



**CITY OF MARSHALL**  
**Work Session**  
**A g e n d a**  
**Tuesday, May 26, 2020 at 4:30 PM**  
**Minnesota Emergency Response and Industrial**  
**Training (MERIT) Center, 1001 Erie Road**

**CALL TO ORDER**

**NEW BUSINESS**

[Presentation](#) of the 2019 Year-End Audit for the City of Marshall

**ADJOURNMENT**

**Disclaimer: These agendas have been prepared to provide information regarding an upcoming meeting of the Common Council of the City of Marshall. This document does not claim to be complete and is subject to change.**



## CITY OF MARSHALL AGENDA ITEM REPORT

<b>Meeting Date:</b>	Tuesday, May 26, 2020
<b>Category:</b>	NEW BUSINESS
<b>Type:</b>	ACTION
<b>Subject:</b>	Presentation of the 2019 Year-End Audit for the City of Marshall
<b>Background Information:</b>	Attached is the 2019-year end audit for the City of Marshall. The City Auditors, Nancy Schulzetenberg and Andrew Grice of BerganKDV will present the 2019-year end audit.  Staff encourage questions on the audit report in advance to Mrs. Drown, Finance Director or Mrs. Storm, Director of Administrative Services.
<b>Fiscal Impact:</b>	
<b>Alternative/ Variations:</b>	
<b>Recommendations:</b>	Approve the 2019-year end audit report for the City of Marshall

**City of Marshall  
Lyon County, Minnesota**

**Communications Letter**

**December 31, 2019**

**City of Marshall  
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## Report on Matters Identified as a Result of the Audit of the Financial Statements

Honorable Mayor and Members of the  
City Council and Management  
City of Marshall  
Marshall, Minnesota

In planning and performing our audit of the financial statements of the governmental activities, business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Marshall, Minnesota, as of and for the year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 have not been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error, or fraud may occur and not be detected by such controls.

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 over financial reporting, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

The material weakness identified is stated within this letter.

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.

The accompanying memorandum also includes financial analysis provided as a basis for discussion. The matters discussed herein were considered by us during our audit and they do not modify the opinion expressed in our Independent Auditor's Report dated May 19, 2020, on such statements.

This communication is intended solely for the information and use of the City Council and management and others within the City and state oversight agencies and is not intended to be, and should not be, used by anyone other than these specified parties,

*BergankDV, Ltd.*

St. Cloud, Minnesota  
May 19, 2020

**City of Marshall**  
**Material Weakness**

**Prior Period Adjustments**

Prior period adjustments were required to adjust beginning net position for governmental activities to reflect changes in deferred inflows of resources related to the Municipal State Aid Street program and to change the presentation of the Marshall-Lyon County Library component unit from discrete to blended. A prior period adjustment was also required for the Economic Development Authority, a discretely presented component unit, to adjust land held for resale to the lower of cost or market value.

## **City of Marshall Required Communication**

We have audited the financial statements of the governmental activities, business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2019. Professional standards require that we advise you of the following matters related to our audit.

### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgement, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the RSI, which supplements the basic audit financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI was not audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we do not express an opinion or provide any assurance on the RSI.

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Our Responsibility in Relation to *Government Auditing Standards***

As communicated in our engagement letter, part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

## **City of Marshall Required Communication**

### **Our Responsibility in Relation to Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)**

As communicated in our engagement letter, in accordance with the Uniform Guidance, we examined, on a test basis, evidence about the City's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the City's compliance with those requirements. While our audit provided a reasonable basis for our opinion, it did not provide a legal determination on the City's compliance with those requirements.

In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance.

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

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

### **Qualitative Aspects of Significant Accounting Practices**

#### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in the notes to financial statements. There have been no initial selection of accounting policies and no changes to significant accounting policies or their application during 2019. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

## **City of Marshall Required Communication**

### **Qualitative Aspects of Significant Accounting Practices (Continued)**

#### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgements. Those judgements are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgements. The most sensitive estimates affecting the financial statements were:

Depreciation – The City is currently depreciating its capital assets over their estimated useful lives, as determined by management, using the straight-line method.

Expense Allocation – Certain expenses are allocated to programs based on an estimate of the benefit to that particular program. Examples are salaries, benefits, and supplies.

Total Other Post Employment Benefits (OPEB) Liability, Deferred Outflows of Resources Related to OPEB and Deferred Inflows of Resources Related to OPEB – These balances are based on an actuarial study using the estimates of future obligations of the City for post employment benefits.

Net Pension Liability, Deferred Outflows of Resources Related to Pensions and Deferred Inflows of Resources Related to Pensions – These balances are based on an allocation by the pension plans using estimates based on contributions.

Allowance for Uncollectible Accounts – an allowance is used to reduce the balance of notes receivable that are estimated to be forgiven.

We evaluated the key factors and assumptions used to develop the accounting estimates and determined that they are reasonable in relation to the financial statements taken as a whole.

#### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear.

#### **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

#### **Uncorrected and Corrected Misstatements**

For the purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effects of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.

## **City of Marshall Required Communication**

### **Uncorrected and Corrected Misstatements (Continued)**

Management did not identify and we did not notify them of any uncorrected financial statement misstatements. In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. Prior period adjustments were required to adjust beginning net position for governmental activities to reflect changes in deferred inflows of resources related to the Municipal State Aid Street program and to change the presentation of the Marshall-Lyon County Library component unit from discrete to blended. A prior period adjustment was also required for the Economic Development Authority, a discretely presented component unit, to adjust land held for resale to the lower of cost or market value.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City's financial statements or the auditor's report. No such disagreements arose during the course of our audit.

### **Representations Requested from Management**

We have requested certain written representations from management, which are included in the management representation letter.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management has informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating conditions affecting the City, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditor.

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

We applied certain limited procedures to the RSI that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

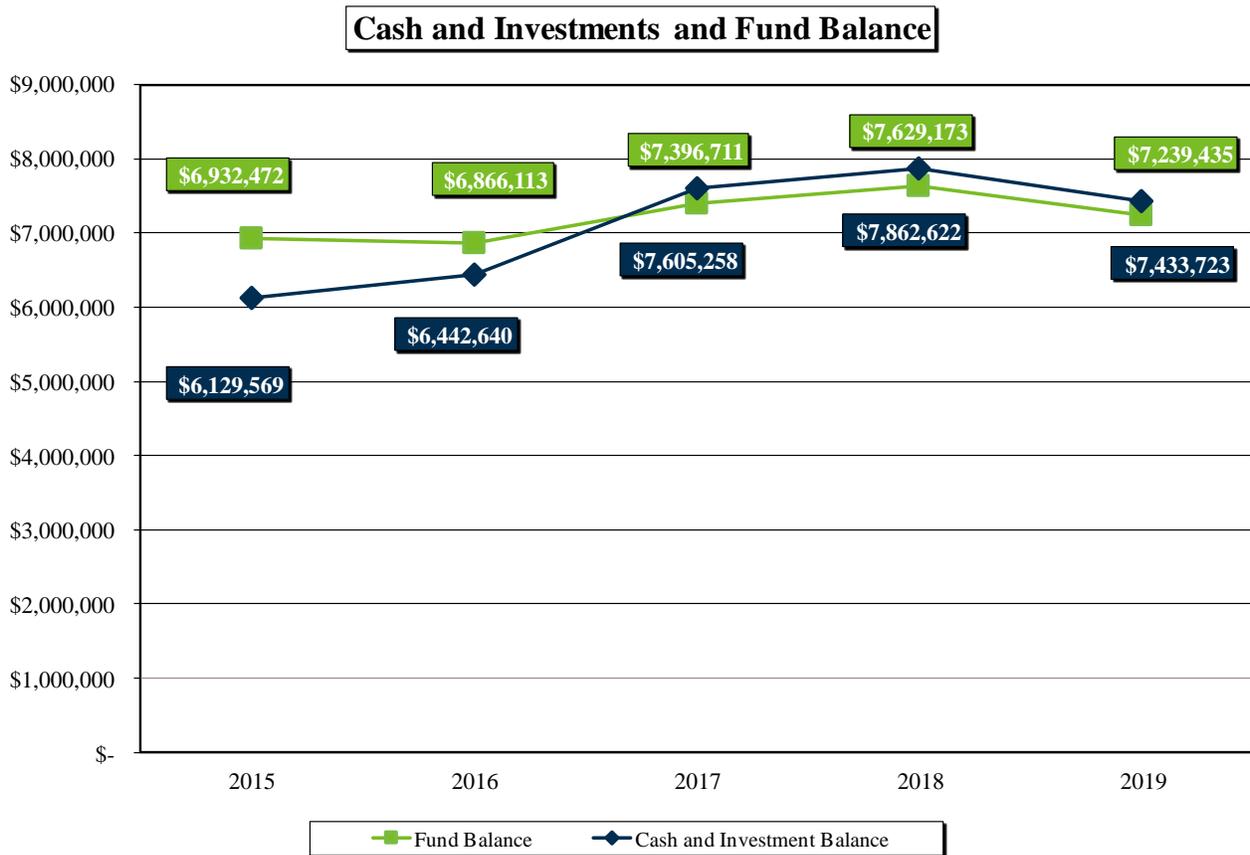
With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United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

## City of Marshall Financial Analysis

The following pages provide graphic representations of select data pertaining to the financial position and operations of the City for the past five years. Our analysis of each graph is presented to provide a basis for discussion of past performance and how implementing certain changes may enhance future performance. We suggest you view each graph and document if our analysis is consistent with yours. A subsequent discussion of this information should be useful for planning purposes.

### GENERAL FUND – FUND BALANCE

The following graph illustrates the relationship between cash and investments and fund balance over the past five years. At December 31, 2019, the General Fund balance consisted of \$119,804 nonspendable, \$605,754 assigned, and \$6,513,877 unassigned. The total unassigned fund balance represented over six months of expenditures at current levels. The Office of the State Auditor has issued a statement of position recommending cities maintain an unreserved fund balance of approximately 35% to 50% of fund operating revenues, or no less than five months of operating expenditures. The City's fund balance policy for the General Fund is to maintain a minimum unrestricted fund balance of an amount not less than 5 months of the next year's budgeted expenditures. The City's unrestricted fund balance in the General Fund at December 31, 2019 was 51% of 2020 budgeted expenditures of \$12,881,437 which represented just over six months of expenditures.



On the following pages, we will discuss the revenues and expenditures of the General Fund and the variations in the fund balance.

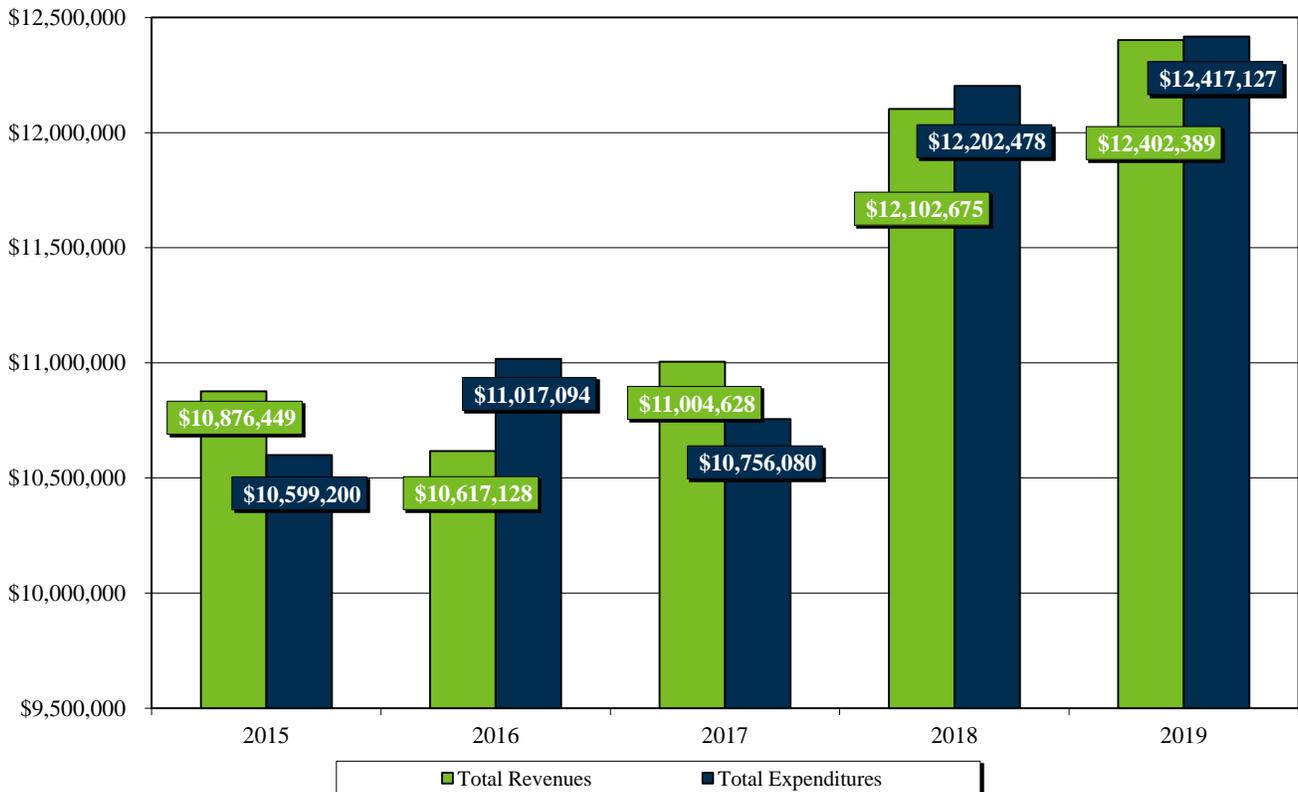
## City of Marshall Financial Analysis

### GENERAL FUND – REVENUES AND EXPENDITURES

The following table and graph show the overall operations of the General Fund. Revenues have fluctuated over the five years shown from a high in 2019 of \$12,402,389 to a low of \$10,617,128 in 2016. Overall from 2015 to 2019, revenues have increased \$1,525,940. Similarly, expenditures have fluctuated over the five years presented. In 2019, expenditures were \$12,417,127, an increase from the prior year of \$214,649. Since 2015, expenditures have increased \$1,817,927.

	2015	2016	2017	2018	2019
Revenues	\$ 10,876,449	\$ 10,617,128	\$ 11,004,628	\$ 12,102,675	\$ 12,402,389
Expenditures	10,599,200	11,017,094	10,756,080	12,202,478	12,417,127
Proceeds from the sale of capital assets	34,574	31,585	29,945	5,160	-
Net transfers	(24,057)	302,022	252,105	327,105	(375,000)
<b>Net change in fund balance</b>	<b>\$ 287,766</b>	<b>\$ (66,359)</b>	<b>\$ 530,598</b>	<b>\$ 232,462</b>	<b>\$ (389,738)</b>

**Revenues and Expenditures**



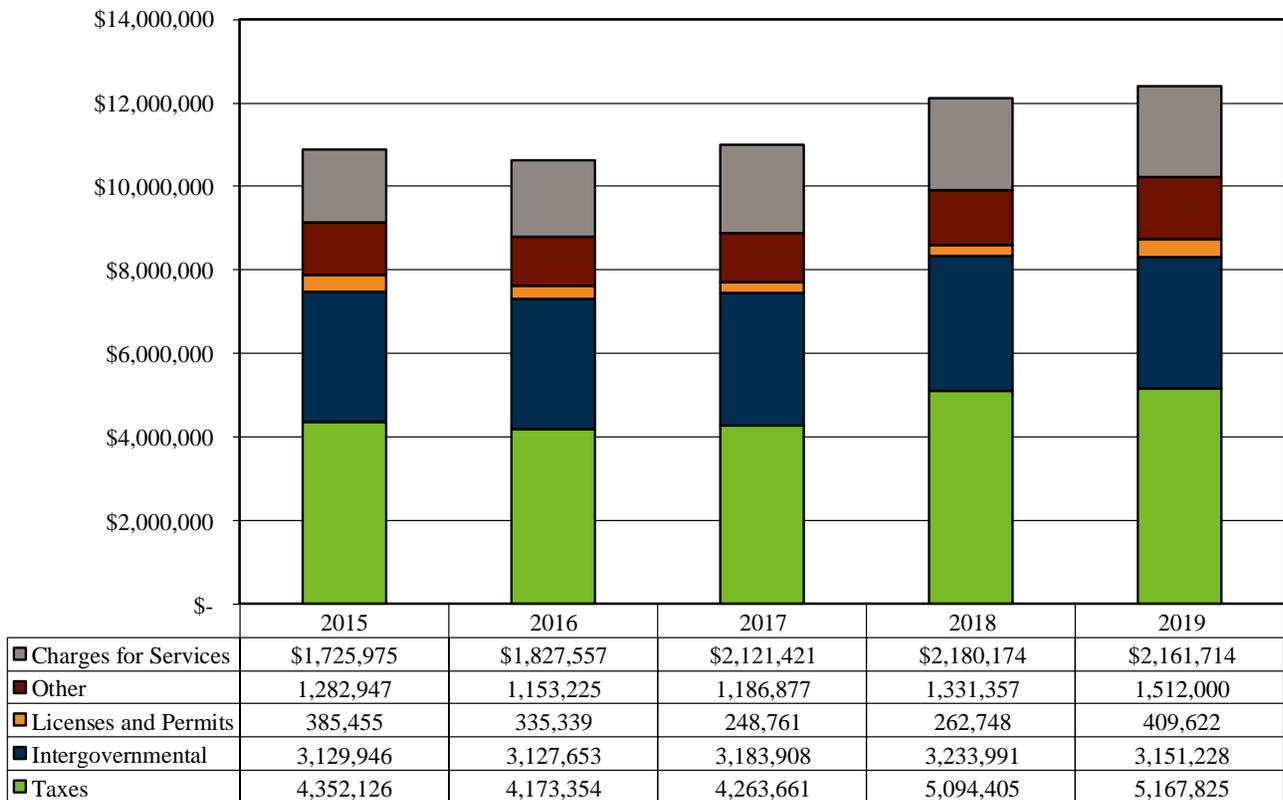
## City of Marshall Financial Analysis

### GENERAL FUND – REVENUES

The following graph presents comparisons of revenues by type, illustrating the majority of revenue for the City is from taxes, intergovernmental sources, and charges for services. These three sources represent 41.7%, 25.4%, and 17.4% of total General Fund revenues, respectively. Other revenues include items such as licenses and permits, fines and forfeitures, special assessments, investment earnings, and other miscellaneous items.

Revenues of the General Fund increased from 2018 to 2019 by \$299,714. The other revenue category increased \$180,643 due in part to a \$77,415 increase in investment earnings. There was also a change in classification of the contribution revenue received from Avera Marshall Regional Medical Center for public safety services which contributed to the variance. Licenses and permits had an increase in 2019 of \$146,874 due to an increase in building activity.

**General Fund Revenues**

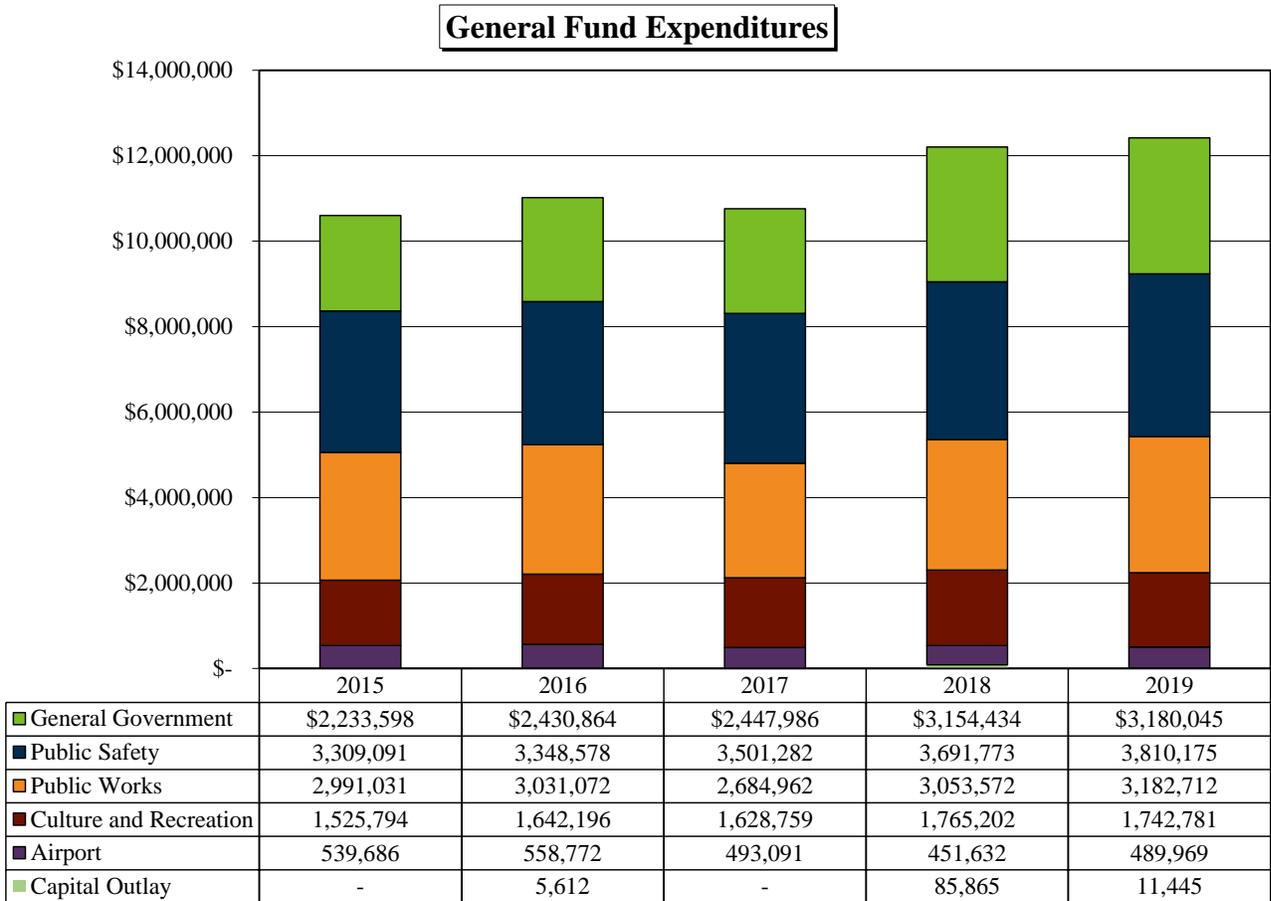


## City of Marshall Financial Analysis

### GENERAL FUND – EXPENDITURES

The graph below represents the breakdown of expenditures by department. Public safety continues to comprise the largest portion of General Fund expenditures, representing 30.7%. Overall, General Fund expenditures increased \$214,649 from 2018.

Public works increased \$129,140 compared to the prior year due in part to an increase in professional fees, particularly related to snow removal. Public safety increased \$118,402 as a result of increased operating expenditures, such as higher repair and maintenance costs and increased insurance expenditures.



**City of Marshall  
Financial Analysis**

**GENERAL FUND – BUDGETARY COMPARISON**

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget - Over (Under)
<b>Revenues</b>				
Taxes	\$5,080,788	\$5,080,788	\$5,167,825	\$ 87,037
Licenses and permits	261,851	261,851	409,622	147,771
Special assessments	-	-	2,862	2,862
Intergovernmental	3,094,857	3,094,857	3,151,228	56,371
Charges for services	2,297,738	2,297,738	2,161,714	(136,024)
Fines and forfeitures	101,400	101,400	127,425	26,025
Investment earnings	30,000	30,000	162,709	132,709
Miscellaneous	959,594	959,594	1,219,004	259,410
Total revenue	11,826,228	11,826,228	12,402,389	576,161
<b>Expenditures</b>				
General government	3,227,163	3,227,163	3,180,045	(47,118)
Public safety	3,742,562	3,742,562	3,821,620	79,058
Public works	2,861,300	2,861,300	3,182,712	321,412
Culture and recreation	1,912,574	1,912,574	1,742,781	(169,793)
Airport	459,362	459,362	489,969	30,607
Total expenditures	12,202,961	12,202,961	12,417,127	214,166
Excess of revenue over (under) expenditures	(376,733)	(376,733)	(14,738)	361,995
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	30,000	30,000	-	(30,000)
Net transfers	225,000	225,000	(375,000)	(600,000)
Total other financing sources (uses)	255,000	255,000	(375,000)	(630,000)
Net change in fund balances	\$ (121,733)	\$ (121,733)	\$ (389,738)	\$ (268,005)

Overall, actual revenues were \$576,161, or 4.9%, over budget. Miscellaneous revenues were \$259,410 over budget due in part to refunds and reimbursements exceeding budgeted amounts along with changes in classification of public safety service to Avera Marshall Regional Medical Center. Also as a result of these classification changes, charges for services were \$136,024 under budget in total. Investment earnings were \$132,709 over budget due to a strong investment market performance in 2019. Licenses and permits were \$147,771 over budget due to more building activity than anticipated. Tax revenue was \$87,037 over budget primarily the result of franchise fees coming in well over budget. Other revenue categories were relatively consistent with the budget.

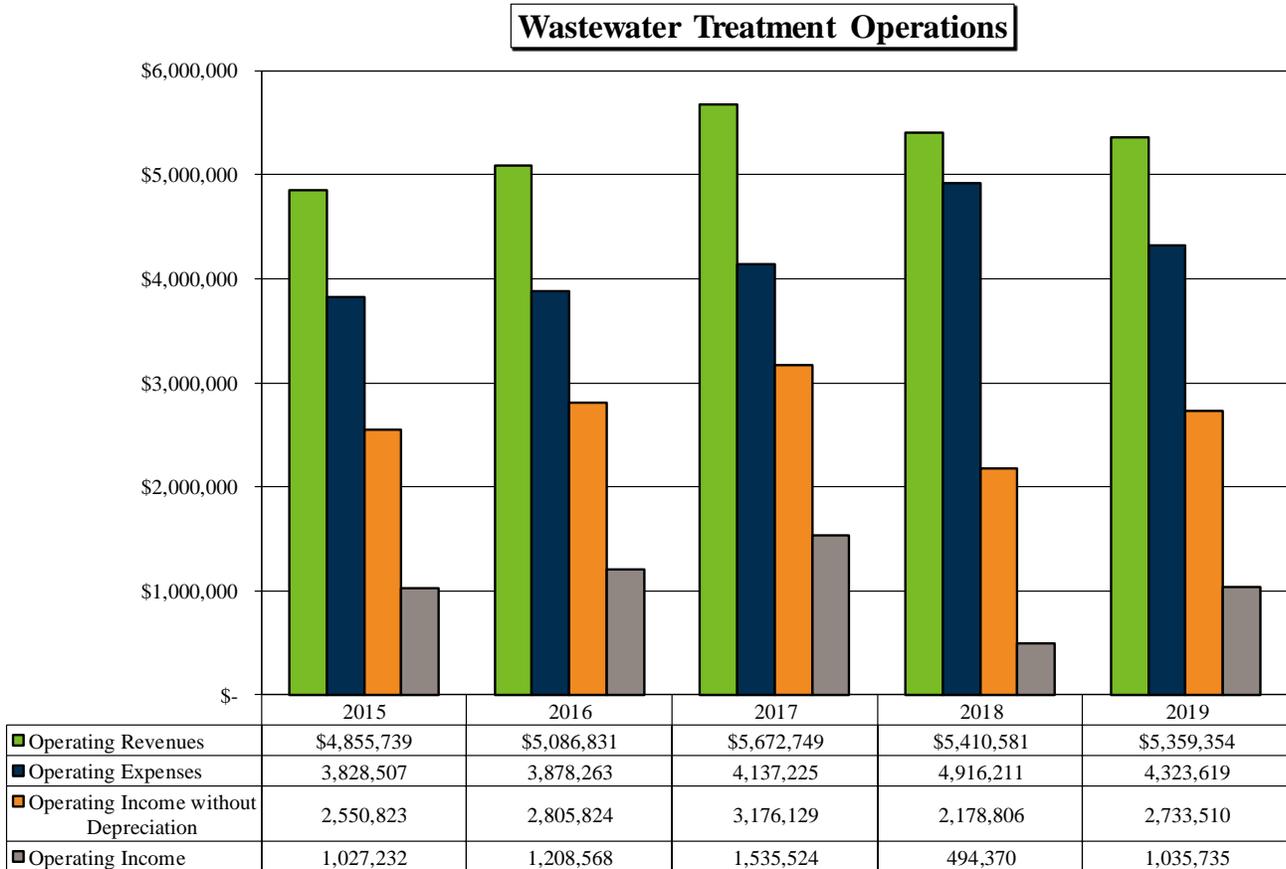
Overall, actual expenditures were more than budgeted amounts by \$214,166, or 1.8%. Public works was over budget \$321,412 due to more repairs and maintenance expenditures than anticipated along with professional services coming in over budget in large part due to increased snow removal. Culture and recreation was under budget \$169,793 due in part to less part time employment needed than was budgeted along with conservative budgeting for professional services.

**City of Marshall  
Financial Analysis**

**WASTEWATER TREATMENT ENTERPRISE FUND**

The following graph illustrates the current operations of the Wastewater Treatment Fund for the past five years. Operating income is shown with and without depreciation below.

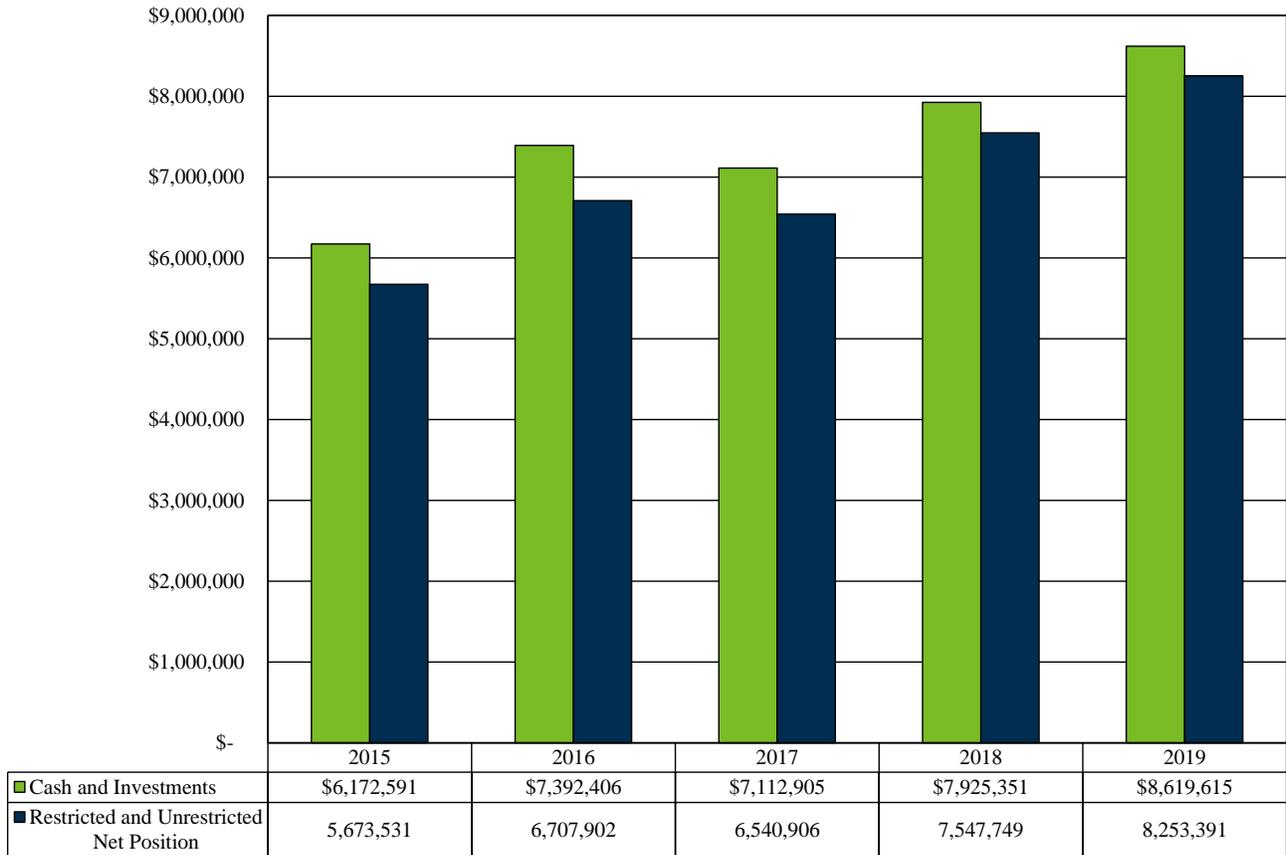
Operating revenue decreased \$51,227, or 0.9%, from 2018 while operating expenses decreased by \$592,592, or 12.1%. The decrease is primarily due to decreased professional services expenses related to the timing of significant planning activity for the wastewater treatment upgrades. The net effect of the decreased revenues and decreased expenses is operating income of \$1,035,735 which is an increase of \$541,365 compared to 2018.



**City of Marshall  
Financial Analysis**

**WASTEWATER TREATMENT ENTERPRISE FUND (CONTINUED)**

**Wastewater Treatment Fund**



The above graph shows the cash and investment balances and restricted and unrestricted net position balances as of December 31 for the last five years. The cash and investment balance increased \$694,264 during 2019 while the restricted and unrestricted net position for the Wastewater Treatment Fund increased \$705,642 during the same time period. This was due to significant funds being received and spent for construction of the wastewater treatment upgrades during 2019. Unrestricted net position as of December 31, 2019 was \$ 6,462,235.

