aforesaid, such Certificate and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes herein levied and pledged or the pledge of Surplus Revenues as provided in this Ordinance, and such principal and interest shall be payable solely from such money or Defeasance Securities. Notwithstanding any other provision of this Ordinance to the contrary, it is hereby provided that any determination not to redeem Defeased Certificates that is made in conjunction with the payment arrangements specified in subsection 6(a)(i) or (ii) shall not be irrevocable, provided that: (1) in the proceedings providing for such payment arrangements, the Issuer expressly reserves the right to call the Defeased Certificates for redemption; (2) gives notice of the reservation of that right to the owners of the Defeased Certificates immediately following the making of the payment arrangements; and (3) directs that notice of the reservation be included in any redemption notices that it authorizes.

(b) Any moneys so deposited with the Paying Agent/Registrar may at the written direction of the Issuer be invested in Defeasance Securities, maturing in the amounts and times as hereinbefore set forth, and all income from such Defeasance Securities received by the Paying Agent/Registrar that is not required for the payment of the Certificates and interest thereon, with respect to which such money has been so deposited, shall be turned over to the Issuer, or deposited as directed in writing by the Issuer. Any Future Escrow Agreement pursuant to which the money and/or Defeasance Securities are held for the payment of Defeased Certificates may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of the requirements specified in subsection 6(a)(i) or (ii). All income from such Defeasance Securities received by the Paying Agent/Registrar which is not required for the payment of the Defeased Certificates, with respect to which such money has been so deposited, shall be remitted to the Issuer or deposited as directed in writing by the Issuer.

(c) The term "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to refund, retire or otherwise discharge obligations such as the Certificates.

(d) Until all Defeased Certificates shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Certificates the same as if they had not been defeased, and the Issuer shall make proper arrangements to provide and pay for such services as required by this Ordinance.

(e) In the event that the Issuer elects to defease less than all of the principal amount of Certificates of a maturity, the Paying Agent/Registrar shall select, or cause to be selected, such amount of Certificates by such random method as it deems fair and appropriate.

Section 7. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED CERTIFICATES.

(a) Replacement Certificates. In the event any outstanding Certificate is damaged, mutilated, lost, stolen or destroyed, the Paying Agent/Registrar shall cause to be printed, executed and delivered, a new certificate of the same principal amount, maturity and interest rate, as the damaged, mutilated, lost, stolen or destroyed Certificate, in replacement for such Certificate in the manner hereinafter provided.

(b) Application for Replacement Certificates. Application for replacement of damaged, mutilated, lost, stolen or destroyed Certificates shall be made by the registered owner thereof to the Paying Agent/Registrar. In every case of loss, theft or destruction of a Certificate, the registered owner applying for a replacement certificate shall furnish to the Issuer and to the Paying Agent/Registrar such security or indemnity as may be required by them to save each of them harmless from any loss or damage with respect thereto. Also, in every case of loss, theft or destruction of a Certificate, the registered owner shall furnish to the Issuer and to the Paying Agent/Registrar evidence to their satisfaction of the loss, theft or destruction of such Certificate, as the case may be. In every case of damage or mutilation of a Certificate, the registered owner shall surrender to the Paying Agent/Registrar for cancellation the Certificate so damaged or mutilated.

(c) No Default Occurred. Notwithstanding the foregoing provisions of this Section, in the event any such Certificate shall have matured, and no default has occurred that is then continuing in the payment of the principal of, redemption premium, if any, or interest on the Certificate, the Issuer may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Certificate) instead of issuing a replacement Certificate, provided security or indemnity is furnished as above provided in this Section.

(d) Charge for Issuing Replacement Certificates. Prior to the issuance of any replacement certificate, the Paying Agent/Registrar shall charge the registered owner of such Certificate with all legal, printing, and other expenses in connection therewith. Every replacement certificate issued pursuant to the provisions of this Section by virtue of the fact that any Certificate is lost, stolen or destroyed shall constitute a contractual obligation of the Issuer whether or not the lost, stolen or destroyed Certificate shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits of this Ordinance equally and proportionately with any and all other Certificates duly issued under this Ordinance.

(e) Authority for Issuing Replacement Certificates. In accordance with Sec. 1206.022, Government Code, this Section 7 of this Ordinance shall constitute authority for the issuance of any such replacement certificate without necessity of further action by the governing body of the Issuer or any other body or person, and the duty of the replacement of such certificates is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Certificates in the form and manner and with the effect, as provided in Section 3(a) of this Ordinance for Certificates issued in conversion and exchange for other Certificates.

Section 8. CUSTODY, APPROVAL, AND REGISTRATION OF CERTIFICATES; BOND COUNSEL'S OPINION; CUSIP NUMBERS; BOND COUNSEL OPINION.

(a) The Mayor of the Issuer is hereby authorized to have control of the Certificates initially issued and delivered hereunder and all necessary records and proceedings pertaining to the Certificates pending their delivery and their investigation, examination, and approval by the Attorney General of the State of Texas, and their registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of the Certificates said Comptroller of Public Accounts (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate attached to such Certificates, and the seal of said Comptroller shall be impressed, or placed in facsimile, on such Certificate. The approving legal opinion of the Issuer's Bond Counsel and the assigned CUSIP numbers may, at the option of the Issuer, be printed on the Certificates issued and delivered under this Ordinance, but neither shall have any legal effect, and shall be solely for the convenience and information of the registered owners of the Certificates.

(b) The obligation of the Underwriters to accept delivery of the Certificates is subject to the Underwriters being furnished with the final, approving opinion of McCall, Parkhurst & Horton L.L.P., bond counsel to the Issuer, which opinion shall be dated as of and delivered on the date of initial delivery of the Certificates to the Underwriters.

Section 9. COVENANTS REGARDING TAX EXEMPTION OF INTEREST ON THE CERTIFICATES.

(a) Covenants. The Issuer covenants to take any action necessary to assure, or refrain from any action that would adversely affect, the treatment of the Certificates as Obligation described in section 103 of the Code, the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the Issuer covenants as follows:

(1) to take any action to assure that no more than 10 percent of the proceeds of the Certificates (less amounts deposited to a reserve fund, if any) are used for any "private business use," as defined in section 141(b)(6) of the Code or, if more than 10 percent of the proceeds or the projects financed therewith are so used, such amounts, whether or not received by the Issuer, with respect to such private business use, do not, under the terms of this Ordinance or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10 percent of the debt service on the Certificates, in contravention of section 141(b)(2) of the Code;

(2) to take any action to assure that in the event that the "private business use" described in subsection (1) hereof exceeds 5 percent of the proceeds of the Certificates or the projects financed therewith (less amounts deposited into a reserve fund, if any) then the amount in excess of 5 percent is used for a "private business use" that is "related" and not "disproportionate," within the meaning of section 141(b)(3) of the Code, to the governmental use;

(3) to take any action to assure that no amount that is greater than the lesser of $5,000,000, or 5 percent of the proceeds of the Certificates (less amounts deposited into a reserve fund, if any) is directly or indirectly used to finance loans to persons, other than state or local governmental units, in contravention of section 141(c) of the Code;

(4) to refrain from taking any action that would otherwise result in the Certificates being treated as "private activity bonds" within the meaning of section 141(b) of the Code;

(5) to refrain from taking any action that would result in the Certificates being "federally guaranteed" within the meaning of section 149(b) of the Code;

(6) to refrain from using any portion of the proceeds of the Certificates, directly or indirectly, to acquire or to replace funds that were used, directly or indirectly, to acquire investment property (as defined in section 148(b)(2) of the Code) that produces a materially higher yield over the term of the Certificates, other than investment property acquired with B

(A) proceeds of the Certificates invested for a reasonable temporary period of 3 years or less or, in the case of a refunding bond, for a period of 30 days or less until such proceeds are needed for the purpose for which the bonds are issued,

(B) amounts invested in a bona fide debt service fund, within the meaning of section 1.148-1(b) of the Treasury Regulations, and

(C) amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed 10 percent of the proceeds of the Certificates;

(7) to otherwise restrict the use of the proceeds of the Certificates or amounts treated as proceeds of the Certificates, as may be necessary, so that the Certificates do not otherwise contravene the requirements of section 148 of the Code (relating to arbitrage);

(8) to pay to the United States of America at least once during each five-year period (beginning on the date of delivery of the Certificates) an amount that is at least equal to 90 percent of the "Excess Earnings," within the meaning of section 148(f) of the Code and to pay to the United States of America, not later than 60 days after the Certificates have been paid in full, 100 percent of the amount then required to be paid as a result of Excess Earnings under section 148(f) of the Code; and

(9) to refrain from using the proceeds of the Certificates or proceeds of any prior bonds to pay debt service on another issue more than 90 days after the date of issue of the Bonds in contravention of the requirements of section 149(d) of the Code (relating to advance refundings).

(b) Rebate Fund. In order to facilitate compliance with the above covenant (a)(8), a "Rebate Fund" is hereby established by the Issuer for the sole benefit of the United States of America, and such Fund shall not be subject to the claim of any other person, including without limitation the certificateholders. The Rebate Fund is established for the additional purpose of compliance with section 148 of the Code.

(c) Use of Proceeds. For purposes of the foregoing covenants (a)(1) and (a)(2), the Issuer understands that the term "proceeds" includes "disposition proceeds" as defined in the Treasury Regulations and, in the case of refunding bonds, transferred proceeds (if any) and proceeds of the refunded bonds expended prior to the date of issuance of the Certificates. It is the understanding of the Issuer that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated that modify or expand provisions of the Code, as applicable to the Certificates, the Issuer will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Certificates under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated that impose additional requirements applicable to the Certificates, the Issuer agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Certificates under section 103 of the Code. In furtherance of such intention, the Issuer hereby authorizes and directs the Mayor, City Manager and City Secretary to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the Issuer, that may be permitted by the Code as are consistent with the purpose for the issuance of the Certificates.

(d) Allocation of, and Limitation on, Expenditures for the Project. The Issuer covenants to account for the expenditure of sale proceeds and investment earnings to be used for the construction and acquisition of the Project on its books and records by allocating proceeds to expenditures within 18 months of the later of the date that (1) the expenditure is made, or (2) the Project is completed. The foregoing notwithstanding, the Issuer shall not expend proceeds of the sale of the Certificates or investment earnings thereon more than 60 days after the earlier of (1) the fifth anniversary of the delivery of the Certificates, or (2) the date the Certificates are retired, unless the Issuer obtains an opinion of nationally-recognized bond counsel that such expenditure will not adversely affect the status, for federal income tax purposes, of the Certificates or the interest thereon. For purposes hereof, the Issuer shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

(e) Disposition of Project. The Issuer covenants that the Projects will not be sold or otherwise disposed in a transaction resulting in the receipt by the Issuer of cash or other compensation, unless any action taken in connection with such disposition will not adversely affect the tax-exempt status of the Certificates. For purposes of the foregoing, the Issuer may rely on an opinion of nationally-recognized bond counsel that the action taken in connection with such sale or other disposition will not adversely affect the tax-exempt status of the Certificates. For purposes of the foregoing, the portion of the property comprising personal property and disposed in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes hereof, the Issuer shall not be obligated to comply with this covenant if it obtains a legal opinion that such failure to comply will not adversely affect the excludability for federal income tax proposes from gross income of the interest.

(f) Procedures to Monitor Compliance with Tax Covenants. The City hereby adopts the procedures attached hereto as **Exhibit B** as a means of monitoring compliance with the federal tax covenants made herein.

Section 10. SALE OF CERTIFICATES AND APPROVAL OF OFFICIAL STATEMENT; FURTHER PROCEDURES; APPLICATION OF PREMIUM FROM SALE OF CERTIFICATES; BOND INSURANCE.

(a) The Certificates are hereby sold and shall be delivered to PNC Capital Markets and Raymond James & Associates, Inc. (the "*Underwriters*") for the purchase price of $[] representing the aggregate principal amount of the Certificates, plus an aggregate reoffering premium of $[] less an underwriter's discount of $[], plus accrued interest in the amount of $[], pursuant to the terms and provisions of a Purchase Agreement, in substantially the form presented at this meeting, which the Mayor or Mayor Pro Tem is hereby authorized to execute and deliver. It is hereby officially found, determined, and declared that the terms of this sale are the most advantageous reasonably obtainable. The Initial Certificate shall be registered in the name of PNC Capital Markets or its designee.

(b) The Issuer hereby approves the form and content of the Official Statement relating to the Certificates and any addenda, supplement or amendment thereto, and approves the distribution of such Official Statement in the reoffering of the Certificates by the Underwriters in final form, with such changes therein or additions thereto as the officer executing the same may deem advisable, such determination to be conclusively evidenced by his execution thereof. The distribution and use of the Preliminary Official Statement, prior to the date hereof is hereby ratified and confirmed.

(c) The Mayor, Mayor Pro Tem, City Manager, Finance Director and City Secretary shall be and they are hereby expressly authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and under the corporate seal and on behalf of the Issuer a Paying Agent/Registrar Agreement with the Paying Agent/Registrar and all other instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Ordinance, the Certificates, the sale of the Certificates and the Official Statement. In case any officer whose signature shall appear on any Certificate shall cease to be such officer before the delivery of such Certificate, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

(d) The Certificates have an aggregate premium of $[] and which shall be allocated as follows:

(i) the amount of $[] shall be applied to pay costs of issuance of the Certificates;

(ii) the amount of $[] shall be deposited into the Construction Fund established by Section 12 of this Ordinance;

(iii) the amount of $[] shall be applied to pay the underwriting spread;

(iv) excess premium in the amount of $[] shall be deposited to the Interest and Sinking Fund; and

(v) the amount of $[] shall be applied to pay the bond insurance premium;

(e) <u>Approval of Insurance Policy.</u> It is hereby deemed beneficial and in the best interests to obtain a municipal bond insurance policy for the Certificates in order to obtain the lowest possible cost of borrowing. The insurance of the Certificates by [-] (the "Insurer") and the payment of the premium for such insurance is hereby approved. The Certificates shall bear an appropriate legend as provided by the Insurer.

Section 11. INTEREST EARNINGS ON CERTIFICATE PROCEEDS. Interest earnings derived from the investment of proceeds from the sale of the Certificates shall be used along with other certificate proceeds for the Project; provided that after completion of such purpose, if any of such interest earnings remain on hand, such interest earnings shall be deposited in the Interest and Sinking Fund. It is further provided, however, that any interest earnings on certificate proceeds that are required to be rebated to the United States of America pursuant to Section 9 hereof in order to prevent the Certificates from being arbitrage bonds shall be so rebated and not considered as interest earnings for the purposes of this Section.

Section 12. CONSTRUCTION FUND.

(a) The Issuer hereby creates and establishes and shall maintain on the books of the Issuer a separate fund to be entitled the "Series 2026 Certificate of Obligation Construction Fund" for use by the Issuer for payment of all lawful costs associated with the Project as hereinbefore provided. Proceeds of the Certificates in the amount of $[] shall be deposited into the Construction Fund, other than amounts paid at closing for issuance costs. Upon payment of all such Project costs, any moneys remaining on deposit in said Fund shall be transferred to the Interest and Sinking Fund. Amounts so deposited to the Interest and Sinking Fund shall be used in the manner described in Section 5 of this Ordinance.

(b) The Issuer may place proceeds of the Certificates (including investment earnings thereon) and amounts deposited into the Interest and Sinking Fund in investments authorized by the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended; provided, however, that the Issuer hereby covenants that the proceeds of the sale of the Certificates will be used as soon as practicable for the purposes for which the Certificates are issued.

(c) All deposits authorized or required by this Ordinance shall be secured to the fullest extent required by law for the security of public funds.

Section 13. COMPLIANCE WITH RULE 15c2-12.

(a) Definitions. That as used in this Section, the following terms have the meanings ascribed to such terms below:

"Financial Obligation" means a: (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) a guarantee of the foregoing (a) and (b). The term Financial Obligation does not include any municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"MSRB" means the Municipal Securities Rulemaking Board.

"Rule" means SEC Rule 15c2-12, as amended from time to time.

"SEC" means the United States Securities and Exchange Commission.

(b) Annual Reports.

(i) The Issuer shall provide annually to the MSRB, in the electronic format prescribed by the MSRB certain updated financial information and operating data pertaining to the Issuer, being the following: (i) the Issuer's annual financial audit report; and (ii) the information found in Tables 1 through 4, 6, 7 and 11 in Appendix A of the Official Statement for the Certificates. The Issuer will update and provide the information in Tables 1 through 4, 6, 7 and 11 in Appendix A in the Official Statement within six months after the end of each fiscal year ending in and after 2026. The Issuer will additionally provide its annual financial audit report when and if available, and in any event, within 12-months after the end of each fiscal year ending in or after 2026. If the annual financial audit report is not complete within 12-months after any such fiscal year end, then the Issuer 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.

(ii) Any financial information so to be provided shall be (i) prepared in accordance with the accounting principles described in the financial statements of the Issuer appended to the Official Statement, or such other accounting principles as the Issuer may be required to employ from time to time pursuant to state law or regulation, and (ii) audited, if the Issuer commissions an audit of such statements and the audit is completed within the period during which they must be provided.

(iii) If the Issuer changes its fiscal year, it will notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the Issuer otherwise would be required to provide financial information and operating data pursuant to this Section. The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document that is available to the public on the MSRB's internet website or filed with the SEC. All documents provided to the MSRB pursuant to this Section shall be accompanied by identifying information as prescribed by the MSRB.

(c) Event Notices. The Issuer shall notify the MSRB in an electronic format as prescribed by the MSRB, in a timely manner (but not in excess of ten business days after the occurrence of the event) of any of the following events with respect to the Certificates:

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 or 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 Certificateholders, 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 an obligated person (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Issuer 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 Issuer, 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 Issuer);
13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into 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 Bondholders, if material;
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.

The Issuer shall notify the MSRB, in a timely manner, of any failure by the Issuer to provide financial information or operating data in accordance with subsection (b) of this Section by the time required by such subsection.

(d) Limitations, Disclaimers, and Amendments.