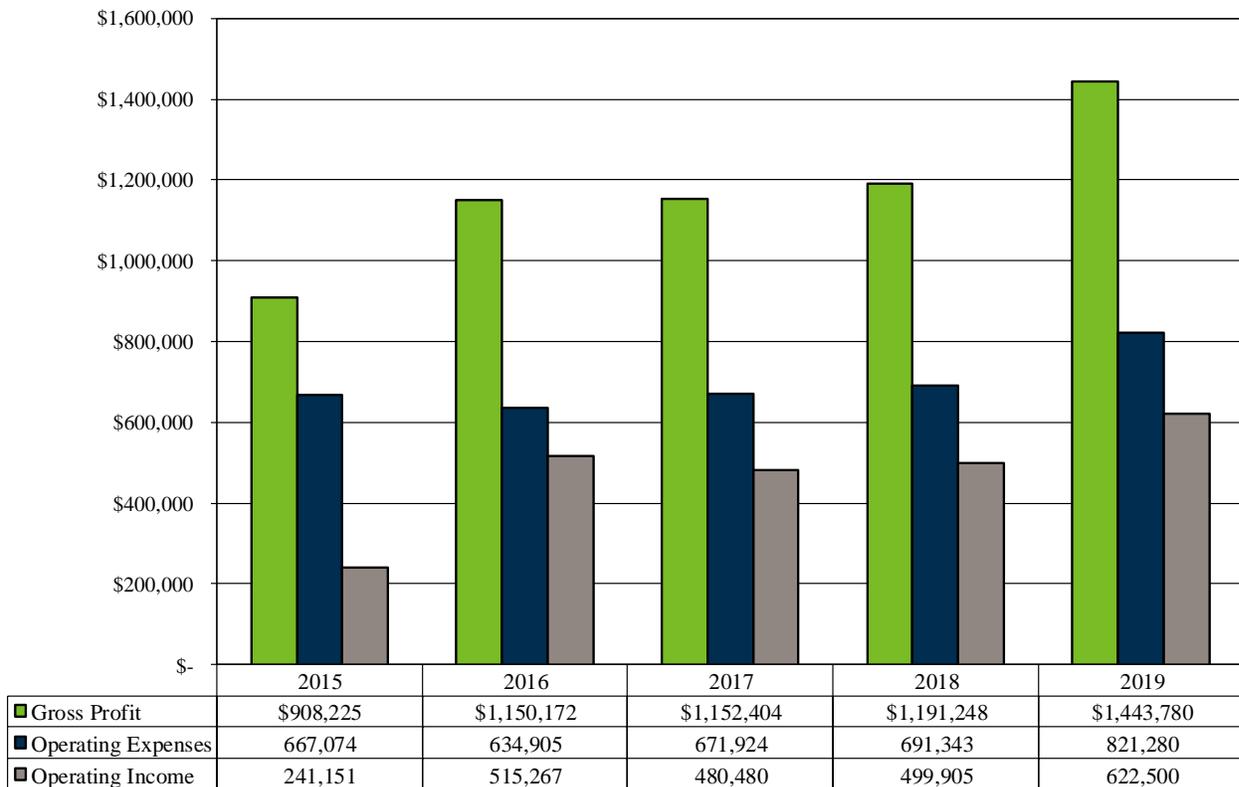
**City of Marshall  
Financial Analysis**

**MUNICIPAL LIQUOR STORE ENTERPRISE FUND**

The following graph illustrates the current operations of the Municipal Liquor Store Fund for the past five years.

The Municipal Liquor Store Fund has shown an operating income in each of the five years presented. In 2019, the Fund showed an operating income of \$622,500. This is an increase in operating income of \$122,595 from 2018. The Fund experienced an increase in gross profit of \$252,532 while liquor store expenses increased \$129,937. Revenues increased with management monitoring gross profit more closely and adjusting sales price based on current gross profit. There was also implementation of taste testing, and festivals for promotional purposes. Expenses increased as a result of operations and changes in staffing, particularly a new full-time position. The Fund was able to transfer \$255,000 to the General Fund.

**Municipal Liquor Store Operations**

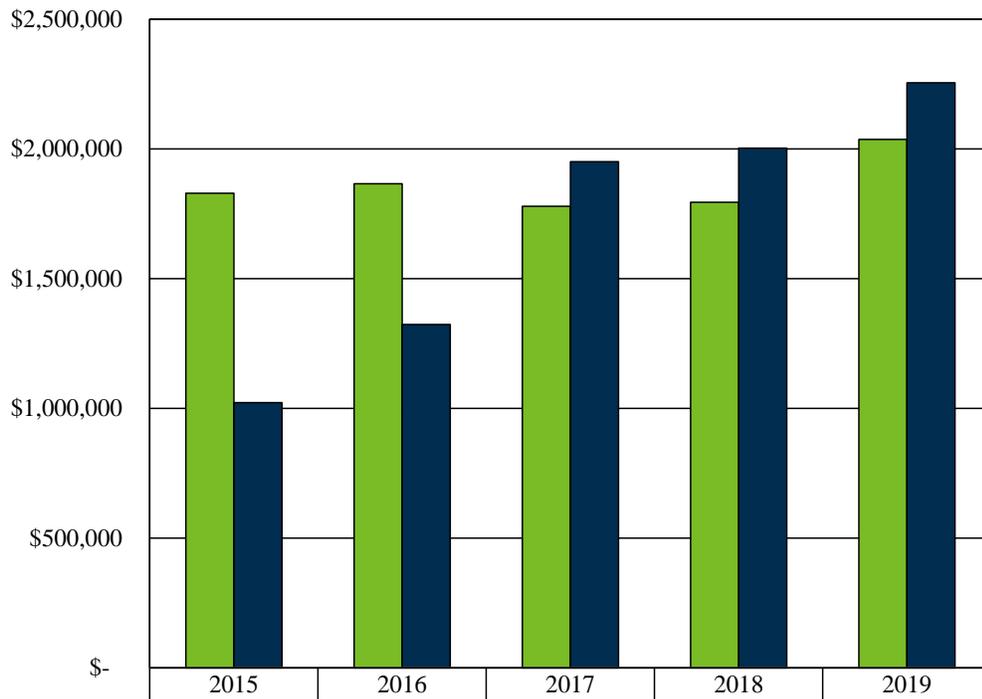


**City of Marshall  
Financial Analysis**

**MUNICIPAL LIQUOR STORE ENTERPRISE FUND (CONTINUED)**

The graph below shows the cash and investment balances and restricted and unrestricted net position balances as of December 31 for the last five years. The Municipal Liquor Store Fund cash and investment balance increased \$242,134 while the restricted and unrestricted net position increased \$251,811 in 2019. Unrestricted net position as of December 31, 2019 was \$ 549,667.

**Municipal Liquor Store Fund**



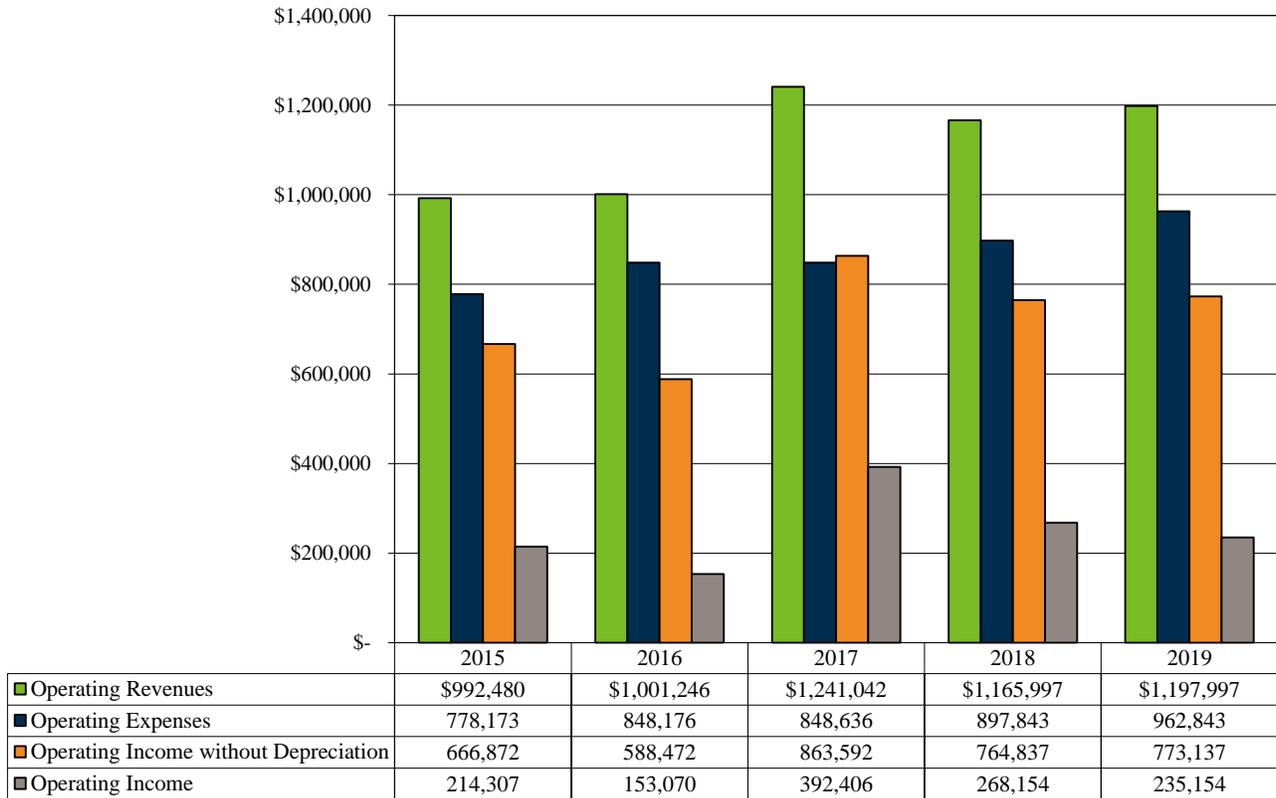
■ Cash and Investments	\$1,829,311	\$1,865,418	\$1,778,769	\$1,794,175	\$2,036,309
■ Restricted and Unrestricted Net Position	1,022,498	1,323,523	1,950,601	2,003,097	2,254,908

**City of Marshall  
Financial Analysis**

**SURFACE WATER MANAGEMENT ENTERPRISE FUND**

The following graph illustrates the current operations of the Surface Water Management Fund for the past five years. For all five years shown, the City's Surface Water Management Fund has generated an operating income. Operating revenue increased \$32,000 or 2.7% while expenses increased \$65,000 or 7.2% compared to 2018. Surface water management fee revenue increased with increased rates in 2019 while expenses increased primarily to an increase in depreciation expense of \$41,300. The net effect of the changes in revenues and expenses is operating income of \$235,154.

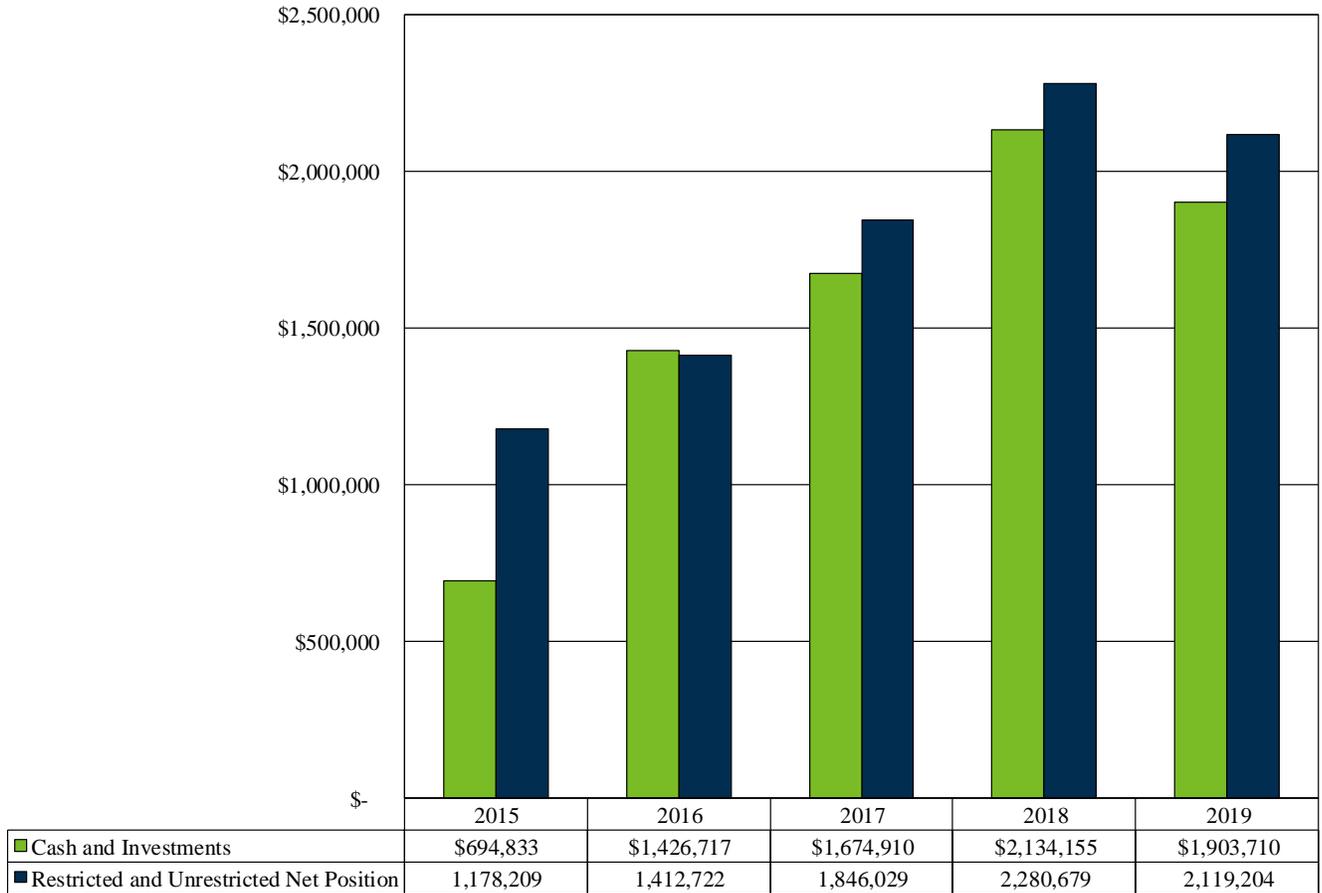
**Surface Water Management Operations**



**City of Marshall  
Financial Analysis**

**SURFACE WATER MANAGEMENT ENTERPRISE FUND (CONTINUED)**

**Surface Water Management Fund**



As of December 31, 2019, the Surface Water Management Fund had a net cash and investment balance of \$1,903,710. This is a decrease of \$230,445 compared to 2018. However, the cash investment balance has increased \$1,208,877 since 2015. Restricted and unrestricted net position at year-end 2019 was \$2,119,204, a decrease of \$161,475 compared to 2018. Unrestricted net position as of December 31, 2019 was \$ 1,837,849.

## **City of Marshall Emerging Issue**

### **Executive Summary**

The following is an executive summary of financial and business related updates to assist you in staying current on emerging issues in accounting and finance. This summary will give you a preview of the new standards that have been recently issued and what is on the horizon for the near future. The most recent and significant update includes:

- **Accounting Standard Update – GASB Statement No. 87 – Leases** – GASB has issued GASB Statement No. 87 relating to accounting and financial reporting for leases. This new statement establishes a single model for lease accounting based on the principle that leases are financing of the right to use an underlying asset.

The following is an extensive summary of the current update. As your continued business partner, we are committed to keeping you informed of new and emerging issues. We are happy to discuss these issues with you further and their applicability to your City.

### **ACCOUNTING STANDARD UPDATE – GASB STATEMENT NO. 87 – LEASES**

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement.

A short-term lease is defined as a lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Lessees and lessors should recognize short-term lease payments as outflows of resources or inflows of resources, respectively, based on the payment provisions of the lease contract.

**City of Marshall**  
**Emerging Issue**

**ACCOUNTING STANDARD UPDATE – GASB STATEMENT NO. 87 – LEASES**  
**(CONTINUED)**

A lessee should recognize a lease liability and a lease asset at the commencement of the lease term, unless the lease is a short-term lease or it transfers ownership of the underlying asset. The lease liability should be measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset should be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. A lessee should reduce the lease liability as payments are made and recognize an outflow of resources (for example, expense) for interest on the liability. The lessee should amortize the lease asset in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. The notes to financial statements should include a description of leasing arrangements, the amount of lease assets recognized, and a schedule of future lease payments to be made.

A lessor should recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership of the underlying asset. A lessor should not derecognize the asset underlying the lease. The lease receivable should be measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources should be measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. A lessor should recognize interest revenue on the lease receivable and an inflow of resources (for example, revenue) from the deferred inflows of resources in a systematic and rational manner over the term of the lease. The notes to financial statements should include a description of leasing arrangements and the total amount of inflows of resources recognized from leases.

GASB Statement No. 87 is effective for fiscal years beginning after June 15, 2021.

Information provided above was obtained from [www.gasb.org](http://www.gasb.org).

**City of Marshall  
Lyon County, Minnesota**

**Financial Statements**

**December 31, 2019**

**City of Marshall  
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**City of Marshall  
Elected Officials and Administration  
December 31, 2019**

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Robert Byrnes	Mayor	January 12, 2021
John DeCramer	Council Member, Ward 1	January 10, 2023
Glenn Bayerkohler	Council Member, Ward 1	January 12, 2021
Steven Meister	Council Member, Ward 2	January 12, 2021
Russ Labat	Council Member, Ward 2	January 10, 2023
Craig Schafer	Council Member, Ward 3	January 10, 2023
James Lozinski	Council Member, Ward 3	January 12, 2021
<u>Administration</u>	<u>Position</u>	
Sharon Hanson	City Administrator	Appointed
Karla Drown	Finance Director	Appointed

## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying 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, Minnesota, as of and for the year ended December 31, 2019, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following discretely presented component units: Marshall Municipal Utilities and Marshall Housing Commission. 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 presented for the discretely presented component units mentioned above, is based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

## **Auditor's Responsibility (Continued)**

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

## **Opinions**

In our opinion based on our audit and the reports of other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position 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, Minnesota, as of December 31, 2019, and the respective changes in financial position and where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Implementation of GASB 84**

As discussed in Note 12 to the financial statements, the City has adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and other Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Marshall's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the financial statements.

## **Other Matters (Continued)**

### *Other Information (Continued)*

The combining and individual nonmajor fund financial statements and schedules and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules and the 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 May 19, 2020, on our consideration of the City of Marshall's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Marshall's internal control over financial reporting and compliance.

*BergankDV, Ltd.*

St. Cloud, Minnesota  
May 19, 2020

## **City of Marshall Management's Discussion and Analysis**

As management of the City of Marshall, Minnesota, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2019.

### **Financial Highlights**

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$120,167,918 (net position). Of this amount, \$13,178,968 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$4,887,816, compared to an increase of \$5,000,180 in the previous year. Of this increase, business-type activities (enterprise funds) had an increase of \$2,760,206 and governmental activities had an increase of \$2,127,610. The major factor in the governmental activity change was a MERIT Track Expansion State Grant (\$2,859,352).
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$26,946,782, a decrease of \$3,784,405 in comparison with the prior year. Approximately 36 percent of this total amount, \$10,860,910, is available for spending at the City's discretion between assigned and unassigned fund balance. The fund balances are classified in accordance with GASB Statement No. 54 as follows: 1) nonspendable - \$151,860; 2) restricted - \$15,934,012; 3) assigned - \$7,023,142; and 4) unassigned \$3,837,768.

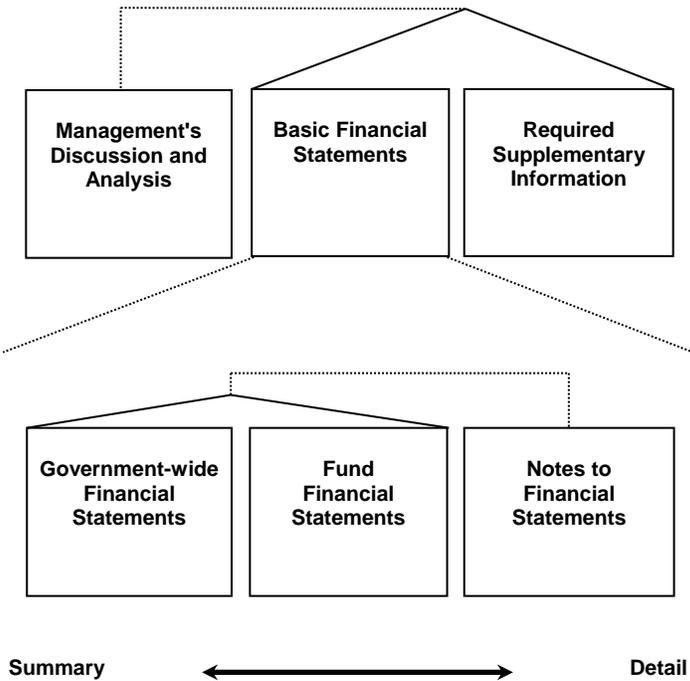
### **Overview of the Financial Statements**

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

**City of Marshall  
Management's Discussion and Analysis**

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules that further explains and supports the information in the financial statements. Figure 1 show how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining an individual fund financial statements and schedules that provide details about nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements.

**Figure 1  
Required Components of the  
City's Annual Financial Report**



**City of Marshall  
Management's Discussion and Analysis**

Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Figure 2  
Major Features of the Government-wide and Fund Financial Statements**

	<b>Fund Financial Statements</b>		
	<b>Government-wide Statements</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses, and Changes in Net Position</li> <li>• Statement of Cash Flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of inflow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

## City of Marshall Management's Discussion and Analysis

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

The *statement of net position* presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference 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 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 and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (*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 include general government, public safety, public works, culture and recreation, economic development, airport and interest on long-term debt. The business-type activities of the City include wastewater treatment, surface water management, and a municipal liquor store operation.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate Marshall Housing Commission, Marshall Municipal Utilities, Economic Development Authority and Marshall-Lyon County Library, all for which the City is financially accountable. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found as listed in the table of contents.

**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, 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 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 *balances 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.

## City of Marshall Management's Discussion and Analysis

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 by the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains numerous individual governmental funds, many of which are Debt Service funds, which are considered one fund for reporting purposes. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, the Tax Increment Financing fund, the Debt Service fund, the 2018 Public Improvement fund and the MERIT Track Expansion Fund, all of which are considered to be major funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

The City adopts an annual appropriated budget for its General fund and certain special revenue funds. Budgetary comparison statements have been provided for the General fund and the Tax Increment Financing and Sales/Lodging Tax special revenue funds to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found as listed in the table of contents.

**Proprietary Funds.** The City maintains one type of proprietary fund. *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 electric, water, wastewater treatment, surface water, and liquor store operations. The electric and water operations are accounted for in the Public Utilities Commission (PUC).

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 each of the enterprise funds which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found as listed in the table of contents.

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

The basic fiduciary fund financial statements can be found as listed in the table of contents.

**Notes to 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. The notes to the financial statements can be found starting on page 35 of this report.

## City of Marshall Management's Discussion and Analysis

**Required Supplementary Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Marshall's share of net pension liabilities for defined benefit plans and schedules of contributions and other postemployment benefits. The required supplementary information can be found as listed in the table of contents.

**Other Information.** The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to financial statements. Combining and individual fund financial statements and schedules can be found as listed in the table of contents.

### 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, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$120,167,918 at the close of the most recent fiscal year.

A large portion of the City's net position (70.5 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### City of Marshall's Summary of Net Position

	Governmental Activities			Business-Type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
<b>Assets</b>						
Current and other assets	\$ 34,645,329	\$ 36,372,743	\$ (1,727,414)	\$ 15,098,489	\$ 13,502,895	\$ 1,595,594
Capital assets	96,138,952	90,846,375	5,292,577	37,166,383	33,252,779	3,913,604
Total assets	130,784,281	127,219,118	3,565,163	52,264,872	46,755,674	5,509,198
<b>Deferred Outflows of Resources</b>						
Deferred OPEB resources	53,470	32,084	21,386	9,227	6,082	3,145
Deferred pension resources	2,069,052	3,012,264	(943,212)	93,517	173,416	(79,899)
Total deferred outflows of resources	2,122,522	3,044,348	(921,826)	102,744	179,498	(76,754)
<b>Liabilities</b>						
Other liabilities	1,249,051	1,519,813	(270,762)	1,186,173	421,918	764,255
Noncurrent liabilities	37,648,014	41,032,016	(3,384,002)	18,501,073	16,542,926	1,958,147
Total liabilities	38,897,065	42,551,829	(3,654,764)	19,687,246	16,964,844	2,722,402
<b>Deferred Inflows of Resources</b>						
Grants for subsequent years	2,675,379	-	2,675,379	-	-	-
Deferred OPEB resources	56,739	-	56,739	9,791	-	9,791
Deferred pension resources	3,615,798	4,263,961	(648,163)	164,483	224,438	(59,955)
Total deferred inflows of resources	6,347,916	4,263,961	2,083,955	174,274	224,438	(50,164)
<b>Net Position</b>						
Net investment in capital assets	64,893,310	55,540,334	9,352,976	19,878,593	17,914,365	1,964,228
Restricted	18,439,295	20,024,390	(1,585,095)	3,777,752	-	3,777,752
Unrestricted	4,329,217	7,882,952	(3,553,735)	8,849,751	11,831,525	(2,981,774)
Total net position	\$ 87,661,822	\$ 83,447,676	\$ 4,214,146	\$ 32,506,096	\$ 29,745,890	\$ 2,760,206

An additional portion of the City's net position (15.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (11.0%) may be used to meet the City's ongoing obligations to citizens and creditors.

## City of Marshall Management's Discussion and Analysis

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

There was an increase of \$2,760,206 in net position reported in connection with the City's business-type activities. This increase was a result of the following funds change in net position: Municipal Liquor Store (\$363,227), Surface Water Management (\$998,735) and Wastewater Treatment (\$1,398,244). The Municipal Liquor fund's gross profit percentage is currently at 26.0%, higher than 23.3% in 2018.

**Governmental Activities.** Governmental activities increased the City's net position by \$2,127,610. Key elements of this increase are described above and summarized in the following table:

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

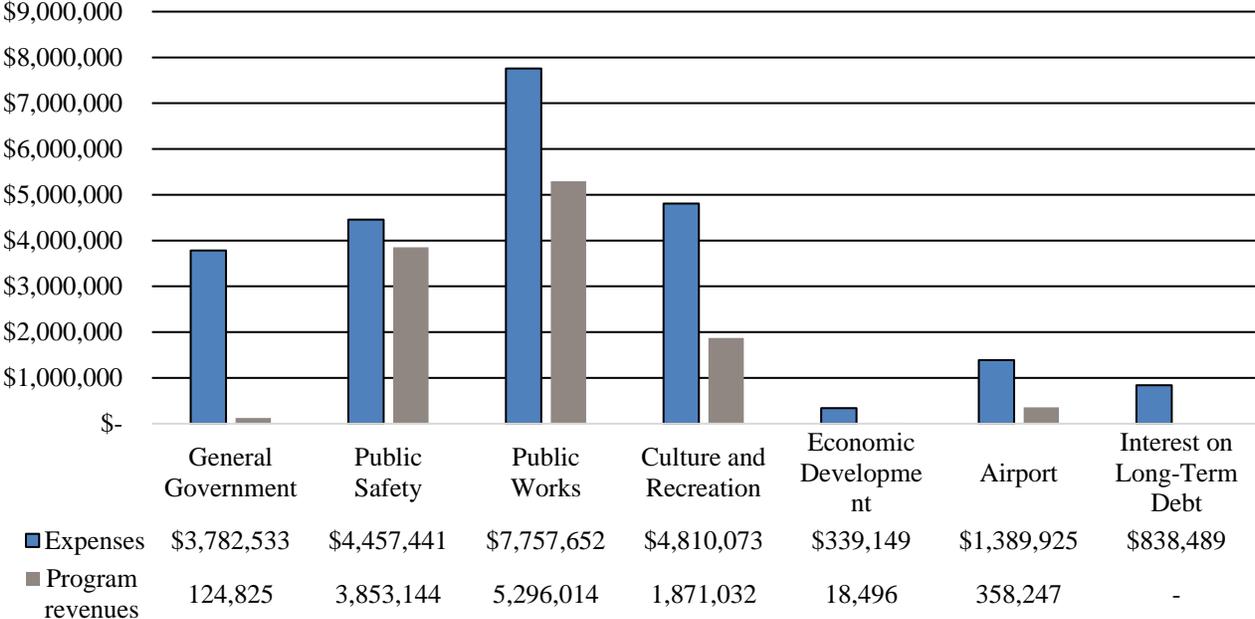
	Governmental Activities			Business-Type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 3,386,582	\$ 3,215,326	\$ 171,256	\$ 12,509,331	\$ 11,774,791	\$ 734,540
Operating grants and contributions	1,804,838	1,363,290	441,548	2,303	-	2,303
Capital grants and contributions	6,330,338	5,416,612	913,726	840,529	13,046	827,483
General revenues						
Property taxes	6,673,726	6,266,425	407,301	-	(105)	105
Tax increments	308,163	749,421	(441,258)	-	-	-
Franchise fees and other taxes	2,799,220	2,679,113	120,107	-	-	-
State grants and contributions not restricted to specific programs	3,312,799	3,315,293	(2,494)	-	-	-
Unrestricted investment earnings	502,722	241,317	261,405	265,151	70,479	194,672
Other	100,192	43,014	57,178	-	25,917	(25,917)
Total revenues	<u>25,218,580</u>	<u>23,289,811</u>	<u>1,928,769</u>	<u>13,617,314</u>	<u>11,884,128</u>	<u>1,733,186</u>
Expenses						
General government	\$3,782,533	3,370,422	412,111	-	-	-
Public safety	4,457,441	4,069,232	388,209	-	-	-
Public works	7,757,652	7,252,085	505,567	-	-	-
Culture and recreation	4,810,073	3,110,696	1,699,377	-	-	-
Economic development	339,149	138,506	200,643	-	-	-
Airport	1,389,925	512,992	876,933	-	-	-
Interest on long-term debt	838,489	931,375	(92,886)	-	-	-
Wastewater treatment	-	-	-	4,540,427	5,117,137	(576,710)
Surface water management	-	-	-	1,036,031	970,624	65,407
Municipal liquor store	-	-	-	4,996,358	4,678,944	317,414
Parkway townhomes	-	-	-	-	21,746	(21,746)
Total expenses	<u>23,375,262</u>	<u>19,385,308</u>	<u>3,989,954</u>	<u>10,572,816</u>	<u>10,788,451</u>	<u>(215,635)</u>
Increase in Net Position before Transfers	1,843,318	3,904,503	(2,061,185)	3,044,498	1,095,677	1,948,821
Transfers	284,292	448,290	(163,998)	(284,292)	(448,290)	163,998
Change in Net Position	2,127,610	4,352,793	(2,225,183)	2,760,206	647,387	2,112,819
Net position, January 1, as previously stated	83,447,676	79,094,883	4,352,793	29,745,890	29,098,503	647,387
Change in Accounting Principle	2,086,536	-	2,086,536	-	-	-
Net position, January 1, as restated	<u>85,534,212</u>	<u>79,094,883</u>	<u>6,439,329</u>	<u>29,745,890</u>	<u>29,098,503</u>	<u>647,387</u>
Net position, December 31	<u>\$ 87,661,822</u>	<u>\$ 83,447,676</u>	<u>\$ 4,214,146</u>	<u>\$ 32,506,096</u>	<u>\$ 29,745,890</u>	<u>\$ 2,760,206</u>

\*State grants & contributions not restricted to specific programs

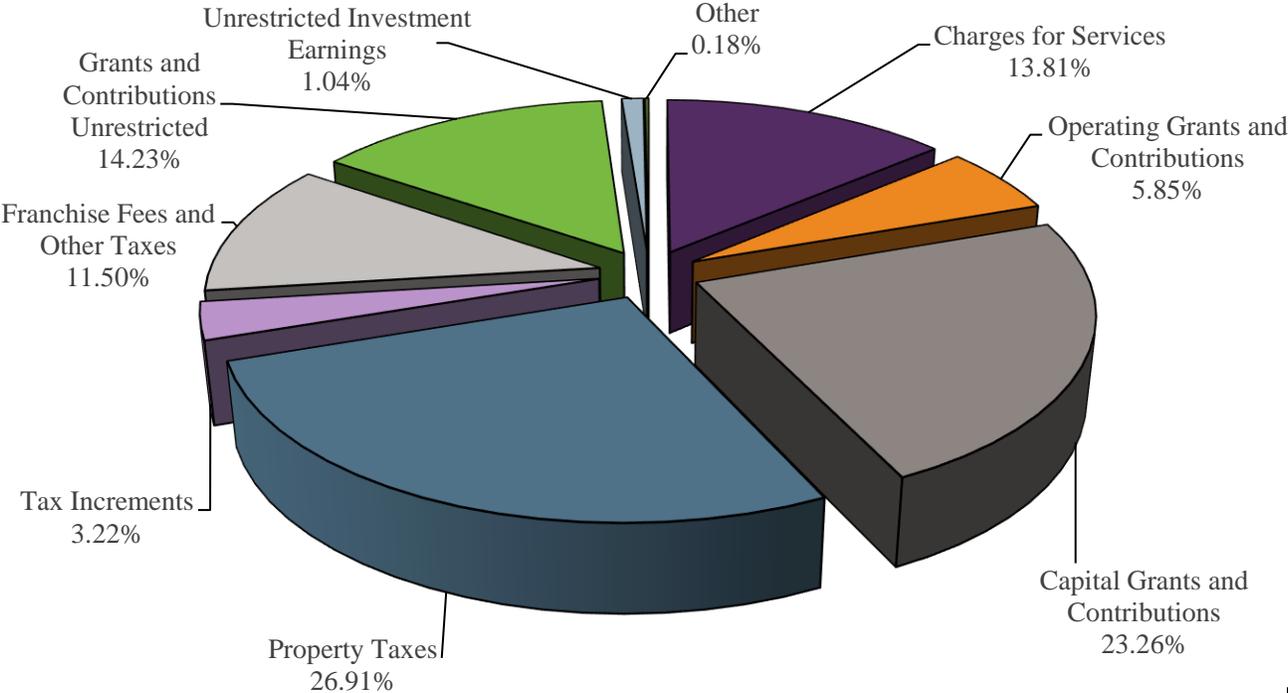
## City of Marshall Management's Discussion and Analysis

The following graphs depict various governmental activities and show the revenues and expenses directly related to those activities.