(i) The Issuer shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the Issuer remains an "obligated person" with respect to the Certificates within the meaning of the Rule, except that the Issuer in any event will give notice of any deposit made in accordance with this Ordinance or applicable law that causes Certificates no longer to be outstanding.

(ii) The provisions of this Section are for the sole benefit of the registered owners and beneficial owners of the Certificates, and nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Issuer undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Issuer's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Section or otherwise, except as expressly provided herein. The Issuer does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Certificates at any future date.

(iii) UNDER NO CIRCUMSTANCES SHALL THE ISSUER BE LIABLE TO THE REGISTERED OWNER OR BENEFICIAL OWNER OF ANY CERTIFICATE OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE ISSUER, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS SECTION, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

(iv) No default by the Issuer in observing or performing its obligations under this Section shall comprise a breach of or default under this Ordinance for purposes of any other provision of this Ordinance. Nothing in this Section is intended or shall act to disclaim, waive, or otherwise limit the duties of the Issuer under federal and state securities laws.

(v) Should the Rule be amended to obligate the Issuer to make filings with or provide notices to entities other than the MSRB, the Issuer hereby agrees to undertake such obligation with respect to the Certificates in accordance with the Rule as amended. The provisions of this Section may be amended by the Issuer 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 Issuer, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell 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 this Ordinance that authorizes such an amendment) of the outstanding Certificates consent to such amendment or (b) a person that is unaffiliated with the Issuer (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the registered owners and beneficial owners of the Certificates. If the Issuer so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in accordance with subsection (b) of this Section an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information or operating data so provided. The Issuer may also amend or repeal the provisions of this continuing disclosure agreement 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.

Section 14. METHOD OF AMENDMENT. The Issuer hereby reserves the right to amend this Ordinance subject to the following terms and conditions, to-wit:

(a) The Issuer may from time to time, without the consent of any holder, except as otherwise required by paragraph (b) below, amend or supplement this Ordinance in order to (i) cure any ambiguity, defect or omission in this Ordinance 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 this Ordinance and that shall not materially adversely affect the interests of the holders, (iv) qualify this 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 this Ordinance as shall not be inconsistent with the provisions of this Ordinance and that shall not in the opinion of the Issuer's Bond Counsel materially adversely affect the interests of the holders.

(b) Except as provided in paragraph (a) above, the holders of Certificates aggregating in principal amount 51% of the aggregate principal amount of then outstanding Certificates that are the subject of a proposed amendment shall have the right from time to time to approve any amendment hereto that may be deemed necessary or desirable by the Issuer; provided, however, that without the consent of 100% of the holders in aggregate principal amount of the then outstanding Certificates, nothing herein contained shall permit or be construed to permit amendment of the terms and conditions of this Ordinance or in any of the Certificates so as to:

(1) Make any change in the maturity of any of the outstanding Certificates;

(2) Reduce the rate of interest borne by any of the outstanding Certificates;

(3) Reduce the amount of the principal of, or redemption premium, if any, payable on any outstanding Certificates;

(4) Modify the terms of payment of principal or of interest or redemption premium on outstanding Certificates or any of them or impose any condition with respect to such payment; or

(5) Change the minimum percentage of the principal amount of any series of Certificates necessary for consent to such amendment.

(c) If at any time the Issuer shall desire to amend this Ordinance under subsection (b) of this Section, the Issuer shall send by U.S. mail to each registered owner of the affected Certificates a copy of the proposed amendment and cause notice of the proposed amendment to be published at least once in a financial publication published in The City of New York, New York or in the State of Texas. Such published notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the office of the Issuer for inspection by all holders of such Certificates.

(d) Whenever at any time within one year from the date of publication of such notice the Issuer shall receive an instrument or instruments executed by the holders of at least 51% in aggregate principal amount of all of the Certificates then outstanding that are required for the amendment, which instrument or instruments shall refer to the proposed amendment and that shall specifically consent to and approve such amendment, the Issuer may adopt the amendment in substantially the same form.

(e) Upon the adoption of any amendatory Ordinance pursuant to the provisions of this Section, this Ordinance shall be deemed to be modified and amended in accordance with such amendatory Ordinance, and the respective rights, duties, and obligations of the Issuer and all holders of such affected Certificates shall thereafter be determined, exercised, and enforced, subject in all respects to such amendment.

(f) Any consent given by the holder of a Certificate pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the publication of the notice provided for in this Section, and shall be conclusive and binding upon all future holders of the same Certificate during such period. Such consent may be revoked at any time after six months from the date of the publication of said notice by the holder who gave such consent, or by a successor in title, by filing notice with the Issuer, but such revocation shall not be effective if the holders of 51% in aggregate principal amount of the affected Certificates then outstanding, have, prior to the attempted revocation, consented to and approved the amendment.

(g) For the purposes of establishing ownership of the Certificates, the Issuer shall rely solely upon the registration of the ownership of such Certificates on the registration books kept by the Paying Agent/Registrar.

Section 15. DEFAULT AND REMEDIES

(a) Events of Default. Each of the following occurrences or events for the purpose of this Ordinance is hereby declared to be an Event of Default:

(i) the failure to make payment of the principal of or interest on any of the Certificates when the same becomes due and payable; or

(ii) default in the performance or observance of any other covenant, agreement or obligation of the City, 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 this Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any Registered Owner to the City.

(b) Remedies for Default.

(i) Upon the happening of any Event of Default, then and in every case, any Registered Owner or an authorized representative thereof, including, but not limited to, a trustee or trustees therefor, may proceed against the City for the purpose of protecting and enforcing the rights of the Registered Owners under this Ordinance, by mandamus or other suit, action or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief permitted by law, including the specific performance of any covenant or agreement contained herein, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the Registered Owners hereunder or any combination of such remedies.

(ii) It is provided that all such proceedings shall be instituted and maintained for the equal benefit of all Registered Owners of Certificates then outstanding.

(c) Remedies Not Exclusive.

(i) No remedy herein conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the Certificates or now or hereafter existing at law or in equity; provided, however, that notwithstanding any other provision of this Ordinance, the right to accelerate the debt evidenced by the Certificates shall not be available as a remedy under this Ordinance.

(ii) The exercise of any remedy herein conferred or reserved shall not be deemed a waiver of any other available remedy.

(iii) By accepting the delivery of a Certificate authorized under this Ordinance, such Registered Owner agrees that the certifications required to effectuate any covenants or representations contained in this Ordinance do not and shall never constitute or give rise to a personal or pecuniary liability or charge against the officers, employees or trustees of the City or the City Council.

Section 16. EFFECTIVE DATE. In accordance with the provisions of Texas Government Code, Section 1201.028, this Ordinance shall be effective immediately upon its adoption by the City Council.

Section 17. APPROPRIATION. To pay the debt service coming due on the Certificates prior to receipt of the taxes levied to pay such debt service, there is hereby appropriated from current funds on hand, which are hereby certified to be on hand and available for such purpose, an amount sufficient to pay such debt service, and such amount shall be used for no other purpose.

Section 18. SEVERABILITY. If any section, article, paragraph, sentence, clause, phrase or word in this Ordinance, or application thereof to any persons or circumstances is held invalid or unconstitutional by a court of competent jurisdiction, such holding shall not affect the validity of the remaining portion of this Ordinance, despite such invalidity, which remaining portions shall remain in full force and effect.

EXHIBIT A

FORM OF CERTIFICATES.

(a) The form of the Certificates, including the form of Paying Agent/Registrar's Authentication Certificate, the form of Assignment and the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas to be attached to the Certificates initially issued and delivered pursuant to this Ordinance, shall be, respectively, substantially as follows, with such appropriate variations, omissions or insertions as are permitted or required by this Ordinance.

NO. R-__

PRINCIPAL AMOUNT
$__________

UNITED STATES OF AMERICA
STATE OF TEXAS

CITY OF MARSHALL, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATE OF OBLIGATION
SERIES 2026

INTEREST RATE	DELIVERY DATE	MATURITY DATE	CUSIP NO.
	[-], 2026	August 15, ______	

REGISTERED OWNER:

PRINCIPAL AMOUNT:

ON THE MATURITY DATE specified above, the City of Marshall, in Harrison County, Texas (the "Issuer"), being a political subdivision and municipal corporation of the State of Texas, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above. The Issuer promises to pay interest on the unpaid principal amount hereof (calculated on the basis of a 360-day year of twelve 30-day months) from the Delivery Date above at the Interest Rate per annum specified above. Interest is payable on February 15 and August 15 of each year, commencing February 15, 2027, to the Maturity Date specified above, or the date of redemption prior to maturity; except, if this Certificate is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such Principal Amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the interest on the Certificate or Certificates, if any, for which this Certificate is being exchanged is due but has not been paid, then this Certificate shall bear interest from the date to which such interest has been paid in full.

THE PRINCIPAL OF AND INTEREST ON this Certificate are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Certificate shall be paid to the registered owner hereof upon presentation and surrender of this Certificate at maturity, or upon the date fixed for its redemption prior to maturity, at the principal corporate trust office of BOK Financial Corporate Trust, Dallas, Texas, which is the "Paying Agent/Registrar" for this Certificate. The payment of interest on this Certificate shall be made by the Paying Agent/Registrar to the registered owner hereof on each interest payment date by check or draft, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Issuer required by the ordinance authorizing the issuance of this Certificate (the "Certificate Ordinance") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check or draft shall be sent by the Paying

Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the registered owner hereof, at its address as it appeared on the last calendar day of the month preceding each such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. In addition, interest may be paid by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. 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 (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 owner of a Certificate appearing on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

ANY ACCRUED INTEREST due at maturity or upon the redemption of this Certificate prior to maturity as provided herein shall be paid to the registered owner upon presentation and surrender of this Certificate for redemption and payment at the principal corporate trust office of the Paying Agent/Registrar. The Issuer covenants with the registered owner of this Certificate that on or before each principal payment date, interest payment date, and accrued interest payment date for this Certificate it will make available to the Paying Agent/Registrar, from the "Interest and Sinking Fund" created by the Certificate Ordinance, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Certificates, when due.

IF THE DATE for the payment of the principal of or interest on this Certificate shall be a Saturday, Sunday, a legal holiday or a day on which banking institutions in the city where the principal corporate trust office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day that is not such a Saturday, Sunday, legal holiday or day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

THIS CERTIFICATE is one of a series of Certificates dated [-], 2026, authorized in accordance with the Constitution and laws of the State of Texas in the principal amount of $[Par] for paying all or a portion of the Issuer's contractual obligations incurred in connection with (i) water and wastewater system repairs, upgrades, replacements and improvements of transmission lines, disinfection systems and pump stations (ii) paying legal, fiscal, engineering, architectural and other professional services in connection with these projects (collectively, the "Project").

ON [] or any date thereafter, the Certificates of this series may be redeemed prior to their scheduled maturities, at the option of the Issuer, with funds derived from any available and lawful source, as a whole, or in part, and, if in part, the particular Certificates, or portions thereof, to be redeemed shall be selected and designated by the Issuer (provided that a portion of a Certificate may be redeemed only in an integral multiple of $5,000), at a redemption price equal to the principal amount to be redeemed plus accrued interest to the date fixed for redemption.

THE CERTIFICATES scheduled to mature on August 15 in the years [] (the "*Term Certificates*") are subject to scheduled mandatory redemption by the Paying Agent/Registrar by lot, or by any other customary method that results in a random selection, at a price equal to the principal amount thereof, plus accrued interest to the redemption date, out of moneys available for such purpose in the interest and sinking fund for the Certificates, on each August 15 of the years and in the respective principal amounts, set forth in the following schedule:

<u>Term Certificates due August 15, 20</u>:

Mandatory Redemption Date: 8/15/20 Principal Amount: $,000.00
Mandatory Redemption Date: 8/15/20* Principal Amount: $,000.00

* Maturity

The principal amount of Term Certificates of a stated maturity 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 Issuer, by the principal amount of any Term Certificates of the same maturity which, at least 50 days prior to a mandatory redemption date (1) shall have been acquired by the Issuer 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 Issuer 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.

AT LEAST THIRTY days prior to the date fixed for any redemption of Certificates or portions thereof prior to maturity a written notice of such redemption shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid to the registered owner of each Certificate to be redeemed at its address as it appeared on the 45th day prior to such redemption date; provided, however, that the failure of the registered owner to receive such notice, or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of any Certificate. 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 that are to be so redeemed. If such written notice of redemption is sent and if due provision for such payment is made, all as provided above, the Certificates or portions thereof that are to be so redeemed thereby automatically shall be treated as 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 out of the funds provided for such payment. If a portion of any Certificate shall be redeemed, a substitute Certificate or Certificates having the same maturity date, bearing interest at the same rate, in any denomination or denominations in any integral multiple of $5,000, at the written request of the registered owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon the surrender thereof for cancellation, at the expense of the Issuer, all as provided in the Certificate Ordinance.

IF AT THE TIME OF MAILING OF NOTICE OF REDEMPTION there shall not have either been deposited with the Paying Agent/Registrar or legally authorized escrow agent immediately available funds sufficient to redeem all the Certificates called for redemption, such notice may state that it is conditional, and is subject to the deposit of the redemption moneys with the Paying Agent/Registrar or legally authorized escrow agent at or prior to the redemption date, and such notice shall be of no effect unless such moneys are so deposited on or prior to the redemption date. If such redemption is not effectuated, the Paying Agent/Registrar shall, within five days thereafter, give notice in the manner in which the notice of redemption was given that such moneys were not so received and shall rescind the redemption.

ALL CERTIFICATES OF THIS SERIES are issuable solely as fully registered certificates, without interest coupons, in the principal denomination of any integral multiple of $5,000. As provided in the Certificate Ordinance, this Certificate may, at the request of the registered owner or the assignee or assignees hereof, be assigned, transferred, converted into and exchanged for a like aggregate principal amount of fully registered certificates, without interest coupons, payable to the appropriate registered owner, assignee or assignees, as the case may be, having the same denomination or denominations in any integral multiple of $5,000 as requested in writing by the appropriate registered owner, assignee or assignees, as the case may be, upon surrender of this Certificate to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Certificate Ordinance. Among other requirements for such assignment and transfer, this Certificate must be presented and surrendered to the Paying Agent/Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Certificate or any portion or portions hereof in any integral multiple of $5,000 to the assignee or assignees in whose name or names this Certificate or any such portion or portions hereof is or are to be registered. The form of Assignment printed or endorsed on this Certificate may be executed by the registered owner to evidence the assignment hereof, but such method is not exclusive, and other instruments of assignment satisfactory to the Paying Agent/Registrar may be used to evidence the assignment of this Certificate or any portion or portions hereof from time to time by the registered owner. The Paying Agent/Registrar's reasonable standard or customary fees and charges for assigning, transferring, converting and exchanging any Certificate or portion thereof will be paid by the Issuer. In any circumstance, any taxes or governmental charges required to be paid with respect thereto shall be paid by the one requesting such assignment, transfer, conversion or exchange, as a condition precedent to the exercise of such privilege. The Paying Agent/Registrar shall not be required to make any such transfer, conversion, or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any Certificate or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

IN THE EVENT any Paying Agent/Registrar for the Certificates is changed by the Issuer, resigns, or otherwise ceases to act as such, the Issuer has covenanted in the Certificate Ordinance that it promptly will appoint a competent and legally qualified substitute therefor, and cause written notice thereof to be mailed to the registered owners of the Certificates.

IT IS HEREBY certified, recited and covenanted that this Certificate has been duly and validly authorized, issued and delivered; that all acts, conditions and things required or proper to be performed, exist and be done precedent to or in the authorization, issuance and delivery of this Certificate have been performed, existed and been done in accordance with law; that annual ad valorem taxes sufficient to provide for the payment of the interest on and principal of this Certificate, as such interest comes due and such principal matures, have been levied and ordered to be levied against all taxable property in said Issuer, and have been pledged for such payment, within the limit prescribed by law, and that this Certificate is additionally secured by and payable from a pledge of the Surplus Revenues 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 payable from all or part of said Surplus Revenues of the Issuer's waterworks and sewer system, all as provided in the Certificate Ordinance.

THE ISSUER HAS RESERVED THE RIGHT to amend the Certificate Ordinance as provided therein, and under some (but not all) circumstances amendments thereto must be approved by the registered owners of a majority in aggregate principal amount of the outstanding Certificates.

BY BECOMING the registered owner of this Certificate, the registered owner thereby acknowledges all of the terms and provisions of the Certificate Ordinance, agrees to be bound by such terms and provisions, acknowledges that the Certificate Ordinance is duly recorded and available for inspection in the official minutes and records of the governing body of the Issuer, and agrees that the terms and provisions of this Certificate and the Certificate Ordinance constitute a contract between each registered owner hereof and the Issuer.

IN WITNESS WHEREOF, the Issuer has caused this Certificate to be signed with the manual or facsimile signature of the Mayor of the Issuer and countersigned with the manual or facsimile signature of the City Secretary of said Issuer, and has caused the official seal of the Issuer to be duly impressed, or placed in facsimile, on this Certificate.

(signature)	(signature)
City Secretary	Mayor

(SEAL)

[STATEMENT OF INSURANCE]

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

(To be executed if this Certificate is not accompanied by an executed Registration Certificate of the Comptroller of Public Accounts of the State of Texas)

It is hereby certified that this Certificate has been issued under the provisions of the Certificate Ordinance described in the text of this Certificate; and that this Certificate has been issued in conversion or replacement of, or in exchange for, a certificate, certificates, or a portion of a certificate or certificates of a series that originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

Dated: _______________.

BOK Financial Corporate Trust
Dallas, Texas
Paying Agent/Registrar

By: ____
Authorized Representative

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto:

____

Please insert Social Security or Taxpayer Identification Number of Transferee

____

Please print or type name and address, including zip code of Transferee

the within Certificate and all rights thereunder, and hereby irrevocably constitutes and appoints: ________ ____, attorney, to register the transfer of the within Certificate on the books kept for registration thereof, with full power of substitution in the premises.

Dated: ____________________.

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by an eligible guarantor institution participating in a	NOTICE: The signature above must correspond with the name of the registered owner as it appears upon the front of this Certificate in every particular,

securities transfer association recognized signature guarantee program.

without alteration or enlargement or any change whatsoever.

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO. _______________

I hereby certify that there is on file and of record in my office a true and correct copy of the opinion of the Attorney General of the State of Texas approving this Certificate and that this Certificate has been registered this day by me.

Witness my signature and seal this ___________________.

____
Comptroller of Public Accounts of the State of Texas

(COMPTROLLER'S SEAL)

(b) Initial Certificate Insertions

(i) The initial Certificate shall be in the form set forth is paragraph (a) of this Section, except that:

A. immediately under the name of the Certificate, the headings "Interest Rate" and "Maturity Date" shall both be completed with the words "As shown below" and "CUSIP No. _____" shall be deleted.

B. the first paragraph shall be deleted and the following will be inserted:

"THE CITY OF MARSHALL, TEXAS, in Harrison County, Texas (the "Issuer"), being a political subdivision and municipal corporation of the State of Texas, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the "Registered Owner"), on the Maturity Dates, in the Principal Amounts and bearing interest at the Interest Rates per annum set forth in the following schedule:

Maturity Date	Principal Amount	Interest Rates
[]	[]	[]

The Issuer promises to pay interest on the unpaid principal amount hereof (calculated on the basis of a 360-day year of twelve 30-day months) from the Delivery Date above, at the respective Interest Rate per annum specified above. Interest is payable on August 15 and February 15 of each year, commencing February 15, 2027, to the date of payment of the principal installment specified above, or the date of redemption prior to maturity; except, that if this Certificate is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such Principal Amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the interest on the Certificate or Certificates, if any, for which this Certificate is being exchanged is due but has not been paid, then this Certificate shall bear interest from the date to which such interest has been paid in full."

C. The Initial Certificate shall be numbered "T-1."

EXHIBIT B

WRITTEN PROCEDURES FOR FEDERAL TAX COMPLIANCE

These procedures, together with any federal tax certifications, provisions included in the order, ordinance or resolution (the "Authorizing Document") authorizing the issuance and sale of any tax-exempt debt such as the Certificates (the "Obligations"), letters of instructions and/or memoranda from bond counsel and any attachments thereto (the "Closing Documents"), are intended to assist the Issuer in complying with federal guidelines related to the issuance of such Obligations.

I. Arbitrage Compliance. Federal income tax laws generally restrict the ability to earn arbitrage in connection with the Obligations. The Issuer's City Manager and Finance Director (such officer, together with other employees of the Issuer who report to or such officer, is collectively, the "Responsible Person") will review the Closing Documents periodically (at least once a year) to ascertain if an exception to arbitrage compliance applies.

1. Procedures applicable to Obligations issued for construction and acquisition purposes. With respect to the investment and expenditure of the proceeds of the Obligations that are issued to finance public improvements or to acquire land or personal property, the Responsible Person will:

    a. Instruct the appropriate person who is primarily responsible for the construction, renovation or acquisition of the facilities financed with the Obligations (the "Project") that (i) binding contracts for the expenditure of at least 5% of the proceeds of the Obligations must be entered into within 6 months of the date of closing of the Obligations (the "Issue Date") and that (ii) the Project must proceed with due diligence to completion;
    b. Monitor that at least 85% of the proceeds of the Obligations to be used for the construction, renovation or acquisition of the Project are expended within 3 years of the Issue Date;
    c. Monitor the yield on the investments purchased with proceeds of the Obligations and restrict the yield of such investments to the yield on the Obligations after 3 years from the Issue Date; and
    d. To the extent that there are any unspent proceeds of the Obligations at the time the Obligations are refunded, or if there are unspent proceeds of the Obligations that are being refunded by a new issuance of Obligations, the Responsible Person shall continue monitoring the expenditure of such unspent proceeds to ensure compliance with federal tax law with respect to both the refunded Obligations and any Obligations being issued for refunding purposes.

2. Procedures applicable to Obligations with a debt service reserve fund. In addition to the foregoing, if the Issuer issues Obligations that are secured by a debt service reserve fund, the Responsible Person will assure that the maximum amount of any reserve fund for the Obligations invested at a yield higher than the yield on the Obligations will not exceed the lesser of (1) 10% of the principal amount of the Obligations, (2) 125% of the average annual debt service on the Obligations measured as of the Issue Date, or (3) 100% of the maximum annual debt service on the Obligations as of the Issue Date.

3. Procedures applicable to Escrow Accounts for Refunding Obligations. In addition to the foregoing, if the Issuer issues Obligations and proceeds are deposited to an escrow fund to be administered pursuant to the terms of an escrow agreement, the Responsible Person will:
    a. Monitor the actions of the escrow agent to ensure compliance with the applicable provisions of the escrow agreement, including with respect to reinvestment of cash balances;

   b. Contact the escrow agent on the date of redemption of obligations being refunded to ensure that they were redeemed; and
   c. Monitor any unspent proceeds of the refunded obligations to ensure that the yield on any investments applicable to such proceeds are invested at the yield on the applicable obligations or otherwise applied (see Closing Documents).

4. Procedures applicable to all Tax-Exempt Obligation Issues. For all issuances of Obligations, the Responsible Person will:
   a. Maintain any official action of the Issuer (such as a reimbursement resolution) stating the Issuer's intent to reimburse with the proceeds of the Obligations any amount expended prior to the Issue Date for the acquisition, renovation or construction of the Project;
   b. Ensure that the applicable information return (e.g., U.S. Internal Revenue Service ("IRS") Form 8038-G, 8038-GC, or any successor forms) is timely filed with the IRS;
   c. Assure that, unless excepted from rebate and yield restriction under section 148(f) of the Internal Revenue Code of 1986, as amended, excess investment earnings are computed and paid to the U.S. government at such time and in such manner as directed by the IRS (i) at least every 5 years after the Issue Date and (ii) within 30 days after the date the Obligations are retired;
   d. Monitor all amounts deposited into a sinking fund or funds pledged (directly or indirectly) to the payment of the Obligations, such as the Interest and Sinking Fund, to assure that the maximum amount invested within such applicable fund at a yield higher than the yield on the Obligations does not exceed an amount equal to the debt service on the Obligations in the succeeding 12 month period plus a carryover amount equal to one-twelfth of the principal and interest payable on the Obligations for the immediately preceding 12-month period; and
   e. Ensure that no more than 50% of the proceeds of the Obligations are invested in an investment with a guaranteed yield for 4 years or more.

<u>II. Private Business Use</u>. Generally, to be tax-exempt, only an insignificant amount of the proceeds of each issue of Obligations can benefit (directly or indirectly) private businesses. The Responsible Person will review the Closing Documents periodically (at least once a year) for the purpose of determining that the use of the Project financed or refinanced with the proceeds of the Obligations does not violate provisions of federal tax law that pertain to private business use. In addition, the Responsible Person will:

1. Develop procedures or a "tracking system" to identify all property financed with Obligations;
2. Monitor and record the date on which the Project is substantially complete and available to be used for the purpose intended;
3. Monitor and record whether, at any time the Obligations are outstanding, any person, other than the Issuer, the employees of the Issuer, the agents of the Issuer or members of the general public:
   a. has any contractual right (such as a lease, purchase, management or other service agreement) with respect to any portion of the Project;
   b. has a right to use the output of the Project (e.g., water, gas, electricity); or
   c. has a right to use the Project to conduct or to direct the conduct of research;
4. Monitor and record whether, at any time the Obligations are outstanding, any person, other than the Issuer, has a naming right for the Project or any other contractual right granting an intangible benefit;
5. Monitor and record whether, at any time the Obligations are outstanding, the Project, or any portion thereof, is sold or otherwise disposed of; and
6. Take such action as is necessary to remediate any failure to maintain compliance with the covenants contained in the Authorizing Document related to the public use of the Project.

III. Record Retention. The Responsible Person will maintain or cause to be maintained all records relating to the investment and expenditure of the proceeds of the Obligations and the use of the Project financed or refinanced thereby for a period ending three (3) years after the complete extinguishment of the Obligations. If any portion of the Obligations is refunded with the proceeds of another series of Obligations, such records shall be maintained until the three (3) years after the refunding Obligations mature or are otherwise paid off. Such records can be maintained in paper or electronic format.

IV. Responsible Person. A Responsible Person shall receive appropriate training regarding the Issuer's accounting system, contract intake system, facilities management and other systems necessary to track the investment and expenditure of the proceeds and the use of the Project financed or refinanced with the proceeds of the Obligations. The foregoing notwithstanding, each Responsible Person shall report to the governing body of the Issuer whenever experienced advisors and agents may be necessary to carry out the purposes of these instructions for the purpose of seeking approval of the governing body to engage or utilize existing advisors and agents for such purposes.

TO:	City Council
DATE:	June 25, 2026
ITEM #:	11.A
SUBJECT:	Consider and accept the Independent Auditor's Report for the fiscal year ended December 31, 2025.

Recommendation for Action: Staff recommends that the City Council accept the Independent Auditor's Report and Annual Comprehensive Financial Report for the fiscal year ended December 31, 2025.

Executive Summary: State law and the City Charter require an annual independent audit of the City's financial statements. The City engaged Patillo, Brown & Hill, LLP to perform the audit of the City's financial statements for the fiscal year ended December 31, 2025.

Patillo, Brown & Hill, LLP has completed its audit and issued its Independent Auditor's Report on the City's financial statements. The audit included an examination of the City's financial records, accounting practices, internal controls related to financial reporting, and compliance with applicable laws and regulations.

Representatives of Patillo, Brown & Hill, LLP will present the results of the audit to the City Council, provide an overview of the City's financial position and operating results, and respond to questions from Council regarding the audit and financial statements.

Acceptance of the audit report at the June 25, 2026 meeting will allow the City to meet the June 30, 2026 filing and reporting deadlines associated with the annual audit.

Focus Area(s): This item aligns with the following council adopted focus area(s):

Budget Cost:

The cost of audit services was included in the FY 2025 adopted budget.

Staff Contact: Lisa Pepi

Attachments: 1. DRAFT Annual Financial Report 2025

CITY OF MARSHALL, TEXAS

ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2025

CITY OF MARSHALL, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2025

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FINANCIAL SECTION

PATTILLO, BROWN & HILL, L.L.P.
401 West State Highway 6
Waco, Texas 76710
254.772.4901 | pbhcpa.com

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, Texas, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City of Marshall, Texas' basic financial statements as listed in the table of contents.

We did not audit the financial statements of the Marshall Economic Development Corporation or the Marshall Downtown Development Corporation, which represent 100% of the assets and revenues of the discretely presented component units as of December 31, 2025. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Marshall Economic Development Corporation and the Marshall Downtown Development Corporation, are based solely on the reports of other auditors.

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, Texas, as of December 31, 2025, 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.

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, Texas 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

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 of Marshall, Texas' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 of Marshall, Texas' 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 of Marshall, Texas' 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 is the responsibility of management and, 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 of Marshall, Texas' 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 and schedule of expenditures of federal awards 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 June 25, 2026, on our consideration of the City of Marhsall, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Marshall, Texas' 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 of Marshall, Texas' internal control over financial reporting and compliance.

Waco, Texas
June 25, 2026

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, 2025. 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 $98,936,340 (net position). Of this amount, $27,294,763 is 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 $31,493,671. Approximately 50% 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 $16,613,464 or 62% of total General Fund expenditures.

- At the end of the current fiscal year the Water and Sewer Fund reported unrestricted net position of $26,670,662 which was 296% of the fund's operating expenses of $9,017,280.

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: I) 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 the Municipal Drainage Utility 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* is 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 several 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, Debt Service Fund, Litter Control Fund, and Capital Improvement Fund, which are considered to be major funds. Data from the other 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 Municipal Drainage Utility 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 management of its vehicle fleet.

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.

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 $98,936,340 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	
	2025	2024	2025	2024	2025	2024
Assets						
Current and other assets	$ 38,323,206	$ 33,266,730	$ 46,753,812	$ 18,904,000	$ 85,077,018	$ 52,170,730
Capital assets	60,928,699	62,489,850	53,781,798	51,759,422	114,710,497	114,249,272
Total assets	99,251,905	95,756,580	100,535,610	70,663,422	199,787,515	166,420,002
Deffered Outflows of Resources	3,870,185	4,707,623	528,558	816,761	4,398,743	5,524,384
Liabilities						
Current liabilities	2,762,019	4,759,957	2,871,175	3,221,220	5,633,194	7,981,177
Noncurrent liabilities	51,260,619	45,374,505	45,915,038	17,816,908	97,175,657	63,191,413
Total Liabilities	54,022,638	50,134,462	48,786,213	21,038,128	102,808,851	71,172,590
Deferred Inflows of Resources	2,149,879	1,354,978	291,188	302,592	2,441,067	1,657,570
Net Position						
Net investment in capital assets	42,549,276	44,068,447	24,642,613	27,309,873	67,191,889	71,378,320
Restricted	4,449,688	5,007,472	-	-	4,449,688	5,007,472
Unrestricted	(49,391)	(101,156)	27,344,154	22,829,590	27,294,763	22,728,434
Total Net Position	$ 46,949,573	$ 48,974,763	$ 51,986,767	$ 50,139,463	$ 98,936,340	$ 99,114,226

An additional portion of the City of Marshall's net position (4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position ($27,294,763) 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 for the government as a whole.

Governmental-type Activities – The City's program revenues increased when compared to the prior year by 29% or $3,894,770. Operating Grants and Contributions and charges for services increased by $697,316 and $695,317, respectively.

Governmental activities decreased the City of Marshall's net position by $2,025,190 and are detailed on the next page.

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

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program Revenues:						
Charges for services	$ 8,155,189	$ 8,778,829	$ 12,069,596	$ 11,477,936	$ 20,224,785	$ 20,256,765
Operating grants and contributions	1,447,762	4,718,892	-	-	1,447,762	4,718,892
Capital grants and contributions	-	-	1,524,796	3,034,051	1,524,796	3,034,051
General Revenues:						
Taxes:						
Property taxes	8,930,535	9,001,467	-	-	8,930,535	9,001,467
Other taxes	11,816,890	11,557,563	-	-	11,816,890	11,557,563
Miscellaneous	70,265	267,738	25,977	48,786	96,242	316,524
Gain (loss) on sale of capital assets	269,210	14,871	-	(271,214)	269,210	(256,343)
Investment income	1,210,398	1,837,959	1,053,517	565,528	2,263,915	2,403,487
Total revenues	31,900,249	36,177,319	14,673,886	14,855,087	46,574,135	51,032,406
Expenses:						
General government	1,180,917	2,485,502	-	-	1,180,917	2,485,502
Parks and recreation	1,420,149	1,403,448	-	-	1,420,149	1,403,448
Finance	1,682,088	1,510,152	-	-	1,682,088	1,510,152
Public safety	15,734,874	13,588,515	-	-	15,734,874	13,588,515
Public works	7,663,506	9,322,555	-	-	7,663,506	9,322,555
Support services	1,043,813	1,523,527	-	-	1,043,813	1,523,527
Non-departmental	1,524,631	10,334	-	-	1,524,631	10,334
Tax collection	228,284	95,374	-	-	228,284	95,374
Tourism and cultural arts	2,575,214	2,517,214	-	-	2,575,214	2,517,214
Community and economic dev.	1,804,122	498,600	-	-	1,804,122	498,600
Interest on long-term debt	919,408	765,353	-	-	919,408	765,353
Water and sewer	-	-	10,491,085	7,475,643	10,491,085	7,475,643
Municipal drainage utility	-	-	483,930	247,377	483,930	247,377
Total expenses	35,777,006	33,720,574	10,975,015	7,723,020	46,752,021	41,443,594
Change in net position before transfers	(3,876,757)	2,456,745	3,698,871	7,132,067	(177,886)	9,588,812
Transfers	1,851,567	2,931,967	(1,851,567)	(2,931,967)	-	-
Change in net position	(2,025,190)	5,388,712	1,847,304	4,200,100	(177,886)	9,588,812
Net position - beginning	48,974,763	43,586,051	50,139,463	45,939,363	99,114,226	89,525,414
Net position - ending	$ 46,949,573	$ 48,974,763	$ 51,986,767	$ 50,139,463	$ 98,936,340	$ 99,114,226

Business-type Activities – Revenues of the City's business-type activities were $14,673,886 for the year ending December 31, 2025. Expenses for the City's business-type activities were $10,975,015 for the year, resulting in net income of $3,698,871.

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 $31,493,671. Approximately 50% of this total amount ($15,766,277) 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 $583,568. Restricted fund balance consists of the following: (1) promotion and tourism $1,170,778, (2) public safety $11,544,064, (3) debt service $434,335, (4) library $354,755, (5) capital projects $587,445 and (6) street maintenance $1,052,449.

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 $16,613,464, which represents the amount with no internal or external restrictions placed on its use. 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 62% of total General Fund expenditures. Total fund balance represents 64% of total General Fund expenditures. The total fund balance of the City of Marshall's General Fund increased by $1,477,110 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 $26,670,662. 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 over amended budget estimates by $65,367.