**Expenses and Program Revenues - Governmental Activities**



**Revenues by Source - Governmental Activities**

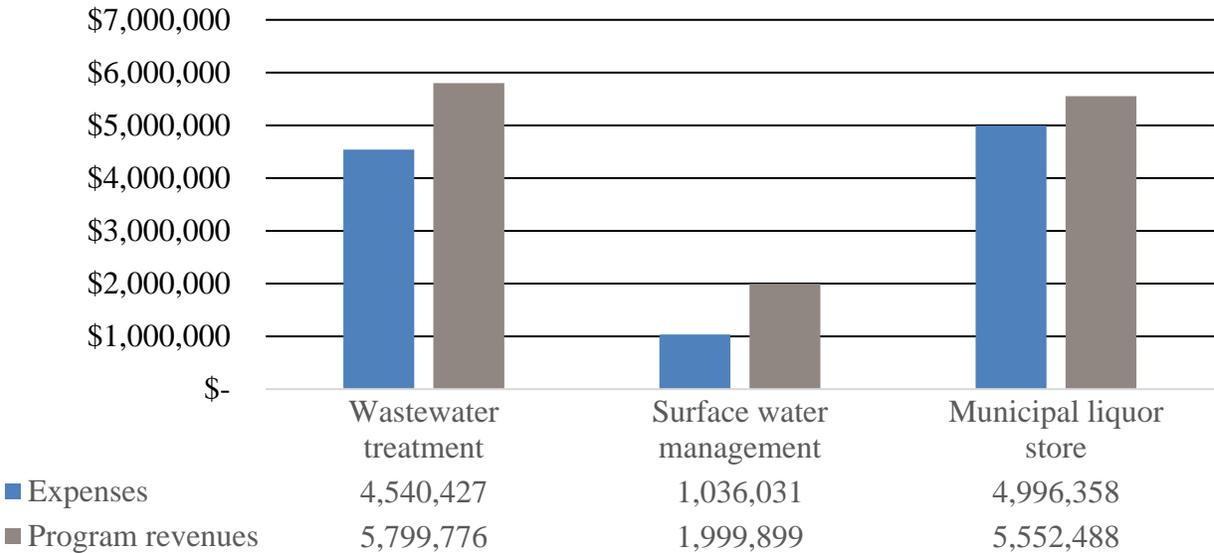


**City of Marshall  
Management's Discussion and Analysis**

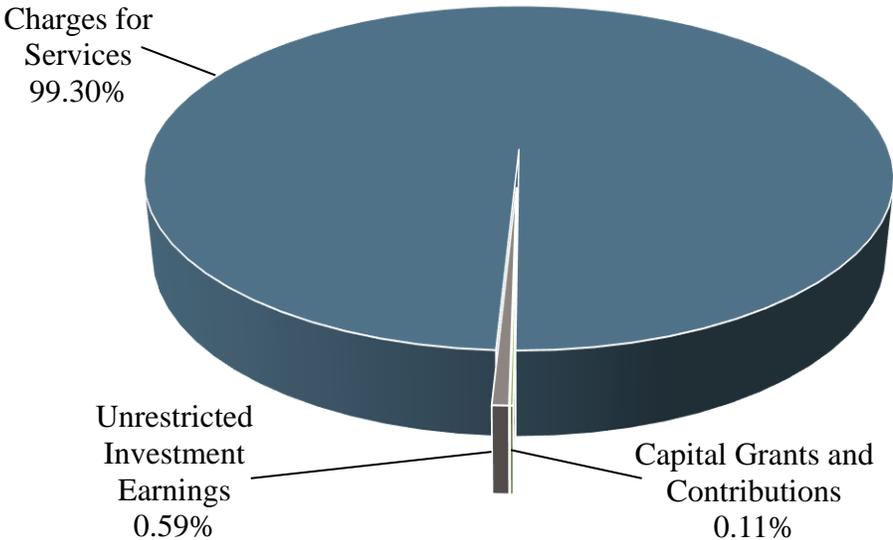
**Business-type Activities.** Business-type activities increased the City's net position by \$2,760,206. Key elements of this increase are as follows:

- Overall gross profit increased by \$233,305 in the business-type funds while operating expenses decreased by \$397,655.
- Transfers out decreased by \$163,998 in the current year.

**Expenses and Program Revenues - Business-Type Activities**



**Revenues by Source - Business-Type Activities**



## City of Marshall Management's Discussion and Analysis

### Financial Analysis of the City's Funds

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

**Governmental Funds.** The focus of the City'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'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.

The *General fund* is the chief operating fund of the City. At the end of the current year, the fund balance of the General fund was \$7,239,435. 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 55.5 percent of fund expenditures, while total fund balance also represents 58.3 percent of that same amount.

The fund balance of the City's *General fund* decreased by \$389,738 during the current fiscal year. The key factor in this decrease was a planned draw down of reserves of \$ 600,000. There was also an increase of revenues of \$299,714.

The *Tax Increment Financing fund* has a total fund balance of \$5,092,960. The net decrease in fund balance during the current year in this fund was \$60,957. The key factor for this decrease relates to tax increment revenues of \$308,163 not exceeding transfers out totaling \$365,135 to debt service funds for capital improvements.

The *Debt Service fund* has a total fund balance of \$6,290,378, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year in the Debt Service fund was \$341,922. Major factors in this increase were due primarily to revenues and transfers in of \$6,426,541 that were mainly offset by debt service payments of \$5,501,527 and transfers out of 583,092.

The *2018 Public Improvement fund* has a total fund balance of negative \$2,229,999. The fund is currently negative due to deferred grant revenue of 2,404,470 of Municipal State Aid Funds not yet earned.

The *MERIT Track Expansion fund* has a total fund balance of negative \$55,531. The fund is currently negative due to a timing difference of grant proceeds and grant expenditures.

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$ 8,849,751. The total increase in net position for the funds was \$2,760,206. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

**City of Marshall  
Management's Discussion and Analysis**

**General Fund Budgetary Highlights**

The City's General fund budget had no amendments during the year. The budget called for a decrease in fund balance of \$121,733. Actual revenues exceeded budgeted revenues by \$576,161 and the expenditure budget was overspent by \$214,166. Other financing sources (uses) were over expectations by \$630,000 due to intended use of reserves of 600,000 to fund capital projects. The net result was a decrease to the General fund balance of \$389,738 in 2019.

**Capital Asset and Debt Administration**

**Capital Assets.** The City's investment in capital assets for its governmental and business type activities as of December 31, 2019, amounts to \$133,305,335 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges. The total increase in the City's investment in capital assets for the current fiscal year was 7.4% (a 5.8% increase for governmental activities and an 11.8% increase for business-type activities).

Some of the major capital asset events during the current fiscal year included the following:

**Governmental Activities**

- Reb Baron Parking Lot costs of \$431,608
- Street Department Parking Lot costs of \$308,133
- Commerce Industrial Park costs of \$961,705
- MERIT Track Expansion costs for \$2,859,352
- City Hall Reconstruction Project costs for \$337,909

**Business-type Activities**

- Wastewater Plant Upgrade costs of \$4,463,362

Additional information on the City's capital assets can be found in Note 6 starting found in the footnotes as listed in the table of contents.

**City of Marshall's Capital Assets  
(net of depreciation)**

	Governmental Activities			Business-Type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Land	\$ 7,320,348	\$ 7,301,489	\$ (18,859)	\$ 512,872	\$ 512,872	\$ -
Construction in progress	4,146,722	7,269,915	3,123,193	4,695,278	667,011	(4,028,267)
Buildings	33,634,037	29,176,649	(4,457,388)	2,194,956	2,263,093	68,137
Improvements other than buildings	12,895,935	13,132,458	236,523	7,288,956	8,184,879	895,923
Systems and infrastructure	34,121,551	29,777,167	(4,344,384)	21,262,887	20,196,444	(1,066,443)
Equipment and machinery	3,959,668	4,188,697	229,029	1,211,434	1,428,480	217,046
Library books	60,691	-	(60,691)	-	-	-
<b>Total</b>	<b>\$ 96,138,952</b>	<b>\$ 90,846,375</b>	<b>\$ (5,292,577)</b>	<b>\$ 37,166,383</b>	<b>\$ 33,252,779</b>	<b>\$ (3,913,604)</b>

## City of Marshall Management's Discussion and Analysis

**Long-term Debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$46,403,363. Of this amount, \$2,875,000 is general obligation debt, \$3,210,000 is tax increment debt, \$2,580,000 is tax abatement debt, \$20,793,608 is general obligation assessment debt and \$16,944,755 is revenue debt. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

### City of Marshall's Outstanding Debt

	Governmental Activities			Business-Type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
General Obligation Bonds	\$ 2,875,000	\$ 2,745,000	\$ 130,000	\$ -	\$ -	\$ -
G.O. Tax Increment Bonds	3,210,000	3,760,000	(550,000)	-	-	-
G.O. Tax Abatement Bonds	2,580,000	2,695,000	(115,000)	-	-	-
G.O. Special Assessment Bonds	20,793,608	24,133,608	(3,340,000)	-	-	-
G.O. Revenue Bonds	-	-	-	10,126,392	12,381,392	(2,255,000)
Revenue Bonds	-	-	-	2,355,000	2,560,000	(205,000)
PFA Notes	-	-	-	4,463,363	-	4,463,363
<b>Total</b>	<b>\$ 29,458,608</b>	<b>\$ 33,333,608</b>	<b>\$ (3,875,000)</b>	<b>\$ 16,944,755</b>	<b>\$ 14,941,392</b>	<b>\$ 2,003,363</b>

The City's total debt decreased \$1,871,637, or 3.9 percent during the current fiscal year. Long-term debt of \$4,463,363 was issued during the year and \$6,335,000 was retired during the year.

Minnesota statutes limit the amount of net general obligation debt a City may issue up to 3 percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The current debt limitation for the City is \$28,965,708, which is significantly in excess of the City's outstanding debt subject to the limit of \$11,680,000.

The City of Marshall maintains an AA bond rating on its general obligation bonds from Standard and Poor's. Marshall Municipal Utilities has also received an A rating from Standard and Poor's.

Additional information on the City's long-term debt can be found in Note 7 in the footnotes as listed in the table of contents.

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

- The unemployment rate for Lyon County is currently 4.0%. This is comparable to the State's average unemployment rate of 3.1% and the national average rate of 4.4%.
- Property valuations within the City remain relatively stable.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City's budget for the 2020 fiscal year.

Property tax levies increased by \$ 270,642 or (3.99 percent) during the year.

### Requests for Information

This financial report is designed to provide a general overview of the City'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 Finance Director, City of Marshall, 344 West Main Street, Marshall, Minnesota 56258.

## **BASIC FINANCIAL STATEMENTS**

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**City of Marshall  
Statement of Net Position  
December 31, 2019**

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	Marshall Municipal Utilities	Marshall Housing Commission	Economic Development Authority
<b>Assets</b>						
Cash and temporary investments	\$ 29,173,659	\$ 8,781,882	\$ 37,955,541	\$ 22,983,279	\$ 471,837	\$ 1,210,656
Restricted assets	-	3,777,752	3,777,752	6,241,362	31,901	-
Receivables						
Interest	66,110	4,669	70,779	152,693	485	1,354
Delinquent taxes	155,157	6	155,163	-	-	2,997
Accounts	171,605	156,096	327,701	4,474,022	28,159	-
Notes	33,594	-	33,594	27,558	-	233,713
Special assessments	3,408,422	36,290	3,444,712	-	-	-
Intergovernmental	699,096	741,189	1,440,285	-	-	406
Due from component units/primary government	171,582	795,343	966,925	112,033	-	-
Inventories	-	758,186	758,186	749,921	1,100	-
Prepaid items	151,860	47,076	198,936	219,107	14,495	118
Land held for resale	-	-	-	-	-	1,034,422
Net pension asset	614,244	-	614,244	-	-	-
Capital assets						
Nondepreciable	11,467,070	5,208,150	16,675,220	3,008,119	514,965	-
Depreciable, net of accumulated depreciation	84,671,882	31,958,233	116,630,115	66,322,659	2,362,916	5,653
Total Assets	<u>130,784,281</u>	<u>52,264,872</u>	<u>183,049,153</u>	<u>104,290,753</u>	<u>3,425,858</u>	<u>2,489,319</u>
<b>Deferred Outflows of Resources</b>						
Deferred outflows related to OPEB	53,470	9,227	62,697	38,217	-	-
Deferred outflows related to pensions	2,069,052	93,517	2,162,569	216,440	-	-
Total Deferred Outflows of Resources	<u>2,122,522</u>	<u>102,744</u>	<u>2,225,266</u>	<u>254,657</u>	<u>-</u>	<u>-</u>
<b>Liabilities</b>						
Accounts payable	\$ 273,975	\$ 233,055	\$ 507,030	\$ 3,239,992	\$ 4,391	\$ 47,627
Contracts payable	218,322	696,558	914,880	-	-	-
Due to other governments	78,018	64,601	142,619	-	8,352	-
Due to component units/primary government	83,522	28,511	112,033	799,851	-	167,074
Accrued interest payable	402,068	123,104	525,172	350,439	-	-
Accrued salaries payable	186,364	32,987	219,351	268,069	3,761	-
Accrued liabilities - other	-	-	-	-	7,168	-
Deposits payable	-	-	-	88,151	23,920	-
Unearned revenue	6,782	7,357	14,139	-	7,981	-
Noncurrent liabilities						
Due within one year	3,705,674	2,356,539	6,062,213	3,535,000	14,303	-
Due in more than one year	28,616,357	15,208,113	43,824,470	20,107,204	44,929	-
Net pension liability, due in more than one year	4,906,771	864,078	5,770,849	2,405,018	-	-
Total OPEB liability, due in more than one year	419,212	72,343	491,555	353,012	-	-
Total liabilities	<u>38,897,065</u>	<u>19,687,246</u>	<u>58,584,311</u>	<u>31,146,736</u>	<u>114,805</u>	<u>214,701</u>
<b>Deferred Inflows of Resources</b>						
Grants for subsequent years	2,675,379	-	2,675,379	2,337,071	-	-
Deferred inflows related to OPEB	56,739	9,791	66,530	8,729	-	-
Deferred inflows related to pensions	3,615,798	164,483	3,780,281	653,269	-	-
Total deferred inflows of resources	<u>6,347,916</u>	<u>174,274</u>	<u>6,522,190</u>	<u>2,999,069</u>	<u>-</u>	<u>-</u>
<b>Net Position</b>						
Net investment in capital assets	64,893,310	19,878,593	84,771,903	45,188,707	2,877,881	5,653
Restricted for						
Debt service	8,795,661	3,777,752	12,573,413	6,241,362	-	-
City celebrations	18,259	-	18,259	-	-	-
Economic development	2,329,799	-	2,329,799	-	-	-
Tax increment financing	5,092,960	-	5,092,960	-	-	-
Capital projects	2,113,479	-	2,113,479	-	-	-
Library	89,137	-	89,137	-	-	-
Unrestricted	4,329,217	8,849,751	13,178,968	18,969,536	433,172	2,268,965
Total net position	<u>\$ 87,661,822</u>	<u>\$ 32,506,096</u>	<u>\$ 120,167,918</u>	<u>\$ 70,399,605</u>	<u>\$ 3,311,053</u>	<u>\$ 2,274,618</u>



Net (Expense) Revenues and Changes in Net Position

Primary Government			Component Units		
Governmental Activities	Business-Type Activities	Total	Marshall Municipal Utilities	Marshall Housing Commission	Economic Development Authority
\$ (3,657,708)	\$ -	\$ (3,657,708)	\$ -	\$ -	\$ -
(604,297)	-	(604,297)	-	-	-
(2,461,638)	-	(2,461,638)	-	-	-
(2,939,041)	-	(2,939,041)	-	-	-
(320,653)	-	(320,653)	-	-	-
(1,031,678)	-	(1,031,678)	-	-	-
(838,489)	-	(838,489)	-	-	-
<u>(11,853,504)</u>	<u>-</u>	<u>(11,853,504)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	1,259,349	1,259,349	-	-	-
-	963,868	963,868	-	-	-
-	556,130	556,130	-	-	-
-	<u>2,779,347</u>	<u>2,779,347</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ (11,853,504)</u>	<u>\$ 2,779,347</u>	<u>\$ (9,074,157)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 853,777	\$ -	\$ -
-	-	-	341,565	-	-
-	-	-	-	(174,243)	-
-	-	-	-	-	(269,907)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,195,342</u>	<u>\$ (174,243)</u>	<u>\$ (269,907)</u>
\$ 4,954,734	\$ -	\$ 4,954,734	\$ -	\$ -	\$ -
-	-	-	-	-	125,005
1,718,992	-	1,718,992	-	-	-
308,163	-	308,163	-	-	-
2,042,872	-	2,042,872	-	-	-
265,746	-	265,746	-	-	-
490,602	-	490,602	-	-	-
3,312,799	-	3,312,799	-	-	-
502,722	265,151	767,873	1,125,667	4,796	21,822
59,115	-	59,115	-	-	60,925
41,077	-	41,077	-	1,402	-
284,292	(284,292)	-	-	-	-
<u>13,981,114</u>	<u>(19,141)</u>	<u>13,961,973</u>	<u>1,125,667</u>	<u>6,198</u>	<u>207,752</u>
2,127,610	2,760,206	4,887,816	2,321,009	(168,045)	(62,155)
83,447,676	29,745,890	113,193,566	68,078,596	3,479,098	2,377,273
2,086,536	-	2,086,536	-	-	(40,500)
<u>85,534,212</u>	<u>29,745,890</u>	<u>115,280,102</u>	<u>68,078,596</u>	<u>3,479,098</u>	<u>2,336,773</u>
<u>\$ 87,661,822</u>	<u>\$ 32,506,096</u>	<u>\$ 120,167,918</u>	<u>\$ 70,399,605</u>	<u>\$ 3,311,053</u>	<u>\$ 2,274,618</u>

**City of Marshall**  
**Balance Sheet - Governmental Funds**  
**December 31, 2019**

	General Fund (101)	Tax Increment Financing (230)	Debt Service (300s)
<b>Assets</b>			
Cash and temporary investments	\$ 7,433,723	\$ 4,202,463	\$ 6,277,284
Receivables			
Interest receivable	237	54,286	9,562
Delinquent taxes	110,267	-	35,249
Accounts receivable	102,066	-	-
Notes	-	-	-
Special assessments	4,853	-	2,873,740
Intergovernmental	144,816	-	5,575
Due from other funds	-	669,437	-
Due from component units	4,508	167,074	-
Prepaid items	119,804	-	-
	<u>\$ 7,920,274</u>	<u>\$ 5,093,260</u>	<u>\$ 9,201,410</u>
<b>Total assets</b>			
	<u>\$ 7,920,274</u>	<u>\$ 5,093,260</u>	<u>\$ 9,201,410</u>
<b>Liabilities</b>			
Accounts payable	128,694	219	3,681
Contracts payable	-	-	-
Due to other funds	153,601	-	-
Due to component units	69,616	81	-
Due to other governments	42,237	-	-
Accrued salaries payable	164,789	-	-
Unearned revenue	6,782	-	-
	<u>565,719</u>	<u>300</u>	<u>3,681</u>
<b>Total liabilities</b>			
	<u>565,719</u>	<u>300</u>	<u>3,681</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - taxes	110,267	-	35,249
Unavailable revenue - special assessments	4,853	-	2,872,102
Grants for subsequent years	-	-	-
	<u>115,120</u>	<u>-</u>	<u>2,907,351</u>
<b>Total deferred inflows of resources</b>			
	<u>115,120</u>	<u>-</u>	<u>2,907,351</u>
<b>Fund Balances (Deficits)</b>			
Nonspendable			
Prepaid items	119,804	-	-
Restricted			
Debt service	-	-	6,290,378
City celebrations	-	-	-
Economic development	-	-	-
Tax increment financing	-	5,092,960	-
Capital projects	-	-	-
Library	-	-	-
Assigned			
Insurance reserve	93,347	-	-
OPEB liability	419,212	-	-
Shelter	17,194	-	-
Forfeiture program - police department	63,783	-	-
Unallocated health insurance premium	12,218	-	-
Staff seperation	-	-	-
Library operations	-	-	-
Economic development	-	-	-
Capital projects	-	-	-
Drivers education	-	-	-
ASC Arena	-	-	-
Park improvements	-	-	-
Emergency response and industrial training center	-	-	-
Unassigned	6,513,877	-	-
	<u>7,239,435</u>	<u>5,092,960</u>	<u>6,290,378</u>
<b>Total fund balances (deficits)</b>			
	<u>7,239,435</u>	<u>5,092,960</u>	<u>6,290,378</u>
<b>Total liabilities, deferred inflows of resources, and fund balances (deficits)</b>			
	<u>\$ 7,920,274</u>	<u>\$ 5,093,260</u>	<u>\$ 9,201,410</u>

See notes to financial statements.

2018 Public Improvements (475)	MERIT Track Expansion (493)	Other Governmental Funds	Totals
\$ 209,620	\$ -	\$ 11,050,569	\$ 29,173,659
-	-	2,025	66,110
-	-	9,641	155,157
-	-	69,539	171,605
-	-	33,594	33,594
-	-	529,829	3,408,422
15,936	103,053	429,716	699,096
-	-	436,105	1,105,542
-	-	-	171,582
-	-	32,056	151,860
<u>\$ 225,556</u>	<u>\$ 103,053</u>	<u>\$ 12,593,074</u>	<u>\$ 35,136,627</u>
-	-	141,381	273,975
51,085	139,967	27,270	218,322
-	15,526	936,415	1,105,542
-	-	13,825	83,522
-	3,091	32,690	78,018
-	-	21,575	186,364
-	-	-	6,782
<u>51,085</u>	<u>158,584</u>	<u>1,173,156</u>	<u>1,952,525</u>
-	-	9,641	155,157
-	-	529,829	3,406,784
2,404,470	-	270,909	2,675,379
<u>2,404,470</u>	<u>-</u>	<u>810,379</u>	<u>6,237,320</u>
-	-	32,056	151,860
-	-	-	6,290,378
-	-	18,259	18,259
-	-	2,329,799	2,329,799
-	-	-	5,092,960
-	-	2,113,479	2,113,479
-	-	89,137	89,137
-	-	-	93,347
-	-	-	419,212
-	-	-	17,194
-	-	-	63,783
-	-	-	12,218
-	-	100,388	100,388
-	-	86,955	86,955
-	-	143,418	143,418
-	-	5,655,057	5,655,057
-	-	62,316	62,316
-	-	100,971	100,971
-	-	182,647	182,647
-	-	85,636	85,636
(2,229,999)	(55,531)	(390,579)	3,837,768
<u>(2,229,999)</u>	<u>(55,531)</u>	<u>10,609,539</u>	<u>26,946,782</u>
<u>\$ 225,556</u>	<u>\$ 103,053</u>	<u>\$ 12,593,074</u>	<u>\$ 35,136,627</u>

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**City of Marshall**  
**Reconciliation of the Balance Sheet to**  
**the Statement of Net Position - Governmental Funds**  
**December 31, 2019**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances - governmental funds	26,946,782
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	96,138,952
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of:	
Compensated absences payable	(1,076,389)
Other postemployment benefits obligation	(419,212)
Pension liability	(4,906,771)
Bonds payable	(29,458,608)
Unamortized bond premiums	(1,787,034)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes	155,157
Special assessments receivable	3,406,784
Long-term assets from pensions reported in governmental activities are not financial resources therefore are not reported as assets in the funds.	614,244
Governmental funds do not report long-term amounts related to pensions and other post-employment benefits.	
Deferred outflows of pension resources	2,069,052
Deferred inflows of pension resources	(3,615,798)
Deferred outflows of other postemployment benefits	53,470
Deferred inflows of other postemployment benefits	(56,739)
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(402,068)</u>
Total net position - governmental activities	<u><u>\$ 87,661,822</u></u>

**City of Marshall**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Governmental Funds**  
**Year Ended December 31, 2019**

	General Fund (101)	Tax Increment Financing (230)	Debt Service (300s)
<b>Revenues</b>			
Taxes	\$ 5,167,825	\$ 308,163	\$ 1,718,676
Special assessments	2,862	-	1,034,019
Licenses and permits	409,622	-	-
Intergovernmental	3,151,228	-	-
Charges for services	2,161,714	-	-
Fines and forfeitures	127,425	-	-
Investment earnings	162,709	78,729	74,669
Miscellaneous	1,219,004	-	500,000
Total revenues	<u>12,402,389</u>	<u>386,892</u>	<u>3,327,364</u>
<b>Expenditures</b>			
Current			
General government	3,180,045	-	-
Public safety	3,810,175	-	-
Public works	3,182,712	-	-
Culture and recreation	1,742,781	-	-
Economic development	-	82,714	-
Airport	489,969	-	-
Capital outlay			
General government	-	-	-
Public safety	11,445	-	-
Public works	-	-	-
Culture and recreation	-	-	-
Airport	-	-	-
Debt service			
Principal	-	-	4,440,000
Interest and other	-	-	1,061,527
Total expenditures	<u>12,417,127</u>	<u>82,714</u>	<u>5,501,527</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(14,738)</u>	<u>304,178</u>	<u>(2,174,163)</u>
<b>Other Financing Sources (Uses)</b>			
Sale of capital assets	-	-	-
Transfers in	225,000	-	3,099,177
Transfers out	(600,000)	(365,135)	(583,092)
Total other financing sources (uses)	<u>(375,000)</u>	<u>(365,135)</u>	<u>2,516,085</u>
Net change in fund balances	(389,738)	(60,957)	341,922
Fund Balances, January 1	7,629,173	5,153,917	5,831,563
Prior period adjustment (See Note 13)	-	-	116,893
Fund Balances, January 1, restated	<u>7,629,173</u>	<u>5,153,917</u>	<u>5,948,456</u>
Fund Balances, December 31	<u><u>7,239,435</u></u>	<u><u>5,092,960</u></u>	<u><u>6,290,378</u></u>

2018 Public Improvements (475)	MERIT Track Expansion (493)	Other Governmental Funds	Totals
\$ -	\$ -	\$ 2,599,234	\$ 9,793,898
-	-	334,191	1,371,072
-	-	-	409,622
15,936	2,803,821	3,154,602	9,125,587
-	-	297,381	2,459,095
-	-	15,040	142,465
1,851	-	184,764	502,722
15,485	-	242,936	1,977,425
<u>33,272</u>	<u>2,803,821</u>	<u>6,828,148</u>	<u>25,781,886</u>
-	-	279,215	3,459,260
-	-	169,891	3,980,066
1,358	-	2	3,184,072
-	-	1,744,883	3,487,664
-	-	256,435	339,149
-	-	5,000	494,969
-	-	396,217	396,217
-	2,859,352	10,000	2,880,797
383,899	-	2,429,257	2,813,156
60,637	-	570,543	631,180
-	-	50,000	50,000
-	-	-	4,440,000
-	-	-	1,061,527
<u>445,894</u>	<u>2,859,352</u>	<u>5,911,443</u>	<u>27,218,057</u>
<u>(412,622)</u>	<u>(55,531)</u>	<u>916,705</u>	<u>(1,436,171)</u>
-	-	59,115	59,115
-	-	1,439,375	4,763,552
-	-	(2,931,033)	(4,479,260)
-	-	(1,432,543)	343,407
<u>(412,622)</u>	<u>(55,531)</u>	<u>(515,838)</u>	<u>(1,092,764)</u>
256,467	-	11,860,067	30,731,187
(2,073,844)	-	(734,690)	(2,691,641)
<u>(1,817,377)</u>	<u>-</u>	<u>11,125,377</u>	<u>28,039,546</u>
<u>(2,229,999)</u>	<u>(55,531)</u>	<u>10,609,539</u>	<u>26,946,782</u>

**Reconciliation of the Statement of Revenues,  
Expenditures, and Changes in Fund Balances to  
the Statement of Activities - Governmental Funds  
Year Ended December 31, 2019**

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Net change in fund balances - governmental funds	\$ (1,092,764)
<p>Governmental funds report capital outlay as expenditures. However, in the statement of a activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.</p>	
Capital outlay	5,354,299
Depreciation expense	(5,997,416)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>	
Principal Repayments	4,440,000
Bonds premiums amortization	195,373
Bond discounts amortization	(2,476)
<p>Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>	
	30,141
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	(18,563)
<p>Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.</p>	
Property taxes	(12,789)
Special assessments	(637,838)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
Compensated absences	(88,265)
Other postemployment benefits costs	(42,092)
	(130,367)
Change in net position - governmental activities	\$ 2,127,610

**City of Marshall**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**Year Ended December 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 5,080,788	\$ 5,080,788	\$ 5,167,825	\$ 87,037
Licenses and permits	261,851	261,851	409,622	147,771
Special assessments	-	-	2,862	2,862
Intergovernmental	3,094,857	3,094,857	3,151,228	56,371
Charges for services	2,297,738	2,297,738	2,161,714	(136,024)
Fines and forfeitures	101,400	101,400	127,425	26,025
Investment earnings	30,000	30,000	162,709	132,709
Miscellaneous	959,594	959,594	1,219,004	259,410
Total revenues	<u>11,826,228</u>	<u>11,826,228</u>	<u>12,402,389</u>	<u>576,161</u>
<b>Expenditures</b>				
Current				
General government	3,227,163	3,227,163	3,180,045	(47,118)
Public safety	3,742,562	3,742,562	3,810,175	67,613
Public works	2,861,300	2,861,300	3,182,712	321,412
Culture and recreation	1,912,574	1,912,574	1,742,781	(169,793)
Airport	459,362	459,362	489,969	30,607
Capital outlay				
Public safety	-	-	11,445	11,445
Total expenditures	<u>12,202,961</u>	<u>12,202,961</u>	<u>12,417,127</u>	<u>214,166</u>
Excess of revenues over (under) expenditures	(376,733)	(376,733)	(14,738)	361,995
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital asset	30,000	30,000	-	(30,000)
Transfers in	225,000	225,000	225,000	-
Transfers out	-	-	(600,000)	(600,000)
Total other financing sources (uses)	<u>255,000</u>	<u>255,000</u>	<u>(375,000)</u>	<u>(630,000)</u>
Net change in fund balances	<u>\$ (121,733)</u>	<u>\$ (121,733)</u>	(389,738)	<u>\$ (268,005)</u>
<b>Fund Balance</b>				
Beginning of year			<u>7,629,173</u>	
End of year			<u>\$ 7,239,435</u>	

**City of Marshall**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - Tax Increment Financing**  
**Year Ended December 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 295,300	\$ 295,300	\$ 308,163	\$ 12,863
Investment earnings	15,000	15,000	78,729	63,729
Total revenues	<u>310,300</u>	<u>310,300</u>	<u>386,892</u>	<u>76,592</u>
<b>Expenditures</b>				
Current				
Economic development	<u>68,375</u>	<u>68,375</u>	<u>82,714</u>	<u>14,339</u>
Excess of revenues over expenditures	<u>241,925</u>	<u>241,925</u>	<u>304,178</u>	<u>62,253</u>
<b>Other Financing Sources</b>				
Transfers out	<u>(395,520)</u>	<u>(395,520)</u>	<u>(365,135)</u>	<u>30,385</u>
Net change in fund balances	<u>\$ (153,595)</u>	<u>\$ (153,595)</u>	<u>(60,957)</u>	<u>\$ 92,638</u>
<b>Fund Balance</b>				
Beginning of year			<u>5,153,917</u>	
End of year			<u>\$ 5,092,960</u>	

**City of Marshall**  
**Statement of Net Position - Proprietary Funds**  
**December 31, 2019**

	Wastewater Treatment (602)	Municipal Liquor Store (609)	Surface Water Management (630)	Totals
<b>Assets</b>				
<b>Current assets</b>				
Cash and temporary investments	\$ 6,828,459	\$ 331,068	\$ 1,622,355	\$ 8,781,882
Restricted assets				
Debt service	1,791,156	1,705,241	281,355	3,777,752
Receivables				
Interest	271	4,276	122	4,669
Accounts	151,801	70	4,225	156,096
Delinquent taxes	-	-	6	6
Special assessments	-	-	36,290	36,290
Intergovernmental	741,189	-	-	741,189
Due from component units	592,339	-	203,004	795,343
Inventories	-	758,186	-	758,186
Prepaid items	25,930	12,453	8,693	47,076
Total current assets	<u>10,131,145</u>	<u>2,811,294</u>	<u>2,156,050</u>	<u>15,098,489</u>
<b>Noncurrent assets</b>				
<b>Capital assets</b>				
Land	199,134	48,603	265,135	512,872
Construction in progress	4,508,361	-	186,917	4,695,278
Buildings	168,472	2,359,862	-	2,528,334
Improvements other than buildings	28,001,430	123,122	-	28,124,552
Systems and infrastructure	21,447,259	-	17,273,774	38,721,033
Equipment and machinery	3,214,424	167,916	356,215	3,738,555
Total capital assets	<u>57,539,080</u>	<u>2,699,503</u>	<u>18,082,041</u>	<u>78,320,624</u>
Less accumulated depreciation	<u>(33,438,582)</u>	<u>(381,601)</u>	<u>(7,334,058)</u>	<u>(41,154,241)</u>
Total noncurrent assets	<u>24,100,498</u>	<u>2,317,902</u>	<u>10,747,983</u>	<u>37,166,383</u>
Total assets	<u>34,231,643</u>	<u>5,129,196</u>	<u>12,904,033</u>	<u>52,264,872</u>
<b>Deferred Outflows of Resources</b>				
Deferred inflows related to pensions	67,688	25,829	-	93,517
Deferred inflows related to OPEB	7,859	1,368	-	9,227
Total deferred outflows of resources	<u>75,547</u>	<u>27,197</u>	<u>-</u>	<u>102,744</u>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable	61,994	163,214	7,847	233,055
Contracts payable	696,558	-	-	696,558
Due to component unit	24,552	2,138	1,821	28,511
Due to other governments	233	64,223	145	64,601
Accrued interest payable	90,525	5,546	27,033	123,104
Accrued salaries payable	24,715	8,272	-	32,987
Unearned revenue	-	7,357	-	7,357
Compensated absences payable	65,099	8,930	-	74,029
PFA notes payable - current portion	546,000	-	-	546,000
Bonds payable - current portion	1,245,155	210,000	281,355	1,736,510
Total current liabilities	<u>2,754,831</u>	<u>469,680</u>	<u>318,201</u>	<u>3,542,712</u>
<b>Noncurrent liabilities</b>				
Compensated absences payable	175,188	27,645	-	202,833
Other postemployment benefit obligation	61,617	10,726	-	72,343
Pension liability	625,426	238,652	-	864,078
PFA notes payable - noncurrent portion	3,917,363	-	-	3,917,363
Bonds payable - noncurrent portion	6,623,087	2,145,000	1,976,795	10,744,882
Premium or discount on bonds payable	255,619	-	87,416	343,035
Total noncurrent liabilities	<u>11,658,300</u>	<u>2,422,023</u>	<u>2,064,211</u>	<u>16,144,534</u>
Total liabilities	<u>14,413,131</u>	<u>2,891,703</u>	<u>2,382,412</u>	<u>19,687,246</u>
<b>Deferred inflows of resources related to pension activity</b>				
Deferred inflows related to OPEB	8,340	1,451	-	9,791
Deferred inflows related to pensions	119,054	45,429	-	164,483
Total deferred inflows of resources	<u>127,394</u>	<u>46,880</u>	<u>-</u>	<u>174,274</u>
<b>Net Position</b>				
Net investment in capital assets	11,513,274	(37,098)	8,402,417	19,878,593
Restricted for debt service	1,791,156	1,705,241	281,355	3,777,752
Unrestricted	6,462,235	549,667	1,837,849	8,849,751
Total net position	<u>\$ 19,766,665</u>	<u>\$ 2,217,810</u>	<u>\$ 10,521,621</u>	<u>\$ 32,506,096</u>

See notes to financial statements.