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

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

In 2025, the following water treatment/wastewater treatment plant projects and upgrades were started and/or completed:

- Completed the rebuild of the Wastewater Treatment Plant’s Final Clarifier #1
- Started the Water Treatment Plant Masterplan with HALFF
- Completed the Raw Water Pump Station Masterplan with HALFF
- Started the HMGP FEMA Generator Replacement Project with KSA
- Completed Emergency Repairs/Upgrades to the Water Treatment Plant’s High Service Pump Station with Lone Star Global I&E
- Began the Planning and Design Phase for the EPA mandated Lead Service Line Replacement Program with Schaumburg & Polk
- Purchased a new Drive Unit for the Wastewater Treatment Plant’s Primary Clarifier #1

- Purchased a new Double Wall Fuel Tank for the Water Treatment Plant's High Service Pump Station Generator
- Completed the Wastewater Treatment Plant's Excess Flow Pump Installation Project
- Completed the emergency repairs to the Raw Water Transmission Line
- Began the Planning and Design Phase for the TWDB CWSRF Projects pertaining to the Priority 2 and 3 Lift Stations with Schaumburg & Polk
- Began the CCTV for the 3 Major Sewer Outfalls that lead to the WWTP

In 2025, the following water/main projects and upgrades were started and/or completed:

- Completed emergency repairs to the Water Main on Young Street
- Completed the Sanford Street Sanitary Sewer Construction Project with Stoke's & Associates
- Completed repairs to the Cave In on U.S. Highway 80 with WMS R&B, LLC
- Installed/Replaced 36 Meters
- Installed/Replaced 54 Hydrants
- Replaced 182 Curb Stops
- Completed 455 Service Washes
- Completed 117 Water Main Repairs
- Completed 80 Sewer Main/Service Repairs

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:

- Kicked off a City-wide Drainage Master Plan
- Completed multiple miles of drainage ditch\swale cleaning and reshaping

CAPITAL ASSETS

The City of Marshall's investment in capital assets for its governmental and business type activities as of December 31, 2025, is $114,710,497 (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	
	2025	2024	2025	2024	2025	2024
Land	$ 1,164,764	$ 1,164,764	$ 218,051	$ 218,051	$ 1,382,815	$ 1,382,815
Buildings	15,507,558	16,269,614	264,421	282,299	15,771,979	16,551,913
Improvements	9,113,278	8,248,890	-	-	9,113,278	8,248,890
Machinery and equipment	7,896,381	8,364,725	1,598,082	1,747,606	9,494,463	10,112,331
Right-to-use - vehicles	2,717,767	2,946,716	-	-	2,717,767	2,946,716
Infrastructure	23,913,731	24,879,921	-	-	23,913,731	24,879,921
Water and wastewater system	-	-	37,076,804	38,022,413	37,076,804	38,022,413
Construction in progress	615,220	615,220	14,624,440	11,489,053	15,239,660	12,104,273
Total	$ 60,928,699	$ 62,489,850	$ 53,781,798	$ 51,759,422	$ 114,710,497	$ 114,249,272

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 $70,496,774. Of this amount, $25,303,848 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 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, 2025

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Certificates of obligations	$ 23,975,000	$ 14,570,000	$ 1,886,000	$ 1,968,000	$ 25,861,000	$ 16,538,000
General obligation refunding bonds	441,000	1,819,000	-	-	441,000	1,819,000
Tax and promissory notes	526,000	1,041,000	42,780,926	14,160,926	43,306,926	15,201,926
Premium on bond issuance	887,848	436,476	-	-	887,848	436,476
Notes payable	75,371	150,741	-	-	75,371	150,741
Lease payable	2,810,432	2,970,480	-	-	2,810,432	2,970,480
Compensated absences	1,888,795	2,059,263	241,834	265,982	2,130,629	2,325,245
Financed purchases	543,428	834,096	-	-	543,428	834,096
Total long-term debt	$ 31,147,874	$ 23,881,056	$ 44,908,760	$ 16,394,908	$ 76,056,634	$ 40,275,964

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 City's long-term debt can the found in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Economic Factors

- Median home value (owner occupied) $140,712, ESRI Housing Profile
- Average home value (owner occupied) $224,409, ESRI Housing Profile
- Median household income $55,880, ESRI Executive Summary
- Average household income $74,286, ESRI Executive Summary
- Annual unemployment rate for Harrison County is 4.8%, 2025 LMI Average
- FY 2026 (Tax Year 2025) tax rate is $0.5815183 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.

Next Year's Budgets and Rates – The 2026 City of Marshall Annual Budget reflected an approximate 9.3% increase in revenues from property taxes ($768,357) over the 2025 budget. We will closely monitor economic indicators, revenues, and expenditures in 2026 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, 40 l S. Alamo Marshall, Texas, 75670.

BASIC FINANCIAL STATEMENTS

CITY OF MARSHALL, TEXAS

STATEMENT OF NET POSITION

DECEMBER 31, 2025

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 25,630,860	$ 28,845,462	$ 54,476,322
Receivables, net	9,678,772	987,749	10,666,521
Internal balance	(18)	18	-
Due from other governments	2,430,024	-	2,430,024
Prepaid expenses	549,936	37,613	587,549
Inventory	33,632	59,442	93,074
Restricted assets:			
Cash and cash equivalents	-	16,823,528	16,823,528
Capital assets:			
Non-depreciable	1,779,984	14,842,491	16,622,475
Depreciable, net	59,148,715	38,939,307	98,088,022
Total assets	99,251,905	100,535,610	199,787,515
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions - TMRS	1,924,035	481,009	2,405,044
Deferred outflows related to pensions - FRRF	1,722,058	-	1,722,058
Deferred outflows related to OPEB - retiree health plan	161,119	40,280	201,399
Deferred outflows related to OPEB - SDBF	62,973	7,269	70,242
Total deferred outflows of resources	3,870,185	528,558	4,398,743
LIABILITIES			
Accounts payable	1,029,101	305,295	1,334,396
Accrued interest payable	190,475	352,980	543,455
Accrued liabilities	803,812	109,075	912,887
Unearned revenue	163,759	1,053,129	1,216,888
Due to other governments	574,872	-	574,872
Payable from restricted assets:			
Customer deposits	-	1,050,696	1,050,696
Noncurrent liabilities:			
Due in one year:			
Bonds, loans, and leases payable	2,602,745	442,000	3,044,745
Compensated absences	661,078	84,642	745,720
Total OPEB liability - retiree health plan	25,674	8,558	34,232
Total OPEB liability - SDBF	31,272	3,385	34,657
Due in more than one year:			
Bonds, loans, and leases payable	26,656,334	44,224,926	70,881,260
Compensated absences	1,227,717	157,192	1,384,909
Net pension liability - TMRS	3,266,538	816,635	4,083,173
Net pension liability - FRRF	15,677,997	-	15,677,997
Total OPEB liability - retiree health plan	381,414	93,214	474,628
Total OPEB liability - SDBF	729,850	84,486	814,336
Total liabilities	54,022,638	48,786,213	102,808,851
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to leases	-	-	-
Deferred inflows related to pensions - TMRS	987,192	246,798	1,233,990
Deferred inflows related to pensions - FRRF	901,341	-	901,341
Deferred inflows related to OPEB - retiree health plan	110,452	26,970	137,422
Deferred inflows related to OPEB - SDBF	150,894	17,420	168,314
Total deferred inflows of resources	2,149,879	291,188	2,441,067
NET POSITION			
Net investment in capital assets	42,549,276	24,642,613	67,191,889
Restricted for:			
Debt service	619,853	-	619,853
Capital projects	587,445	-	587,445
Promotion and tourism	1,170,778	-	1,170,778
Public safety	664,408	-	664,408
Street maintenance	1,052,449	-	1,052,449
Library	354,755	-	354,755
Unrestricted	(49,391)	27,344,154	27,294,763
Total net position	$ 46,949,573	$ 51,986,767	$ 98,936,340

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

Discretely Presented Component Units	
Marshall Economic Dev. Corp.	Marshall Downtown Dev. Corp.
$ 9,748,560	$ 138,483
232,159	-
-	-
398,113	-
-	-
-	-
-	-
7,777,529	-
8,459,869	-
26,616,230	138,483
-	-
-	-
-	-
-	-
-	-
40,213	-
-	-
-	-
-	100,000
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
40,213	100,000
209,657	-
-	-
-	-
-	-
-	-
209,657	-
16,237,398	-
-	-
-	-
-	-
-	-
-	-
-	-
10,128,962	38,483
$ 26,366,360	$ 38,483

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CITY OF MARSHALL, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2025

		Program Revenue		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	$ 1,180,917	$ 31,060	$ 238,781	$ -
Finance	1,682,088	28,396	-	-
Tourism and cultural arts	2,575,214	1,885,550	23,260	-
Public safety	15,734,874	1,877,047	934,558	-
Public works	7,663,506	4,090,130	1,550	-
Community and economic development	1,804,122	243,006	196,000	-
Non-departmental	1,524,631	-	-	-
Tax collection	228,284	-	-	-
Support services	1,043,813	-	53,613	-
Parks and recreation	1,420,149	-	-	-
Interest on long-term debt	919,408	-	-	-
Total governmental activities	35,777,006	8,155,189	1,447,762	-
Business-type activities:				
Water and sewer	10,491,085	11,719,719	-	1,524,796
Municipal drainage utility	483,930	349,877	-	-
Total business-type activities	10,975,015	12,069,596	-	1,524,796
Total primary government	$ 46,752,021	$ 20,224,785	$ 1,447,762	$ 1,524,796
Component units:				
Marshall Economic Develop. Corp.	2,509,158	64,547	-	-
Marshall Downtown Develop. Corp.	4,100	-	-	-
Total component units	$ 2,513,258	$ 64,547	$ -	$ -

General revenues:

Taxes:

Property

Sales

Franchise

Investment earnings

Gain (loss) on sale of capital assets

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

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.
$ (911,076)	$ -	$ (911,076)	$ -	$ -
(1,653,692)	-	(1,653,692)	-	-
(666,404)	-	(666,404)	-	-
(12,923,269)	-	(12,923,269)	-	-
(3,571,826)	-	(3,571,826)	-	-
(1,365,116)	-	(1,365,116)	-	-
(1,524,631)	-	(1,524,631)	-	-
(228,284)	-	(228,284)	-	-
(990,200)	-	(990,200)	-	-
(1,420,149)	-	(1,420,149)	-	-
(919,408)	-	(919,408)	-	-
(26,174,055)	-	(26,174,055)	-	-
-	2,753,430	2,753,430	-	-
-	(134,053)	(134,053)	-	-
-	2,619,377	2,619,377	-	-
$ (26,174,055)	$ 2,619,377	$ (23,554,678)	-	-
			(2,444,611)	-
			-	(4,100)
			$ (2,444,611)	$ (4,100)
$ 8,930,535	$ -	$ 8,930,535	$ -	$ -
10,930,158	-	10,930,158	2,511,502	-
886,732	-	886,732	-	-
1,210,398	1,053,517	2,263,915	354,431	2,199
269,210	-	269,210	37,355	-
70,265	25,977	96,242	-	-
1,851,567	(1,851,567)	-	-	-
24,148,865	(772,073)	23,376,792	2,903,288	2,199
(2,025,190)	1,847,304	(177,886)	458,677	(1,901)
48,974,763	50,139,463	99,114,226	25,907,683	40,384
$ 46,949,573	$ 51,986,767	$ 98,936,340	$ 26,366,360	$ 38,483

CITY OF MARSHALL, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS

DECEMBER 31, 2025

	General	Debt Service Fund	Capital Improvement Fund
ASSETS			
Cash and cash equivalents	$ 10,016,344	$ -	$ 10,922,067
Receivables (net of allowances for uncollectibles):			
Current taxes	6,036,676	1,090,289	-
Delinquent taxes	740,137	133,676	-
Accounts	1,503,833	-	-
Other	235	-	-
Due from other funds	1,110,578	-	-
Due from other governments	2,280,999	-	-
Prepaid items	549,936	-	-
Inventory	-	-	-
Total assets	22,238,738	1,223,965	10,922,067
LIABILITIES			
Accounts payable	595,788	-	42,411
Accrued liabilities	796,150	-	-
Due to other funds	-	410,113	-
Due to other governments	571,348	3,524	-
Unearned revenue	94,781	-	-
Total liabilities	2,058,067	413,637	42,411
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	2,081,956	375,993	-
Unavailable revenue - court fines	402,522	-	-
Unavailable revenue - ambulance	532,793	-	-
Total deferred inflows of resources	3,017,271	375,993	-
FUND BALANCES (DEFICITS)			
Nonspendable:			
Prepaid items	549,936	-	-
Inventory	-	-	-
Restricted for:			
Promotion and tourism	-	-	-
Public safety	-	-	10,879,656
Street maintenance	-	-	-
Debt service	-	434,335	-
Library	-	-	-
Capital projects	-	-	-
Unassigned	16,613,464	-	-
Total fund balances	17,163,400	434,335	10,879,656
Total liabilities, deferred inflows of resources	$ 22,238,738	$ 1,223,965	$ 10,922,067

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

Litter Control Fund	Nonmajor Governmental Funds	Total Governmental Funds
$ -	$ 3,793,255	$ 24,731,666
-	94,689	7,221,654
-	-	873,813
68,978	10,259	1,583,070
-	-	235
-	-	1,110,578
-	149,025	2,430,024
-	-	549,936
-	33,632	33,632
68,978	4,080,860	38,534,608
264,292	92,143	994,634
-	7,662	803,812
419,558	280,925	1,110,596
-	-	574,872
68,978	-	163,759
752,828	380,730	3,647,673
-	-	2,457,949
-	-	402,522
-	-	532,793
-	-	3,393,264
-	-	549,936
-	33,632	33,632
-	1,170,778	1,170,778
-	664,408	11,544,064
-	1,052,449	1,052,449
-	-	434,335
-	354,755	354,755
-	587,445	587,445
(683,850)	(163,337)	15,766,277
(683,850)	3,700,130	31,493,671
$ 68,978	$ 4,080,860	$ 38,534,608

CITY OF MARSHALL, TEXAS

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

DECEMBER 31, 2025

Total fund balances - governmental funds balance sheet	$ 31,493,671
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.	58,143,312
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	2,457,949
Court fines and fees	402,522
Ambulance billing	532,793
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.	839,682
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	(24,942,000)
Notes payable	(75,372)
Financed purchases payable	(543,428)
Accrued interest payable	(190,475)
Premium on bonds	(887,847)
Compensated absences	(2,074,166)
Net pension liability	(18,944,535)
Total OPEB liability	(1,168,210)
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	3,646,093
Deferred outflows of resources related to OPEB	224,092
Deferred inflows of resources related to pension	(1,888,533)
Deferred inflows of resources related to OPEB	(261,346)
Net position of governmental activities	$ 46,764,202

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

CITY OF MARSHALL, TEXAS

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

FOR THE YEAR ENDED DECEMBER 31, 2025

	General	Debt Service Fund	Coronavirus Emergency Fund
REVENUES			
Property taxes	$ 9,171,887	$ 1,383,176	
Sales taxes	10,092,991	-	
Franchise taxes	886,732	-	
Motel occupancy taxes	-	-	
Charges for services	2,485,473	-	
Permits and fees	722,031	-	
Fines and forfeitures	297,436	-	
Investment income	1,025,404	18,421	
Intergovernmental	225,836	-	
Donations	59,115	-	
Miscellaneous	67,765	-	
Total revenues	25,034,670	1,401,597	
EXPENDITURES			
Current:			
General government	1,137,533	-	
Finance	1,702,171	-	
Public safety	14,447,379	-	
Public works	1,327,170	-	
Non-departmental	1,511,753	-	
Tax collection	228,284	-	
Parks and recreation	1,458,220	-	
Community and economic development	1,749,335	-	
Support services	816,637	-	
Tourism and cultural arts	1,555,306	-	
Debt service:			
Principal	366,038	2,422,905	
Interest and fiscal charges	35,903	678,911	
Capital outlay	527,118	-	
Total expenditures	26,862,847	3,101,816	
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,828,177)	(1,700,219)	
OTHER FINANCING SOURCES (USES)			
Issuance of debt	-	-	
Premium on debt	-	-	
Sale of capital assets	1,436	-	
Transfers in	3,303,851	851,318	
Transfers out	-	-	
Total other financing sources and uses	3,305,287	851,318	
NET CHANGE IN FUND BALANCES	1,477,110	(848,901)	
FUND BALANCES, BEGINNING, AS PREVIOUSLY REPORTED	15,686,290	1,283,236	(32,215)
ADJUSTMENTS			
Change within the financial reporting entity - formerly a major/ nonmajor fund	-	-	32,215
FUND BALANCES, BEGINNING, AS RESTATED	15,686,290	1,283,236	-
FUND BALANCES, ENDING	$ 17,163,400	$ 434,335	$ -

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

Capital Improvement Fund	Litter Control Fund	Nonmajor Governmental Funds	Total Governmental Funds
$ -	$ -	$ 42,134	$ 10,597,197
-	-	837,167	10,930,158
-	-	-	886,732
-	-	998,149	998,149
-	3,368,193	203,436	6,057,102
-	33,401	-	755,432
-	-	20,739	318,175
115,815	-	50,758	1,210,398
-	-	806,855	1,032,691
-	7,550	48,138	114,803
-	-	2,500	70,265
115,815	3,409,144	3,009,876	32,971,102
-	-	-	1,137,533
-	-	-	1,702,171
-	-	146,640	14,594,019
-	3,503,282	603,394	5,433,846
-	-	-	1,511,753
-	-	-	228,284
-	-	-	1,458,220
-	-	85,349	1,834,684
-	-	6,757	823,394
-	-	851,586	2,406,892
-	-	-	2,788,943
259,927	-	-	974,741
2,811,549	-	651,765	3,990,432
3,071,476	3,503,282	2,345,491	38,884,912
(2,955,661)	(94,138)	664,385	(5,913,810)
9,925,000	-	-	9,925,000
509,927	-	-	509,927
		287,086	288,522
-	-	95,000	4,250,169
-	(625,000)	(592,519)	(1,217,519)
10,434,927	(625,000)	(210,433)	13,756,099
7,479,266	(719,138)	453,952	7,842,289
3,400,390	-	3,313,681	23,651,382
-	35,288	(67,503)	-
3,400,390	35,288	3,246,178	23,651,382
$ 10,879,656	$ (683,850)	$ 3,700,130	$ 31,493,671

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, 2025

Net change in fund balances - total governmental funds	$ 7,842,289
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.	443,580
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 net of capital asset disposals.	1,936,553
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.	(3,225,826)
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 bonds	(9,925,000)
Premium on issuance of bonds	(509,927)
Repayment of principal of long-term debt	2,779,038
Amortization of bond premium	58,555
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.	(3,222)
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	(14,903)
Total OPEB liability	(4,350)
Net pension liability	(247,285)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(1,340,063)
Change in net position of governmental activities	$ (2,210,561)