**City of Marshall**  
**Statement of Revenues, Expenses, and Changes**  
**in Fund Net Position - Proprietary Funds**  
**Year Ended December 31, 2019**

	Wastewater Treatment (602)	Municipal Liquor Store (609)	Surface Water Management (630)	Totals
Operating revenues				
Charges for services	\$ 5,359,354	\$ -	\$ 1,197,997	\$ 6,557,351
Sales	-	5,548,364	-	5,548,364
Cost of sales	-	(4,104,584)	-	(4,104,584)
Total Operating Revenues/Gross Profit	<u>5,359,354</u>	<u>1,443,780</u>	<u>1,197,997</u>	<u>8,001,131</u>
Operating expenses				
Salaries and benefits	1,162,639	453,881	-	1,616,520
Supplies	301,157	27,040	56,830	385,027
Repairs and maintenance	202,918	9,018	-	211,936
Other services and charges	621,625	191,652	368,030	1,181,307
Insurance	35,620	16,628	-	52,248
Utilities	301,885	29,477	-	331,362
Depreciation	1,697,775	93,584	537,983	2,329,342
Total operating expenses	<u>4,323,619</u>	<u>821,280</u>	<u>962,843</u>	<u>6,107,742</u>
Operating income (loss)	1,035,735	622,500	235,154	1,893,389
Nonoperating revenues (expenses)				
Special assessments	-	-	35,679	35,679
Other income	-	1,431	-	1,431
Grants and contributions	1,455	555	-	2,010
Investment earnings (loss)	198,187	32,097	34,867	265,151
Refunds and reimbursements	88,500	2,138	213,834	304,472
Rents	15,282	-	-	15,282
Bond (discount) premium amortization	42,158	-	11,829	53,987
Interest and other expense	(216,808)	(70,494)	(73,188)	(360,490)
Total nonoperating revenues (expenses)	<u>128,774</u>	<u>(34,273)</u>	<u>223,021</u>	<u>317,522</u>
Income before capital contributions and transfers	1,164,509	588,227	458,175	2,210,911
Capital contributions	293,027	-	540,560	833,587
Transfers out	(59,292)	(225,000)	-	(284,292)
Change in net position	1,398,244	363,227	998,735	2,760,206
Net position, January 1	<u>18,368,421</u>	<u>1,854,583</u>	<u>9,522,886</u>	<u>29,745,890</u>
Net position, December 31	<u>\$ 19,766,665</u>	<u>\$ 2,217,810</u>	<u>\$ 10,521,621</u>	<u>\$ 32,506,096</u>

**City of Marshall**  
**Statement of Cash Flows - Proprietary Funds**  
**Year Ended December 31, 2019**

	Wastewater Treatment (602)	Municipal Liquor Store (609)	Surface Water Management (630)	Totals
<b>Cash Flows - Operating Activities</b>				
Receipts from customers and users	\$ 5,367,348	\$ 5,569,262	\$ 1,185,433	\$ 12,122,043
Payments to suppliers and vendors	(1,432,005)	(4,450,819)	(450,122)	(6,332,946)
Payments to and on behalf of employees	(1,163,247)	(407,284)	-	(1,570,531)
Other receipts	103,782	3,569	213,834	321,185
Net cash Provided (Used) by operating activities	<u>2,875,878</u>	<u>714,728</u>	<u>949,145</u>	<u>4,539,751</u>
<b>Cash Flows - Noncapital Financing Activities</b>				
Transfer to other funds	(59,292)	(225,000)	-	(284,292)
<b>Cash Flows - Capital and Related Financing Activities</b>				
Acquisition of capital assets	(4,226,798)	-	(491,885)	(4,718,683)
Proceeds from sales of capital assets	5,882	-	-	5,882
Proceeds from bonds and notes issued, net of discounts/premiums issued	3,176,174	-	-	3,176,174
Principal paid on long-term debt	(1,055,081)	(205,000)	(653,919)	(1,914,000)
Interest paid on long-term debt	(222,771)	(70,852)	(80,052)	(373,675)
Special assessments received	-	-	11,496	11,496
Net cash provided (used) by capital and related financing activities	<u>(2,322,594)</u>	<u>(275,852)</u>	<u>(1,214,335)</u>	<u>(3,812,781)</u>
<b>Cash Flows - Investing Activities</b>				
Interest received on cash and investments	200,272	28,258	34,745	263,275
Net increase (decrease) in cash and cash equivalents	694,264	242,134	(230,445)	705,953
<b>Cash and Cash Equivalents</b>				
January 1	<u>7,925,351</u>	<u>1,794,175</u>	<u>2,134,155</u>	<u>11,853,681</u>
December 31	<u>\$ 8,619,615</u>	<u>\$ 2,036,309</u>	<u>\$ 1,903,710</u>	<u>\$ 12,559,634</u>
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Position</b>				
Cash and temporary investments				
Unrestricted	\$ 6,828,459	\$ 331,068	\$ 1,622,355	\$ 8,781,882
Restricted - debt service	1,791,156	1,705,241	281,355	3,777,752
Total Cash and Cash Equivalents	<u>\$ 8,619,615</u>	<u>\$ 2,036,309</u>	<u>\$ 1,903,710</u>	<u>\$ 12,559,634</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided(Used) by Operating Activities</b>				
Operating income (Loss)	\$ 1,035,735	\$ 622,500	\$ 235,154	\$ 1,893,389
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Other income related to operations	103,782	3,569	213,834	321,185
Depreciation	1,697,775	93,584	537,983	2,329,342
(Increase) decrease in assets				
Accounts receivable	(8,927)	13,541	(4,225)	389
Due from component units	(4,077)	-	(8,375)	(12,452)
Due from other funds	20,998	-	-	20,998
Due from other governments	-	-	36	36
Inventories	-	(133,738)	-	(133,738)
Prepaid items	1,046	24	1,279	2,349
Increase (decrease) in liabilities				
Accounts payable	30,407	57,285	(26,724)	60,968
Due to other governments	(291)	3,657	145	3,511
Due to component unit	38	352	38	428
Accrued salaries payable	6,158	2,460	-	8,618
Compensated absences payable	(11,224)	2,147	-	(9,077)
Unearned revenue	-	7,357	-	7,357
Pension related activity	745	40,923	-	41,668
Other postemployment benefit activity	3,713	1,067	-	4,780
Net cash provided (used) by operating activities	<u>\$ 2,875,878</u>	<u>\$ 714,728</u>	<u>\$ 949,145</u>	<u>\$ 4,539,751</u>
<b>Noncash Investing, Capital and Financing Activities</b>				
Book value of disposed/traded of capital assets	\$ 5,882	\$ -	\$ -	5,882
Capital assets contributed from (to) other funds	293,027	-	540,560	833,587
Amortization of bond (premium) discount	(42,158)	-	(11,829)	(53,987)

See notes to financial statements.

**City of Marshall**  
**Statement of Fiduciary Net Position**  
**December 31, 2019**

	Private Purpose Trust Fund <u>(802)</u>
<b>Assets</b>	
Cash and investments	<u>\$ 16,633</u>
<b>Net Position</b>	
Held in trust	<u>\$ 16,633</u>

**Statement of Changes in Fiduciary Net Position**  
**Year Ended December 31, 2019**

	Private Purpose Trust Fund <u>(802)</u>
<b>Additions</b>	
Investment income	\$ 311
Donations	520
Total additions	<u>831</u>
<b>Deductions</b>	
Program expenditures	<u>300</u>
Change in net position	531
<b>Net Position</b>	
Beginning of year	<u>16,102</u>
End of year	<u>\$ 16,633</u>

**City of Marshall**  
**Notes to Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Marshall (the City) was incorporated February 20, 1901 under the provisions of Minnesota Laws of 1870. The City operates under a Mayor-Council form of government with a full-time City Administrator and provides the following services as authorized by its charter, which was adopted in 1969 as provided by Minnesota statutes, chapter 410: public safety (police and fire), highways and streets, culture and recreation, public library, public improvements, planning and zoning, and general administrative services. The City also owns a municipal airport and municipal liquor store. The City also operates public electric, water and wastewater treatment and surface water utilities. The electric and water utilities are presented as a discretely presented component unit. The accompanying financial statements present the government entities for which the government is financially accountable.

The financial statements present the City and its component units. The City includes all funds, account groups, organizations, institutions, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the City are financially accountable and are included within the basic financial statements of the City because of the significance of their operational or financial relationships with the City.

The City is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the City.

As a result of applying the component unit definition criteria above, certain organizations have been defined and are presented in this report as follows:

**1. Blended Component Units**

The Housing and Redevelopment Authority (HRA) serves all the citizens of the City and is governed by City appointed boards. The HRA was created pursuant to Minnesota statutes 469.090 through 469.108 to carry out housing development and redevelopment within the City in accordance with policies established by the Council. The HRA may not exercise any of the powers enumerated by the authorizing statutes without prior approval of the Council. Separate financial statements are not issued.

The Marshall-Lyon County Public Library is a joint venture between the City and Lyon County. The City appoints six members and the County appoints three members of the governing board of the Library. The City does have the authority to approve or modify the Library's operational and capital budgets and any bonded debt must be approved by the City Council. The City provides a material portion of the Library's annual operating budget. The Library's total debt outstanding is expected to be repaid entirely with resources of the City. The Library, whose year-end is December 31, is a blended component unit (with special revenue, debt service, and capital project funds) of the City. Separate financial statements are not issued.

**City of Marshall**  
**Notes to Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**A. Reporting Entity (Continued)**

**2. Discretely Presented Component Units**

The Economic Development Authority (EDA) serves all the citizens of the City and is governed by City appointed boards. The EDA was created pursuant to Minnesota statutes 469.090 through 469.108 to carry out economic and industrial development and redevelopment within the City in accordance with policies established by the Council. The seven-member board consists of two Council members and four other City Council approved members along with the City Administrator, who is the executive director. The EDA may not exercise any of the powers enumerated by the authorizing statutes without prior approval of the Council. The EDA is reported as two discretely presented special revenue funds (Economic Development Authority and EDA Parkway Housing). Separate financial statements are not issued.

The Marshall Municipal Utilities (the Utilities) meets the criteria to be included as a discrete presentation. The members of the governing board of the Utilities are appointed by the Mayor and approved by the City Council. The Utilities makes monthly payments to the City "in lieu of taxes" in accordance with an agreement between itself and the City. Therefore, there is a financial benefit to the City. Complete financial statements for the Utilities may be obtained from the Utilities Business Office at 113 South Fourth Street, Marshall, Minnesota.

The Marshall Housing Commission (the Commission) meets the criteria to be included as a discrete presentation. The members of the governing board of the Utilities are appointed by the Mayor and approved by the City Council. Although the City does not have the authority to approve or modify the Commission's operational and capital budgets, the tax rates established by the Commission and bonded debt must be approved by the City Council. Complete financial statements for the Commission may be obtained from the Marshall Housing Commission at 202 North First Street, Marshall, Minnesota.

**3. Related Organization**

The Marshall Fire Department Relief Association is organized as a non-profit organization, legally separate from the City, by its members to provide pension and other benefits to such members in accordance with *Minnesota Statutes*. Its board of directors is appointed by the membership of the Association not by the City Council and the Association issues its own set of financial statements. All funding is conducted in accordance with applicable *Minnesota Statutes*, whereby state aids flow to the Association, tax levies are determined by the Association, and are only review by the City and the Association pay benefits directly to its members. The Association may certify tax levies to Lyon County directly if the City does not carry out this function. Because the Association is fiscally independent of the City, the financial statements of the Association have not been included within the City's reporting entity. The City's portion of the costs of the Associations pension benefits is included in the General Fund under public safety.

**City of Marshall**  
**Notes to Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the City. The fiduciary funds are only reported in the statement of fiduciary net position and the statement of changes in fiduciary net position at the fund financial statement level. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated revenues are reported as general revenues rather than program revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Private Purpose Trust Fund is presented in the fiduciary fund financial statements. Since, by definition, these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the City, these Funds are not incorporated into the government-wide statements.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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 imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**City of Marshall**  
**Notes to Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Property taxes, franchise taxes, licenses, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Only the portion of special assessments receivable due within the current period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

**Description of Funds:**

Major Governmental Funds:

General Fund – This fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Tax Increment Financing Special Revenue Fund – This fund accounts for the collection of tax increment and payment of related expenditures for all of the City's tax increment financing districts.

Debt Service Fund – This fund accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of government funds.

2018 Public Improvement Capital Project Fund – This fund is used to account for street and utility improvements made to the City's infrastructure system.

MERIT Track Expansion Capital Project Fund – This fund accounts for costs associated with the expansion project of the MERIT track.

Proprietary Funds:

Wastewater Treatment Fund – This fund accounts for the operations, maintenance, and capital improvements of the City's wastewater treatment activities.

Municipal Liquor Store Fund – This fund accounts for the operations of the City's off-sale municipal liquor store.

Surface Water Management Fund – This fund accounts for the operations, maintenance, and capital improvements of the City's storm water collection activities.

Fiduciary Fund:

Private Purpose Trust Fund – This fund accounts for resources legally held by the government in trust. All resources of the fund, including any earnings on invested resources, may be used to support activities of the Trust. There is no requirement that any portion of these resources is preserved as capital.

**City of Marshall**  
**Notes to Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

**Description of Funds (Continued):**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's utility functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted as needed. Further, when committed, assigned or unassigned resources are available for use, it is the City's policy to use resources in the following order 1) committed 2) assigned, and 3) unassigned.

**Component Units**

The Marshall Economic Development Authority has adopted the modified accrual basis of accounting. The Marshall Housing Commission and the Marshall Public Utilities have adopted the accrual basis of accounting.

The Marshall Housing Commission has a fiscal year end of September 30. Therefore, the data included for this component unit is as of that date in the statement of net position and for the year then ended in the statement of activities.

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity**

**1. Deposits and Investments**

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the individual funds based on participation by each fund for cash and investment balances.

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.

**City of Marshall**  
**Notes to Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(Continued)**

**1. Deposits and Investments**

*Minnesota Statutes* authorizes the City to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days and in the Minnesota Municipal Investment Pool.

Certain investments for the City are reported at fair value as disclosed in Note 3. The City categorizes its fair value measurements within 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.

**2. Receivables and Payables**

All trade and property tax receivables are shown at a gross amount since both are assessable to the property taxes and are collectible upon the sale of the property.

The Marshall Public Utilities grants credit to its customers, which is mainly unsecured in the course of its operations. A portion of customer receivables is secured by deposits based on prior payment history of individual accounts. Monthly sewer rental charges are included in the customer's billings and transferred to the City when collected. No allowance for doubtful accounts has been recorded as management deems all receivables to be collectible.

The City levies its property tax for the subsequent year during the month of December. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. The property tax is recorded as revenue when it becomes measurable and available. Lyon County is the collecting agency for the levy and remits the collections to the City three times a year. The tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Taxes not collected as of December 31 each year are shown as delinquent taxes receivable.

The County Auditor prepares the tax list for all taxable property in the City, applying the applicable tax rate to the tax capacity of individual properties, to arrive at the actual tax for each property. The County Auditor also collects all special assessments, except for certain prepayments paid directly to the City.

The County Auditor submits the list of taxes and special assessments to be collected on each parcel of property to the County Treasurer in January of each year.

**City of Marshall**  
**Notes to Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(Continued)**

**2. Receivables and Payables (Continued)**

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the governmental fund financial statements.

Special assessments represent the financing for public improvements paid for by benefitting property owners. These assessments are recorded as receivables when assessment rolls are provided to the County. Special assessments are recognized as revenue when they are received in cash or within 60 days after year end. All governmental special assessments receivable are offset by a deferred inflow of resources in the fund financial statements.

**3. Inventory, Land Held for Resale, and Prepaid Items**

Inventory is valued at the lower of cost or market value using the first in, first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

The material and supply inventory of the Marshall Municipal Utilities is state at average cost which approximates actual cost.

Land held for resale is valued at the lower of cost or fair value.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are recorded as an expenditure at the time of consumption.

**4. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The City reports infrastructure assets on a network and subsystem basis. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

**City of Marshall**  
**Notes to Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(Continued)**

**4. Capital Assets**

Property, plant, and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	5-25
Buildings and improvements	20-50
Infrastructure	10-40
Machinery and equipment	3-20
Vehicles	3-30

The Marshall-Lyon County Library provides depreciation based on historical cost or estimated historical cost. The straight-line method of depreciation is used over the estimated useful lives of individual assets. Library books are depreciated using group depreciation by collections. The Library uses a capitalization threshold of \$15,000 for library book collections and \$1,000 for all other capital assets.

The Marshall Economic Development Authority provides depreciation based on the estimated useful lives of individual assets. The straight-line method of depreciation is used.

The Marshall Municipal Utilities uses the straight-line composite group method for depreciation based on estimated useful lives of the various classes of property. The provision is 3.36 percent of the average balance of depreciable property in service at December 31, 2019.

**5. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City presents deferred outflows of resources on the Statement of Net Position for deferred outflows of resources related to pensions and OPEB for various estimate differences that will be amortized and recognized over future years.

**City of Marshall**  
**Notes to Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(Continued)**

**5. Deferred Outflows/Inflows of Resources (Continued)**

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City presents deferred inflows of resources on the Governmental Funds Balance Sheet as unavailable revenue and grants for subsequent years. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City presents deferred inflows of resources on the Governmental Funds Balance Sheet and Statement of Net Position for grants for subsequent years from the Municipal State Aid Street program as timing requirements for revenue recognition have not yet been met. The City presents deferred inflows of resources related to pensions and OPEB for various estimate differences that will be amortized and recognized over future years.

**6. Compensated Absences**

*City of Marshall*

It is the City’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. The General Fund is typically used to the liquidate governmental compensated absences payable.

Vacation is earned and credited to an employee’s record after each bi-weekly pay period according to years of service at the following rates:

<u>Years of Service</u>	<u>Hours per Years of Service</u>	<u>Maximum Accrual</u>
0 to 5 years	80 hours (10 days)	160 hours
5 to 10 years	120 hours (15 days)	240 hours
10 to 15 years	144 hours (18 days)	288 hours
15 to 20 years	160 hours (20 days)	320 hours
20+ years	200 hours (25 days)	400 hours

Sick leave is an authorized absence from work with pay, granted to eligible, full-time and ¾ time employees. Sick leave is a privilege, not a right. Employees are to use this paid leave only when they are unable to work for medical reasons and/or under the conditions explained below. Employees are required to exhaust their sick leave balance prior to approval of an unpaid medical leave absence. Sick leave does not accrue during unpaid leave absence.

**City of Marshall**  
**Notes to Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(Continued)**

**6. Compensated Absences (Continued)**

Full-time employees will earn sick leave at the rate of one (1) day for 8 hours for each month of service and can be accumulated up to 120 days or 960 hours at this rate. Beyond 120 days or 960 hours, sick leave will continue to accumulate at a rate of ½ days or 4 hours for each month of service.

If at any time the accumulation drops below 20 day or 960 hours the employee will then accumulated one (1) day or 6 hours for each month of service up to 120 day or 960 hours and then continue to accumulate ½ day or 4 hours for each month of service.

When an employee reaches 120 days or 960 hours or more of accumulated sick leave and the employee utilizes sick leave and the employee utilizes sick leave times. It shall first be withdrawn from the 960 hour portion and not from the accumulated sick leave.

*Marshall Municipal Utilities*

All full time employees accrue vacation time between 10 to 25 days per year based on years of service to 25 years when an additional 1 day may accrue for each 5 years of service thereafter. Employees may accumulate up to 20 days (160 hours) by December 31<sup>st</sup> of each year to be used in the following year. Up to 10 days of accrued vacation pay in excess of the 20 day maximum accrual will be deposited in the Health Care Savings Plan on an annual basis. Upon termination, 100 percent of the accrued vacation pay will be deposited into the Health Care Savings Plan.

Under the employee sick leave plan, each employee is allowed to accumulate sick leave up to a maximum of 140 days. Thereafter, when the maximum hours have been reached, any unused sick leave will be deposited into the employee's Health Care Savings Plan on an annual basis. The accumulated leave is remitted to the employee or placed in the Health Care Savings Plan at the Commission's discretion upon retirement or death at a rate of 50 percent after 5 years of service, 75 percent after 10 years, and 100 percent after 15 years or more of service.

Sick leave benefits are recorded as a liability in the period earned by the employee.

**7. Severance Plan**

Employees with at least 20 years of service are eligible for retirement payments based upon their years of service. An eligible individual will receive an amount equal to one month's salary plus an additional three percent annual salary each year in excess of twenty years to a maximum of 150 percent of the monthly salary. As of December 31, 2019, the City has recorded estimated future costs under this plan of \$197,784.

**City of Marshall**  
**Notes to Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(Continued)**

**8. Postemployment Benefits Other Than Pensions**

Under *Minnesota Statute* 471.61, subdivision 2b, public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees may obtain dependent coverage immediately before retirements. All premiums are funded on a pay-as-you-go basis. The liability was actuarially determined, in accordance with GASB Statement No. 75, at December 31, 2018. The General Fund is typically used to liquidate the governmental total OPEB liability.

**9. Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures

**10. Pensions**

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and the relief association and additions to/deductions from PERA's and the relief association's fiduciary net position have been determined on the same basis as they are reported by PERA and the relief association except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**11. Restricted and Designated Assets**

The Wastewater Treatment Fund, Surface Water Management fund and the Marshall Municipal Utilities fund (component unit) have classified resources consisting of cash and investments and delinquent taxes receivable as designated and restricted assets on the statements of net position. These amounts have been set aside for debt service payments and capital improvements. Amounts restricted for debt service are \$ 3,777,752 and amounts designated for capital reserves are \$ 3,511,069.

**City of Marshall**  
**Notes to Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(Continued)**

**12. Fund Balance**

**a. Classification**

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

- **Nonspendable Fund Balance** – These are amounts that cannot be spent because they are not in spendable form, such as prepaid items.
- **Restricted Fund Balance** – These are amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through enabling legislation.
- **Committed Fund Balance** – These are amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council (highest level of decision making authority) through resolution. Committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action used to commit these amounts.
- **Assigned Fund Balance** – These are amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by the City's Finance Director based on the City Council's direction.

**b. Minimum Fund Balance**

The City's fund balance policy for the General Fund is to maintain unrestricted fund balance of an amount not less than 5 months of the next year's budgeted expenditures.

**13. Net Position**

Net position represents the difference between assets and deferred outflows of resources; and liabilities and deferred inflows of resources in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statement when there are limitations on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**City of Marshall**  
**Notes to Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

**F. Budgetary Information**

1. Prior to September 1 of each year, City Administrator submits to the City Council, a proposed operating budget for the year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. The final budget is legally enacted through passage of a resolution on or before December 28 and the property tax levy is certified to the County Auditor.
3. Budgets for the General and certain Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
4. Expenditures may not legally exceed budgeted appropriations at the fund level. All amounts over budget are approved by the City Council through the disbursement process. Management is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Reported budget amounts are as originally adopted or amended by the City Council. Monitoring of budgets is maintained at the expenditure category level (i.e., personal services, supplies, charges for services, and capital outlay) within each program.
5. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds. Formal budgetary integration is not employed for Debt Service Funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions. Budgetary control for Capital Projects Funds is accomplished through the use of project-length financial plans.
6. Budgeted amounts are as originally adopted or as amended by the City Council. Budgeted expenditure appropriations lapse at year-end.

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Deficit Fund Balance**

The following funds had a deficit fund balance at December 31, 2019:

Capital Projects	
2018 Public Improvements	\$(2,229,999)
MERIT Track Expansion	(55,531)
SMASC Ball Parks	<u>(390,579)</u>
Total	<u><u>\$(2,676,109)</u></u>

**City of Marshall**  
**Notes to Financial Statements**

**NOTE 3 – DEPOSITS AND INVESTMENTS**

Cash balances of the City's funds are combined (pooled) and invested to the extent available in various investments authorized by *Minnesota Statutes*. Each fund's portion of this pool (or pools) is displayed in the financial statements as "cash and cash equivalents" or "investments". For purposes of identifying risk of investing public funds, the balances and related restrictions are summarized as follows.

**A. Deposits**

The deposits of the City are subject to the following risk:

Custodial Credit Risk – Deposits: The City has an investment policy in place to address custodial credit risk for deposits, stating all deposits and investments must be in compliance with *Minnesota Statutes* 118A; protected by federal depository insurance and corporate surety bonds or collateral equal to 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance, National Credit Union Administration (NCUA) or corporate surety bonds. As of December 31, 2019, the City's bank balance was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the City's name. As of December 31, 2019, the City's deposits consisted of the following:

Checking	\$ 17,542,652
Certificates of deposit	3,194,025
Money market	<u>7,428,180</u>
Total Deposits	<u><u>28,164,857</u></u>

**B. Investments**

The investments of the City are subject to the following risks:

Interest Rate Risk: The interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City manages its exposure to declines in fair values by limiting the maturity of its investment portfolio.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes limit the City's investments.

Concentration of Credit Risk: The concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment policy places no limit on the amount the City may invest in any one issuer; however, it does state diversification strategies shall be determined and revised periodically by the investment officer for all funds. The City was not exposed to concentration of credit risk as none of their investments exceeded 5% of total investments.

**City of Marshall**  
**Notes to Financial Statements**

**NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)**

**B. Investments (Continued)**

Custodial Credit Risk – Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the City 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 typically limits its exposure by purchasing securities that are insured or registered, or securities held by the City or its agent in the City’s name.

As of December 31, 2019, the City had the following investments:

Types of Investments	Primary Government			Fair Value Measurement Using		
	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Level 1	Level 2	Level 3
<b>Investments at Amortized Cost</b>						
Broker Money Market Funds	N/A	less than 1 year	\$ 8,440,894	-	-	-
<b>Investments at Fair Value</b>						
U.S. Treasury Notes	N/A	less than 1 year	99,883	-	99,883	-
Federal Agency Bonds and Notes	N/A	less than 1 year	460,283	-	460,283	-
Federal Agency Bonds and Notes	N/A	1 to 5 years	665,608	-	665,608	-
Federal Agency Bonds and Notes	N/A	more than 5 years	494,829	-	494,829	-
Municipal Bonds	Aaa	less than 1 year	400,373	-	400,373	-
Municipal Bonds	Aa1 to Aaa, A to AAA	1 to 5 years	3,920,892	-	3,920,892	-
Municipal Bonds	Aa1 to Aaa	more than 5 years	401,407	-	401,407	-
Certificate Of Deposit	N/A	less than 6 months	245,249	-	245,249	-
Certificate Of Deposit	N/A	1 to 3 years	2,697,678	-	2,697,678	-
Total Primary Government			17,827,096	-	9,386,202	-
<b>Component Units</b>						
Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
<i>Component Unit - Marshall Municipal Utilities</i>						
<b>Investments at Amortized Cost</b>						
Broker Money Market Funds	N/A	less than 1 year	3,847,939	-	-	-
<b>Investments at Fair Value</b>						
U.S Treasury Notes	N/A	1 to 5 years	343,616	-	343,616	-
U.S Treasury Notes	N/A	more than 5 years	660,594	-	660,594	-
Federal Agency Bonds and Notes	N/A	less than 1 year	925,288	-	925,288	-
Federal Agency Bonds and Notes	N/A	1 to 5 years	2,401,820	-	2,401,820	-
Federal Agency Bonds and Notes	N/A	more than 5 years	349,262	-	349,262	-
Federal Agency Mortgage Pools	N/A	1 to 5 years	146,792	-	146,792	-
Federal Agency Mortgage Pools	N/A	more than 5 years	1,449,594	-	1,449,594	-
Mortgage Backed Securities	N/A	1 to 5 years	11,481	-	11,481	-
Municipal Bonds	A+ to AAA	less than 1 year	1,347,426	-	1,347,426	-
Municipal Bonds	A+ to AAA	1 to 5 years	11,868,712	-	11,868,712	-
Municipal Bonds	A+ to AAA	more than 5 years	2,492,098	-	2,492,098	-
Total Marshall Municipal Utilities Investments			25,844,622	-	21,996,683	-
<i>Component Unit - Economic Development Authority</i>						
<b>Investments at Amortized Cost</b>						
Broker Money Market Funds	N/A	less than 1 year	847,033	-	-	-
Total Investments			\$ 44,518,751	\$ -	\$ 31,382,885	\$ -

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.

(2) Interest rate risk is disclosed using the segmented time distribution method.

N/A Indicates not applicable or available.

**City of Marshall**  
**Notes to Financial Statements**

**NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)**

**B. Investments (Continued)**

The City has the following recurring fair value measurements as of December 31, 2019:

- Investments of \$31,382,885 are valued using a matrix pricing model (Level 2 inputs)

**C. Cash and Investment Summary**

Cash and investments as shown on the statement of net position for the City, including component units, follows:

	Primary Government	Component Units		
		Municipal Utilities	Housing Commission	Economic Development Authority
Deposits (Note 3 A.)	\$ 23,902,444	\$ 3,378,419	\$ 503,738	\$ 363,623
Cash on Hand	3,753	1,600	-	-
Investments (Note 3 B.)	17,827,096	25,844,622	-	847,033
<b>Total</b>	<b>41,733,293</b>	<b>29,224,641</b>	<b>503,738</b>	<b>1,210,656</b>
Cash and Temporary Investments	37,955,541	22,983,279	471,837	1,210,656
Restricted Assets	3,777,752	6,241,362	31,901	-
<b>Total</b>	<b>\$ 41,733,293</b>	<b>\$ 29,224,641</b>	<b>\$ 503,738</b>	<b>\$ 1,210,656</b>
	Fiduciary Funds	Total		
Deposits (Note 3 A.)	16,633	28,164,857		
Cash on Hand	-	5,353		
Investments (Note 3 B.)	-	44,518,751		
<b>Total</b>	<b>16,633</b>	<b>72,688,961</b>		
Cash and Temporary Investments	16,633	62,637,946		
Restricted Assets	-	10,051,015		
<b>Total</b>	<b>\$ 16,633</b>	<b>\$ 72,688,961</b>		

**City of Marshall**  
**Notes to Financial Statements**

**NOTE 4 – INTERFUND ACTIVITY**

**A. Transfers**

Transfers among funds were for the City to assist with administrative costs, to assist with enterprise operations, to cover capital expenditures, to assist with capital projects, and assist with debt service obligations.

Fund	Transfers In			Total
	General	Debt Service	Nonmajor Governmental	
Transfers out				
General Fund	\$ -	\$ -	\$ 600,000	\$ 600,000
Tax increment financing	-	365,135	-	365,135
Debt service	-	583,092	-	583,092
Nonmajor governmental	-	2,112,656	818,377	2,931,033
Wastewater Treatment	-	38,294	20,998	59,292
Municipal liquor store	225,000	-	-	225,000
Total transfers out	<u>\$ 225,000</u>	<u>\$ 3,099,177</u>	<u>\$ 1,439,375</u>	<u>\$ 4,763,552</u>

**B. Interfund Receivables/Payables**

The following balances arise from negative cash balances in the debtor fund or temporary funding for various projects:

*Due from/to Other Funds*

Fund	Due from Other Funds	Due to Other Funds
General	\$ -	\$ 153,601
Tax Increment Financing	669,437	-
MERIT Track Expansion	-	15,526
Nonmajor governmental	436,105	936,415
Total	<u>\$ 1,105,542</u>	<u>\$ 1,105,542</u>

**City of Marshall**  
**Notes to Financial Statements**

**NOTE 4 – INTERFUND ACTIVITY (CONTINUED)**

**B. Interfund Receivables/Payables (Continued)**

The following balances represent capital improvements and monthly year-end charges to component units:

*Due to Primary Government from Component Unit*

<u>Receivable Entity/Fund</u>	<u>Payable Entity/Fund</u>	<u>Amount</u>
Primary Government	Component unit	
General	Marshall Municipal Utilities	\$ 4,508
Tax Increment Financing	Economic Development Authority	167,074
Enterprise		
Wastewater Treatment	Marshall Municipal Utilities	592,339
Surface Water Management	Marshall Municipal Utilities	203,004
		<hr/>
Total		\$ 966,925
		<hr/> <hr/>

*Due to Component Unit from Primary Government*

<u>Receivable Fund/Entity</u>	<u>Payable Fund/Entity</u>	<u>Amount</u>
Component Unit	Primary Government	
Marshall Municipal Utilities	General	\$ 69,616
Marshall Municipal Utilities	Tax Increment Financing	81
Marshall Municipal Utilities	Nonmajor governmental	13,825
Marshall Municipal Utilities	Wastewater Treatment enterprise	24,552
Marshall Municipal Utilities	Municipal Liquor Store enterprise	2,138
Marshall Municipal Utilities	Surface Water Management enterprise	1,821
		<hr/>
Total		\$ 112,033
		<hr/> <hr/>

**NOTE 5 – NOTES RECEIVABLE**

Loans were made by the EDA Parkway Housing Fund, the balance of which is \$233,713 as of December 31, 2019. The portion of the Small Cities Development Program which is require to be repaid only if the borrower sells the property within 7 years of the date of the loan is \$33,594 as of December 31, 2019, net of an allowance of \$606,390. Marshall Municipal Utilities has issued a loan for energy efficiency that has a balance of \$27,558 as of December 31, 2019.

**City of Marshall**  
**Notes to Financial Statements**

**NOTE 6 – CAPITAL ASSETS**

*Primary Government*

Capital asset activity for the primary government for the year ended December 31, 2019, was as follows:

	Beginning Balance	Prior Period Adjustment	Beginning Balance Restated	Increases	Decreases	Ending Balance
Governmental activities						
Capital assets not being depreciated						
Land	\$ 7,301,489	\$ -	\$ 7,301,489	\$ 18,859	\$ -	\$ 7,320,348
Construction in progress	7,269,915	-	7,269,915	4,279,948	7,403,141	4,146,722
Total capital assets not being depreciated	<u>14,571,404</u>	<u>-</u>	<u>14,571,404</u>	<u>4,298,807</u>	<u>7,403,141</u>	<u>11,467,070</u>
Capital assets being depreciated						
Buildings	38,700,444	6,409,339	45,109,783	205,337	-	45,315,120
Improvements other than Building	28,377,154	-	28,377,154	811,638	-	29,188,792
Infrastructure	58,258,311	-	58,258,311	7,206,803	207,938	65,257,176
Equipment and Machinery	10,287,833	587,901	10,875,734	234,855	5,647	11,104,942
Library Books	-	923,228	923,228	-	-	923,228
Total capital assets being depreciated	<u>135,623,742</u>	<u>7,920,468</u>	<u>143,544,210</u>	<u>8,458,633</u>	<u>213,585</u>	<u>151,789,258</u>
Less accumulated depreciated for						
Buildings	9,523,795	836,077	10,359,872	1,321,211	-	11,681,083
Improvements other than Building	15,244,696	-	15,244,696	1,048,161	-	16,292,857
Infrastructure	28,481,144	-	28,481,144	2,862,419	207,938	31,135,625
Equipment and Machinery	6,099,136	330,860	6,429,996	720,925	5,647	7,145,274
Library Books	-	817,837	817,837	44,700	-	862,537
Total accumulated depreciation	<u>59,348,771</u>	<u>1,984,774</u>	<u>61,333,545</u>	<u>5,997,416</u>	<u>213,585</u>	<u>67,117,376</u>
Total capital assets being depreciated, net	<u>76,274,971</u>	<u>5,935,694</u>	<u>82,210,665</u>	<u>2,461,217</u>	<u>-</u>	<u>84,671,882</u>
Governmental activities, capital assets, net	<u>\$ 90,846,375</u>	<u>\$ 5,935,694</u>	<u>\$ 96,782,069</u>	<u>\$ 6,760,024</u>	<u>\$ 7,403,141</u>	<u>\$ 96,138,952</u>

Depreciation expense was charged to functions/programs of the governmental activities as follows:

General Government	\$ 294,850
Public Safety	461,539
Public Works	3,082,717
Culture and Recreation	1,274,575
Airport	883,735
 Total Depreciation Expense - Governmental Activities	 <u>\$ 5,997,416</u>

**City of Marshall**  
**Notes to Financial Statements**

**NOTE 6 – CAPITAL ASSETS (CONTINUED)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities				
Capital assets not being depreciated				
Land	\$ 512,872	\$ -	\$ -	\$ 512,872
Construction in progress	667,011	4,625,824	597,557	4,695,278
Total capital assets not being depreciated	<u>1,179,883</u>	<u>4,625,824</u>	<u>597,557</u>	<u>5,208,150</u>
Capital assets being depreciated				
Buildings	2,528,334	-	-	2,528,334
Improvements other than buildings	28,124,552	-	-	28,124,552
Infrastructure	36,551,329	2,212,927	43,223	38,721,033
Equipment and machinery	3,740,729	7,634	9,808	3,738,555
Total capital assets being depreciated	<u>70,944,944</u>	<u>2,220,561</u>	<u>53,031</u>	<u>73,112,474</u>
Less accumulated depreciated for				
Buildings	265,241	68,137	-	333,378
Improvements other than buildings	19,939,673	895,923	-	20,835,596
Infrastructure	16,354,885	1,146,485	43,224	17,458,146
Equipment and machinery	2,312,249	218,797	3,925	2,527,121
Total accumulated depreciation	<u>38,872,048</u>	<u>2,329,342</u>	<u>47,149</u>	<u>41,154,241</u>
Total capital assets being depreciated, net	<u>32,072,896</u>	<u>(108,781)</u>	<u>5,882</u>	<u>31,958,233</u>
Business-type activities capital assets, net	<u>\$ 33,252,779</u>	<u>\$ 4,517,043</u>	<u>\$ 603,439</u>	<u>\$ 37,166,383</u>

Depreciation expense was charged to functions/programs of the business-type activities as follows:

Wastewater Treatment	\$ 1,697,775
Municipal Liquor Store	93,584
Surface Water Management	<u>537,983</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 2,329,342</u>

**City of Marshall**  
**Notes to Financial Statements**

**NOTE 6 – CAPITAL ASSETS (CONTINUED)**

*Discretely Presented Component Units*

Capital asset activity for the Marshall Municipal Utilities for the year ended December 31, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Marshall Municipal Utilities				
Capital assets not being depreciated				
Construction in progress	\$ 2,381,705	\$ 2,805,639	\$ 2,179,225	\$ 3,008,119
Capital assets being depreciated				
Electric production plant	3,324,745	-	-	3,324,745
Electric transmission line	16,404,370	-	-	16,404,370
Electric distribution system	56,204,397	2,663,650	1,094,424	57,773,623
Transportation and general	9,291,432	430,154	197,351	9,524,235
Water utility	56,191,999	3,454,300	757,382	58,888,917
Total capital assets being depreciated	<u>141,416,943</u>	<u>6,548,104</u>	<u>2,049,157</u>	<u>145,915,890</u>
Less accumulated depreciated for				
Electric production plant	2,653,463	66,469	-	2,719,932
Electric transmission line	10,012,459	521,665	-	10,534,124
Electric distribution system	26,437,546	2,518,745	1,094,424	27,861,867
Transportation and general	7,052,635	493,070	197,351	7,348,354
Water utility	30,584,382	1,301,954	757,382	31,128,954
Total accumulated depreciation	<u>76,740,485</u>	<u>4,901,903</u>	<u>2,049,157</u>	<u>79,593,231</u>
Total capital assets being depreciated, net	<u>64,676,458</u>	<u>1,646,201</u>	<u>-</u>	<u>66,322,659</u>
Capital assets, net	<u>\$ 67,058,163</u>	<u>\$ 4,451,840</u>	<u>\$ 2,179,225</u>	<u>\$ 69,330,778</u>

Depreciation expense was charged to functions/programs of the Marshall Municipal Utilities activities as follows:

Business-type Activities	
Marshall Municipal Utilities - Water	\$ 1,382,123
Marshall Municipal Utilities - Electric	<u>3,519,780</u>
Total	<u>\$ 4,901,903</u>

**City of Marshall**  
**Notes to Financial Statements**

**NOTE 6 – CAPITAL ASSETS (CONTINUED)**

Capital asset activity for the Marshall Housing Commission for the year ended December 31, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Marshall Housing Commission				
Capital assets not being depreciated				
Land	\$ 514,965	\$ -	\$ -	\$ 514,965
Construction in progress	127,108	-	127,108	-
Total capital assets not being depreciated	<u>642,073</u>	<u>-</u>	<u>127,108</u>	<u>514,965</u>
Capital assets being depreciated				
Buildings	8,129,572	179,230	-	8,308,802
Equipment and machinery	185,311	7,515	-	192,826
Total capital assets being depreciated	<u>8,314,883</u>	<u>186,745</u>	<u>-</u>	<u>8,501,628</u>
Less accumulated depreciated	<u>5,890,827</u>	<u>247,885</u>	<u>-</u>	<u>6,138,712</u>
Total capital assets being depreciated, net	<u>2,424,056</u>	<u>(61,140)</u>	<u>-</u>	<u>2,362,916</u>
Capital assets, net	<u>\$ 3,066,129</u>	<u>\$ (61,140)</u>	<u>\$ 127,108</u>	<u>\$ 2,877,881</u>

Depreciation expense was charged to functions/programs of the Marshall Housing Commission activities as follows:

Business-type Activities	
Marshall Housing Commission	<u>\$ 247,885</u>

**City of Marshall**  
**Notes to Financial Statements**

**NOTE 6 – CAPITAL ASSETS (CONTINUED)**

Capital asset activity for the Economic Development Authority for the year ended December 31, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Economic Development Authority</b>				
Capital assets not being depreciated				
Land improvements	\$ 12,920	\$ -	\$ -	\$ 12,920
Less accumulated depreciated for				
Land improvements	<u>6,621</u>	<u>646</u>	<u>-</u>	<u>7,267</u>
Total capital assets being depreciated, net	<u>6,299</u>	<u>(646)</u>	<u>-</u>	<u>5,653</u>
Capital assets, net	<u>\$ 6,299</u>	<u>\$ (646)</u>	<u>\$ -</u>	<u>\$ 5,653</u>

Depreciation expense was charged to functions/programs of the Economic Development Authority activities as follows:

Governmental Activities	
Economic Development Authority	<u>\$ 646</u>

**NOTE 7 – LONG-TERM DEBT**

**A. Components of Long-Term Liabilities**

*Governmental Activity Debt*

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. In addition, general obligation bonds have been issued to refund both general obligation and revenue bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the government.

These bonds were issued for capital equipment purchases and other capital improvements. The debt is a general obligation of the City and will be retired through ad valorem tax levies.

**City of Marshall**  
**Notes to Financial Statements**

**NOTE 7 – LONG-TERM DEBT**

**A. Components of Long-Term Liabilities (Continued)**

General obligation bonds currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Capital Improvement of 2010A	\$ 1,150,000	2.00 - 3.30 %	09/15/10	02/01/26	\$ 500,000
G.O. Equipment Certificates of 2013A	860,000	2.00 - 3.00	08/01/13	02/01/23	400,000
G.O. Bonds of 2015A	1,710,000	2.00 - 3.00	01/01/15	02/01/31	1,405,000
G.O. Bonds of 2016B	705,000	2.00	06/23/16	02/01/25	430,000
G.O. Bonds of 2017A	170,000	2.00 - 3.00	07/13/17	02/01/23	140,000
Total General Obligation Bonds					<u>\$ 2,875,000</u>

The annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31,	<b>General Obligation Bonds</b>		
	Governmental Activities		
	Principal	Interest	Total
2020	\$ 440,000	\$ 69,964	\$ 509,964
2021	450,000	60,370	510,370
2022	460,000	49,995	509,995
2023	320,000	40,177	360,177
2024	185,000	33,390	218,390
2025 - 2029	755,000	90,810	845,810
2030 - 2031	265,000	8,025	273,025
Total	<u>\$ 2,875,000</u>	<u>\$ 352,731</u>	<u>\$ 3,227,731</u>

**General Obligation Tax Increment Bonds**

These bonds were issued for development and redevelopment projects. The additional tax revenue resulting from increased tax capacity of the redeveloped properties is used to retire the related debt.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Tax Increment Revenues Bonds					
Revenues Bonds of 2011A	\$ 1,265,000	0.70 - 2.70 %	09/15/11	02/01/23	\$ 670,000
G.O. Tax Increment					
Revenues Bonds of 2017B	2,930,000	0.70 - 2.70	10/26/17	02/01/33	2,540,000
Total G.O. Tax Increment Bonds					<u>\$ 3,210,000</u>

**City of Marshall**  
**Notes to Financial Statements**

**NOTE 7 – LONG-TERM DEBT**

**A. Components of Long-Term Liabilities (Continued)**

The annual debt service requirements to maturity for general obligation tax increment bonds are as follows:

Year Ending December 31,	<b>G.O. Tax Increment Bonds</b>		
	Governmental Activities		
	Principal	Interest	Total
2020	\$ 575,000	\$ 74,665	\$ 649,665
2021	405,000	64,497	469,497
2022	170,000	58,075	228,075
2023	175,000	53,588	228,588
2024	-	51,225	51,225
2025 - 2029	895,000	210,812	1,105,812
2030 - 2033	990,000	59,850	1,049,850
Total	<u>\$ 3,210,000</u>	<u>\$ 572,712</u>	<u>\$ 3,782,712</u>

General Obligation Tax Abatement Bonds

These bonds were issued to finance public infrastructure improvements. They will be retired from tax abatement revenues and tax levies.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Tax Abatement Bonds of 2016C	\$ 2,810,000	2.00 - 3.00 %	06/23/16	02/01/37	\$ 2,580,000

The annual debt service requirements to maturity for general obligation tax abatement bonds are as follows:

Year Ending December 31,	<b>G.O. Tax Abatement Bonds</b>		
	Governmental Activities		
	Principal	Interest	Total
2020	\$ 120,000	\$ 63,200	\$ 183,200
2021	120,000	60,800	180,800
2022	125,000	58,350	183,350
2023	125,000	55,850	180,850
2024	130,000	53,300	183,300
2025 - 2029	680,000	226,500	906,500
2030 - 2034	770,000	135,450	905,450
2035 - 2037	510,000	23,250	533,250
Total	<u>\$ 2,580,000</u>	<u>\$ 676,700</u>	<u>\$ 3,256,700</u>

**City of Marshall**  
**Notes to Financial Statements**

**NOTE 7 – LONG-TERM DEBT**

**A. Components of Long-Term Liabilities (Continued)**

General Obligation Special Assessment Bonds

These bonds were issued to finance various improvements and will be repaid primarily from special assessments levied on the properties benefiting from the improvements. Some issuances, however, are partly financed by ad valorem tax levies.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement Bonds of 2011B	\$ 1,510,000	0.50 - 4.00 %	10/01/11	02/01/27	\$ 720,000
G.O. Improvement Bonds of 2012A	2,550,000	2.00 - 2.55	06/01/12	02/01/28	1,000,000
G.O. Improvement Bonds of 2013A	2,785,000	2.00 - 3.00	08/01/13	02/01/25	1,580,000
G.O. Improvement Bonds of 2014B	15,735,000	3.13 - 5.00	07/23/14	02/01/28	11,060,000
G.O. Improvement Bonds of 2014C	1,955,000	2.00 - 3.00	07/23/14	02/01/26	1,155,000
G.O. Improvement Bonds of 2015B	895,000	3.00 - 4.00	07/22/15	02/01/24	555,000
G.O. Improvement Bonds of 2016B	1,500,000	2.00	06/23/16	02/01/25	1,125,000
G.O. Improvement Bonds of 2017A	1,035,000	2.00 - 3.00	07/13/17	02/01/28	940,000
G.O. Improvement Bonds of 2017B	360,000	1.65 - 3.00	10/26/17	02/01/28	330,000
G.O. Improvement Bonds of 2018A	2,328,608	3.13 - 4.00	07/25/18	02/01/34	2,328,608
Total G.O. Special Assessment Bonds					<u>\$ 20,793,608</u>

The annual debt service requirements to maturity for general obligation special assessment bonds are as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2020	\$ 2,478,490	\$ 702,666	\$ 3,181,156
2021	2,500,099	615,861	3,115,960
2022	2,410,099	525,779	2,935,878
2023	2,442,896	431,609	2,874,505
2024	2,437,896	334,258	2,772,154
2025 - 2029	7,885,664	590,447	8,476,111
2030 - 2034	638,464	51,577	690,041
Total	<u>\$ 20,793,608</u>	<u>\$ 3,252,197</u>	<u>\$ 24,045,805</u>

**City of Marshall**  
**Notes to Financial Statements**

**NOTE 7 – LONG-TERM DEBT**

**A. Components of Long-Term Liabilities (Continued)**

*Business-Type Activity Debt*

General Obligation Revenue Bonds

These bonds were issued to finance capital improvements to the storm water system and wastewater treatment facility. These bonds will be retired from net revenue of these enterprise funds.

<u>Description</u>	<u>Authorized and Issued</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at Year End</u>
G.O. Utility and Improvement Bonds of 2011A - Storm	\$ 925,000	0.50 - 4.00 %	09/15/11	02/01/27	\$ 540,000
G.O. Utility and Improvement Bonds of 2011A - Wastewater	960,000	0.50 - 4.00	09/15/11	02/01/27	565,000
G.O. Utility and Improvement Bonds of 2011B - Storm	335,000	0.50 - 4.00	10/01/11	02/01/27	200,000
G.O. Utility and Improvement Bonds of 2011B - Wastewater	205,000	0.50 - 4.00	10/01/11	02/01/27	120,000
G.O. Utility and Improvement Bonds of 2012A - Wastewater	1,775,000	2.00 - 2.55	06/01/12	02/01/28	1,125,000
G.O. Utility and Improvement Bonds of 2014C - Wastewater	1,420,000	2.00 - 3.00	07/23/14	02/01/25	890,000
G.O. Utility and Improvement Bonds of 2015B - Wastewater	860,000	3.00 - 4.00	07/22/15	02/01/24	565,000
G.O. Utility and Improvement Bonds of 2016B - Wastewater	305,553	2.00	06/23/16	02/01/25	233,393
G.O. Utility and Improvement Bonds of 2016B - Storm	1,049,447	2.00	06/23/16	02/01/25	801,607
G.O. Utility and Improvement Bonds of 2016D - Wastewater	3,630,000	2.00	06/23/16	02/01/27	2,975,000
G.O. Utility and Improvement Bonds of 2017B - Wastewater	1,140,000	2.00	06/23/16	02/01/25	775,000
G.O. Utility and Improvement Bonds of 2017A - Storm	85,000	2.00 - 3.00	07/13/17	02/01/23	85,000
G.O. Utility and Improvement Bonds of 2018A - Wastewater	619,850	3.13 - 4.00	07/25/18	02/01/34	619,850
G.O. Utility and Improvement Bonds of 2018A - Storm	631,542	3.13 - 4.00	07/25/18	02/01/34	631,542
Total G.O. Revenue Bonds					<u>\$ 10,126,392</u>

**City of Marshall**  
**Notes to Financial Statements**

**NOTE 7 – LONG-TERM DEBT (CONTINUED)**

**A. Components of Long-Term Liabilities (Continued)**

The annual debt service requirements to maturity for general obligation revenue bonds are as follows:

<u>Year Ending December 31,</u>	<b>G.O. Revenue Bonds</b>		
	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,526,510	\$ 242,656	\$ 1,769,166
2021	1,549,901	208,462	1,758,363
2022	1,174,901	176,794	1,351,695
2023	1,207,104	144,779	1,351,883
2024	1,247,104	109,907	1,357,011
2025 - 2029	3,024,336	194,611	3,218,947
2030 - 2034	396,536	31,723	428,259
Total	<u>\$ 10,126,392</u>	<u>\$ 1,108,932</u>	<u>\$ 11,235,324</u>

Revenue Bonds

These bonds were issued to finance capital improvements to the municipal liquor store. These bonds will be retired from net revenue of this enterprise funds.

<u>Description</u>	<u>Authorized and Issued</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at Year End</u>
Lease Revenue Bond of 2015	\$ 3,240,000	1.05 - 3.10 %	02/10/15	12/01/29	\$ 2,355,000

The annual debt service requirements to maturity for revenue bonds are as follows:

<u>Year Ending December 31,</u>	<b>Revenue Bonds</b>		
	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 210,000	\$ 66,548	\$ 276,548
2021	215,000	61,823	276,823
2022	220,000	56,555	276,555
2023	225,000	50,835	275,835
2024	230,000	44,872	274,872
2025 - 2029	1,255,000	118,452	1,373,452
Total	<u>\$ 2,355,000</u>	<u>\$ 399,085</u>	<u>\$ 2,754,085</u>

**City of Marshall**  
**Notes to Financial Statements**

**NOTE 7 – LONG-TERM DEBT (CONTINUED)**

**A. Components of Long-Term Liabilities (Continued)**

PFA Notes

For the year ended December 31, 2019, the City submitted \$4,463,363 in expenditures for reimbursement from the Minnesota Public Facilities Authority and received \$3,728,864. The remainder will be received in 2020. This disbursement is for financing the eligible project costs of the Wastewater Treatment Plant upgrade project. The aggregate principal amount of the loan disbursed and outstanding will bear interest and servicing fees collectively at the rate of 1% per annum accruing from and after the date of the Note, which is July 10, 2019, through the date on which no principal of the loan remains unpaid and all accrued interest and servicing fees thereon have been paid.

Because a final amortization schedule has not been established by the Minnesota Public Facilities Authority, this note will be excluded from five-year maturity schedules until a schedule is finalized.

There is a regular interest and principal payment due August 20, 2020, and every six months thereafter on a semi-annual basis. This is projected to continue until August 20, 2039, if all amounts are disbursed as projected, and all payments are made on a timely basis. The total amount of the final loan is \$15,678,015.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Utility and Improvement PFA of 2019A - Wastewater	\$ 15,678,015	1.00	07/10/19	08/20/39	\$ 4,463,363

*Component Unit Debt*

Revenue Bonds

These bonds were issued to finance capital improvements to the Marshall Municipal Utilities. These bonds will be retired from net revenue of this enterprise fund.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Utility Revenue Bonds					
Series 2009	\$ 5,000,000	4 %	\$ 39,931	\$ 45,474	\$ 1,980,000
Series 2010	6,635,000	3 %	40,500	45,839	3,010,000
Series 2011	4,290,000	3 %	40,857	44,743	2,230,000
Series 2012	5,500,000	2 %	41,061	46,569	3,145,000
Series 2013	6,355,000	3 %	41,626	46,935	4,080,000
Series 2014	4,025,000	3 %	41,753	47,300	2,885,000
Series 2016	7,310,000	2 %	42,481	45,108	4,475,000
Total Revenue Bonds					<u>\$ 21,805,000</u>

**City of Marshall**  
**Notes to Financial Statements**

**NOTE 7 – LONG-TERM DEBT (CONTINUED)**

**A. Components of Long-Term Liabilities (Continued)**

The annual debt service requirements to maturity for Marshall Municipal Utilities revenue bonds are as follows:

Year Ending December 31,	<b>Revenue Bonds</b>		
	<b>Marshall Municipal Utilities</b>		
	Component Unit Activities		
	Principal	Interest	Total
2020	\$ 3,535,000	\$ 751,867	\$ 4,286,867
2021	3,645,000	646,436	4,291,436
2022	3,245,000	535,919	3,780,919
2023	2,915,000	429,040	3,344,040
2024	2,420,000	323,137	2,743,137
2025 - 2029	6,045,000	494,373	6,539,373
Total	<u>\$ 21,805,000</u>	<u>\$ 3,180,772</u>	<u>\$ 24,985,772</u>

**B. Changes in Long-Term Liabilities**

Long-term liability activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Prior Period Adjustment	Beginning Balance, restated	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental activities</b>							
Bonds payable							
General obligation bonds	\$ 2,745,000	\$ 565,000	\$ 3,310,000	\$ -	\$ 435,000	\$ 2,875,000	\$ 440,000
General obligation tax increment bonds	3,760,000	-	3,760,000	-	550,000	3,210,000	575,000
General obligation tax abatement bonds	2,695,000	-	2,695,000	-	115,000	2,580,000	120,000
General obligation special assessment bonds	24,133,608	-	24,133,608	-	3,340,000	20,793,608	2,478,490
Unamortized bond premium	1,974,909	7,498	1,982,407	-	195,373	1,787,034	-
Unamortized bond discount	(2,476)	-	(2,476)	-	(2,476)	-	-
Total bonds payable	<u>35,306,041</u>	<u>572,498</u>	<u>35,878,539</u>	<u>-</u>	<u>4,632,897</u>	<u>31,245,642</u>	<u>3,613,490</u>
Compensated absences payable	896,869	91,255	988,124	521,138	432,873	1,076,389	92,184
Governmental activity long-term liabilities	<u>\$ 36,202,910</u>	<u>\$ 663,753</u>	<u>\$ 36,866,663</u>	<u>\$ 521,138</u>	<u>\$ 5,065,770</u>	<u>\$ 32,322,031</u>	<u>\$ 3,705,674</u>

**City of Marshall**  
**Notes to Financial Statements**

**NOTE 7 – LONG-TERM DEBT (CONTINUED)**

**B. Changes in Long-Term Liabilities (Continued)**

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Business-type activities</b>					
Bonds payable					
General obligation					
revenue bonds	\$ 12,381,392	\$ -	\$ 2,255,000	\$ 10,126,392	\$ 1,526,510
Revenue bonds	2,560,000	-	205,000	2,355,000	210,000
PFA notes	-	4,463,363	-	4,463,363	546,000
Unamortized bond premium	397,022	-	53,987	343,035	-
Total bonds payable	<u>15,338,414</u>	<u>4,463,363</u>	<u>2,513,987</u>	<u>17,287,790</u>	<u>2,282,510</u>
Compensated absences payable	<u>285,939</u>	<u>84,714</u>	<u>93,791</u>	<u>276,862</u>	<u>74,029</u>
Business-type activity long-term liabilities	<u>\$ 15,624,353</u>	<u>\$ 4,548,077</u>	<u>\$ 2,607,778</u>	<u>\$ 17,564,652</u>	<u>\$ 2,356,539</u>
<b>Component Unit Activities</b>					
	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Marshall Municipal Utilities</b>					
Revenue bonds	\$ 25,180,000	\$ -	\$ 3,375,000	\$ 21,805,000	\$ 3,535,000
Accrued transmission reserve	1,956,217	-	776,192	1,180,025	-
Compensated absences payable	683,254	47,991	-	731,245	-
Unamortized bond discount	<u>(25,922)</u>	<u>-</u>	<u>10,403</u>	<u>(15,519)</u>	<u>-</u>
Component Unit Long-term liabilities	<u>\$ 27,793,549</u>	<u>\$ 47,991</u>	<u>\$ 4,161,595</u>	<u>\$ 23,700,751</u>	<u>\$ 3,535,000</u>
<b>Marshall Housing Commission</b>					
Compensated Absences Payable	<u>\$ 71,866</u>	<u>\$ -</u>	<u>\$ 12,634</u>	<u>\$ 59,232</u>	<u>\$ 14,303</u>

**NOTE 8 – CONDUIT DEBT**

Conduit debt obligations are certain limited-obligation revenue bonds or similar debt instruments issued for the express purpose of providing capital financing for a specific third party. The City has issued conduit debt to provide funding to private-sector entities for projects deemed to be in the public interest. Although these bonds bear the name of the City, the City has no obligation for such debt beyond the resources provided by related leases or loans. Accordingly, the bonds are not reported as liabilities in the financial statements of the City. As of December 31, 2019, the following issues were outstanding:

Name	Date of Issue	Original Amount of Issue	Balance Outstanding as of 12/31/19
Lake View Memorial Hospital	2005	\$ 5,600,000	\$ 3,054,731

**City of Marshall**  
**Notes to Financial Statements**

**NOTE 9 – RISK MANAGEMENT**

The City purchases commercial insurance coverage through the League of Minnesota Cities Insurance Trust (LMCIT) with other cities in the state which is a public entity risk pool currently operating as a common risk management and insurance program. The City pays an annual premium to the LMCIT for its insurance coverage. The LMCIT is self-sustaining through commercial companies for excess claims. The City is covered through the pool for any claims incurred but unreported, however, retains risk for the deductible portion of its insurance policies. The amount of these deductibles is considered immaterial to the financial statements.

There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three years.

The City's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment for 2019 was estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2019, there were no other claims liabilities reported in the fund based on the requirements of GASB Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

**NOTE 10 – PENSION PLANS**

The City participates in various pension plans, total pension expense for the year ended December 31, 2019 was \$883,673. The components of pension expense are noted in the following plan summaries.

The General Fund, Wastewater Treatment Fund, and Municipal Liquor Store Fund typically liquidates the liability related to pensions.

**Public Employees' Retirement Association**

**A. Plan Description**

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by PERA. PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

**General Employees Retirement Plan**

All full-time and certain part-time employees of the City are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

**City of Marshall**  
**Notes to Financial Statements**

**NOTE 10 – PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**A. Plan Description (Continued)**

Public Employees Police and Fire Plan

The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

**B. Benefits Provided**

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested, terminated employees who are entitled to benefits but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July, 1 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for a Coordinated members is 1.2% of average salary for each of the first ten years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

**City of Marshall**  
**Notes to Financial Statements**

**NOTE 10 – PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**B. Benefits Provided (Continued)**

Police and Fire Plan Benefits

Benefits for the Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be fixed at 1%. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

**C. Contributions**

*Minnesota Statutes* Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5%, of their annual covered salary in calendar year 2019 and the City was required to contribute 7.5% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2019, were \$406,453. The City's contributions were equal to the required contributions as set by state statute.

Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 10.8 percent of pay to 11.3 percent and employer rates increased from 16.2 percent to 16.95 percent on January 1, 2019. The City's contributions to the Police and Fire Fund for the year ended December 31, 2019, were \$277,118. The City's contributions were equal to the required contributions as set by state statute.

**City of Marshall**  
**Notes to Financial Statements**

**NOTE 10 –PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**D. Pension Costs**

General Employees Fund Pension Costs

At December 31, 2019, the City reported a liability of \$4,174,226 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$129,661. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was 0.0755%, which was an increase of 0.008% from its proportionate share measured as of June 30, 2018.

City's proportionate share of the net pension liability	\$ 4,174,226
State of Minnesota's proportionate share of the net pension liability associated with the City	129,661
Total	\$ 4,303,887

For the year ended December 31, 2019, the City recognized pension expense of \$538,752 for its proportionate share of General Employees Plan's pension expense. Included in the amount, the City recognized \$9,710 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

**City of Marshall**  
**Notes to Financial Statements**

**NOTE 10 –PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**D. Pension Costs (Continued)**

General Employees Fund Pension Costs (Continued)

At December 31, 2019, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources, related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 115,789	\$ -
Changes in actuarial assumptions	-	327,474
Difference between projected and actual investment earnings	-	435,199
Changes in proportion	132,749	31,920
Contributions paid to PERA subsequent to the measurement date	<u>203,227</u>	<u>-</u>
Total	<u><u>\$ 451,765</u></u>	<u><u>\$ 794,593</u></u>

\$203,227 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2020	\$ (141,264)
2021	(339,975)
2022	(71,543)
2023	<u>6,727</u>
Total	<u><u>\$ (546,055)</u></u>

**City of Marshall**  
**Notes to Financial Statements**

**NOTE 10 –PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**D. Pension Costs (Continued)**

Police and Fire Fund Pension Costs

At December 31, 2019, the City reported a liability of \$1,596,623 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was 0.1519%, which was an increase of 0.0038% from its proportionate share measured as of June 30, 2018. The City also recognized \$20,506 for the year ended December 31, 2019 as revenue and an offsetting reduction of the net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year until the plan is 90 percent funded or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. In addition, the state will pay \$4.5 million on October 1, 2018 and October 1, 2019, in direct state aid. Thereafter, by October 1 of each year, the state will pay \$9 million until full funding is reached or July 1, 2048, whichever is earlier.