CITY OF MARSHALL, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

DECEMBER 31, 2025

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water and Sewer Fund	Municipal Drainage Utility	Total	Fleet Maintenance Fund
ASSETS				
Current assets:				
Cash and cash equivalents	$ 28,124,770	$ 720,692	$ 28,845,462	$ 899,194
Restricted - cash and cash equivalents	16,823,528	-	16,823,528	-
Receivables, net	944,776	42,973	987,749	-
Due from other funds	18	-	18	-
Prepaid items	37,613	-	37,613	-
Inventory	59,442	-	59,442	-
Total current assets	45,990,147	763,665	46,753,812	899,194
Capital assets:				
Land	218,051	-	218,051	-
Construction in progress	14,624,440	-	14,624,440	-
Buildings	1,233,899	-	1,233,899	-
Machinery and equipment	5,751,420	-	5,751,420	4,671,971
Water and wastewater system	81,513,176	-	81,513,176	-
Less accumulated depreciation	(49,559,188)	-	(49,559,188)	(1,886,584)
Net capital assets	53,781,798	-	53,781,798	2,785,387
Total assets	99,771,945	763,665	100,535,610	3,684,581
DEFERRED OUTFLOWS OF RESOURCES				
Pension related	481,009	-	481,009	-
OPEB related - retiree health plan	40,280	-	40,280	-
OPEB related - SDBF	7,269	-	7,269	-
Total deferred outflows of resources	528,558	-	528,558	-

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

CITY OF MARSHALL, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
(Continued)

DECEMBER 31, 2025

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water and Sewer Fund	Municipal Drainage Utility	Total	Fleet Maintenance Fund
LIABILITIES				
Current liabilities:				
Accounts payable	$ 220,209	$ 85,086	$ 305,295	$ 34,467
Accrued interest payable	352,980	-	352,980	-
Accrued liabilities	103,988	5,087	109,075	-
Unearned revenue	1,053,129	-	1,053,129	-
Bonds and leases payable	442,000	-	442,000	929,137
Compensated absences	84,642	-	84,642	-
Total OPEB liability - retiree health plan	8,558	-	8,558	-
Total OPEB liability - SDBF	3,385	-	3,385	-
Total current liabilities	2,268,891	90,173	2,359,064	963,604
Current liabilities payable from restricted assets:				
Customer deposits	1,050,696	-	1,050,696	-
Total current liabilities payable from restricted assets	1,050,696	-	1,050,696	-
Noncurrent liabilities:				
Bonds and leases payable	44,224,926	-	44,224,926	1,881,295
Compensated absences	157,192	-	157,192	-
Total OPEB liability - retiree health plan	93,214	-	93,214	-
Total OPEB liability - SDBF	84,486	-	84,486	-
Net pension liability	816,635	-	816,635	-
Total noncurrent liabilities	45,376,453	-	45,376,453	1,881,295
Total liabilities	48,696,040	90,173	48,786,213	2,844,899
DEFERRED INFLOWS OF RESOURCES				
Pension related	246,798	-	246,798	-
OPEB related - retiree health plan	26,970	-	26,970	-
OPEB related - SDBF	17,420	-	17,420	-
Total deferred inflows of resources	291,188	-	291,188	-
NET POSITION				
Net investment in capital assets	24,642,613	-	24,642,613	(25,045)
Unrestricted	26,670,662	673,492	27,344,154	864,727
Total net position	$ 51,313,275	$ 673,492	$ 51,986,767	$ 839,682

CITY OF MARSHALL, TEXAS

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

FOR THE YEAR ENDED DECEMBER 31, 2025

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water and Sewer Fund	Municipal Drainage Utility	Total	Fleet Maintenance Fund
OPERATING REVENUES				
Charges for services	$ 11,719,719	$ 349,877	$ 12,069,596	$ 2,035,177
Miscellaneous	25,977	-	25,977	-
Total operating revenues	11,745,696	349,877	12,095,573	2,035,177
OPERATING EXPENSES				
Administrative	500,057	500	500,557	-
Water production	2,084,894	-	2,084,894	-
Water distribution/collection	2,125,172	-	2,125,172	-
Wastewater treatment	1,451,935	-	1,451,935	-
Water billing	472,765	-	472,765	-
Engineering	76,339	478,258	554,597	-
Non-departmental	595,243	5,172	600,415	-
Materials and supplies	21,414	-	21,414	1,075,757
Depreciation and amortization	1,689,461	-	1,689,461	869,268
Total operating expenses	9,017,280	483,930	9,501,210	1,945,025
OPERATING INCOME (LOSS)	2,728,416	(134,053)	2,594,363	90,152
NONOPERATING REVENUES (EXPENSES)				
Gain on disposal of property	-	-	-	353,428
Intergovernmental	1,524,796	-	1,524,796	-
Investment income	1,053,517	-	1,053,517	-
Interest expense and fees	(1,473,805)	-	(1,473,805)	-
Total nonoperating revenues (expenses)	1,104,508	-	1,104,508	353,428
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	3,832,924	(134,053)	3,698,871	443,580
Capital contributions	1,181,083	-	1,181,083	-
Transfers out	(2,950,650)	(82,000)	(3,032,650)	-
Total capital contributions and transfers	(1,769,567)	(82,000)	(1,851,567)	-
CHANGE IN NET POSITION	2,063,357	(216,053)	1,847,304	443,580
TOTAL NET POSITION, BEGINNING	49,249,918	889,545	50,139,463	396,102
TOTAL NET POSITION, ENDING	$ 51,313,275	$ 673,492	$ 51,986,767	$ 839,682

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, 2025

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water and Sewer Fund	Municipal Drainage Utility	Total	Fleet Maintenance Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	$ 9,661,390	$ 243,698	$ 9,905,088	$ 2,035,177
Cash paid to employees	(3,032,120)	(182,140)	(3,214,260)	-
Cash paid to suppliers for goods and services	(4,797,955)	(219,061)	(5,017,016)	(1,078,649)
Net cash provided (used) by operating activities	1,831,315	(157,503)	1,673,812	956,528
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Issuance of debt	28,815,000	-	28,815,000	597,516
Principal paid on debt	(277,000)	-	(277,000)	(757,564)
Interest paid on bonds and other debt	(1,473,805)	-	(1,473,805)	-
Acquisition and construction of capital assets	(2,530,754)	-	(2,530,754)	(597,390)
Disposal of capital assets	-	-	-	353,428
Net cash provided (used) by capital and related financing activities	24,533,441	-	24,533,441	(404,010)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	1,053,517	-	1,053,517	-
Net cash provided (used) by investing activities	1,053,517	-	1,053,517	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash payments to other funds	(18)	-	(18)	-
Transfer in	1,524,796	-	1,524,796	-
Transfer out	(2,950,650)	(82,000)	(3,032,650)	-
Net cash provided (used) by noncapital financing activities	(1,425,872)	(82,000)	(1,507,872)	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	25,992,401	(239,503)	25,752,898	552,518
CASH AND CASH EQUIVALENTS, BEGINNING	18,955,897	960,195	19,916,092	346,676
CASH AND CASH EQUIVALENTS, ENDING	$ 44,948,298	$ 720,692	$ 45,668,990	$ 899,194

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, 2025
(Continued)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water and Sewer Fund	Municipal Drainage Utility	Total	Fleet Maintenance Fund
RECONCILIATION OF OPERATING GAIN (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating gain (loss)	$ 2,728,416	$ (134,053)	$ 2,594,363	$ 90,152
Adjustments to reconile operating income to net cash provided (used) by operating activities:				
Depreciation and amortization	1,689,461	-	1,689,461	869,268
(Increase) decrease in assets:				
Accounts receivable	(22,302)	729	(21,573)	-
Prepaid items	(24,318)	1,419	(22,899)	-
Deferred outflows	290,079	-	290,079	-
Increase (decrease) in liabilities:				
Accounts payable	(679,482)	85,046	(594,436)	(2,892)
Accrued liabilities	364,615	(3,736)	360,879	-
Due to other funds	(2,052,424)	(106,908)	(2,159,332)	-
Unearned revenue	(39,931)	-	(39,931)	-
Customer deposits	30,351	-	30,351	-
Net pension liability	(425,667)	-	(425,667)	-
Total OPEB liability	(1,459)	-	(1,459)	-
Compensated absences	(24,148)	-	(24,148)	-
Deferred inflows	(1,876)	-	(1,876)	-
Total adjustments	(897,101)	(23,450)	(920,551)	866,376
Net cash provided (used) by operating activities	$ 1,831,315	$ (157,503)	$ 1,673,812	$ 956,528

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

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, 2025, 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 2025, 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, 2025, was performed and may be obtained by contacting MDDC.

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.

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.

The ***Capital Improvement Fund*** accounts for proceeds from the City's Certificates of Obligation and the expenditures for related capital improvement projects.

The ***Litter Control Fund*** is used to account for revenues and expenditures related to the City's solid waste collection contract.

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).

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

Proprietary Funds

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

Municipal Drainage Utility: This fund is used to account for fees charged and expenses incurred related to the operation of the City's municipal drainage utility system.

All internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements.

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. <u>Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance</u>

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 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, 2024. The market values of temporary investments are based on values provided by TexPool at December 31, 2024.

2. *Inventories and prepaid items*

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

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

3. *Restricted assets*

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

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

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

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

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

5. *Estimates*

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

6. *Reclassifications*

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

7. *Ad Valorem Tax*

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

8. *Capital Assets*

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

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

Assets	Years
Buildings	20-50
Water and sewer system	25-50
Infrastructure	20-40
Machinery and equipment	5-12
Right-to-use vehicles	4-20
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 assets 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).

- Difference in projected and actual earnings on pension and OPEB assets – This difference is deferred and amortized over a closed five-year period.

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 net assets 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.

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*

TMRS Supplemental Death Benefits Fund

The City participates in the Texas Municipal Retirement System Supplemental Death Benefit Fund (TMRS SDBF), which is an optional single employer defined benefit life insurance plan that is administered by TMRS. It provides death benefits to active and, if elected, retired employees of participating employers. Contribution rates are determined annually for each participating municipality as a percentage of that City's covered payroll. The death benefit for retirees is considered an other postemployment benefit (OPEB). The OPEB program is an unfunded trust because the SDBF trust covers both actives and retirees and is not segregated. The Total OPEB Liability of the plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the Total OPEB Liability, deferred inflows and outflows of resources, and OPEB expense. Benefit payments are recognized when due and payable in accordance with the benefit terms.

Retiree Insurance Plan

The City, through its substantive commitment to provide other post-employment benefits (OPEB) provides retiree medical coverage to eligible employees. To be eligible, a City employee retiring at age 62 or over must have at least 5 years of service with the City. City employees retiring before age 62 must have at least 20 years of service with the City. Employees with hire dates prior to 2005 and retirement dates after 2007 are eligible to participate in the plan. Retirees are required to pay the premium cost for both single and dependent coverage. The City also subsidizes certain retirees and dependents as a result of prior commitments. The plan qualifies as a single-employer defined benefit plan and is accounted for in the City's Insurance Fund and in the fund where the retiree last worked. A separate financial statement is not issued for the plan.

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. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Balance

At December 31, 2025, the Litter Control Fund and Coronavirus Emergency Fund reported deficit fund balances of $683,850 and $163,337, respectively. This was the result of timing differences between revenues and expenditures and will be funded by revenues in future periods.

III. 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.

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.

   <u>Collateralization</u>

   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, 2025, all of the securities are in the City's name and held by the City or its agent.

   At December 31, 2025, 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 statues governing the investment of public funds. The receipt of a market rate of return will be secondary to the requirements for safety and liquidity.

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

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

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

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

The City's investments as of December 31, 2025 are:

Investment Type	Rating	Market Value	WAM
Public Funds Investment Pool:			
TexPool	AAAm (S&P)	$ 32,486,888	41
LOGIC	AAAm (S&P)	16,549,545	45
Total		$ 49,036,433	

MEDCO's investments as of December 31, 2025 are:

Investment Type	Rating	Market Value	WAM
Public Funds Investment Pool:			
TexPool	AAAm (S&P)	$ 3,626,303	41
Total		$ 3,626,303	

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 rate 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 has a redemption notice period of one day and may redeem daily. The investment pool’s authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool’s liquidity.

Local Government Investment Cooperative (“LOGIC”) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. The Public Funds Investment Act allows eligible local governments, state agencies, and nonprofit corporations of the State of Texas (each a “Governmental Entity”) to jointly invest their funds in permitted investments. LOGIC’s governing body is a six-member board of directors comprised of employees, officers or elected officials of participant government entities or individuals who do not have a business relationship with LOGIC and are qualified to advise it. A maximum of two advisory board members represent the co-administrators of LOGIC. LOGIC has a redemption notice period of one day and may redeem daily. The investment pool’s authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national or state emergency that affects the pool’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.

Restricted Cash and Equivalents

The City holds restricted cash in an escrow account maintained at Bank of Oklahoma on behalf of the City and the Texas Water Development Board (TWDB). These funds are restricted pursuant to the terms and conditions of executed loan and grant agreements between the City and the TWDB and are not available for general operating purposes. In accordance with TWDB closing requirements, funds are deposited into the escrow account upon closing of each financial assistance commitment and are released to the City's construction or project account only upon approval by the TWDB. The escrow account shall not be commingled with any other accounts of the City or any other program funds.

As of December 31, 2025, the City reported restricted cash and equivalents of $16,823,528 in the Water and Sewer Fund, all of which is restricted in accordance with the terms of the TWDB programs described above.

IV. 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	Litter Control	Water and Sewer	Municipal Drainage	Nonmajor Governmental	Total
Receivables:							
Taxes	$ 7,133,488	$ 1,288,385	$ -	$ -	$ -	$ 94,689	$ 8,516,562
Accounts	4,177,067	-	68,978	966,141	42,973	10,259	5,265,418
Other	235	-	-	-	-	-	235
Gross	11,310,790	1,288,385	68,978	966,141	42,973	104,948	13,782,215
Receivables less:							
Allowance for uncollectibles	(3,029,909)	(64,420)	-	(21,365)	-	-	(3,115,694)
Net total receivables	$ 8,280,881	$ 1,223,965	$ 68,978	$ 944,776	$ 42,973	$ 104,948	$ 10,666,521

<u>Lease Receivable – Discretely Presented Component Units</u>

On June 6, 2025, MEDCO (Lessor) entered into a lease agreement with UDC USA, Inc. (Lessee) for property to be used for the use of Ultra Defense Corporation and its subsidiary or additional businesses of Lessee. The term of the lease shall be for a period of 36 months starting on the 6th day of June, 2025 and expiring on the 5th day of June, 2028. The net monthly base rent shall be $7,632, payable monthly with the first payment due on May 1, 2025, after the commencement of the lease and each monthly installment thereafter on the first day of each month.

Lessee shall have the right to enter into a purchase agreement with Lessor and shall exercise such option by giving written notice to Lessor not less than 120 days prior to the expiration of this lease. The purchase price shall be $2,164,260 with Lessee paying all closing costs. Lessee shall receive credit against the purchase price for all rental payments and security deposit balance made prior to the exercise of the option to purchase. Lessee may exercise this option at any time up to 90 days prior to the expiration of the lease.

Future minimum payments on the lease were $221,315 as of December 31, 2025.

V. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2025, was as follows:

Primary Government

	Beginning Balance	Additions	Deletions/ Adjustments	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 1,164,764	$ -	$ -	$ 1,164,764
Construction in progress	615,220	-	-	615,220
Total assets not being depreciated	1,779,984	-	-	1,779,984
Capital assets, being depreciated:				
Buildings	28,063,720	-	(250,000)	27,813,720
Machinery and equipment	25,522,302	708,681	(122,740)	26,108,243
Right-to-use - vehicles	3,449,814	597,390	-	4,047,204
Improvements	10,930,569	1,329,293	-	12,259,862
Infrastructure	74,244,581	271,319	-	74,515,900
Total capital assets being depreciated	142,210,986	2,906,683	(372,740)	144,744,929
Less accumulated depreciation:				
Buildings	(11,794,106)	(512,056)	-	(12,306,162)
Machinery and equipment	(17,157,577)	(1,054,285)	-	(18,211,862)
Right-to-use - vehicles	(503,098)	(826,339)	-	(1,329,437)
Improvements	(2,681,679)	(464,905)	-	(3,146,584)
Infrastructure	(49,364,660)	(1,237,509)	-	(50,602,169)
Total accumulated depreciation	(81,501,120)	(4,095,094)	-	(85,596,214)
Total capital assets being depreciated, net	60,709,866	(1,188,411)	(372,740)	59,148,715
Governmental activities capital assets, net	$ 62,489,850	$ (1,188,411)	$ (372,740)	$ 60,928,699

	Beginning Balance	Additions	Deletions/ Adjustments	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 218,051	$ -	$ -	$ 218,051
Construction in progress	11,489,053	3,135,387	-	14,624,440
Total assets not being depreciated	11,707,104	3,135,387	-	14,842,491
Capital assets, being depreciated:				
Buildings	1,233,899	-	-	1,233,899
Machinery and equipment	5,622,591	180,660	-	5,803,251
Water and wastewater system	81,117,386	395,790	-	81,513,176
Total capital assets being depreciated	87,973,876	576,450	-	88,550,326
Less accumulated depreciation:				
Buildings	(951,600)	(17,878)	-	(969,478)
Machinery and equipment	(3,874,985)	(330,184)	-	(4,205,169)
Water and wastewater system	(43,094,973)	(1,341,399)	-	(44,436,372)
Total accumulated depreciation	(47,921,558)	(1,689,461)	-	(49,611,019)
Total capital assets being depreciated, net	40,052,318	(1,113,011)	-	38,939,307
Business-type activities capital assets, net	$ 51,759,422	$ 2,022,376	$ -	$ 53,781,798

Discretely Presented Component Units

	Beginning Balance	Additions	Deletions/ Adjustments	Ending Balance
Marshall Economic Development Corporation:				
Capital assets, not being depreciated:				
Land	$ 5,315,563	$ -	$ (43,249)	$ 5,272,314
Construction in progress	2,505,215	-	-	2,505,215
Total assets not being depreciated	7,820,778	-	(43,249)	7,777,529
Capital assets, being depreciated:				
Building	10,347,337	-	-	10,347,337
Improvements	1,387,363	16,500	-	1,403,863
Machinery, tools, and equipment	149,351	7,246	-	156,597
Total capital assets being depreciated	11,884,051	23,746	-	11,907,797
Less accumulated depreciation:				
Building	(2,645,899)	(258,683)	-	(2,904,582)
Improvements	(405,505)	(48,385)	-	(453,890)
Machinery, tools, and equipment	(73,786)	(15,670)	-	(89,456)
Total accumulated depreciation	(3,125,190)	(322,738)	-	(3,447,928)
Total capital assets being depreciated, net	8,758,861	(298,992)	-	8,459,869
Discretely presented component unit capital assets, net	$ 16,579,639	$ (298,992)	$ (43,249)	$ 16,237,398

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

Governmental activities:	
General government	$ 205,178
Tourism and convention development	282,360
Support services	314,812
Public safety	1,073,782
Public works	2,199,963
Community and economic development	2,364
Non-departmental	16,635
Total depreciation expense - governmental activities	$ 4,095,094
Business-type activities:	
Water and sewer	$ 1,689,461
Total depreciation expense - business-type activities	$ 1,689,461
Total additions to accumulated depreciation for business-type activities	$ 1,689,461

VI. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of December 31, 2025, is as follows:

Due to/from Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental	$ 280,907
General Fund	Debt Service	410,113
General Fund	Litter Control Fund	419,558
Water and Sewer	Nonmajor Governmental	18
	Total	$ 1,110,596

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, 2025, the amount due to MEDCO from the City for its portion of sales tax revenue was $447,076.