For the year ended December 31, 2019, the City recognized pension expense of \$293,094 for its proportionate share of the Police and Fire Plan's pension expense.

At December 31, 2019, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 68,316	\$ 243,287
Changes in actuarial assumptions	1,316,340	1,827,105
Difference between projected and actual investment earnings	-	337,300
Changes in proportion	119,417	63,042
Contributions paid to PERA subsequent to the measurement date	<u>138,559</u>	<u>-</u>
Total	<u>\$ 1,642,632</u>	<u>\$ 2,470,734</u>

**City of Marshall**  
**Notes to Financial Statements**

**NOTE 10 –PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**D. Pension Costs (Continued)**

Police and Fire Plan Pension Costs (Continued)

The \$138,559 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2020	\$ (110,676)
2021	(232,145)
2022	(623,708)
2023	(5,514)
2024	5,382
Total	\$ (966,661)

**E. Actuarial Assumptions**

The total pension liability in the June 30, 2019, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50 % Per year
Active member payroll growth	3.25 % Per year
Investment rate of return	7.50 %

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year for the General Employees Plan and, 1.0% per year for the Police and Fire Plan.

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The most recent four-year experience study for Police and Fire Plan was completed in 2016. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

**City of Marshall**  
**Notes to Financial Statements**

**NOTE 10 –PENSION PLANS (CONTINUED)**

**Public Employees’ Retirement Association (Continued)**

**E. Actuarial Assumptions (Continued)**

The following changes in actuarial assumptions occurred in 2019:

General Employees Fund

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions:

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State’s special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

Police and Fire Fund

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions:

- There have been no changes since the prior valuation

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	35.5 %	5.10 %
Private markets	25.0	5.90
Fixed income	20.0	0.75
International equity	17.5	5.90
Cash equivalents	2.0	0.00
Total	100 %	

**City of Marshall**  
**Notes to Financial Statements**

**NOTE 10 –PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**F. Discount Rate**

The discount rate used to measure the total pension liability in 2019 was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan 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.

**G. Pension Liability Sensitivity**

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate <u>(6.5%)</u>	Discount Rate <u>(7.5%)</u>	1% Increase in Discount Rate <u>(8.5%)</u>
City's proportionate share of the General Employees Fund net pension liability	\$ 6,862,203	\$ 4,174,226	\$ 1,954,767
	1% Decrease in Discount Rate <u>(6.5%)</u>	Discount Rate <u>(7.5%)</u>	1% Increase in Discount Rate <u>(8.5%)</u>
City's proportionate share of the Police and Fire Fund net pension liability	\$ 3,514,237	\$ 1,596,623	\$ (20,475)

**H. Pension Plan Fiduciary Net Position**

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org).

**City of Marshall**  
**Notes to Financial Statements**

**NOTE 10 –PENSION PLANS (CONTINUED)**

**Public Employees Defined Contribution Plan (Defined Contribution Plan)**

There are five City Council members that are covered by the Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The Defined Contribution Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

The defined contribution plan consists of individual accounts paying a lump-sum benefit. Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses; therefore, there is no future liability to the City. *Minnesota Statutes*, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2% of employer contributions and twenty-five hundredths of 1% (.0025) of the assets in each member's account annually.

Pension expense for the year is equal to the contributions made. Total contributions made by the City during fiscal year 2019 were:

Contribution Amount		Percentage of Covered Payroll		Required Rate
Employee	Employer	Employee	Employer	
\$ 2,045	\$ 2,045	5%	5%	5%

**Component Unit Pension Information**

Qualified employees of the Marshall Housing Commission (the Commission), a discrete component unit of the City, below to the Housing Renewal and Local Agency Retirement Plan, which is a defined contribution retirement plan. The retirement plan is a national plan with local or regional housing authorities and commission, urban renewal agencies, and other organizations eligible to participate. Required contributions were made by the Commission to the Housing Renewal and Local Agency Retirement Plan. The Commission's pension contributions for the year ending December 31, 2019, were \$8,794.

Detailed information concerning the Commission's pension plan is presented in its publicly available annual report for the year ended September 30, 2019. That report may be obtained by contacting the Commission.

**City of Marshall**  
**Notes to Financial Statements**

**NOTE 10 –PENSION PLANS (CONTINUED)**

**Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association**

**A. Plan Description**

The Marshall Firefighter's Relief Association is the administrator of a single employer defined benefit pension plan established to provide benefits for members of the Marshall Fire Department per *Minnesota State Statutes*.

The Association issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Marshall Firefighter's Association, 201 East Saratoga Street, Marshall, MN 56258 or by calling 507-532-5141.

**B. Benefits Provided**

Volunteer firefighters of the City are members of the Marshall Fire Fighter's Relief Association. Full retirement benefits are payable to members who have reached age 50 and have completed 20 years of service. Partial benefits are payable to members who have reached age 50 and have completed 10 years of service. Disability benefits and widow and children's survivor benefits are also payable to members or their beneficiaries based upon requirements set forth in the bylaws. These benefit provisions and all other requirements are consistent with enabling state statutes.

**C. Members Covered by Benefit Terms**

At December 31, 2018, the following members were covered by the benefit terms:

Inactive members entitled to but not yet receiving benefits	11
Active members	<u>41</u>
Total	<u><u>52</u></u>

**D. Contributions.**

*Minnesota Statutes* Chapter 424A.092 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from State aids are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a ten year period. The City's obligation is the financial requirement for the year less state aids. Any additional payments by the City shall be used to amortize the unfunded liability of the relief association. The Association is comprised of volunteers: therefore, there are no payroll expenditures (i.e. there are no covered payroll percentage calculations). During the year, the City recognized as revenue and as an expenditure an on behalf payment of \$107,826 made by the State of Minnesota for the Relief Association.

**City of Marshall**  
**Notes to Financial Statements**

**NOTE 10 – PENSION PLANS (CONTINUED)**

**Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association (Continued)**

**E. Net Pension Liability**

The City's net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018.

*Actuarial assumptions:*

The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 %
Investment rate of return	6.0 %, net of pensions plan investment expenses: including inflation

The value of death benefits is similar to the value of the retirement pension. Because of low retirement ages, the plan assumes no pre-retirement mortality. Post-retirement mortality does not apply as the benefit structure and form of payment do not reflect lifetime benefits.

The long-term return on assets has been set based on the plan's target investment allocation along with long-term return expectations by asset class. When there is sufficient historical evidence of market outperformance, historical average returns may be considered. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of the measurement date are summarized in the table below.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	60.00 %	4.76 %
Fixed income	30.00	2.01
Real estate and alternatives	5.00	4.53
Cash and equivalents	5.00	0.74
	<hr/>	
Total	<u>100.00 %</u>	

*Discount rate:*

The discount rate used to measure the total pension liability was 6.0%. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments by year were discounted using the expected asset return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the municipal bond rate. The equivalent single rate is the discount rate.

**City of Marshall**  
**Notes to Financial Statements**

**NOTE 10 – PENSION PLANS (CONTINUED)**

**Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association (Continued)**

**F. Changes in the Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at January 1, 2019	\$ 2,312,589	\$ 2,648,481	\$ (335,892)
Changes for the year			
Service cost	134,662	-	134,662
Interest cost	165,189	-	165,189
Differences between expected and actual experience	(69,133)	-	(69,133)
Changes of assumptions	64,058	-	64,058
State contributions	-	100,826	(100,826)
Net investment income	-	482,227	(482,227)
Administrative expense	-	(9,925)	9,925
Net changes	294,776	573,128	(278,352)
Balances at December 31, 2019	<u>\$ 2,607,365</u>	<u>\$ 3,221,609</u>	<u>\$ (614,244)</u>

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 6.0%, 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 (5.0%) or 1-percentage-point higher (7.0%) than the current rate:

	1% Decrease 5.0%	Current Discount Rate 6.0%	1% Increase 7.00%
City's net pension liability (asset)	<u>\$ (540,548)</u>	<u>\$ (614,244)</u>	<u>\$ (685,017)</u>

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued relief association financial report.

**City of Marshall**  
**Notes to Financial Statements**

**NOTE 10 – PENSION PLANS (CONTINUED)**

**Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association (Continued)**

**G. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended December 31, 2019, the City recognized pension expense of \$ 40,988. At December 31, 2019, 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 experience	\$ -	\$ 342,833
Changes of assumptions	68,172	13,123
Net difference between projected and actual earnings on pension plan investments	-	158,998
Total	\$ 68,172	\$ 514,954

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as shown on the following page.

Year Ending	Total
2020	\$ (141,287)
2021	(122,716)
2022	(60,842)
2023	(119,852)
2024	(598)
Thereafter	(1,487)
Total	\$ (446,782)

**H. Payable to the Pension Plan**

At December 31, 2019, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2019.

**City of Marshall**  
**Notes to Financial Statements**

**NOTE 11 – POST EMPLOYMENT HEALTH CARE PLAN**

**A. Plan Description**

The City's defined benefit OPEB plan provides a single-employer defined benefit health care plan to eligible retirees. The plan offers medical coverage. It is the City's policy to periodically review its medical coverage and to obtain requests for proposals in order to provide the most favorable benefits and premiums for City employees and retirees. No assets are acclimated in a trust.

**B. Benefits Provided**

Benefit provisions are established through negotiations between the City and the unions representing the City employees and are renegotiated each bargaining period. Retired employees receive no retiree benefits except the allowance to continue health insurance that is mandated by Minnesota Law. The Retiree Health Plan does not issue a publicly available financial report.

**C. Contributions**

Retirees contribute to the health care plan at the same rate as City employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the City, based on the contract terms with union representatives. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2019, the City had implicit contributions of \$22,807 to the plan.

**D. Members**

As of December 31, 2018, the following were covered by the benefit terms:

Retirees electing coverage	19
Actives waiving coverage	8
Active employees	90
Total	117

**E. Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

Investment rate of return	N/A
Salary increases	N/A
Inflation	2.50%
Healthcare cost trend increases	6.40% initially, gradually decreasing to an ultimate rate of 4.00% in 2075
Mortality assumption	RP-2014 mortality tables with projected mortality improvements based on scale MP-2017, and other adjustments.

**City of Marshall**  
**Notes to Financial Statements**

**NOTE 11 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

**E. Actuarial Assumptions (Continued)**

The actuarial assumptions used in the December 31, 2018, valuation were based on the results of an actuarial experience study for the period January 1, 2018 – December 31, 2018.

The discount rate used to measure the total OPEB liability was 3.71% which is equal to the 20 Year Municipal Bond Yield.

**F. Total OPEB Liability**

The City's total OPEB liability of \$491,555 was measured as of December 31, 2019, and was determined by an actuarial valuation as of December 31, 2018.

	<u>Total OPEB Liability</u>
Balances at January 1, 2019	<u>\$ 488,559</u>
Changes for the year	
Service cost	53,044
Interest	17,550
Differences between expected and actual economic experience	(74,431)
Changes of assumptions	29,640
Benefit payments	<u>(22,807)</u>
Net changes	<u>2,996</u>
Balances at December 31, 2019	<u><u>\$ 491,555</u></u>

Changes of actuarial assumptions and other inputs since the last valuations are as follows:

- The discount rate was changed from 3.31% to 3.71% based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations, including an adjustment to reflect the impact of the Affordable Care Act's Excise Tax on high-cost health insurance plans.
- Medical per capita claims costs were updated to reflect recent experience.
- Withdrawal, retirement, mortality and salary increase rates were updated from the rates used in the 7/1/2016 PERA General Employees Retirement Plan and PERA Police & Fire Plan to the rates used in the 7/1/2018 valuations.
- The percent of future retirees electing medical coverage at retirement changed from 35% to 40% to reflect recent plan experience.

**City of Marshall**  
**Notes to Financial Statements**

**NOTE 11 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

**F. Total OPEB Liability (Continued)**

- The percent of retirees electing spouse coverage changed from 20% to 35% to reflect recent plan experience.
- The percent of future non-Medicare eligible retirees electing each medical plan changed to reflect recent plan experience. The following table provides the changes for the assumed percent electing each plan:

Medical Plan	12/31/2016 Valuation	12/31/2018 Valuation
\$3,375 HSA	25 %	N/A %
\$5,000 HSA	75	90
\$3,000 VEBA	0	N/A
\$3,375 VEBA	0	N/A
\$5,000 VEBA	0	10

The General Fund typically liquidates the liability related to OPEB.

**G. OPEB Liability Sensitivity**

The following presents the City's total OPEB liability calculated using the discount rate of 3.71% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

Total OPEB Liability		
1% decrease (2.71%)	Current (3.71%)	1% increase (4.71%)
\$ 531,600	\$ 491,555	\$ 454,634

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower and 1% higher than the current healthcare cost trend rates.

Total OPEB Liability		
1% decrease (5.4% decreasing to 3.0%)	Current (6.4% decreasing to 4.0%)	1% increase (7.4% decreasing to 5.0%)
\$ 441,962	\$ 491,555	\$ 550,399

**City of Marshall**  
**Notes to Financial Statements**

**NOTE 11 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

**H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended December 31, 2019, the City recognized OPEB expense of \$46,872. At December 31, 2019, 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
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ 66,530
Differences between expected and actual economic experience	-	-
Changes of assumptions	39,890	-
Contributions subsequent to the measurement date	22,807	-
Total	\$ 62,697	\$ 66,530

\$22,807 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as follows:

Year Ending December 31,	
2020	\$ (2,860)
2021	(2,860)
2022	(2,860)
2023	(2,860)
2024	(2,860)
Thereafter	(12,340)
Total	\$ (26,640)

**NOTE 12 – CHANGE IN ACCOUNTING PRINCIPLE**

For the year ended December 31, 2019, the City implemented GASB Statement No. 84, *Fiduciary Activities*. No adjustments were needed to the Fiduciary Funds as a result of the implementation.

**City of Marshall**  
**Notes to Financial Statements**

**NOTE 13 – PRIOR PERIOD ADJUSTMENTS**

For the year ended December 31, 2019, prior period adjustments were required to adjust beginning net position for governmental activities to reflect changes in deferred inflows of resources related to the Municipal State Aid Street program and to change the presentation of the Marshall-Lyon County Library component unit from discrete to blended. These adjustments affected beginning net position for governmental activities in the amount of \$2,086,536, and the governmental fund in the amount of \$2,691,641. A prior period adjustment was also required for the Economic Development Authority, a discretely presented component unit, in the amount of \$ 40,500 to adjust land held for resale to the lower of cost or market value.

**NOTE 14 – COMMITMENTS**

At December 31, 2019, the City had outstanding construction contract commitments totaling \$16,630,046 for the Wastewater Improvement Project and the City Hall Renovation.

**NOTE 15 – SUBSEQUENT EVENTS**

In February of 2020, the City issued General Obligation Capital Improvement Plan Bonds, Series 2020A, in the Original Aggregate Principal Amount of \$6,500,000. Pursuant to a resolution adopted by the City Council on August 13, 2019, the City authorized the sale of its General Obligation Capital Improvement Plan Bonds, Series 2020A, to finance certain capital improvements under an approved capital improvement plan by the issuance of general obligation bonds of the City payable from ad valorem taxes. Capital improvements include acquisition or betterment of public lands, buildings or other improvements for the purpose of a city hall, library, public safety facility, and public works facilities (excluding light rail transit or any activity related to it, or a park, road, bridge, administrative building other than a city hall, or land for any of those activities).

On March 13, 2020, a national emergency was declared for the COVID-19 outbreak in the United States of America. This event affects the economy and financial markets. The extent of the impact on the City may be both direct and indirect and will vary based on the duration of the outbreak and various other factors. An estimate of the financial effect on the City's financial statements at December 31, 2019 cannot be determined at this time.

**NOTE 16 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED**

GASB Statement No. 87, Leases establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement will be effective for the year ending December 31, 2022.

**REQUIRED SUPPLEMENTARY INFORMATION**

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**City of Marshall**  
**Schedule of Changes in Total OPEB Liability**  
**and Related Ratios**

	December 31, 2019	December 31, 2018
Total OPEB Liability		
Service cost	\$ 53,044	\$ 46,291
Interest	17,550	17,579
Differences between expected and actual experience	(74,431)	-
Changes of assumptions	29,640	17,186
Benefit payments	(22,807)	(15,171)
Net change in total OPEB liability	2,996	65,885
Beginning of year	488,559	422,674
End of year	\$ 491,555	\$ 488,559
Plan Fiduciary Net Pension (FNP)		
Employer contributions	\$ 22,807	\$ 15,171
Benefit payments	(22,807)	(15,171)
Net change in plan fiduciary net position	-	-
Beginning of year	-	-
End of year	\$ -	\$ -
Net OPEB liability	\$ 491,555	\$ 488,559
Plan FNP as a percentage of the total OPEB liability	0.00%	0.00%
Covered-employee payroll	\$ 6,221,055	\$ 7,183,783
Net OPEB liability as a percentage of covered-employee payroll	7.90%	6.80%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

**City of Marshall**  
**Schedule of City's Proportionate Share**  
**of Net Pension Liability**  
**General Employees Retirement Fund**  
**Last Ten Years**

For Fiscal Year Ended June 30,	City's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.0755%	\$ 4,174,226	\$ 129,661	\$ 4,303,887	\$ 5,340,853	78.2%	80.2%
2018	0.0747%	4,144,050	135,844	4,279,894	5,015,656	85.3%	79.5%
2017	0.0757%	4,832,638	60,786	4,893,424	4,879,197	100.3%	75.9%
2016	0.0708%	5,748,609	75,053	5,823,662	4,394,194	132.5%	68.9%
2015	0.0730%	3,783,239	-	3,783,239	4,221,213	89.6%	78.2%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

**Schedule of City's Proportionate Share  
of Net Pension Liability  
Public Employees Police and Fire Retirement Fund  
Last Ten Years**

For Fiscal Year Ended June 30,	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset)	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.1519%	\$ 1,596,623	\$ 1,639,377	97.4%	89.3%
2018	0.1481%	1,578,593	1,561,333	101.1%	88.8%
2017	0.1530%	2,065,682	1,566,649	131.9%	85.4%
2016	0.1490%	5,979,629	1,433,849	417.0%	63.9%
2015	0.1540%	1,749,800	1,367,414	128.0%	86.6%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

**City of Marshall**  
**Schedule of City Contributions**  
**General Employees Retirement Fund**  
**Last Ten Years**

Fiscal Year Ending December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2019	\$ 406,453	\$ 406,453	\$ -	\$ 5,419,373	7.5%
2018	388,137	388,137	-	5,175,154	7.5%
2017	364,044	364,044	-	4,853,924	7.5%
2016	339,038	339,038	-	4,520,504	7.5%
2015	337,463	337,463	-	4,499,507	7.5%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

**Schedule of City Contributions**  
**Public Employees Police and Fire Retirement Fund**  
**Last Ten Years**

Fiscal Year Ending December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2019	\$ 277,118	\$ 277,118	\$ -	\$ 1,710,605	16.20%
2018	260,368	260,368	-	1,607,210	16.20%
2017	254,704	254,704	-	1,572,247	16.20%
2016	229,508	229,508	-	1,416,716	16.20%
2015	240,460	240,460	-	1,418,643	16.95%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

**City of Marshall**  
**Schedule of Changes in Net Pension Liability**  
**and Related Ratios - Fire Relief Association**

	2019	2018	2017	2016	2015
<b>Total Pension Liability (TPL)</b>					
Service cost	\$ 134,662	\$ 131,058	\$ 138,841	\$ 151,873	\$ 128,480
Interest	165,189	173,655	234,533	206,225	203,955
Differenced between expected and actual experience	(69,133)	-	(504,956)	-	-
Changes of assumptions	64,058	-	(579)	(44,795)	34,723
Changes of benefit terms	-	-	-	88,384	59,012
Benefit payments, including refunds or member contributions	-	(867,453)	(656,455)	(45,890)	(254,609)
Net change in total pension liability	<u>294,776</u>	<u>(562,740)</u>	<u>(788,616)</u>	<u>355,797</u>	<u>171,561</u>
Beginning of year	<u>2,312,589</u>	<u>2,875,329</u>	<u>3,663,945</u>	<u>3,308,148</u>	<u>3,136,587</u>
End of year	<u>\$ 2,607,365</u>	<u>\$ 2,312,589</u>	<u>\$ 2,875,329</u>	<u>\$ 3,663,945</u>	<u>\$ 3,308,148</u>
<b>Plan Fiduciary Net Position (FNP)</b>					
Contributions - State and local	\$ 100,826	\$ 108,906	\$ 156,757	\$ 124,166	\$ 103,127
Contributions - donations and other income	-	8,454	-	-	-
Net investment income	482,227	(147,725)	514,498	269,176	(45,718)
Benefit payments, including refunds of member contributions	-	(867,453)	(656,455)	(45,890)	(254,609)
Administrative expense	(9,925)	(9,975)	(9,152)	(8,530)	(11,275)
Other	-	-	-	-	-
Net change in plan fiduciary net position	<u>573,128</u>	<u>(907,793)</u>	<u>5,648</u>	<u>338,922</u>	<u>(208,475)</u>
Beginning of year	<u>2,648,481</u>	<u>3,556,274</u>	<u>3,550,626</u>	<u>3,211,704</u>	<u>3,420,179</u>
End of year	<u>\$ 3,221,609</u>	<u>\$ 2,648,481</u>	<u>\$ 3,556,274</u>	<u>\$ 3,550,626</u>	<u>\$ 3,211,704</u>
Net Pension Liability (NPL)	<u>\$ (614,244)</u>	<u>\$ (335,892)</u>	<u>\$ (680,945)</u>	<u>\$ 113,319</u>	<u>\$ 96,444</u>
Plan fiduciary net position as a percentage of the total pension liability	123.6%	114.5%	123.7%	96.9%	97.1%
Covered employee payroll	N/A	N/A	N/A	N/A	N/A
Net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A

The City implemented the Provisions of Governmental Accounting Standards Board Statement No. 68 for the year ended December 31, 2015. The schedules within the Required Supplementary Information section required a ten year presentation, but does not require retroactive reporting. Information prior to 2014 is not available.

**City of Marshall**  
**Schedule of Employer Contributions**  
**and Non-Employer Contributing**  
**Entities - Fire Relief Association**

	2019	2018	2017	2016	2015	2014
Employer						
Statutorily determined contribution (SDC)	\$ -	\$ 1,654	\$ 48,227	\$ 21,501	\$ -	\$ 74,423
Contribution made	-	(1,654)	(48,227)	(21,501)	-	(74,507)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (84)</u>				
Non-employer						
2% aid	\$ 100,826	\$ 100,252	\$ 101,530	\$ 100,664	\$ 101,127	\$ 95,892

The City implemented the Provisions of Governmental Accounting Standards Board Statement No. 68 for the year ended December 31, 2015. The schedules within the Required Supplementary Information section required a ten year presentation, but does not require retroactive reporting. Information prior to 2014 is not available.

**City of Marshall**  
**Notes to Required Supplementary Information**

**GENERAL EMPLOYEES FUND**

**2019 Changes**

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

**2018 Changes**

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

**2017 Changes**

Changes in Actuarial Assumptions

- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.

**City of Marshall**  
**Notes to Required Supplementary Information**

**GENERAL EMPLOYEES FUND (CONTINUED)**

**2017 Changes (Continued)**

Changes in Plan Provisions (Continued)

- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The State's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

**2016 Changes**

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, the inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

**2015 Changes**

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

**POLICE AND FIRE FUND**

**2019 Changes**

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2017 to MP-2018.

**2018 Changes**

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2016 to MP-2017.

**City of Marshall**  
**Notes to Required Supplementary Information**

**POLICE AND FIRE FUND (CONTINUED)**

**2018 Changes (Continued)**

Changes in Plan Provisions

- Postretirement benefit increases were changed to 1.00% for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution.
- New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100% funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.80% to 11.30% of pay, effective January 1, 2019 and 11.80% of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20% to 16.95% of pay, effective January 1, 2019 and 17.70% of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

**2017 Changes**

Changes in Actuarial Assumptions

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30% for vested and non-vested deferred members. The CSA has been changed to 33% for vested members and 2% for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1% for all years to 1% per year through 2064 and 2.5% thereafter.
- The single discount rate was changed from 5.6% per annum to 7.5% per annum.

**City of Marshall**  
**Notes to Required Supplementary Information**

**POLICE AND FIRE FUND (CONTINUED)**

**2016 Changes**

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.6%.
- The single discount rate changed from 7.90% to 5.60%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

**2015 Changes**

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2037 and 2.5% per year thereafter.

Changes in Plan Provisions

- The post-retirement benefit increase to be paid after attainment of the 90% funding threshold was changed, from inflation up to 2.5%, to a fixed rate of 2.5%.

**POST EMPLOYMENT HEALTH CARE PLAN**

**2019 Changes**

Changes in Actuarial Assumptions

- The discount rate was changed from 3.31% to 3.71% based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations, including an adjustment to reflect the impact of the Affordable Care Act's Excise Tax on high-cost health insurance plans.
- Medical per capita claims costs were updated to reflect recent experience.
- Withdrawal, retirement, mortality and salary increase rates were updated from the rates used in the 7/1/2016 PERA General Employees Retirement Plan and PERA Police & Fire Plan to the rates used in the 7/1/2018 valuations.
- The percent of future retirees electing medical coverage at retirement changed from 35% to 40% to reflect recent plan experience.
- The percent of retirees electing spouse coverage changed from 20% to 35% to reflect recent plan experience.
- The percent of future non-Medicare eligible retirees electing each medical plan changed to reflect recent plan experience.

**2018 Changes**

- The discount rate was changed from 3.81% to 3.31%

**SUPPLEMENTARY INFORMATION**

**City of Marshall**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**Year Ended December 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues</b>				
Taxes				
Property taxes	\$ 4,545,788	\$ 4,545,788	\$ 4,565,999	\$ 20,211
Lodging tax	170,000	170,000	172,047	2,047
Franchise fees	365,000	365,000	429,779	64,779
Total taxes	<u>5,080,788</u>	<u>5,080,788</u>	<u>5,167,825</u>	<u>87,037</u>
Special assessments	-	-	2,862	2,862
Licenses and permits				
Business	56,201	56,201	50,657	(5,544)
Nonbusiness	205,650	205,650	358,965	153,315
Total licenses and permits	<u>261,851</u>	<u>261,851</u>	<u>409,622</u>	<u>147,771</u>
Intergovernmental				
Federal				
Other Federal aid	2,080	2,080	47,740	45,660
State				
Local government aid	2,475,243	2,475,243	2,475,243	-
Property tax credits and aids	-	-	181	181
Airport grants	88,646	88,646	97,853	9,207
Other State aids	462,272	462,272	455,272	(7,000)
Total State	<u>3,026,161</u>	<u>3,026,161</u>	<u>3,028,549</u>	<u>2,388</u>
Local				
Other local grants	66,616	66,616	74,939	8,323
Total intergovernmental	<u>3,094,857</u>	<u>3,094,857</u>	<u>3,151,228</u>	<u>56,371</u>
Charges for services				
General government	71,161	71,161	79,678	8,517
Public safety	279,441	279,441	199,016	(80,425)
Public works	1,357,286	1,357,286	1,268,909	(88,377)
Culture and recreation	469,150	469,150	488,651	19,501
Miscellaneous	120,700	120,700	125,460	4,760
Total charges for services	<u>2,297,738</u>	<u>2,297,738</u>	<u>2,161,714</u>	<u>(136,024)</u>
Fines and forfeitures	101,400	101,400	127,425	26,025
Investment earnings	30,000	30,000	162,709	132,709
Miscellaneous				
Contributions and donations	821,195	821,195	998,807	177,612
Refunds and reimbursements	138,399	138,399	220,197	81,798
Total miscellaneous	<u>959,594</u>	<u>959,594</u>	<u>1,219,004</u>	<u>259,410</u>
Total revenues	<u>11,826,228</u>	<u>11,826,228</u>	<u>12,402,389</u>	<u>576,161</u>

**City of Marshall**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**Year Ended December 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Expenditures</b>				
Current				
General government				
Adult community center				
Personnel services	\$ 143,143	\$ 143,143	\$ 134,235	\$ (8,908)
Supplies	20,886	20,886	27,352	6,466
Other services and charges	16,564	16,564	15,365	(1,199)
Total adult community center	<u>180,593</u>	<u>180,593</u>	<u>176,952</u>	<u>(3,641)</u>
Appraising and assessing				
Personnel services	302,010	302,010	302,425	415
Supplies	1,950	1,950	602	(1,348)
Other services and charges	35,426	35,426	16,914	(18,512)
Total appraising and assessing	<u>339,386</u>	<u>339,386</u>	<u>319,941</u>	<u>(19,445)</u>
Cable commission				
Personnel services	155,121	155,121	155,991	870
Supplies	7,200	7,200	6,387	(813)
Other services and charges	12,036	12,036	10,869	(1,167)
Total cable commission	<u>174,357</u>	<u>174,357</u>	<u>173,247</u>	<u>(1,110)</u>
City administration				
Personnel services	433,941	433,941	492,194	58,253
Supplies	1,975	1,975	1,735	(240)
Other services and charges	45,292	45,292	25,930	(19,362)
Total City administration	<u>481,208</u>	<u>481,208</u>	<u>519,859</u>	<u>38,651</u>
Finance				
Personnel services	319,320	319,320	323,336	4,016
Supplies	19,432	19,432	11,236	(8,196)
Other services and charges	14,812	14,812	4,550	(10,262)
Total finance	<u>353,564</u>	<u>353,564</u>	<u>339,122</u>	<u>(14,442)</u>
General community development				
Supplies	161,500	161,500	178,029	16,529
Other services and charges	95,498	95,498	100,528	5,030
Total general community development	<u>256,998</u>	<u>256,998</u>	<u>278,557</u>	<u>21,559</u>
Information technology				
Supplies	22,722	22,722	37,221	14,499
Other services and charges	174,487	174,487	113,650	(60,837)
Total information technology	<u>197,209</u>	<u>197,209</u>	<u>150,871</u>	<u>(46,338)</u>
Legal				
Supplies	500	500	262	(238)
Other services and charges	127,346	127,346	127,694	348
Total legal	<u>127,846</u>	<u>127,846</u>	<u>127,956</u>	<u>110</u>

**City of Marshall**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**Year Ended December 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Expenditures (continued)</b>				
Current (continued)				
General government (continued)				
Mayor and Council				
Personnel services	\$ 54,405	\$ 54,405	\$ 56,361	\$ 1,956
Supplies	21,700	21,700	15,847	(5,853)
Other services and charges	749,170	749,170	724,744	(24,426)
Total Mayor and Council	<u>825,275</u>	<u>825,275</u>	<u>796,952</u>	<u>(28,323)</u>
Municipal building maintenance				
Personnel services	200,017	200,017	213,907	13,890
Supplies	30,750	30,750	26,366	(4,384)
Other services and charges	59,960	59,960	56,315	(3,645)
Total building maintenance	<u>290,727</u>	<u>290,727</u>	<u>296,588</u>	<u>5,861</u>
Total general government	<u>3,227,163</u>	<u>3,227,163</u>	<u>3,180,045</u>	<u>(47,118)</u>
Public safety				
Animal impoundment				
Personnel services	25,477	25,477	22,021	(3,456)
Supplies	6,900	6,900	758	(6,142)
Other services and charges	6,928	6,928	4,625	(2,303)
Total animal impoundment	<u>39,305</u>	<u>39,305</u>	<u>27,404</u>	<u>(11,901)</u>
Chemical assessment team				
Personnel services	25,837	25,837	25,276	(561)
Supplies	20,262	20,262	25,706	5,444
Other services and charges	13,901	13,901	9,219	(4,682)
Total chemical assessment team	<u>60,000</u>	<u>60,000</u>	<u>60,201</u>	<u>201</u>
Emergency management services				
Supplies	2,500	2,500	726	(1,774)
Other services and charges	7,130	7,130	5,698	(1,432)
Total emergency management services	<u>9,630</u>	<u>9,630</u>	<u>6,424</u>	<u>(3,206)</u>
Fire services				
Personnel services	215,861	215,861	244,870	29,009
Supplies	100,000	100,000	106,065	6,065
Other services and charges	318,721	318,721	374,545	55,824
Total fire services	<u>634,582</u>	<u>634,582</u>	<u>725,480</u>	<u>90,898</u>
Police administration				
Personnel services	2,590,609	2,590,609	2,565,358	(25,251)
Supplies	96,469	96,469	147,092	50,623
Other services and charges	311,967	311,967	278,216	(33,751)
Total police administration	<u>2,999,045</u>	<u>2,999,045</u>	<u>2,990,666</u>	<u>(8,379)</u>
Total public safety	<u>3,742,562</u>	<u>3,742,562</u>	<u>3,810,175</u>	<u>67,613</u>

**City of Marshall**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**Year Ended December 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Expenditures (continued)</b>				
Current (continued)				
Public works				
Community planning				
Personnel services	\$ 443,388	\$ 443,388	\$ 458,639	\$ 15,251
Supplies	25,900	25,900	8,338	(17,562)
Other services and charges	26,519	26,519	35,118	8,599
Total community planning	<u>495,807</u>	<u>495,807</u>	<u>502,095</u>	<u>6,288</u>
Engineering				
Personnel services	700,688	700,688	715,591	14,903
Supplies	25,500	25,500	23,372	(2,128)
Other services and charges	45,277	45,277	23,438	(21,839)
Total engineering	<u>771,465</u>	<u>771,465</u>	<u>762,401</u>	<u>(9,064)</u>
Street administration				
Personnel services	846,117	846,117	893,006	46,889
Supplies	441,250	441,250	588,338	147,088
Other services and charges	65,086	65,086	195,297	130,211
Total street administration	<u>1,352,453</u>	<u>1,352,453</u>	<u>1,676,641</u>	<u>324,188</u>
Street lighting				
Other services and charges	241,575	241,575	241,575	-
Total street lighting	<u>241,575</u>	<u>241,575</u>	<u>241,575</u>	<u>-</u>
Total public works	<u>2,861,300</u>	<u>2,861,300</u>	<u>3,182,712</u>	<u>321,412</u>
Culture and recreation				
Aquatic center				
Personnel services	117,912	117,912	89,379	(28,533)
Supplies	77,100	77,100	73,285	(3,815)
Other services and charges	97,998	97,998	52,871	(45,127)
Total aquatic center	<u>293,010</u>	<u>293,010</u>	<u>215,535</u>	<u>(77,475)</u>
Community education				
Personnel services	126,771	126,771	126,327	(444)
Supplies	11,200	11,200	8,516	(2,684)
Other services and charges	16,160	16,160	13,293	(2,867)
Total community education	<u>154,131</u>	<u>154,131</u>	<u>148,136</u>	<u>(5,995)</u>
Community services administration				
Personnel services	308,786	308,786	304,968	(3,818)
Supplies	12,600	12,600	12,821	221
Other services and charges	53,669	53,669	38,071	(15,598)
Total community services administration	<u>375,055</u>	<u>375,055</u>	<u>355,860</u>	<u>(19,195)</u>

**City of Marshall**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**Year Ended December 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Expenditures (continued)</b>				
Current (continued)				
Culture and recreation (continued)				
Community services general				
Personnel services	\$ 1,146	\$ 1,146	\$ 34	\$ (1,112)
Supplies	15,000	15,000	14,917	(83)
Total community services general	<u>16,146</u>	<u>16,146</u>	<u>14,951</u>	<u>(1,195)</u>
Community services youth activities				
Personnel services	14,665	14,665	6,306	(8,359)
Supplies	1,400	1,400	1,633	233
Other services and charges	8,500	8,500	8,856	356
Total community services youth activities	<u>24,565</u>	<u>24,565</u>	<u>16,795</u>	<u>(7,770)</u>
Municipal band				
Personnel services	10,934	10,934	10,435	(499)
Supplies	400	400	182	(218)
Other services and charges	202	202	194	(8)
Total municipal band	<u>11,536</u>	<u>11,536</u>	<u>10,811</u>	<u>(725)</u>
Park maintenance and development				
Personnel services	426,010	426,010	412,363	(13,647)
Supplies	283,175	283,175	271,927	(11,248)
Other services and charges	88,634	88,634	74,537	(14,097)
Total park maintenance and development	<u>797,819</u>	<u>797,819</u>	<u>758,827</u>	<u>(38,992)</u>
Recreation				
Personnel services	174,902	174,902	156,290	(18,612)
Supplies	41,000	41,000	47,836	6,836
Other services and charges	24,410	24,410	17,740	(6,670)
Total recreation	<u>240,312</u>	<u>240,312</u>	<u>221,866</u>	<u>(18,446)</u>
Total culture and recreation	<u>1,912,574</u>	<u>1,912,574</u>	<u>1,742,781</u>	<u>(169,793)</u>
Airport				
Personnel services	235,977	235,977	260,744	24,767
Supplies	70,000	70,000	73,390	3,390
Other services and charges	153,385	153,385	155,835	2,450
Total airport	<u>459,362</u>	<u>459,362</u>	<u>489,969</u>	<u>30,607</u>
Total current	<u>12,202,961</u>	<u>12,202,961</u>	<u>12,405,682</u>	<u>202,721</u>
Capital outlay				
Public safety	-	-	11,445	11,445
Total expenditures	<u>12,202,961</u>	<u>12,202,961</u>	<u>12,417,127</u>	<u>214,166</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(376,733)</u>	<u>(376,733)</u>	<u>(14,738)</u>	<u>361,995</u>

**City of Marshall**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**Year Ended December 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Other Financing Sources (Uses)</b>				
Sale of capital assets	\$ 30,000	\$ 30,000	\$ -	\$ (30,000)
Transfers in	225,000	225,000	225,000	-
Transfers out	-	-	(600,000)	(600,000)
	<u>255,000</u>	<u>255,000</u>	<u>(375,000)</u>	<u>(630,000)</u>
Total other financing sources (uses)				
	<u>255,000</u>	<u>255,000</u>	<u>(375,000)</u>	<u>(630,000)</u>
Net change in fund balances	<u>\$ (121,733)</u>	<u>\$ (121,733)</u>	(389,738)	<u>\$ (268,005)</u>
<b>Fund Balance</b>				
Beginning of year			<u>7,629,173</u>	
End of year			<u>\$ 7,239,435</u>	

**City of Marshall  
Combining Balance Sheet -  
Nonmajor Governmental Funds  
December 31, 2019**

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total
<b>Assets</b>			
Cash and temporary investments	\$ 4,229,792	\$ 6,820,777	\$ 11,050,569
Receivables			
Interest	129	1,896	2,025
Delinquent taxes	-	9,641	9,641
Accounts	43,355	26,184	69,539
Notes	33,594	-	33,594
Special assessments	-	529,829	529,829
Intergovernmental	388,693	41,023	429,716
Due from other funds	-	436,105	436,105
Prepaid items	32,056	-	32,056
Total assets	<u>\$ 4,727,619</u>	<u>\$ 7,865,455</u>	<u>\$ 12,593,074</u>
<b>Liabilities</b>			
Accounts payable	101,616	39,765	141,381
Contracts payable	-	27,270	27,270
Due to other funds	30,000	906,415	936,415
Due to component unit	13,584	241	13,825
Due to other governments	13,988	18,702	32,690
Accrued salaries payable	21,575	-	21,575
Total liabilities	<u>180,763</u>	<u>992,393</u>	<u>1,173,156</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - taxes	-	9,641	9,641
Unavailable revenue - special assessments	-	529,829	529,829
Unavailable revenue - other	550	270,359	270,909
Total Deferred Inflows of Resources	<u>550</u>	<u>809,829</u>	<u>810,379</u>
<b>Fund Balances</b>			
Nonspendable			
Prepaid items	32,056	-	32,056
Restricted for			
City celebrations	18,259	-	18,259
Economic development	2,329,799	-	2,329,799
Capital projects	1,497,371	616,108	2,113,479
Library	89,137	-	89,137
Assigned for			
Staff seperation	100,388	-	100,388
Library operations	86,955	-	86,955
Economic development	143,418	-	143,418
Capital projects	-	5,655,057	5,655,057
Driver education	62,316	-	62,316
ASC Arena	100,971	-	100,971
Park improvements	-	182,647	182,647
Emergency response and industrial training center	85,636	-	85,636
Unassigned	-	(390,579)	(390,579)
Total fund balances	<u>4,546,306</u>	<u>6,063,233</u>	<u>10,609,539</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,727,619</u>	<u>\$ 7,865,455</u>	<u>\$ 12,593,074</u>

**City of Marshall**  
**Combining Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances - Nonmajor Governmental Funds**  
**Year Ended December 31, 2019**

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total
<b>Revenues</b>			
Taxes	\$ 2,136,571	\$ 462,663	\$ 2,599,234
Intergovernmental	942,563	2,212,039	3,154,602
Charges for services	286,381	11,000	297,381
Fines and forfeitures	15,040	-	15,040
Special assessments	-	334,191	334,191
Investment earnings	117,410	67,354	184,764
Other revenues	54,999	187,937	242,936
Total revenues	<u>3,552,964</u>	<u>3,275,184</u>	<u>6,828,148</u>
<b>Expenditures</b>			
Current			
General government	25,000	254,215	279,215
Public safety	165,911	3,980	169,891
Public works	-	2	2
Culture and recreation	1,742,801	2,082	1,744,883
Economic development	256,435	-	256,435
Airport	-	5,000	5,000
Capital outlay			
General government	-	396,217	396,217
Public safety	-	10,000	10,000
Public works	-	2,429,257	2,429,257
Culture and recreation	5,542	565,001	570,543
Airport	-	50,000	50,000
Total expenditures	<u>2,195,689</u>	<u>3,715,754</u>	<u>5,911,443</u>
Excess (Deficiency) of revenues over (under) expenditures	1,357,275	(440,570)	916,705
<b>Other Financing Sources (Uses)</b>			
Sale of capital assets	-	59,115	59,115
Transfers in	818,377	620,998	1,439,375
Transfers out	(2,317,141)	(613,892)	(2,931,033)
Total other financing sources (uses)	<u>(1,498,764)</u>	<u>66,221</u>	<u>(1,432,543)</u>
Net change in fund balances	(141,489)	(374,349)	(515,838)
Fund Balances, January 1	4,384,427	7,475,640	11,860,067
Prior period adjustment (See Note 13)	303,368	(1,038,058)	(734,690)
Fund Balances January 1, restated	<u>4,687,795</u>	<u>6,437,582</u>	<u>11,125,377</u>
Fund Balances, December 31	<u>\$ 4,546,306</u>	<u>\$ 6,063,233</u>	<u>\$ 10,609,539</u>

**City of Marshall**  
**Combining Balance Sheet -**  
**Nonmajor Special Revenue Funds**  
**December 31, 2019**

	Marshall - Lyon County Library (211)	Marshall Celebrations (215)	Small Cities Development Program (220)	2018 Small Cities Development Program (221)
<b>Assets</b>				
Cash and temporary investments	\$ 310,659	\$ 18,259	\$ 133,929	\$ 341,992
Receivables				
Interest	3	-	8	72
Accounts	-	-	373	3,118
Notes	-	-	9,116	24,478
Intergovernmental	-	-	-	-
Prepaid items	4,897	-	-	-
Total assets	<u>\$ 315,559</u>	<u>\$ 18,259</u>	<u>\$ 143,426</u>	<u>\$ 369,660</u>
<b>Liabilities</b>				
Accounts payable	16,208	-	8	61,350
Due to other funds	-	-	-	-
Due to component unit	3,950	-	-	-
Due to other governments	53	-	-	-
Accrued salaries payable	13,971	-	-	-
Total liabilities	<u>34,182</u>	<u>-</u>	<u>8</u>	<u>61,350</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>				
Nonspendable				
Prepaid items	4,897	-	-	-
Restricted				
City celebrations	-	18,259	-	-
Economic development	-	-	-	308,310
Capital projects	-	-	-	-
Library	89,137	-	-	-
Assigned				
Staff seperation	100,388	-	-	-
Library operations	86,955	-	-	-
Economic development	-	-	143,418	-
Driver education	-	-	-	-
ASC Arena	-	-	-	-
Emergency response and industrial training center	-	-	-	-
Total fund balances	<u>281,377</u>	<u>18,259</u>	<u>143,418</u>	<u>308,310</u>
Total liabilities and fund balances	<u>\$ 315,559</u>	<u>\$ 18,259</u>	<u>\$ 143,426</u>	<u>\$ 369,660</u>

Community Education Drivers Training (240)	Sales / Lodging Tax (256)	ASC Arena (258)	Emergency Response and Industrial Training Center (270)	Endowment - Avera / WMMC (280)	Total
\$ 76,166	\$ 1,108,177	\$ 100,588	\$ 88,533	\$ 2,051,489	\$ 4,229,792
-	40	3	3	-	129
-	6,764	32,449	651	-	43,355
-	-	-	-	-	33,594
-	382,443	-	6,250	-	388,693
-	-	18,486	8,673	-	32,056
<u>\$ 76,166</u>	<u>\$ 1,497,424</u>	<u>\$ 151,526</u>	<u>\$ 104,110</u>	<u>\$ 2,051,489</u>	<u>\$ 4,727,619</u>
15	53	16,605	7,377	-	101,616
-	-	-	-	30,000	30,000
-	-	8,845	789	-	13,584
13,835	-	100	-	-	13,988
-	-	5,969	1,635	-	21,575
<u>13,850</u>	<u>53</u>	<u>31,519</u>	<u>9,801</u>	<u>30,000</u>	<u>180,763</u>
-	-	550	-	-	550
-	-	18,486	8,673	-	32,056
-	-	-	-	-	18,259
-	-	-	-	2,021,489	2,329,799
-	1,497,371	-	-	-	1,497,371
-	-	-	-	-	89,137
-	-	-	-	-	100,388
-	-	-	-	-	86,955
-	-	-	-	-	143,418
62,316	-	-	-	-	62,316
-	-	100,971	-	-	100,971
-	-	-	85,636	-	85,636
<u>62,316</u>	<u>1,497,371</u>	<u>119,457</u>	<u>94,309</u>	<u>2,021,489</u>	<u>4,546,306</u>
<u>\$ 76,166</u>	<u>\$ 1,497,424</u>	<u>\$ 151,526</u>	<u>\$ 104,110</u>	<u>\$ 2,051,489</u>	<u>\$ 4,727,619</u>

**City of Marshall**  
**Combining Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances - Special Revenue Funds**  
**December 31, 2019**

	Marshall - Lyon County Library (211)	Marshall Celebrations (215)	Small Cities Development Program (220)	2018 Small Cities Development Program (221)
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	942,563	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	15,040	-	-	-
Investment earnings	4,924	-	115	10,686
Other revenues	34,449	-	10,852	7,644
Total Revenues	<u>996,976</u>	<u>-</u>	<u>10,967</u>	<u>18,330</u>
<b>Expenditures</b>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	1,018,967	-	-	-
Economic development	-	-	125	249,310
Capital outlay				
Culture and recreation	-	-	-	-
Total Expenditures	<u>1,018,967</u>	<u>-</u>	<u>125</u>	<u>249,310</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>(21,991)</u>	<u>-</u>	<u>10,842</u>	<u>(230,980)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	121,700	-
Transfers out	-	-	(4,177)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>117,523</u>	<u>-</u>
Net change in fund balances	<u>(21,991)</u>	<u>-</u>	<u>128,365</u>	<u>(230,980)</u>
Fund Balances, January 1	-	18,259	15,053	539,290
Prior period adjustment (See Note 13)	303,368	-	-	-
Fund Balances January 1, restated	<u>303,368</u>	<u>18,259</u>	<u>15,053</u>	<u>539,290</u>
Fund Balances, December 31	<u>\$ 281,377</u>	<u>\$ 18,259</u>	<u>\$ 143,418</u>	<u>\$ 308,310</u>

Program Income SCDP - Local (223)	Community Education Drivers Training (240)	Sales / Lodging Tax (256)	ASC Arena (258)	Emergency Response and Industrial Training Center (270)	Endowment - Avera / WMMC (280)	Totals
\$ -	\$ -	\$ 2,136,571	\$ -	\$ -	\$ -	\$ 2,136,571
-	-	-	-	-	-	942,563
-	57,815	-	194,033	34,533	-	286,381
-	-	-	-	-	-	15,040
-	-	17,402	686	660	82,937	117,410
-	-	-	1,092	962	-	54,999
-	57,815	2,153,973	195,811	36,155	82,937	3,552,964
-	-	-	-	-	25,000	25,000
-	-	-	-	165,911	-	165,911
-	75,100	185	648,549	-	-	1,742,801
7,000	-	-	-	-	-	256,435
-	-	-	5,542	-	-	5,542
7,000	75,100	185	654,091	165,911	25,000	2,195,689
(7,000)	(17,285)	2,153,788	(458,280)	(129,756)	57,937	1,357,275
4,177	-	-	530,000	162,500	-	818,377
(121,700)	-	(2,152,500)	-	-	(38,764)	(2,317,141)
(117,523)	-	(2,152,500)	530,000	162,500	(38,764)	(1,498,764)
(124,523)	(17,285)	1,288	71,720	32,744	19,173	(141,489)
124,523	79,601	1,496,083	47,737	61,565	2,002,316	4,384,427
-	-	-	-	-	-	303,368
124,523	79,601	1,496,083	47,737	61,565	2,002,316	4,687,795
\$ -	\$ 62,316	\$ 1,497,371	\$ 119,457	\$ 94,309	\$ 2,021,489	\$ 4,546,306

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**City of Marshall**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - Marshall - Lyon County Library**  
**Year Ended December 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$ 312,491	\$ 312,491	\$ 942,563	\$ 630,072
Fines and forfeitures	12,500	12,500	15,040	2,540
Investment earnings	500	500	4,924	4,424
Miscellaneous	16,000	16,000	34,449	18,449
Total revenues	<u>341,491</u>	<u>341,491</u>	<u>996,976</u>	<u>655,485</u>
<b>Expenditures</b>				
Current				
Culture and recreation	<u>979,773</u>	<u>979,773</u>	<u>1,018,967</u>	<u>39,194</u>
Excess of revenues over (under) expenditures	(638,282)	(638,282)	(21,991)	616,291
<b>Other Financing Sources</b>				
Transfers in	<u>625,072</u>	<u>625,072</u>	<u>-</u>	<u>(625,072)</u>
Net change in fund balances	<u>\$ (13,210)</u>	<u>\$ (13,210)</u>	<u>(21,991)</u>	<u>\$ (8,781)</u>
<b>Fund Balance</b>				
Beginning of year			<u>303,368</u>	
End of year			<u>\$ 281,377</u>	

**City of Marshall**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - 2018 Small Cities Development Program**  
**Year Ended December 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues</b>				
Investment earnings	\$ -	\$ -	\$ 115	\$ 115
Miscellaneous	-	-	10,852	10,852
Total revenues	-	-	10,967	10,967
<b>Expenditures</b>				
Current				
Economic development	-	-	125	125
Excess of revenues over expenditures	-	-	10,842	10,842
<b>Other Financing Sources</b>				
Transfers in	-	-	121,700	121,700
Transfers out	(4,000)	(4,000)	(4,177)	(177)
Net change in fund balances	\$ (4,000)	\$ (4,000)	128,365	\$ 132,365
<b>Fund Balance</b>				
Beginning of year			15,053	
End of year			\$ 143,418	

**City of Marshall**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - Community Education Drivers Training**  
**Year Ended December 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues</b>				
Charges for services	\$ 52,250	\$ 52,250	\$ 57,815	\$ 5,565
<b>Expenditures</b>				
Current				
Culture and recreation	53,000	53,000	75,100	22,100
Excess of revenues under expenditures	<u>\$ (750)</u>	<u>\$ (750)</u>	(17,285)	<u>\$ (16,535)</u>
<b>Fund Balance</b>				
Beginning of year			<u>79,601</u>	
End of year			<u>\$ 62,316</u>	

**City of Marshall**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - Sales / Lodging Tax**  
**Year Ended December 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 2,036,094	\$ 2,036,094	\$ 2,136,571	\$ 100,477
Investment earnings	5,000	5,000	17,402	12,402
Total revenues	<u>2,041,094</u>	<u>2,041,094</u>	<u>2,153,973</u>	<u>112,879</u>
<b>Expenditures</b>				
Current				
Culture and recreation	-	-	185	185
Excess of revenues over expenditures	2,041,094	2,041,094	2,153,788	112,694
<b>Other Financing Sources</b>				
Transfers out	<u>(2,152,500)</u>	<u>(2,152,500)</u>	<u>(2,152,500)</u>	<u>-</u>
Net change in fund balances	<u>\$ (111,406)</u>	<u>\$ (111,406)</u>	1,288	<u>\$ 112,694</u>
<b>Fund Balance</b>				
Beginning of year			<u>1,496,083</u>	
End of year			<u>\$ 1,497,371</u>	

**City of Marshall**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - ASC Arena**  
**Year Ended December 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues</b>				
Charges for services	\$ 213,500	\$ 213,500	\$ 194,033	\$ (19,467)
Investment earnings	-	-	686	686
Miscellaneous	5,000	5,000	1,092	(3,908)
Total revenues	<u>218,500</u>	<u>218,500</u>	<u>195,811</u>	<u>(22,689)</u>
<b>Expenditures</b>				
Current				
Culture and recreation	681,852	681,852	648,549	(33,303)
Capital outlay				
Culture and recreation	65,000	65,000	5,542	(59,458)
Total expenditures	<u>746,852</u>	<u>746,852</u>	<u>654,091</u>	<u>(92,761)</u>
Excess of revenues over (under) expenditures	(528,352)	(528,352)	(458,280)	70,072
<b>Other Financing Sources</b>				
Transfers in	530,000	530,000	530,000	-
Net change in fund balances	<u>\$ 1,648</u>	<u>\$ 1,648</u>	71,720	<u>\$ 70,072</u>
<b>Fund Balance</b>				
Beginning of year			<u>47,737</u>	
End of year			<u>\$ 119,457</u>	

**City of Marshall**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - Emergency Response and Industrial Training Center**  
**Year Ended December 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues</b>				
Charges for services	\$ 25,000	\$ 25,000	\$ 34,533	\$ 9,533
Investment earnings	-	-	660	660
Miscellaneous	-	-	962	962
Total revenues	<u>25,000</u>	<u>25,000</u>	<u>36,155</u>	<u>11,155</u>
<b>Expenditures</b>				
Current				
Public safety	<u>187,301</u>	<u>187,301</u>	<u>165,911</u>	<u>(21,390)</u>
Excess of revenues over (under) expenditures	(162,301)	(162,301)	(129,756)	32,545
<b>Other Financing Sources</b>				
Transfers in	<u>162,500</u>	<u>162,500</u>	<u>162,500</u>	<u>-</u>
Net change in fund balances	<u>\$ 199</u>	<u>\$ 199</u>	32,744	<u>\$ 32,545</u>
<b>Fund Balance</b>				
Beginning of year			<u>61,565</u>	
End of year			<u>\$ 94,309</u>	

**City of Marshall**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - Endowment Avera / WMMC**  
**Year Ended December 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues</b>				
Investment earnings	\$ 15,000	\$ 15,000	\$ 82,937	\$ 67,937
<b>Expenditures</b>				
Current				
General government	-	-	25,000	25,000
Excess of revenues over expenditures	15,000	15,000	57,937	42,937
<b>Other Financing Uses</b>				
Transfers out	(73,500)	(73,500)	(38,764)	34,736
Net change in fund balances	<u>\$ (58,500)</u>	<u>\$ (58,500)</u>	19,173	<u>\$ 77,673</u>
<b>Fund Balance</b>				
Beginning of year			<u>2,002,316</u>	
End of year			<u>\$ 2,021,489</u>	

**City of Marshall  
Combining Balance Sheet -  
Debt Service Funds  
December 31, 2019**

	Marshall - Lyon County Library Debt (321)	2014B MERIT / SMASC (322)	2015A Bond (325)	2015 Public Improvement Bonds (359)
<b>Assets</b>				
Cash and temporary investments	\$ 127,227	\$ 20,342	\$ 57,957	\$ 73,216
Receivables				
Interest	122	337	18	-
Delinquent taxes	1,135	-	1,278	1,310
Special assessments				
Current	-	-	-	-
Delinquent	-	-	-	3,569
Deferred	-	-	-	329,229
Intergovernmental	168	-	180	168
Total assets	<u>\$ 128,652</u>	<u>\$ 20,679</u>	<u>\$ 59,433</u>	<u>\$ 407,492</u>
<b>Liabilities</b>				
Accounts payable	<u>281</u>	<u>281</u>	<u>573</u>	<u>143</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - property taxes	1,135	-	1,278	1,310
Unavailable revenue - special assessments	-	-	-	332,798
Total deferred inflows of resources	<u>1,135</u>	<u>-</u>	<u>1,278</u>	<u>334,108</u>
<b>Fund Balances</b>				
Restricted for				
Debt service	<u>127,236</u>	<u>20,398</u>	<u>57,582</u>	<u>73,241</u>
Total fund balances	<u>127,236</u>	<u>20,398</u>	<u>57,582</u>	<u>73,241</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 128,652</u>	<u>\$ 20,679</u>	<u>\$ 59,433</u>	<u>\$ 407,492</u>

2016B G.O. Various Purpose Bonds (360)	2017A Public Improvement Bonds (362)	2010 Public Improvement Bonds (368)	2011 Public Improvement Bonds (369)	2011A G.O. Tax Increment Bonds (370)
\$ 523,683	\$ 162,056	\$ 306	\$ 122,677	\$ 675,992
530	20	-	50	1,866
6,391	2,904	-	2,200	10
740	-	-	-	-
3,355	-	-	522	486
349,262	-	-	43,086	20,187
855	556	-	290	-
<u>\$ 884,816</u>	<u>\$ 165,536</u>	<u>\$ 306</u>	<u>\$ 168,825</u>	<u>\$ 698,541</u>
174	263	153	207	113
6,391	2,904	-	2,200	10
352,617	-	-	43,608	20,673
<u>359,008</u>	<u>2,904</u>	<u>-</u>	<u>45,808</u>	<u>20,683</u>
525,634	162,369	153	122,810	677,745
<u>525,634</u>	<u>162,369</u>	<u>153</u>	<u>122,810</u>	<u>677,745</u>
<u>\$ 884,816</u>	<u>\$ 165,536</u>	<u>\$ 306</u>	<u>\$ 168,825</u>	<u>\$ 698,541</u>

**City of Marshall**  
**Combining Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances - Capital Project Funds**  
**December 31, 2019**

	Municipal State Aid (103)	Marshall Industrial Park (260)	Capital Equipment (401)	SMASC Ball Parks (413)
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ 462,347	\$ -
Special assessments	-	192,196	-	-
Intergovernmental	-	-	102,723	-
Charges for services	-	-	-	-
Investment earnings	7,700	25,210	13,240	-
Other revenues	-	158,892	10,325	-
Total Revenues	<u>7,700</u>	<u>376,298</u>	<u>588,635</u>	<u>-</u>
<b>Expenditures</b>				
Current				
General government	-	53,653	2,177	-
Public safety	-	-	3,980	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Airport	-	-	5,000	-
Capital outlay				
General government	-	18,860	39,447	-
Public safety	-	-	10,000	-
Public works	-	785,217	119,394	-
Culture and recreation	-	-	111,497	21,897
Airport	-	-	50,000	-
Total Expenditures	<u>-</u>	<u>857,730</u>	<u>341,495</u>	<u>21,897</u>
Excess (Deficiency) of revenues over (under) expenditures	7,700	(481,432)	247,140	(21,897)
<b>Other Financing Sources (Uses)</b>				
Sale of capital assets	-	59,115	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>59,115</u>	<u>-</u>	<u>-</u>
Net change in fund balances	7,700	(422,317)	247,140	(21,897)
Fund Balances, January 1	513,062	1,529,206	772,823	(368,682)
Prior period adjustment (See Note 13)	-	-	-	-
Fund Balances January 1, restated	<u>513,062</u>	<u>1,529,206</u>	<u>772,823</u>	<u>(368,682)</u>
Fund Balances, December 31	<u>\$ 520,762</u>	<u>\$ 1,106,889</u>	<u>\$ 1,019,963</u>	<u>\$ (390,579)</u>

Park Improvements (423)	Saratoga / Highway 23 (428)	2013 Amateur Sports Center (456)	2017 Public Improvements (462)	City Hall Building (494)	Public Improvement Revolving (495)	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 316	\$ 462,663
-	-	-	-	-	141,995	334,191
-	-	-	2,109,316	-	-	2,212,039
-	-	-	-	-	11,000	11,000
319	-	-	-	-	20,885	67,354
17,919	-	431	-	-	370	187,937
<u>18,238</u>	<u>-</u>	<u>431</u>	<u>2,109,316</u>	<u>-</u>	<u>174,566</u>	<u>3,275,184</u>
-	-	-	-	1,381	197,004	254,215
-	-	-	-	-	-	3,980
-	-	-	2	-	-	2
515	-	1,567	-	-	-	2,082
-	-	-	-	-	-	5,000
-	-	-	-	337,910	-	396,217
-	-	-	-	-	-	10,000
-	1,507	-	961,705	-	561,434	2,429,257
-	-	431,607	-	-	-	565,001
-	-	-	-	-	-	50,000
<u>515</u>	<u>1,507</u>	<u>433,174</u>	<u>961,707</u>	<u>339,291</u>	<u>758,438</u>	<u>3,715,754</u>
17,723	(1,507)	(432,743)	1,147,609	(339,291)	(583,872)	(440,570)
-	-	-	-	-	-	59,115
-	-	-	-	-	620,998	620,998
-	(613,892)	-	-	-	-	(613,892)
-	(613,892)	-	-	-	620,998	66,221
17,723	(615,399)	(432,743)	1,147,609	(339,291)	37,126	(374,349)
164,924	615,399	2,063,412	292,344	713,610	1,179,542	7,475,640
-	-	-	(1,038,058)	-	-	(1,038,058)
<u>164,924</u>	<u>615,399</u>	<u>2,063,412</u>	<u>(745,714)</u>	<u>713,610</u>	<u>1,179,542</u>	<u>6,437,582</u>
<u>\$ 182,647</u>	<u>\$ -</u>	<u>\$ 1,630,669</u>	<u>\$ 401,895</u>	<u>\$ 374,319</u>	<u>\$ 1,216,668</u>	<u>\$ 6,063,233</u>

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**City of Marshall**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - Capital Equipment**  
**Year Ended December 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 465,000	\$ 465,000	\$ 462,347	\$ (2,653)
Intergovernmental	39,000	39,000	102,723	63,723
Investment earnings	5,000	5,000	13,240	8,240
Miscellaneous	-	-	10,325	10,325
Total revenues	<u>509,000</u>	<u>509,000</u>	588,635	79,635
<b>Expenditures</b>				
Capital outlay				
General government	-	-	39,447	39,447
Public safety	140,570	140,570	10,000	(130,570)
Public works	380,000	380,000	119,394	(260,606)
Culture and recreation	38,500	38,500	111,497	72,997
Airport	-	-	50,000	50,000
Total expenditures	<u>559,070</u>	<u>559,070</u>	<u>330,338</u>	<u>(228,732)</u>
Excess of revenues over (under) expenditures	<u>\$ (50,070)</u>	<u>\$ (50,070)</u>	258,297	<u>\$ 308,367</u>
<b>Fund Balance</b>				
Beginning of year			<u>772,823</u>	
End of year			<u>\$ 1,031,120</u>	

**City of Marshall**  
**Combining Balance Sheet -**  
**Nonmajor Capital Project Funds**  
**December 31, 2019**

	Municipal State Aid (103)	Marshall Industrial Park (260)	Capital Equipment (401)	SMASC Ball Parks (413)
<b>Assets</b>				
Cash and temporary investments	\$ 520,762	\$ 1,105,185	\$ 1,127,433	\$ -
Receivables				
Interest	-	1,871	25	-
Delinquent taxes	-	-	9,573	-
Accounts	-	-	26,184	-
Special assessments				
Delinquent	-	-	-	-
Noncurrent	-	54,384	-	-
Intergovernmental	-	-	41,023	-
Due from other funds	-	-	-	-
	<u>520,762</u>	<u>1,161,440</u>	<u>1,204,238</u>	<u>-</u>
Total assets	<u>\$ 520,762</u>	<u>\$ 1,161,440</u>	<u>\$ 1,204,238</u>	<u>\$ -</u>
<b>Liabilities</b>				
Accounts payable	-	-	12,432	-
Contracts payable	-	-	27,270	-
Due to other funds	-	-	135,000	390,579
Due to component unit	-	167	-	-
Due to other governments	-	-	-	-
Total liabilities	<u>-</u>	<u>167</u>	<u>174,702</u>	<u>390,579</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - property taxes	-	-	9,573	-
Unavailable revenue - special assessments	-	54,384	-	-
Unavailable revenue - other	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>54,384</u>	<u>9,573</u>	<u>-</u>
<b>Fund Balances</b>				
Restricted				
Capital projects	125,711	-	88,502	-
Assigned				
Capital projects	395,051	1,106,889	931,461	-
Park improvements	-	-	-	-
Unassigned	-	-	-	(390,579)
Total fund balances	<u>520,762</u>	<u>1,106,889</u>	<u>1,019,963</u>	<u>(390,579)</u>
	<u>\$ 520,762</u>	<u>\$ 1,161,440</u>	<u>\$ 1,204,238</u>	<u>\$ -</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 520,762</u>	<u>\$ 1,161,440</u>	<u>\$ 1,204,238</u>	<u>\$ -</u>

Park Improvements (423)	2013 Amateur Sports Center (456)	2017 Public Improvements (462)	City Hall Building (494)	Public Improvement Revolving (495)	Totals
\$ 152,647	\$ 1,241,017	\$ 672,254	\$ 418,962	\$ 1,582,517	\$ 6,820,777
-	-	-	-	-	1,896
-	-	-	-	68	9,641
-	-	-	-	-	26,184
-	-	-	-	1,056	1,056
-	-	-	-	474,389	528,773
-	-	-	-	-	41,023
30,000	390,579	-	-	15,526	436,105
<u>\$ 182,647</u>	<u>\$ 1,631,596</u>	<u>\$ 672,254</u>	<u>\$ 418,962</u>	<u>\$ 2,073,556</u>	<u>\$ 7,865,455</u>
-	-	-	26,983	350	39,765
-	-	-	-	-	27,270
-	-	-	-	380,836	906,415
-	-	-	-	74	241
-	927	-	17,660	115	18,702
-	927	-	44,643	381,375	992,393
-	-	-	-	68	9,641
-	-	-	-	475,445	529,829
-	-	270,359	-	-	270,359
-	-	270,359	-	475,513	809,829
-	-	401,895	-	-	616,108
-	1,630,669	-	374,319	1,216,668	5,655,057
182,647	-	-	-	-	182,647
-	-	-	-	-	(390,579)
<u>182,647</u>	<u>1,630,669</u>	<u>401,895</u>	<u>374,319</u>	<u>1,216,668</u>	<u>6,063,233</u>
<u>\$ 182,647</u>	<u>\$ 1,631,596</u>	<u>\$ 672,254</u>	<u>\$ 418,962</u>	<u>\$ 2,073,556</u>	<u>\$ 7,865,455</u>