Interfund Transfers

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

Transfer from	Transfer to	Amount
Nonmajor governmental	Debt service fund	$ 231,193
Water & sewer	Debt service fund	538,125
Nonmajor enterprise	Debt service fund	82,000
Nonmajor governmental	General	266,326
Nonmajor governmental	Nonmajor governmental	95,000
Litter Control	General	625,000
Water & sewer	General	2,412,525
Total		$ 4,250,169

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.

VII. LONG-TERM DEBT

New Debt Issued

On October 9, 2025, the City passed an ordinance authorizing the issuance of a $9,925,000 Combination Tax and Revenue Certificates of Obligation, Series 2025. The proceeds of the issuance are to be used for paying all or a portion of the City's contractual obligations to be incurred in connection with the planning, acquisition, design, and construction of park improvements, expanding the Emergency Command Center, fire facility improvements, information technology communication upgrades, and water and wastewater system improvements. The bonds were issued on October 30, 2025, with interest payable February 15, 2026, and on each February 15 and August 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 $259,719.

On October 23, 2025, the City passed an ordinance authorizing the issuance of a $1,465,000 Waterworks and Sewer System Revenue Bonds, Taxable Series 2025. The proceeds of the issuance are to be used for construction and improvements to the City's water and sewer systems. The bonds were issued on December 9, 2025, with interest payable February 15, 2026, and on each February 15 and August 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 $13,837.

On March 7, 2025, the City's Interim City Manager signed an agreement to accept a loan in the amount of $16,000,000. The proceeds of the issuance are to be used for paying the relocation of utility lines necessary to construct and reconstruct various portions of I-20. On March 14, 2025, the Texas Department of Transportation transferred proceeds in the amount of $16,000,000. Interest is payable March 14, 2028, and on each March 14 thereafter to the fate of the final maturity hereof or to the date of redemption prior to maturity.

General Obligation Debt

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

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

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

On August 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, 2022, with semiannual interest payments beginning June 1, 2022, and on each December 1 and June 1 thereafter to the date of maturity.

In February 2024, the City issued Promissory Note, Series 2024 in the amount of $14,160,926. This note has an interest rate of 4.98% and will mature in February 2045. This note will be used to fund the purchase of water meters and related equipment and is secured by the City’s utility system revenue.

A summary of changes in long-term debt for the year ended December 31, 2025 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	$ 1,490,000	$ -	$ 85,000	$ 1,405,000	$ 31,454	$ 190,000
GO Refunding Series 2016	2-4%	3,845,000	1,275,000	-	1,275,000	-	12,500	-
GO Refunding Series 2019	2.34%	1,033,000	544,000	-	103,000	441,000	11,525	-
Limited Tax Note, Series 2019	2.33%	853,000	257,000	-	257,000	-	5,988	-
Limited Tax Note, Series 2020	1.16%	1,795,000	784,000	-	258,000	526,000	7,598	261,000
CO Series 2023A	4-5%	13,535,000	13,080,000	-	435,000	12,645,000	595,513	455,000
CO Series 2025	5%	9,925,000	-	9,925,000	-	9,925,000		390,000
Premium on bonds		1,098,417	436,476	509,927	58,555	887,848	-	-
Lease	4%	3,449,814	2,970,480	597,516	757,564	2,810,432	-	929,137
Notes payable	1.95-2%	1,066,852	150,741	-	75,370	75,371	4,648	75,370
Financed purchases	4%	1,978,661	834,096	-	290,668	543,428	33,201	302,238
Total bonds, notes and leases		40,579,744	21,821,793	11,032,443	3,595,157	29,259,079	702,427	2,602,745
Compensated absences		-	2,059,263	-	170,468	1,888,795	-	661,078
Total governmental activities		$ 40,579,744	$ 23,881,056	$ 11,032,443	$ 3,765,625	$ 31,147,874	$ 702,427	$ 3,263,823
Business-type activities:								
Bonds, notes and leases:								
CO Series 2023 (TWDB FIF)	N/A	$ 2,050,000	$ 1,968,000	$ -	$ 82,000	$ 1,886,000	$ -	$ 82,000
SIB #S2025-001-01	2%	16,000,000	-	16,000,000	-	16,000,000	-	-
Revenue Bonds Taxable Series 2024 (TWDB)	1.52-2.83%	11,350,000	11,350,000	-	195,000	11,155,000	210,051	290,000
Revenue Bonds Taxable Series 2025	N/A	1,465,000	-	1,465,000	-	1,465,000	-	70,000
Promissory Note, Series 2024	4.98%	14,160,926	14,160,926	-	-	14,160,926	679,748	-
Total bonds, notes and leases		45,025,926	27,478,926	17,465,000	277,000	44,666,926	889,799	442,000
Compensated absences		-	265,982	-	24,148	241,834	-	84,642
Total business-type activities		$ 45,025,926	$ 27,744,908	$ 17,465,000	$ 301,148	$ 44,908,760	$ 889,799	$ 526,642

The compensated absences liability is typically liquidated by the General and Water and Sewer Funds. Increases and decreases to compensated absences are presented as a net change.

Debt service requirements are as follows:

General Obligation Bonds:

Year Ending December 31,	Governmental Activities Principal	Interest	Total Requirements
2026	$ -	$ 10,320	$ 10,320
2027	144,000	8,635	152,635
2028	147,000	5,230	152,230
2029	150,000	1,755	151,755
Total	$ 441,000	$ 25,940	$ 466,940

Certificates of Obligation, Revenue Bonds, and Limited Tax Note - Governmental Activities

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

Year Ending December 31,	Governmental Activities Principal	Interest	Total Requirements
2026	$ 1,296,000	$ 960,726	$ 2,256,726
2027	1,255,000	1,004,431	2,259,431
2028	1,035,000	958,711	1,993,711
2029	1,080,000	912,419	1,992,419
2030	1,130,000	864,019	1,994,019
2031-2035	5,790,000	2,214,896	8,004,896
2036-2040	6,755,000	2,134,869	8,889,869
2041-2045	6,160,000	660,294	6,820,294
Total	$ 24,501,000	$ 9,710,365	$ 34,211,365

Certificates of Obligation and Promissory Note – Business-Type Activities

Certificates of Obligation, Revenue Bonds and Promissory Note:

Year Ending December 31,	Business-Type Activities Principal	Interest	Total Requirements
2026	$ 442,000	$ 966,396	$ 1,408,396
2027	835,000	961,988	1,796,988
2028	1,418,571	1,410,701	2,829,272
2029	1,481,511	1,368,939	2,850,450
2030	1,540,869	1,324,538	2,865,407
2031-2035	8,559,231	5,868,570	14,427,801
2036-2040	10,094,265	3,410,098	13,504,363
2041-2045	11,999,757	1,784,606	13,784,363
2046-2050	7,154,267	876,279	8,030,546
2051-2055	2,050,000	146,656	2,196,656
Total	$ 45,575,471	$ 18,118,771	$ 63,694,242

The State Infrastructure Bank Loan includes $908,545 of capitalized interest which will be recorded in fiscal years 2026 and 2027 prior to the first principal payment on Match 14, 2028.

Financed Purchases - Governmental Activities

The City has entered into various financing agreements for the purchase of equipment. The terms of these agreements are summarized below:

Purpose	Interest Rate	Initial Year of Agreement	Amount of Initial Liability	Interest Current Year	Amounts Outstanding At Year End
Right to use:					
Vehicles	3.98%	2022	$ 564,481	$ 9,151	$ 117,211
Fire Truck	3.98%	2022	727,951	22,103	377,418
Backhoe	3.99%	2022	130,887	1,947	48,799
Totals			$ 1,423,319	$ 33,201	$ 543,428

Debt service requirements to maturity are as follows:

Year Ending December 31,	Governmental Activities Principal	Interest	Total Requirements
2026	$ 351,037	$ 19,686	$ 370,723
2027	192,391	7,657	200,048
Total	$ 543,428	$ 27,343	$ 570,771

Lease Payable - Governmental Activities

During 2025, the City entered into a lease agreement for the use of two Type 1 Ambulances. The ambulances are used primarily for the public safety function and has an imputed interest rate of 6.37% annually. Payments are due annually for both ambulances over the 7 year life of the lease.

During 2024, the City entered into a lease agreement for the use of fleet vehicles. The vehicles are used primarily for the public safety and public works functions and have an imputed interest rate of 4% annually. Payments are due monthly for each vehicle over the 48 month life of the lease.

Debt service requirements to maturity are as follows:

Year Ending December 31,	Governmental Activities Principal	Interest	Total Requirements
2026	$ 929,137	$ 110,933	$ 1,040,070
2027	968,608	71,462	1,040,070
2028	540,055	34,205	574,260
2029	84,709	23,740	108,449
2030	90,106	18,344	108,450
2031-2032	197,817	19,082	216,899
Total	$ 2,810,432	$ 277,766	$ 3,088,198

Notes Payable - Governmental Activities

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

Year Ending December 31,	Governmental Activities Principal	Interest	Total Requirements
2026	$ 75,371	$ 4,648	$ 80,019
Total	$ 75,371	$ 4,648	$ 80,019

VIII. DEFINED BENEFIT PENSION PLANS

1. Texas Municipal Retirement System

Plan Description.

The City of Marshall participates as one of 942 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.tmrs.com. All eligible employees of the City are required to participate in TMRS.

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

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

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

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, 2024, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	217
Inactive employees entitled to but not yet receiving benefits	131
Active employees	186
Total	534

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 16.50% and 15.35% in calendar years 2024 and 2025, respectively. The City's contributions to TMRS for the year ended December 31, 2025, were $1,878,021 and were equal to the required contributions.

Net Pension Liability. The City's Net Pension Liability (NPL) was measured as of December 31, 2024, 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, 2024, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.60% to 11.85% 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 110% of the Public Safety table used for males and 100% of 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. Male rates are multipled by 103% and female rates are multiplied by 105%. The rates for actives, heathy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 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 mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS as of December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023, 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 by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of the expected return for each major asset class in fiscal year 2025 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35%	7.10%
Core Fixed Income	6%	5.00%
Non-Core Fixed Income	6%	6.80%
Hedge Funds	5%	6.40%
Private Equity	13%	8.50%
Private Debt	13%	8.20%
Real Estate	12%	6.70%
Infrastructure	6%	6.00%
Other Private Markets	4%	7.30%
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 12/31/2023	$ 67,080,491	$ 61,163,968	$ 5,916,523
Changes for the year:			
Service cost	1,829,708	-	1,829,708
Interest	4,440,096	-	4,440,096
Difference between expected and actual experience	674,381	-	674,381
Contributions - employer	-	1,744,087	(1,744,087)
Contributions - employee	-	739,917	(739,917)
Net investment income	-	6,335,243	(6,335,243)
Benefit payments, including refunds of employee contributions	(4,432,304)	(4,432,304)	-
Administrative expense	-	(40,758)	40,758
Other changes	-	(954)	954
Net changes	2,511,881	4,345,231	(1,833,350)
Balance at 12/31/2024	$ 69,592,372	$ 65,509,199	$ 4,083,173

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 Discount Rate Assumption (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 12,634,402	$ 4,083,173	$ (3,013,080)

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, 2025, the City recognized pension expense of $1,357,982. As of December 31, 2025, 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	$ 527,024	$ 470,026
Changes in actuarial assumptions	-	198,184
Difference between projected and actual investment earnings	-	565,780
Contributions subsequent to the measurement date	1,878,020	-
Total	$ 2,405,044	$ 1,233,990

$1,878,020 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, 2026. 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,	
2026	$ (149,234)
2027	845,777
2028	(962,177)
2029	(441,332)
Total	$ (706,966)

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, 2024, actuarial valuation, the following numbers of members were covered by the Fund:

Active employees	44
Terminated with deferred benefits	22
Retirees and beneficiares in pay	40
Total	106

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 decreased from 22.40% to 21.80% of member payroll, and the active firefighters contribution rate remained 16% of plan compensation.

Net Pension Liability. The City of Marshall's net pension liability was measured as December 31, 2024, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of that date.

Total pension liability	$ 24,922,994
Plan fiduciary net position	9,244,997
City's net pension liability	$ 15,677,997
Plan fiduciary net position as a percentage of the total pension liability	37.1%

Actuarial Assumptions. The total pension liability in the December 31, 2024, 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.

The expected long-term rate of return by asset class is as follows:

Equity	6%
Fixed Income	3.5%
Cash	0%

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

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

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
Firefighters' Fund Net Pension Liability	$ 18,809,711	$ 15,677,997	$ 13,078,675

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 12/31/2023	$ 24,604,956	$ 8,901,128	$ 15,703,828
Changes for the year:			
Service cost	592,629	-	592,629
Interest	1,769,064	-	1,769,064
Experience	602,497	-	602,497
Contributions - employer	-	768,672	(768,672)
Contributions - employee	-	564,163	(564,163)
Net investment income	-	657,052	(657,052)
Benefit payments	(1,593,386)	(1,593,386)	-
Administrative expense	-	(52,632)	52,632
Assumption changes	(1,052,766)	-	(1,052,766)
Net changes	318,038	343,869	(25,831)
Balance at 12/31/2024	$ 24,922,994	$ 9,244,997	$ 15,677,997

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions. For the year ended December 31, 2025, the City's GASB 68 pension expense was $1,383,270. At December 31, 2025, 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	$ 481,999	$ 59,128
Changes in actuarial assumptions	8,496	842,213
Difference between projected and actual investment earnings	403,630	-
Contributions subsequent to the measurement date	827,933	-
Total	$ 1,722,058	$ 901,341

$827,933 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, 2026. 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,	
2026	$ 127,280
2027	177,337
2028	(217,165)
2029	(94,668)
Total	$ (7,216)

IX. 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.

At December 31, 2024, the following employees were covered by the benefit terms:

Active members	20
Retirees	2
Total	22

Total OPEB Liability. The City's total OPEB liability of $508,860 was measured as of December 31, 2025 and was determined by a simplified actuarial valuation as of December 31, 2024.

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 an actuarial valuation performed on December 31, 2024. 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 4.83% discount rate. The participation percentage is the assumed rate of future eligible retirees who elect to continue health coverage at retirement. It is assumed 50% of future retirees elect the benefit. Medical inflation was taken at 6.40% for pre-Medicare grading down to 3.70% 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, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement, unless otherwise specified:

Actuarial Valuation Date	12/31/2024
Discount Rate	4.83%
Salary Increases	3.50% for annum
Mortality	The rates are based upon the Pub-2010 mortality table with generational scale MP-2021.
Health care cost trend rates	6.40% pre-medicare medical and RX benefits decreasing to an ultimate rate of 3.70%

Discount Rate. The discount rate of 4.83% 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 12/31/2023	$ 427,113
Changes for the year:	
Service cost	6,304
Interest	16,819
Changes of economic/demographic	122,156
Changes of assumptions	(20,740)
Benefit payments	(42,792)
Net changes	81,747
Balance at 12/31/2024	$ 508,860

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 (4.83%) in measuring the total OPEB liability.

	1% Decrease in Discount Rate (3.83%)	Discount Rate (4.83%)	1% Increase in Discount Rate (5.83%)
City's total OPEB liability	$ 536,622	$ 508,860	$ 482,174

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

	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
City's total OPEB liability	$ 476,418	$ 508,860	$ 544,961

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended December 31, 2025, the City recognized a OPEB expense of $57,745. At December 31, 2025, 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	$ 186,450	$ 76,298
Changes in actuarial assumptions	14,949	61,124
Total	$ 201,399	$ 137,422

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

For the Year Ended December 31,	
2026	$ 34,608
2027	19,188
2028	(3,997)
2029	(2,785)
2030	5,622
Thereafter	11,341
Total	$ 63,977

X. 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	162
Inactive employees entitled to but not yet receiving benefits	29
Active employees	186
Total	377

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 2024 and 2025, the total SDBF contributions rate for the City was 0.56% and 0.52%, respectively, while the retiree portion of the SDBF contribution was 0.33% and 0.34%. The City's retiree-only portion of contributions for the years ended December 31, 2023 and 2024, were $32,703 and $34,882, 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, 2025, and was determined by an actuarial valuation as of December 31, 2024.

Actuarial Assumptions:

The total OPEB liability in the December 31, 2024, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Overall	3.60% to 11.85% including inflation
Discount rate	4.08%
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 used in the December 31, 2024 valuation were based on the results of an actuarial experience study for the period ending December 31, 2023.

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 (4.08%) in measuring the Total OPEB Liability.

	1% Decrease in Discount Rate (3.08%)	Discount Rate (4.08%)	1% Increase in Discount Rate (5.08%)
Total OPEB Liability	$ 990,310	$ 848,993	$ 736,474

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEBs. At December 31, 2025, the City reported a liability of $848,993 for its Total OPEB Liability. The Total OPEB Liability was determined by an actuarial valuation as of December 31, 2024. For the year ended December 31, 2025, the City recognized OPEB expense of $3,564. There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2023	$ 867,985
Changes for the year:	
Service cost	26,426
Interest	32,564
Difference between expected and actual experience	(2,777)
Changes of assumptions and other inputs	(40,323)
Benefit payments	(34,882)
Net changes	(18,992)
Balance at 12/31/2024	$ 848,993

At December 31, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 43	$ 9,751
Changes in actuarial assumptions	28,601	158,563
Contributions subsequent to the measurement date	41,598	-
Totals	$ 70,242	$ 168,314

$41,598 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, 2026. Other amounts of the reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended December 31,	
2026	$ (80,833)
2027	(49,415)
2028	(5,591)
2029	(3,831)
Total	$ (139,670)

XI. 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:

	Limit		Deductible
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 Backup	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	-

XII. 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 2025 for sanitation services were $3,349,469.

XIII. 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.

XIV. 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.

XV. 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.

XVI. CHANGES WITHIN THE FINANCIAL REPORTING ENTITY

For the current year, the City has reported a change in its financial reporting entity. The City previously reported Coronavirus Emergency Fund as a major governmental fund. In the prior year, that classification was required based on quantitative factors. However, that threshold was not met in the current year, and management concluded that the fund was not significant enough to merit presentation as a major fund for qualitative purposes. Thus, the reported Coronavirus Emergency Fund was reclassified to a nonmajor fund in the current year. The City previously reported Litter Control Fund as a nonmajor governmental fund. entity. In the prior year, that classification was required based on quantitative factors not being met. However, that threshold was met in the current year. Thus, the reported Litter Control Fund was reclassified to a major fund in the current year.

XVII. SIGNIFICANT FORTHCOMING STANDARDS

GASB Statement No. 103, *Financial Reporting Model Improvements* – The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* – The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be presented separately in the note disclosures, including right-to-use assets related to leases, Subscription-Based Information Technology Arrangements, and public-private or public-public partnerships. Other intangible assets are also required to be presented separately by major class. Additional disclosures have also been required for capital assets held for sale. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

GASB Statement No. 105, *Subsequent Events* – The objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. This Statement will become effective for fiscal years beginning after June 15, 2026, and the impact has not yet been determined.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MARSHALL, TEXAS

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

FOR THE YEAR ENDED DECEMBER 31, 2025

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Property taxes	$ 6,908,733	$ 6,908,733	$ 9,171,887	$ 2,263,154
Sales taxes	9,962,629	9,962,629	10,092,991	130,362
Franchise taxes	895,000	895,000	886,732	(8,268)
Charges for services	1,784,000	1,784,000	2,485,473	701,473
Permits and fees	695,750	729,256	722,031	(7,225)
Fines and forfeitures	301,205	301,205	297,436	(3,769)
Investment income	600,000	600,000	1,025,404	425,404
Intergovernmental	262,775	262,775	225,836	(36,939)
Donations	5,000	36,250	59,115	22,865
Miscellaneous	4,000	4,000	67,765	63,765
Total revenues	21,419,092	21,483,848	25,034,670	3,550,822
EXPENDITURES				
Current:				
General government	1,022,094	1,069,133	1,137,533	(68,400)
Finance	1,864,369	1,789,987	1,702,171	87,816
Public safety	13,451,646	13,911,507	14,447,379	(535,872)
Public works	1,247,701	1,259,701	1,327,170	(67,469)
Non-departmental	1,501,943	1,501,943	1,511,753	(9,810)
Tax collection	175,288	175,288	228,284	(52,996)
Parks and recreation	1,480,559	1,558,351	1,458,220	100,131
Community and economic development	1,683,459	1,790,818	1,749,335	41,483
Support services	882,664	965,493	816,637	148,856
Tourism and cultural arts	1,797,112	1,866,422	1,555,306	311,116
Debt service				
Principal	-	-	366,038	(366,038)
Interest	-	-	35,903	(35,903)
Capital outlay	865,020	908,837	527,118	381,719
Total expenditures	25,971,855	26,797,480	26,862,847	(65,367)
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(4,552,763)	(5,313,632)	(1,828,177)	3,485,455
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	5,000	5,000	1,436	(3,564)
Transfers in	3,303,851	3,303,851	3,303,851	-
Total other financing sources (uses)	3,308,851	3,308,851	3,305,287	(3,564)
NET CHANGE IN FUND BALANCES	(1,243,912)	(2,004,781)	1,477,110	3,481,891
FUND BALANCES, BEGINNING	15,686,290	15,686,290	15,686,290	-
FUND BALANCES, ENDING	$ 14,442,378	$ 13,681,509	$ 17,163,400	$ 3,481,891

The accompanying notes are an integral part of this schedule.

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, 2025

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Charges for services	$ 3,800,000	$ 3,800,000	$ 3,368,193	$ (431,807)
Permits and fees	28,000	28,000	33,401	5,401
Donations	12,000	12,000	7,550	(4,450)
Total revenues	3,840,000	3,840,000	3,409,144	(430,856)
EXPENDITURES				
Current:				
Public works	3,215,000	3,215,000	3,503,282	(288,282)
Total expenditures	3,215,000	3,215,000	3,503,282	(288,282)
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	625,000	625,000	(94,138)	(719,138)
OTHER FINANCING SOURCES (USES)				
Transfers out	(625,000)	(625,000)	(625,000)	-
Total other financing sources (uses)	(625,000)	(625,000)	(625,000)	-
NET CHANGE IN FUND BALANCES	-	-	(719,138)	(719,138)
FUND BALANCES, BEGINNING	35,288	35,288	35,288	-
FUND BALANCES, ENDING	$ 35,288	$ 35,288	$ (683,850)	$ (719,138)

The accompanying notes are an integral part of this schedule.

CITY OF MARSHALL, TEXAS

NOTES TO REQUIRED BUDGETARY SCHEDULE

DECEMBER 31, 2025

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 Fund, Motel Occupancy Tax Fund, Street Maintenance Fund, Litter Control Fund, and EMS EMD 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.

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, 2025

Plan Year Ended December 31,	2015	2016	2017
A. Total Pension Liability			
Service Cost	$ 1,317,472	$ 1,349,774	$ 1,360,160
Interest (on the Total Pension Liability)	3,556,882	3,561,898	3,692,623
Difference between expected and actual experience	(575,781)	(25,089)	(735,674)
Changes of assumptions	695,565	-	-
Benefit payments, including refunds of employee contributions	(3,162,757)	(2,945,304)	(2,964,912)
Net Change in Total Pension Liability	1,831,381	1,941,279	1,352,197
Total Pension Liability - Beginning	51,735,245	53,566,626	55,507,905
Total Pension Liability - Ending	$ 53,566,626	$ 55,507,905	$ 56,860,102
B. Plan Fiduciary Net Position			
Contributions - Employer	$ 1,311,982	$ 1,280,192	$ 1,336,984
Contributions - Employee	548,947	553,510	560,308
Net Investment Income	67,466	3,003,122	6,415,707
Benefit payments, including refunds of employee contributions	(3,162,757)	(2,945,304)	(2,964,912)
Administrative Expense	(41,096)	(33,924)	(33,258)
Other	(2,030)	(1,828)	(1,685)
Net Change in Plan Fiduciary Net Position	(1,277,488)	1,855,768	5,313,144
Plan Fiduciary Net Position - Beginning	45,724,371	44,446,883	46,302,651
Plan Fiduciary Net Position - Ending	$ 44,446,883	$ 46,302,651	$ 51,615,795
Net Pension Liability - Ending (A) - (B)	$ 9,119,743	$ 9,205,254	$ 5,244,307
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.97%	83.42%	90.78%
Covered Payroll	$ 7,842,093	$ 7,907,289	$ 7,991,538
Net Pension Liability as a Percentage of Covered-Employee Payroll	116.29%	116.41%	65.62%

2018	2019	2020	2021	2022	2023	2024
$ 1,395,937	$ 1,498,701	$ 1,524,142	$ 1,427,772	$ 1,583,837	$ 1,624,557	$ 1,829,708
3,777,242	3,882,459	4,021,627	4,136,680	4,273,273	4,433,140	4,440,096
(340,293)	(35,575)	(186,568)	166,594	665,076	(1,182,187)	674,381
-	264,805	-	-	-	(498,465)	-
(3,197,858)	(3,453,140)	(3,669,573)	(3,543,501)	(4,027,432)	(4,320,861)	(4,432,304)
1,635,028	2,157,250	1,689,628	2,187,545	2,494,754	56,184	2,511,881
56,860,102	58,495,130	60,652,380	62,342,008	64,529,553	67,024,307	67,080,491
$ 58,495,130	$ 60,652,380	$ 62,342,008	$ 64,529,553	$ 67,024,307	$ 67,080,491	$ 69,592,372
$ 1,380,365	$ 1,429,734	$ 1,445,245	$ 1,376,870	$ 1,476,148	$ 1,505,286	$ 1,744,087
573,785	618,932	627,588	593,844	655,616	673,292	739,917
(1,545,251)	7,537,593	4,161,998	7,477,294	(4,612,558)	6,556,893	6,335,243
(3,197,858)	(3,453,140)	(3,669,573)	(3,543,501)	(4,027,432)	(4,320,861)	(4,432,304)
(29,882)	(42,625)	(26,958)	(34,636)	(39,979)	(41,816)	(40,758)
(1,561)	(1,280)	(1,052)	238	47,707	(292)	(954)
(2,820,402)	6,089,214	2,537,248	5,870,109	(6,500,498)	4,372,502	4,345,231
51,615,795	48,795,393	54,884,607	57,421,855	63,291,964	56,791,466	61,163,968
$ 48,795,393	$ 54,884,607	$ 57,421,855	$ 63,291,964	$ 56,791,466	$ 61,163,968	$ 65,509,199
$ 9,699,737	$ 5,767,773	$ 4,920,153	$ 1,237,589	$ 10,232,841	$ 5,916,523	$ 4,083,173
83.42%	90.49%	92.11%	98.08%	84.73%	91.18%	94.13%
$ 8,196,928	$ 8,841,891	$ 8,965,540	$ 8,483,493	$ 9,366,277	$ 9,618,456	$ 10,570,236
118.33%	65.23%	54.88%	14.59%	109.25%	61.51%	38.63%

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, 2025

Fiscal Year Ended December 31,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
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%
2022	1,476,590	1,476,590	-	9,369,225	15.76%
2023	1,505,584	1,505,584	-	9,620,345	15.65%
2024	1,757,132	1,757,132	-	10,649,283	16.50%
2025	1,878,021	1,878,021	-	12,234,662	15.35%

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	21 years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed fair value; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate covergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Other Information:

Notes	There were no benefit changes during the year.

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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, 2025

Plan Year Ended December 31,	2015	2016	2017
A. Total Pension Liability			
Service Cost	$ 371,513	$ 400,305	$ 440,900
Interest	1,322,897	1,333,835	1,439,690
Changes of benefit provisions	-	-	-
Changes between expected and actual experience	-	200,547	-
Changes of assumptions	-	150,107	-
Benefit payments	(1,110,534)	(1,252,982)	(1,066,677)
Net Change in Total Pension Liability	583,876	831,812	813,913
Total Pension Liability - Beginning	17,253,390	17,837,266	18,669,078
Total Pension Liability - Ending	$ 17,837,266	$ 18,669,078	$ 19,482,991
B. Plan Fiduciary Net Position			
Contributions by the city	$ 486,443	$ 506,523	$ 516,808
Contributions by the employees	357,493	372,247	383,450
Net investment income	(210,617)	575,344	997,663
Benefit payments	(1,110,534)	(1,252,982)	(1,066,677)
Administrative expenses	(12,357)	(2,877)	(16,563)
Net Change in Plan Fiduciary Net Position	(489,572)	198,255	814,681
Plan Fiduciary Net Position - Beginning	8,003,545	7,513,973	7,712,228
Plan Fiduciary Net Position - Ending	$ 7,513,973	$ 7,712,228	$ 8,526,909
C. City's Net Pension Liability - Ending (A) - (B)	$ 10,323,293	$ 10,956,850	$ 10,956,082
D. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	42.1%	41.3%	43.8%
E. Covered Payroll	$ 2,553,521	$ 2,658,907	$ 2,738,929
F. City's Net Pension Liability as a Percentage of Covered Payroll	404.3%	412.1%	400.0%

2018	2019	2020	2021	2022	2023	2024
$ 529,160	$ 526,298	$ 546,060	$ 490,899	$ 551,552	$ 537,098	$ 592,629
1,446,763	1,499,742	1,552,899	1,597,052	1,661,004	1,712,056	1,769,064
-	-	25,140	-	-	-	-
(636,901)	-	(59,820)	-	(147,822)	-	602,497
977,212	-	572,964	-	21,216	-	(1,052,766)
(1,630,156)	(1,397,609)	(1,276,480)	(1,241,724)	(1,291,295)	(1,443,343)	(1,593,386)
686,078	628,431	1,360,763	846,227	794,655	805,811	318,038
19,482,991	20,169,069	20,797,500	22,158,263	23,004,490	23,799,145	24,604,956
$ 20,169,069	$ 20,797,500	$ 22,158,263	$ 23,004,490	$ 23,799,145	$ 24,604,956	$ 24,922,994
$ 527,752	$ 567,487	$ 583,682	$ 618,285	$ 680,036	$ 701,079	$ 768,672
387,849	465,712	407,407	442,553	499,200	500,719	564,163
(524,859)	1,372,728	923,657	888,061	(1,410,219)	1,182,886	657,052
(1,630,156)	(1,397,609)	(1,276,480)	(1,241,724)	(1,291,295)	(1,443,343)	(1,593,386)
(8,655)	(14,464)	(5,633)	(36,001)	(37,086)	(57,350)	(52,632)
(1,248,069)	993,854	632,633	671,174	(1,559,364)	883,991	343,869
8,526,909	7,278,840	8,272,694	8,905,327	9,576,501	8,017,137	8,901,128
$ 7,278,840	$ 8,272,694	$ 8,905,327	$ 9,576,501	$ 8,017,137	$ 8,901,128	$ 9,244,997
$ 12,890,229	$ 12,524,806	$ 13,252,936	$ 13,427,989	$ 15,782,008	$ 15,703,828	$ 15,677,997
36.1%	39.8%	40.2%	41.6%	33.7%	36.2%	37.1%
$ 2,770,350	$ 2,816,321	$ 2,910,050	$ 2,765,957	$ 3,120,000	$ 3,129,494	$ 3,714,402
465.3%	444.7%	455.4%	485.5%	505.8%	501.8%	422.1%

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, 2025

Fiscal Year Ended December 31,	Annual Required Contribution	Contributions in Relation to the Annual Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of of Covered Payroll
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%
2022	1,179,237	1,179,237	-	3,204,448	36.8%
2023	1,149,609	1,149,609	-	3,123,938	36.8%
2024	1,426,330	1,426,330	-	3,714,402	38.4%
2025	1,435,592	1,435,592	-	3,797,861	37.8%

Notes to Schedule of Contributions

Valuation Date:	December 31, 2024
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	22 years
Asset Valuation Method	Fair 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-2021.

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, 2025

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

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.

	2020	2021	2022	2023	2024
	$ 33,172	$ 40,721	$ 44,022	$ 25,970	$ 26,426
	25,644	21,873	21,139	32,636	32,564
	(22,262)	(16,862)	126	(8,924)	(2,777)
	136,761	32,877	(369,374)	41,806	(40,323)
	(8,966)	(22,905)	(27,162)	(32,703)	(34,882)
	164,349	55,704	(331,249)	58,785	(18,992)
	920,396	1,084,745	1,140,449	809,200	867,985
	$ 1,084,745	$ 1,140,449	$ 809,200	$ 867,985	$ 848,993
	$ 8,965,540	$ 8,483,493	$ 9,366,277	$ 9,618,456	$ 10,649,283
	12.10%	13.44%	8.64%	9.02%	7.97%

CITY OF MARSHALL, TEXAS

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

FOR THE YEAR ENDED DECEMBER 31, 2025

Plan Year ended December 31,	2017	2018	2019
A. Total OPEB liability			
Service Cost	$ 12,393	$ 11,283	$ 12,239
Interest (on the Total OPEB Liability)	21,351	21,605	14,030
Difference between expected and actual experience	-	46,014	-
Changes of assumptions	(22,867)	(3,685)	17,024
Benefit payments, including refunds of employee contributions	(116,353)	(88,060)	(96,692)
Net change in Total OPEB liability	(105,476)	(12,843)	(53,399)
Total OPEB liability - beginning	666,461	560,985	548,142
Total OPEB liability - ending (a)	$ 560,985	$ 548,142	$ 494,743
B. Covered-employee payroll	$ 10,515,495	$ 9,397,023	$ 9,679,000
C. Total OPEB liability as a percentage of covered-employee payroll	5.33%	5.83%	5.11%

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.

	2020	2021	2022	2023	2024
	$ 14,711	$ 16,381	$ 7,631	$ 9,067	$ 6,304
	9,771	13,182	20,879	14,691	16,819
	251,965	22,825	(128,318)	-	122,156
	2,469	(58,905)	13,540	(22,852)	(20,740)
	(97,666)	(105,400)	(21,132)	(30,469)	(42,792)
	181,250	(111,917)	(107,400)	(29,563)	81,747
	494,743	675,993	564,076	456,676	427,113
	$ 675,993	$ 564,076	$ 456,676	$ 427,113	$ 508,860
	$ 11,482,000	$ 12,799,247	$ 13,026,809	$ 14,399,955	$ 16,085,572
	5.89%	4.41%	3.51%	2.97%	3.16%

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF MARSHALL, TEXAS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2025

	Special Revenue			
	Motel Occupancy Fund	Community Development Fund	Municipal Court Tech Fund	Street Maintenance Fund
ASSETS				
Cash and cash equivalents	$ 1,004,897	$ 62,513	$ 12,935	$ 905,224
Receivables:				
Current taxes	94,689	-	-	-
Accounts	-	-	-	-
Due from other governments	-	-	-	149,025
Inventory	-	-	-	-
Total assets	1,099,586	62,513	12,935	1,054,249
LIABILITIES				
Accounts payable	50,339	-	-	1,800
Accrued liabilities	7,662	-	-	-
Due to other funds	-	1,765	-	-
Unearned revenue	-	-	-	-
Total liabilities	58,001	1,765	-	1,800
FUND BALANCES (DEFICITS)				
Nonspendable:				
Inventory	-	-	-	-
Restricted:				
Promotion and tourism	1,041,585	60,748	-	-
Public safety	-	-	12,935	-
Street maintenance	-	-	-	1,052,449
Library	-	-	-	-
Capital projects	-	-	-	-
Unassigned	-	-	-	-
Total fund balances (deficits)	1,041,585	60,748	12,935	1,052,449
Total liabilities, deferred inflows of resources and fund balances	$ 1,099,586	$ 62,513	$ 12,935	$ 1,054,249

Special Revenue				
Child Safety Seat Fund	Wonderland of Lights	EMS EMD Fund	State Forfeiture Fund	Structural Modifications
$ 31,219	$ 151,407	$ 119,410	$ 314,601	$ 170,659
-	-	-	-	-
-	10,259	-	-	-
-	-	-	-	-
-	33,632	-	-	-
31,219	195,298	119,410	314,601	170,659
-	5,607	6,613	18,968	-
-	-	-	-	-
-	87,614	-	-	-
-	-	-	-	-
-	93,221	6,613	18,968	-
-	33,632	-	-	-
-	68,445	-	-	-
31,219	-	112,797	295,633	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	170,659
-	-	-	-	-
31,219	102,077	112,797	295,633	170,659
$ 31,219	$ 195,298	$ 119,410	$ 314,601	$ 170,659

CITY OF MARSHALL, TEXAS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2025

	Special Revenue			
	Leose Funds Police & Fire Departments	Local Grants	State Grants	Coronavirus Emergency Fund
ASSETS				
Cash and cash equivalents	$ 23,238	$ 6,183	$ 13,638	$ -
Receivables:				
Current taxes	-	-	-	-
Accounts	-	-	-	-
Due from other governments	-	-	-	-
Inventory	-	-	-	-
Total assets	23,238	6,183	13,638	-
LIABILITIES				
Accounts payable	610	-	-	8,206
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	155,131
Unearned revenue	-	-	-	-
Total liabilities	610	-	-	163,337
FUND BALANCES (DEFICITS)				
Nonspendable:				
Inventory	-	-	-	-
Restricted:				
Promotion and tourism	-	-	-	-
Public safety	22,628	6,183	13,638	-
Street maintenance	-	-	-	-
Library	-	-	-	-
Capital projects	-	-	-	-
Unassigned	-	-	-	(163,337)
Total fund balances (deficits)	22,628	6,183	13,638	(163,337)
Total liabilities, deferred inflows of resources and fund balances	$ 23,238	$ 6,183	$ 13,638	$ -

Special Revenue				Permanent	
TIRZ Fund	Building Security	Federal Forfeiture	Marshall Pet Adoption Center	Library Fund	Total Other Governmental Funds
$ 386,247	$ 130,256	$ 39,119	$ 66,954	$ 354,755	$ 3,793,255
-	-	-	-	-	94,689
-	-	-	-	-	10,259
-	-	-	-	-	149,025
-	-	-	-	-	33,632
386,247	130,256	39,119	66,954	354,755	4,080,860
-	-	-	-	-	92,143
-	-	-	-	-	7,662
-	-	-	36,415	-	280,925
-	-	-	-	-	-
-	-	-	36,415	-	380,730
-	-	-	-	-	33,632
-	-	-	-	-	1,170,778
-	130,256	39,119	-	-	664,408
-	-	-	-	-	1,052,449
-	-	-	-	354,755	354,755
386,247	-	-	30,539	-	587,445
-	-	-	-	-	(163,337)
386,247	130,256	39,119	30,539	354,755	3,700,130
$ 386,247	$ 130,256	$ 39,119	$ 66,954	$ 354,755	$ 4,080,860

CITY OF MARSHALL, TEXAS

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

FOR THE YEAR ENDED DECEMBER 31, 2025

	Special Revenue			
	Motel Occupancy Fund	Community Development Fund	Municipal Court Tech Fund	Street Maintenance Fund
REVENUES				
Property taxes	$ -	$ -	$ -	$ -
Sales taxes	-	-	-	837,167
Intergovernmental	-	39,804	-	-
Motel occupancy taxes	998,149	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	4,059	-
Investment income	5,652	-	-	31,704
Donations	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	1,003,801	39,804	4,059	868,871
EXPENDITURES				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Tourism and cultural arts	515,189	-	-	-
Community and economic development	-	85,349	-	-
Support services	-	-	-	-
Capital outlay	-	-	-	383,624
Total expenditures	515,189	85,349	-	383,624
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	488,612	(45,545)	4,059	485,247
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(592,519)	-	-	-
Total other financing sources (uses)	(592,519)	-	-	-
NET CHANGE IN FUND BALANCES	(103,907)	(45,545)	4,059	485,247
FUND BALANCE, BEGINNING, AS PREVIOUSLY REPORTED	1,145,492	106,293	8,876	567,202
ADJUSTMENTS				
Change within the financial reporting entity - formerly a major fund	-	-	-	-
FUND BALANCE, BEGINNING, AS RESTATED	1,145,492	106,293	8,876	567,202
FUND BALANCES, ENDING	$ 1,041,585	$ 60,748	$ 12,935	$ 1,052,449

Special Revenue					
Litter Control Fund	Child Safety Seat Fund	Wonderland of Lights	EMS EMD Fund	State Forfeiture Fund	Structural Modifications
	$ -	$ -	$ -	$ -	$ -
	-	-	-	-	-
	-	-	170,593	-	-
	-	-	-	-	-
	-	197,086	-	-	6,350
	-	-	-	7,112	-
	-	-	-	2,360	-
	671	669	-	-	15,000
	-	-	-	-	-
	671	197,755	170,593	9,472	21,350
	-	-	89,150	35,655	-
	-	-	-	-	-
	-	220,597	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	266,202	-	-
	-	220,597	355,352	35,655	-
	671	(22,842)	(184,759)	(26,183)	21,350
	-	-	260,762	-	26,324
	-	95,000	-	-	-
	-	-	-	-	-
	-	95,000	260,762	-	26,324
	671	72,158	76,003	(26,183)	47,674
35,288	30,548	29,919	36,794	321,816	122,985
(35,288)	-	-	-	-	-
-	30,548	29,919	36,794	321,816	122,985
$ -	$ 31,219	$ 102,077	$ 112,797	$ 295,633	$ 170,659

CITY OF MARSHALL, TEXAS

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

FOR THE YEAR ENDED DECEMBER 31, 2025

	Special Revenue			
	Leose Funds Police & Fire Departments	Local Grants	State Grants	Coronavirus Emergency Fund
REVENUES				
Property taxes	$ -	$ -	$ -	$ -
Sales taxes	-	-	-	-
Intergovernmental	7,019	-	-	589,439
Motel occupancy taxes	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	-	-	-	-
Donations	-	-	-	-
Miscellaneous	-	2,500	-	-
Total revenues	7,019	2,500	-	589,439
EXPENDITURES				
Current:				
Public safety	10,358	-	-	10,500
Public works	-	-	-	603,394
Tourism and cultural arts	-	-	-	104,728
Community and economic development	-	-	-	-
Support services	-	-	-	-
Capital outlay	-	-	-	1,939
Total expenditures	10,358	-	-	720,561
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(3,339)	2,500	-	(131,122)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
NET CHANGE IN FUND BALANCES	(3,339)	2,500	-	(131,122)
FUND BALANCE, BEGINNING, AS PREVIOUSLY REPORTED	25,967	3,683	13,638	-
ADJUSTMENTS				
Change within the financial reporting entity - formerly a major/ non-major fund	-	-	-	(32,215)
FUND BALANCE, BEGINNING, AS RESTATED	25,967	3,683	13,638	(32,215)
FUND BALANCES, ENDING	$ 22,628	$ 6,183	$ 13,638	$ (163,337)

Special Revenue				Permanent	
TIRZ Fund	Building Security	Federal Forfeiture	Marshall Pet Adoption Center	Library Fund	Total Other Governmental Funds
$ 42,134	$ -	$ -	$ -	$ -	$ 42,134
-	-	-	-	-	837,167
-	-	-	-	-	806,855
-	-	-	-	-	998,149
-	-	-	-	-	203,436
-	9,568	-	-	-	20,739
-	4,954	-	-	6,088	50,758
-	-	-	9,207	22,591	48,138
-	-	-	-	-	2,500
42,134	14,522	-	9,207	28,679	3,009,876
-	-	-	977	-	146,640
-	-	-	-	-	603,394
-	-	-	-	11,072	851,586
-	-	-	-	-	85,349
-	6,757	-	-	-	6,757
-	-	-	-	-	651,765
-	6,757	-	977	11,072	2,345,491
42,134	7,765	-	8,230	17,607	664,385
-	-	-	-	-	287,086
-	-	-	-	-	95,000
-	-	-	-	-	(592,519)
-	-	-	-	-	(210,433)
42,134	7,765	-	8,230	17,607	453,952
344,113	122,491	39,119	22,309	337,148	3,313,681
-	-	-	-	-	(67,503)
344,113	122,491	39,119	22,309	337,148	3,246,178
$ 386,247	$ 130,256	$ 39,119	$ 30,539	$ 354,755	$ 3,700,130

CITY OF MARSHALL, TEXAS

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

FOR THE YEAR ENDED DECEMBER 31, 2025

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Property taxes	$ 1,262,260	$ 1,262,260	$ 1,383,176	$ 120,916
Investment income	17,000	17,000	18,421	1,421
Total revenues	1,279,260	1,279,260	1,401,597	122,337
EXPENDITURES				
Debt service:				
Principal	2,365,000	2,437,000	2,422,905	14,095
Interest	758,207	758,207	678,911	79,296
Total expenditures	3,123,207	3,195,207	3,101,816	93,391
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(1,843,947)	(1,915,947)	(1,700,219)	215,728
OTHER FINANCING SOURCES (USES)				
Transfers in	851,318	851,318	851,318	-
Total other financing sources (uses)	851,318	851,318	851,318	-
NET CHANGE IN FUND BALANCE	(992,629)	(1,064,629)	(848,901)	215,728
FUND BALANCE, BEGINNING	1,283,236	1,283,236	1,283,236	-
FUND BALANCE, ENDING	$ 290,607	$ 218,607	$ 434,335	$ 215,728

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, 2025

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Motel occupancy taxes	$ 1,151,000	$ 1,151,000	$ 998,149	$ (152,851)
Investment income	3,500	3,500	5,652	2,152
Total revenues	1,154,500	1,154,500	1,003,801	(150,699)
EXPENDITURES				
Current:				
Tourism and cultural arts	511,597	784,468	515,189	269,279
Total expenditures	511,597	784,468	515,189	269,279
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	642,903	370,032	488,612	118,580
OTHER FINANCING SOURCES (USES)				
Transfers out	(642,903)	(642,903)	(592,519)	50,384
Total other financing sources (uses)	(642,903)	(642,903)	(592,519)	50,384
NET CHANGE IN FUND BALANCES	-	(272,871)	(103,907)	168,964
FUND BALANCES, BEGINNING	1,145,492	1,145,492	1,145,492	-
FUND BALANCES, ENDING	$ 1,145,492	$ 872,621	$ 1,041,585	$ 168,964

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, 2025

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Sales taxes	$ 827,219	$ 827,219	$ 837,167	$ 9,948
Investment income	-	-	31,704	31,704
Total revenues	827,219	827,219	868,871	41,652
EXPENDITURES				
Capital outlay	827,219	827,219	383,624	443,595
Total expenditures	827,219	827,219	383,624	443,595
NET CHANGE IN FUND BALANCES	-	-	485,247	485,247
FUND BALANCES, BEGINNING	567,202	567,202	567,202	-
FUND BALANCES, ENDING	$ 567,202	$ 567,202	$ 1,052,449	$ 485,247

CITY OF MARSHALL, TEXAS

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

FOR THE YEAR ENDED DECEMBER 31, 2025

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Intergovernmental	$ 200,000	$ 200,000	$ 170,593	$ (29,407)
Total revenues	200,000	200,000	170,593	(29,407)
EXPENDITURES				
Public Safety	50,000	165,500	89,150	76,350
Capital outlay	150,000	124,500	266,202	(141,702)
Total expenditures	200,000	290,000	355,352	(65,352)
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	-	(90,000)	(184,759)	(94,759)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	260,762	260,762
Total other financing sources (uses)	-	-	260,762	260,762
NET CHANGE IN FUND BALANCES	-	(90,000)	76,003	166,003
FUND BALANCES, BEGINNING	36,794	36,794	36,794	-
FUND BALANCES, ENDING	$ 36,794	$ (53,206)	$ 112,797	$ 166,003

COMPLIANCE SECTION

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 *(Government Auditing Standards)*, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, 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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 25, 2026.

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 2025-001 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*.

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 audit 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.

Waco, Texas
June 25, 2026

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Waco, Texas 76710
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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
Members of the City Council
City of Marshall, Texas

Report on Compliance for Each Major Federal Program

Opinion on 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, 2025. 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, 2025.

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.

Auditor's Responsibilities 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.

Report on Internal Control over Compliance

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. 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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.

Waco, Texas
June 25, 2026

CITY OF MARSHALL, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2025

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:				
Community Development Block Grant - Entitlement	14.218	B23MC480034	$ 39,804	$ -
Community Development Block Grant - Entitlement	14.218	B24MC480034	129,932	-
Total CDBG-Entitlement Grants Cluster			169,736	-
Total U.S. Department of Housing and Urban Development			169,736	-
U.S. Department of Justice				
Direct Programs:				
Community Policing Program	16.710	N/A	11,096	-
Total U.S. Department of Justice			11,096	-
U.S. Department of Transportation				
Passed though Texas Department of Transportation:				
State & Community Highway Safety (Highway Safety Cluster)	20.600	2025-MARSHALL-S-RFR	7,373	-
Total Texas Department of Transportation			7,373	-
Total U.S. Department of Transportation			7,373	-
U.S. Department of the Treasury				
Direct Programs:				
American Rescue Plan Act - COVID-19	21.027	SLT-8193	438,396	-
Total U.S. Department of the Treasury			438,396	-
U.S. Environmental Protection Agency				
Passed though Texas Water Development Board				
Clean Water State Revolving Fund	66.458	N/A	599,072	-
Total Texas Water Development Board			599,072	-
Total U.S. Environmental Protection Agency			599,072	-
U.S. Department of Health and Human Services				
Passed though Texas Health and Human Services Commission				
Texas Ambulance Services Supplemental Payment Program (Medicaid Cluster)	93.778	FY 22 UC	31,546	-
Total Texas Health and Human Services Commission			31,546	-
Total U.S. Department of Health and Human Services			31,546	-
U.S. Department of Homeland Security				
Passed though Texas Division of Emergency Management				
Hazard Mitigation Grant Program	97.039	PF-4485-TX	33,336	-
Total Texas Division of Emergency Management			33,336	-
Total U.S. Department of Homeland Security			33,336	-
Total Expenditures of Federal Awards			$ 1,290,555	$ -

The accompanying notes are an integral part of this schedule.

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 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, 2025

Summary of Auditor's Results

Financial Statements:	
Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes (2025-001)
Significant deficiency(ies) identified?	No
Noncompliance material to financial statements noted?	No
Federal Awards:	
Internal control over major programs:	
Material weakness(es) identified?	None
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)	No
Identification of major programs:	
Assistance Listing Number:	Name of Federal Program or Cluster:
66.458	Clean Water State Revolving Fund
Dollar threshold used to distinguish between type A and type B programs	$1,000,000
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

2025-001

Findings and Questioned Costs for Federal Awards

None

Section II: Financial Statement Finding

Item 2025-001: Bank Reconciliations - Recurring

Criteria: Management is responsible for establishing and maintaining effective and timely internal controls over bank reconciliations to prevent or detect errors, whether intentional or unintentional

Condition and Context: Management performed bank reconciliations and identified issues, but the issues identified were not resolved in a timely manner.

Cause: The City's Finance Department personnel experienced some turnover in the past twelve months that created significant gaps in the bank reconciliation process. The City discovered a setting in their financial software that was making identifying deposits and errors very difficult and time-consuming.

Effect or Potential Effect: Management did not follow established bank reconciliation procedures and as a result accurate financial information was not available in a timely manner.

Recommendation: The City should follow established procedures by performing bank reconciliations and resolving identified errors in a timely manner.

Responsible Official's Response: The City agrees with this finding and has taken corrective action to ensure that established procedures are followed, and bank reconciliations are performed on a timely basis.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2025

Financial Statement Finding

Item 2024-001: Bank Reconciliations

Criteria: Management is responsible for establishing and maintaining effective and timely internal controls over bank reconciliations to prevent or detect errors, whether intentional or unintentional

Condition and Context: Management performed bank reconciliations and identified issues, but the issues identified were not resolved in a timely manner.

Cause: The City's Finance Department personnel experienced some turnover in the past twelve months that created significant gaps in the bank reconciliation process. The City discovered a setting in their financial software that was making identifying deposits and errors very difficult and time-consuming.

Effect or Potential Effect: Management did not follow established bank reconciliation procedures and as a result accurate financial information was not available in a timely manner.

Recommendation: The District should follow established procedures by performing bank reconciliations and resolving identified errors in a timely manner.

Responsible Official's Response: The District agrees with this finding and has taken corrective action to ensure that established procedures are followed, and bank reconciliations are performed on a timely basis.

Current Status: In process. See Finding 2025-001.

PO Box 698, Marshall, TX 75670

TO:	City Council
DATE:	June 25, 2026
ITEM #:	13.A
SUBJECT:	An executive session under Section 551.071, which authorizes a governmental body to consult with its attorney in an executive session to seek his or her advice on a matter in which the duty of the attorney to the governmental body under the Texas Disciplinary Rules of Professional Conduct of theState Bar of Texas clearly conflicts with this chapter; to wit advice on contracts and proposal relating to Big Cypress Bayou

Recommendation for Action:

Executive Summary:

Focus Area(s): This item aligns with the following council adopted focus area(s):

Budget Cost:

Staff Contact:

Attachments: None