**City of Marshall  
Combining Balance Sheet -  
Debt Service Funds  
December 31, 2019**

	2012A G.O. Tax Increment Bonds (371)	2013 Public Improvement Bonds (372)	2014 Public Improvement Bonds (373)	23 Pedestrian Bridge (374)
<b>Assets</b>				
Cash and temporary investments	\$ 644,111	\$ 766,546	\$ 672,430	\$ 693,717
Receivables				
Interest	1,092	1,417	1,233	-
Taxes	2,310	4,321	2,993	2,366
Special assessments				
Current	348	50	500	-
Delinquent	5,235	2,182	2,091	-
Noncurrent	521,817	333,662	920,715	-
Intergovernmental	288	622	455	305
Total assets	<u>\$ 1,175,201</u>	<u>\$ 1,108,800</u>	<u>\$ 1,600,417</u>	<u>\$ 696,388</u>
<b>Liabilities</b>				
Accounts payable	<u>168</u>	<u>281</u>	<u>163</u>	<u>208</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - property taxes	2,310	4,321	2,993	2,366
Unavailable revenue - special assessments	<u>527,052</u>	<u>335,844</u>	<u>922,806</u>	<u>-</u>
Total deferred inflows of resources	<u>529,362</u>	<u>340,165</u>	<u>925,799</u>	<u>2,366</u>
<b>Fund Balances</b>				
Restricted for				
Debt service	<u>645,671</u>	<u>768,354</u>	<u>674,455</u>	<u>693,814</u>
Total fund balances	<u>645,671</u>	<u>768,354</u>	<u>674,455</u>	<u>693,814</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,175,201</u>	<u>\$ 1,108,800</u>	<u>\$ 1,600,417</u>	<u>\$ 696,388</u>

2018A Improvement Bonds (375)	2016C Tax Abatement Bonds (376)	2017B Improvement Bonds (377)	Debt Revolving Fund (399)	Totals
\$ 868,438	\$ 130,736	\$ 601,379	\$ 136,471	\$ 6,277,284
1,264	-	1,613	-	9,562
1,528	4,620	782	1,101	35,249
-	-	-	-	1,638
-	-	-	-	17,440
336,704	-	-	-	2,854,662
443	628	170	447	5,575
<u>\$ 1,208,377</u>	<u>\$ 135,984</u>	<u>\$ 603,944</u>	<u>\$ 138,019</u>	<u>\$ 9,201,410</u>
183	281	209	-	3,681
1,528	4,620	782	1,101	35,249
336,704	-	-	-	2,872,102
<u>338,232</u>	<u>4,620</u>	<u>782</u>	<u>1,101</u>	<u>2,907,351</u>
869,962	131,083	602,953	136,918	6,290,378
<u>869,962</u>	<u>131,083</u>	<u>602,953</u>	<u>136,918</u>	<u>6,290,378</u>
<u>\$ 1,208,377</u>	<u>\$ 135,984</u>	<u>\$ 603,944</u>	<u>\$ 138,019</u>	<u>\$ 9,201,410</u>

**City of Marshall**  
**Combining Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances - Debt Service Funds**  
**December 31, 2019**

	Marshall - Lyon County Library Debt (321)	2014B MERIT / SMASC (322)	2015A Bond (325)	2015 Public Improvement Bonds (359)
<b>Revenues</b>				
Taxes	\$ 51,977	\$ -	\$ 55,602	\$ 51,786
Special assessments				63,589
Investment earnings	789	4,577	114	199
Contributions and donations	-	-	-	-
Total revenues	<u>52,766</u>	<u>4,577</u>	<u>55,716</u>	<u>115,574</u>
<b>Expenditures</b>				
Debt service				
Principal	65,000	960,000	40,000	110,000
Interest and other	16,187	498,974	8,697	21,029
Total expenditures	<u>81,187</u>	<u>1,458,974</u>	<u>48,697</u>	<u>131,029</u>
Excess (Deficiency) of revenues over (under) expenditures	(28,421)	(1,454,397)	7,019	(15,455)
<b>Other Financing Sources (Uses)</b>				
Transfers in	38,764	1,460,000	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>38,764</u>	<u>1,460,000</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>10,343</u>	<u>5,603</u>	<u>7,019</u>	<u>(15,455)</u>
Fund Balances, January 1	-	14,795	50,563	88,696
Prior period adjustment (See Note 13)	116,893	-	-	-
Fund Balances January 1, restated	<u>116,893</u>	<u>14,795</u>	<u>50,563</u>	<u>88,696</u>
Fund Balances, December 31	<u>\$ 127,236</u>	<u>\$ 20,398</u>	<u>\$ 57,582</u>	<u>\$ 73,241</u>

2016B G.O. Various Purpose Bonds (360)	2017A Public Improvement Bonds (362)	2008 Public Improvement Bonds (366)	2010 Public Improvement Bonds (368)	2011 Public Improvement Bonds (369)
\$ 262,569	\$ 170,849	\$ -	\$ 357	\$ 89,816
88,111	-	(200)	163,415	26,182
3,631	125	-	11,009	428
-	-	-	-	-
<u>354,311</u>	<u>170,974</u>	<u>(200)</u>	<u>174,781</u>	<u>116,426</u>
325,000	125,000	175,000	920,000	115,000
34,785	32,306	6,775	25,800	23,891
<u>359,785</u>	<u>157,306</u>	<u>181,775</u>	<u>945,800</u>	<u>138,891</u>
(5,474)	13,668	(181,975)	(771,019)	(22,465)
-	-	38,294	-	-
-	-	(103,171)	(479,921)	-
-	-	(64,877)	(479,921)	-
<u>(5,474)</u>	<u>13,668</u>	<u>(246,852)</u>	<u>(1,250,940)</u>	<u>(22,465)</u>
531,108	148,701	246,852	1,251,093	145,275
-	-	-	-	-
<u>531,108</u>	<u>148,701</u>	<u>246,852</u>	<u>1,251,093</u>	<u>145,275</u>
<u>\$ 525,634</u>	<u>\$ 162,369</u>	<u>\$ -</u>	<u>\$ 153</u>	<u>\$ 122,810</u>

**City of Marshall**  
**Combining Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances - Debt Service Funds**  
**December 31, 2019**

	2011A G.O. Tax Increment Bonds (370)	2012A G.O. Tax Increment Bonds (371)	2013 Public Improvement Bonds (372)	2014 Public Improvement Bonds (373)
<b>Revenues</b>				
Taxes	\$ 9	\$ 89,688	\$ 192,364	\$ 141,156
Special assessments	7,320	171,116	88,181	87,051
Investment earnings	12,657	7,476	9,100	6,133
Contributions and donations	-	-	-	-
Total revenues	<u>19,986</u>	<u>268,280</u>	<u>289,645</u>	<u>234,340</u>
<b>Expenditures</b>				
Debt service				
Principal	160,000	240,000	370,000	235,000
Interest and other	18,125	24,133	58,280	34,793
Total expenditures	<u>178,125</u>	<u>264,133</u>	<u>428,280</u>	<u>269,793</u>
Excess (Deficiency) of revenues over (under) expenditures	(158,139)	4,147	(138,635)	(35,453)
<b>Other Financing Sources (Uses)</b>				
Transfers in	157,996	-	207,139	583,092
Transferred out	-	-	-	-
Total other financing sources (uses)	<u>157,996</u>	<u>-</u>	<u>207,139</u>	<u>583,092</u>
Net change in fund balances	<u>(143)</u>	<u>4,147</u>	<u>68,504</u>	<u>547,639</u>
Fund Balances, January 1	677,888	641,524	699,850	126,816
Prior period adjustment (See Note 13)	-	-	-	-
Fund Balances January 1, restated	<u>677,888</u>	<u>641,524</u>	<u>699,850</u>	<u>126,816</u>
Fund Balances, December 31	<u>\$ 677,745</u>	<u>\$ 645,671</u>	<u>\$ 768,354</u>	<u>\$ 674,455</u>

23 Pedestrian Bridge (374)	2018A Improvement Bonds (375)	2016C Tax Abatement Bonds (376)	2017B Improvement Bonds (377)	Debt Revolving Fund (399)	Totals
\$ 94,508	\$ 135,868	\$ 192,873	\$ 52,336	\$ 136,918	\$ 1,718,676
-	339,254	-	-	-	1,034,019
-	8,075	-	10,356	-	74,669
-	-	-	500,000	-	500,000
<u>94,508</u>	<u>483,197</u>	<u>192,873</u>	<u>562,692</u>	<u>136,918</u>	<u>3,327,364</u>
65,000	-	115,000	420,000	-	4,440,000
30,434	85,022	66,281	76,015	-	1,061,527
<u>95,434</u>	<u>85,022</u>	<u>181,281</u>	<u>496,015</u>	<u>-</u>	<u>5,501,527</u>
(926)	398,175	11,592	66,677	136,918	(2,174,163)
613,892	-	-	-	-	3,099,177
-	-	-	-	-	(583,092)
<u>613,892</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,516,085</u>
612,966	398,175	11,592	66,677	136,918	341,922
80,848	471,787	119,491	536,276	-	5,831,563
-	-	-	-	-	116,893
<u>80,848</u>	<u>471,787</u>	<u>119,491</u>	<u>536,276</u>	<u>-</u>	<u>5,948,456</u>
<u>\$ 693,814</u>	<u>\$ 869,962</u>	<u>\$ 131,083</u>	<u>\$ 602,953</u>	<u>\$ 136,918</u>	<u>\$ 6,290,378</u>

**City of Marshall**  
**Combining Balance Sheet**  
**Economic Development Authority Funds**  
**December 31, 2019**

	Economic Development Authority (204/208)	EDA Parkway Housing Fund (205/206/207/209)	Federal EDA CRIF (213)	EDA Revolving (214)	Totals
<b>Assets</b>					
Cash and temporary investments	\$ 619,495	\$ 284,693	\$ 48,220	\$ 258,248	\$ 1,210,656
Receivables					
Interest	25	1,275	54	-	1,354
Delinquent taxes	2,997	-	-	-	2,997
Notes	-	233,713	-	-	233,713
Intergovernmental	406	-	-	-	406
Prepaid items	118	-	-	-	118
Land held for resale	-	1,034,422	-	-	1,034,422
Total assets	<u>\$ 623,041</u>	<u>\$ 1,554,103</u>	<u>\$ 48,274</u>	<u>\$ 258,248</u>	<u>\$ 2,483,666</u>
<b>Liabilities</b>					
Accounts payable	1,649	43,362	-	2,616	47,627
Due to primary government		167,074			167,074
Total liabilities	<u>1,649</u>	<u>210,436</u>	<u>-</u>	<u>2,616</u>	<u>214,701</u>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - taxes	<u>2,997</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,997</u>
<b>Fund Balances</b>					
Nonspendable					
Prepaid items	118	-	-	-	118
Land held for resale	-	1,034,422	-	-	1,034,422
Restricted					
Economic development	-	-	48,274	255,632	303,906
Assigned					
Economic development	<u>618,277</u>	<u>309,245</u>	<u>-</u>	<u>-</u>	<u>927,522</u>
Total Fund Balances	<u>618,395</u>	<u>1,343,667</u>	<u>48,274</u>	<u>255,632</u>	<u>2,265,968</u>
Total liabilities, Deferred Inflows of Resources and Fund Balances					
	<u>\$ 623,041</u>	<u>\$ 1,554,103</u>	<u>\$ 48,274</u>	<u>\$ 258,248</u>	<u>\$ 2,483,666</u>

Reconciliation of balance sheet to the Statement of Net Position

Total fund balances	\$ 2,265,968
Capital assets used in EDA activities are not financial resources and therefore are not reported as assets in the fund	5,653
Long-term assets are not available to pay current period expenditures and, therefore are unavailable in the funds.	
Delinquent property taxes receivable	<u>2,997</u>
Total net position	<u>\$ 2,274,618</u>

**City of Marshall**  
**Combining Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances - Economic Development Authority Funds**  
**December 31, 2019**

	Economic Development Authority (204/208)	EDA Parkway Housing Fund (205/206/207/2 09)	Federal EDA CRIF (213)	EDA Revolving (214)	Totals
<b>Revenues</b>					
Taxes	\$ 125,378	\$ -	\$ -	\$ -	\$ 125,378
Charges for services	-	7,880	-	-	7,880
Investment earnings	14,656	1,418	821	4,927	21,822
Miscellaneous	6,215	-	-	-	6,215
Total Revenues	<u>146,249</u>	<u>9,298</u>	<u>821</u>	<u>4,927</u>	<u>161,295</u>
<b>Expenditures</b>					
Current					
Economic development	<u>140,763</u>	<u>12,239</u>	<u>125,799</u>	<u>4,555</u>	<u>283,356</u>
Excess (Deficiency) of revenues over (under) expenditures	5,486	(2,941)	(124,978)	372	(122,061)
<b>Other Financing Sources (Uses)</b>					
Sale of capital assets	<u>-</u>	<u>60,925</u>	<u>-</u>	<u>-</u>	<u>60,925</u>
Net change in fund balances	5,486	57,984	(124,978)	372	(61,136)
Fund Balances, January 1	612,909	1,326,183	173,252	255,260	2,367,604
Prior period adjustment (See Note 13)	<u>-</u>	<u>(40,500)</u>	<u>-</u>	<u>-</u>	<u>(40,500)</u>
Fund Balances January 1, restated	<u>612,909</u>	<u>1,285,683</u>	<u>173,252</u>	<u>255,260</u>	<u>2,327,104</u>
Fund Balances, December 31	<u>\$ 618,395</u>	<u>\$ 1,343,667</u>	<u>\$ 48,274</u>	<u>\$ 255,632</u>	<u>\$ 2,265,968</u>

Reconciliation of the statement of revenues, expenditures and changes in the fund balance to the statement of activities

Net Change in Fund Balances \$ (61,136)

EDA funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.

Depreciation expense (646)

Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.

Property taxes (373)

Change in Net Position \$ (62,155)

**City of Marshall**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - Economic Development Authority**  
**Year Ended December 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 125,000	\$ 125,000	\$ 125,378	\$ 378
Lodging Tax	-	-	-	-
Franchise Fees	-	-	-	-
Investment earnings	5,000	5,000	14,656	9,656
Miscellaneous	3,500	3,500	6,215	2,715
Special Assessments	-	-	-	-
Total revenues	<u>133,500</u>	<u>133,500</u>	<u>146,249</u>	<u>12,749</u>
<b>Expenditures</b>				
Current				
Economic development	<u>134,971</u>	<u>134,971</u>	<u>140,763</u>	<u>5,792</u>
Excess of revenues over (under) expenditures	<u>\$ (1,471)</u>	<u>\$ (1,471)</u>	5,486	<u>\$ 6,957</u>
<b>Fund Balance</b>				
Beginning of year			<u>612,909</u>	
End of year			<u>\$ 618,395</u>	

**City of Marshall**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2019**

Federal Agency/Pass Through Agency/Program Title	Federal CFDA Number	Expenditures
<b>U.S. Department of Natural Resources</b>		
Passed through the State of Minnesota		
Urban and Community Forestry Program	10.675	\$ 14,210
<b>U.S. Department of Justice</b>		
Passed through the State of Minnesota		
Missing Children's Assistance	16.543	3,850
<b>U.S. Department of Transportation</b>		
Passed through the State of Minnesota		
Airport Improvement Program	20.106	6,184
<b>U.S. Department of Environmental Protection Agency (EPA)</b>		
Passed through State of Minnesota		
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034	2,080
Capitalization Grants for Clean Water State Revolving Funds	66.458	4,463,363
Total U.S. Department of Environment Protection Agency		<u>4,465,443</u>
<b>U.S. Department of Homeland Security</b>		
Passed through State of Minnesota		
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023	75
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	21,424
Total U.S. Department of Homeland Security		<u>21,499</u>
 Total federal expenditures		 <u>\$ 4,511,186</u>

**City of Marshall**  
**Notes to Schedule of Expenditures of Federal Awards**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Marshall, Minnesota and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in, the preparation of the regulatory basis financial statements.

**NOTE 2 – PASS-THROUGH GRANT NUMBERS**

All pass-through entities listed above use the same CFDA numbers as the federal grantors to identify these grants and have not assigned any additional identifying numbers.

**NOTE 3 – INDIRECT COST RATE**

The City did not elect to use the 10 percent de minimis indirect cost rate.

**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***

**Independent Auditor's Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Marshall, Minnesota, as of and for the year ended December 31, 2019, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 19, 2020.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 City'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 did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as Audit Finding 2019-001 that we consider to be a material weakness.

### **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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **City's Response to Findings**

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 result 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.

*BergankDV, Ltd.*

St. Cloud, Minnesota  
May 19, 2020

**Report on Compliance for each Major Program  
and Report on Internal Control over Compliance In Accordance  
With the Uniform Guidance**

**Independent Auditor's Report**

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

**Report on Compliance for Each Major Federal Program**

We have audited the City's compliance with the types of compliance requirements described 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, 2019. 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.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the City complied, in all material respects, with the types of 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, 2019.

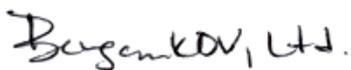
## Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.



St. Cloud, Minnesota  
May 19, 2020

**City of Marshall**  
**Schedule of Findings and Questioned Costs**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes, Audit Finding 2019-001
• Significant deficiency(ies) identified?	No
Noncompliance material to financial statements noted?	No

**Federal Awards**

Type of auditor’s report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	No
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

**Identification of Major Programs**

CFDA No.:	66.458
Name of Federal Program or Cluster:	Capitalization Grants for Clean Water State Revolving Funds
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low risk auditee?	No

**City of Marshall**  
**Schedule of Findings and Questioned Costs**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Audit Finding 2019-001**

*Criteria:*

Internal control that assures all material adjustments are identified and prepared by City personnel should be established.

*Condition:*

Prior period adjustments were required to adjust beginning net position for governmental activities to reflect changes in deferred inflows of resources related to the Municipal State Aid Street program and to change the presentation of the Marshall-Lyon County Library component unit from discrete to blended.

*Context:*

This finding impacts the City's internal control over financial reporting.

*Effect:*

Internal controls that fail to identify necessary adjustments could result in material misstatements to the financial statements.

*Cause:*

A complete and accurate review of activity related to the Municipal State Aid Street program and component units was not performed sufficiently resulting in prior period audit adjustments.

*Recommendation:*

We recommend management review all accounts and component units closely at year-end to detect and correct misstatements of balances or misreporting of component units.

*Views of Responsible Officials and Planned Corrective Action:*

The City will review the financial statement closing and reporting process to ensure prior period adjustments are not needed.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no questioned costs.

**SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

None

**Minnesota Legal Compliance****Independent Auditor's Report**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Marshall, Minnesota, as of and for the year ended December 31, 2019, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 19, 2020.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Marshall failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to *Minnesota Statutes* § 6.65. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

*BergankDV, Ltd.*

St. Cloud, Minnesota  
May 19, 2020

**DO  
MORE.**

City of Marshall  
Audit Presentation

May 26, 2020

# Components of the Audit

- **Opinion on the City's Basic Financial Statements**
  - Unmodified Opinion – Best opinion an auditor is able to offer  
Provides assurance that the financial statements are fairly presented in all material respects
- **Report on the results of an audit performed in accordance with *Government Auditing Standards***
  - Prior Period Adjustments
- **Report on Compliance for each Major Program and on Internal Control over Compliance Required by the Uniform Guidance**
  - Capitalization Grants for Clean Water State Revolving Funds, No compliance findings or internal control findings

# Components of the Audit (Continued)

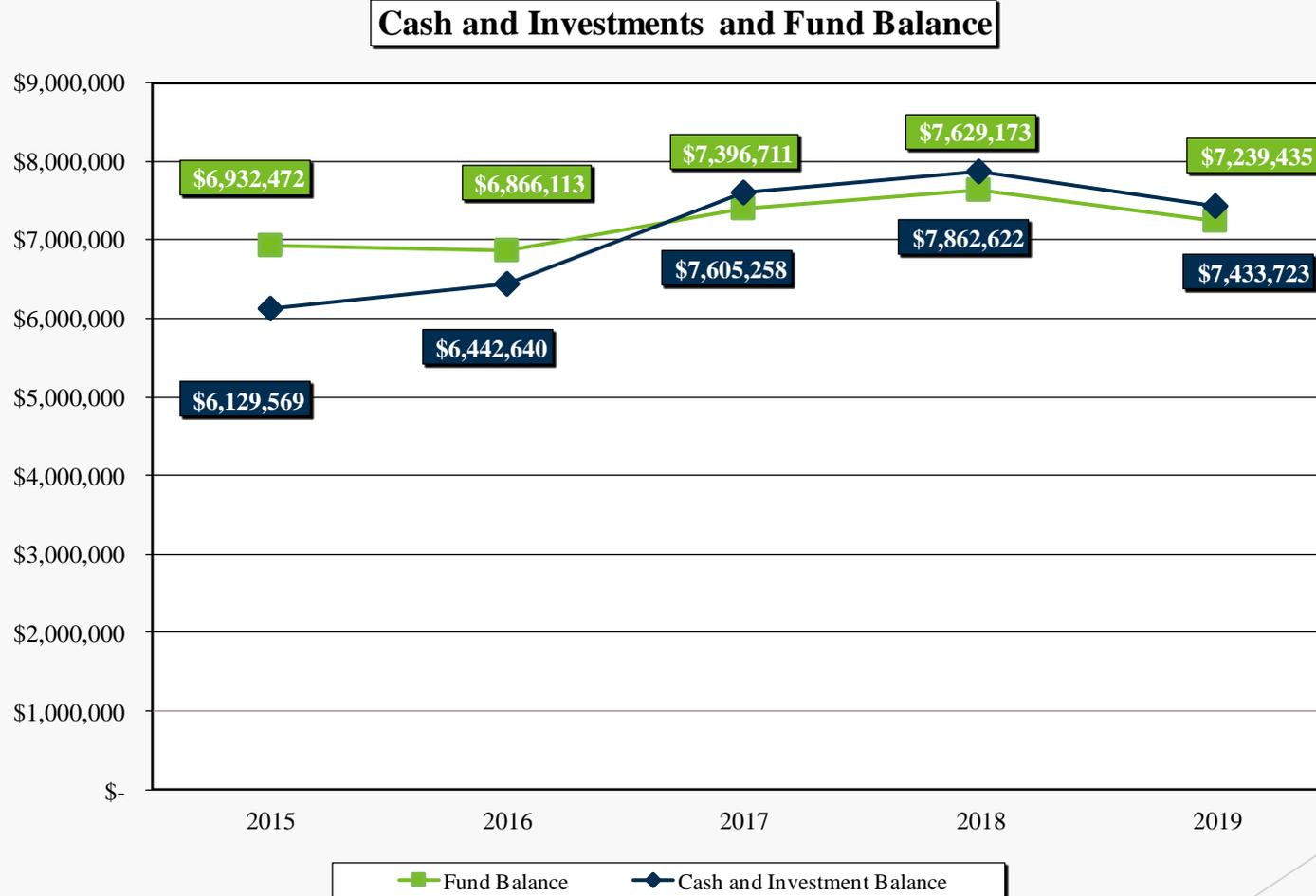
- Report on the results of testing on *Minnesota Legal Compliance*
  - No findings
- Required Communication
- Financial Analysis and Management Recommendations as provided in our Communications Letter

# General Fund Budget to Actual

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget - Over (Under)
<b>Revenues</b>				
Taxes	\$5,080,788	\$5,080,788	\$5,167,825	\$ 87,037
Licenses and permits	261,851	261,851	409,622	147,771
Special assessments	-	-	2,862	2,862
Intergovernmental	3,094,857	3,094,857	3,151,228	56,371
Charges for services	2,297,738	2,297,738	2,161,714	(136,024)
Fines and forfeitures	101,400	101,400	127,425	26,025
Investment earnings	30,000	30,000	162,709	132,709
Miscellaneous	959,594	959,594	1,219,004	259,410
Total revenue	<u>11,826,228</u>	<u>11,826,228</u>	<u>12,402,389</u>	<u>576,161</u>
<b>Expenditures</b>				
General government	3,227,163	3,227,163	3,180,045	(47,118)
Public safety	3,742,562	3,742,562	3,821,620	79,058
Public works	2,861,300	2,861,300	3,182,712	321,412
Culture and recreation	1,912,574	1,912,574	1,742,781	(169,793)
Airport	459,362	459,362	489,969	30,607
Total expenditures	<u>12,202,961</u>	<u>12,202,961</u>	<u>12,417,127</u>	<u>214,166</u>
Excess of revenue over (under) expenditures	(376,733)	(376,733)	(14,738)	361,995
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	30,000	30,000	-	(30,000)
Net transfers	225,000	225,000	(375,000)	(600,000)
Total other financing sources (uses)	<u>255,000</u>	<u>255,000</u>	<u>(375,000)</u>	<u>(630,000)</u>
Net change in fund balances	\$ (121,733)	\$ (121,733)	\$ (389,738)	\$ (268,005)

# General Fund

## Cash and Investments and Fund Balance



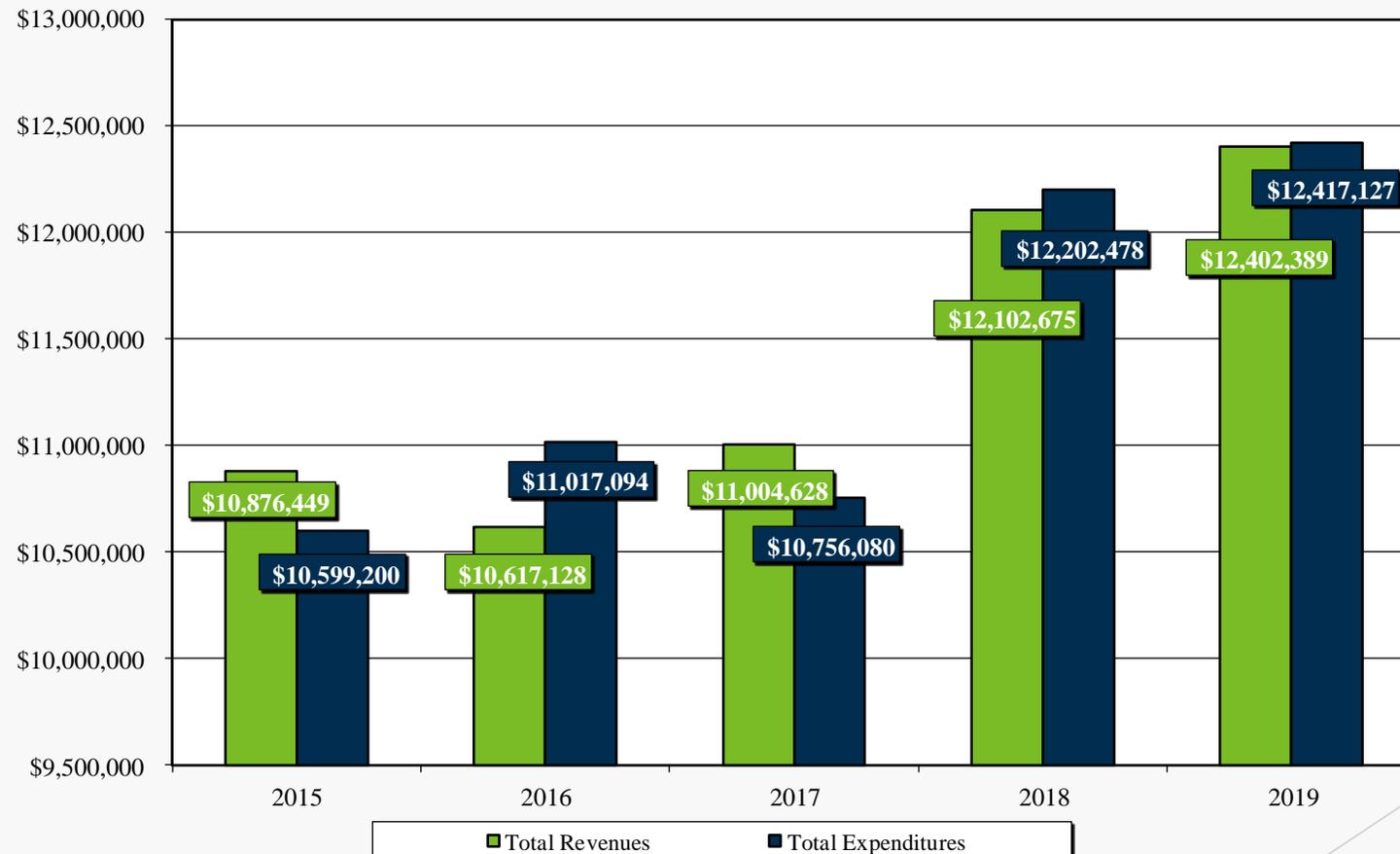
# General Fund

## Revenues and Expenditures

	2015	2016	2017	2018	2019
Revenues	\$ 10,876,449	\$ 10,617,128	\$ 11,004,628	\$ 12,102,675	\$ 12,402,389
Expenditures	10,599,200	11,017,094	10,756,080	12,202,478	12,417,127
Proceeds from the sale of capital assets	34,574	31,585	29,945	5,160	-
Net transfers	(24,057)	302,022	252,105	327,105	(375,000)
<b>Net change in fund balance</b>	<b>\$ 287,766</b>	<b>\$ (66,359)</b>	<b>\$ 530,598</b>	<b>\$ 232,462</b>	<b>\$ (389,738)</b>

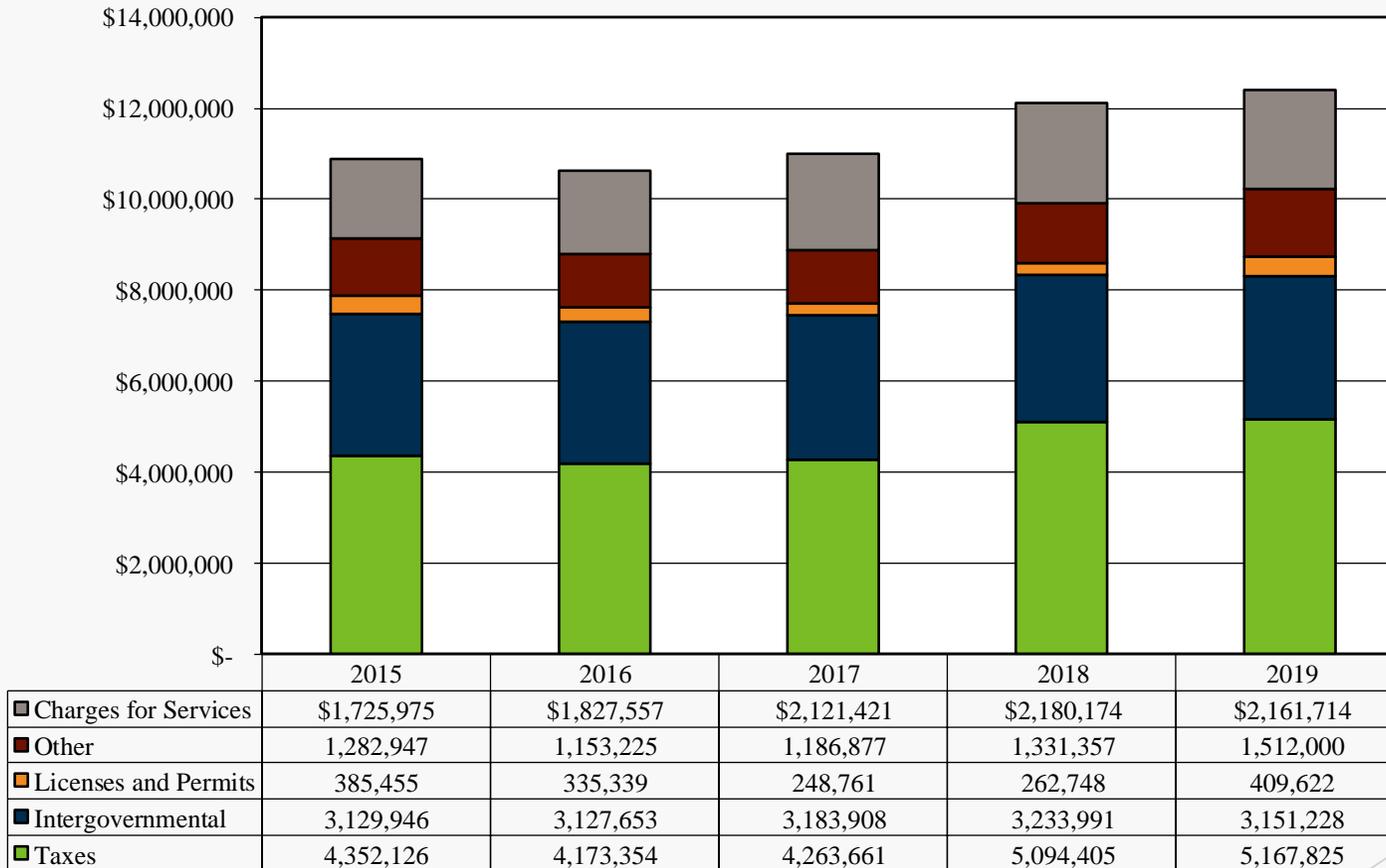
# General Fund Revenues and Expenditures

**Revenues and Expenditures**



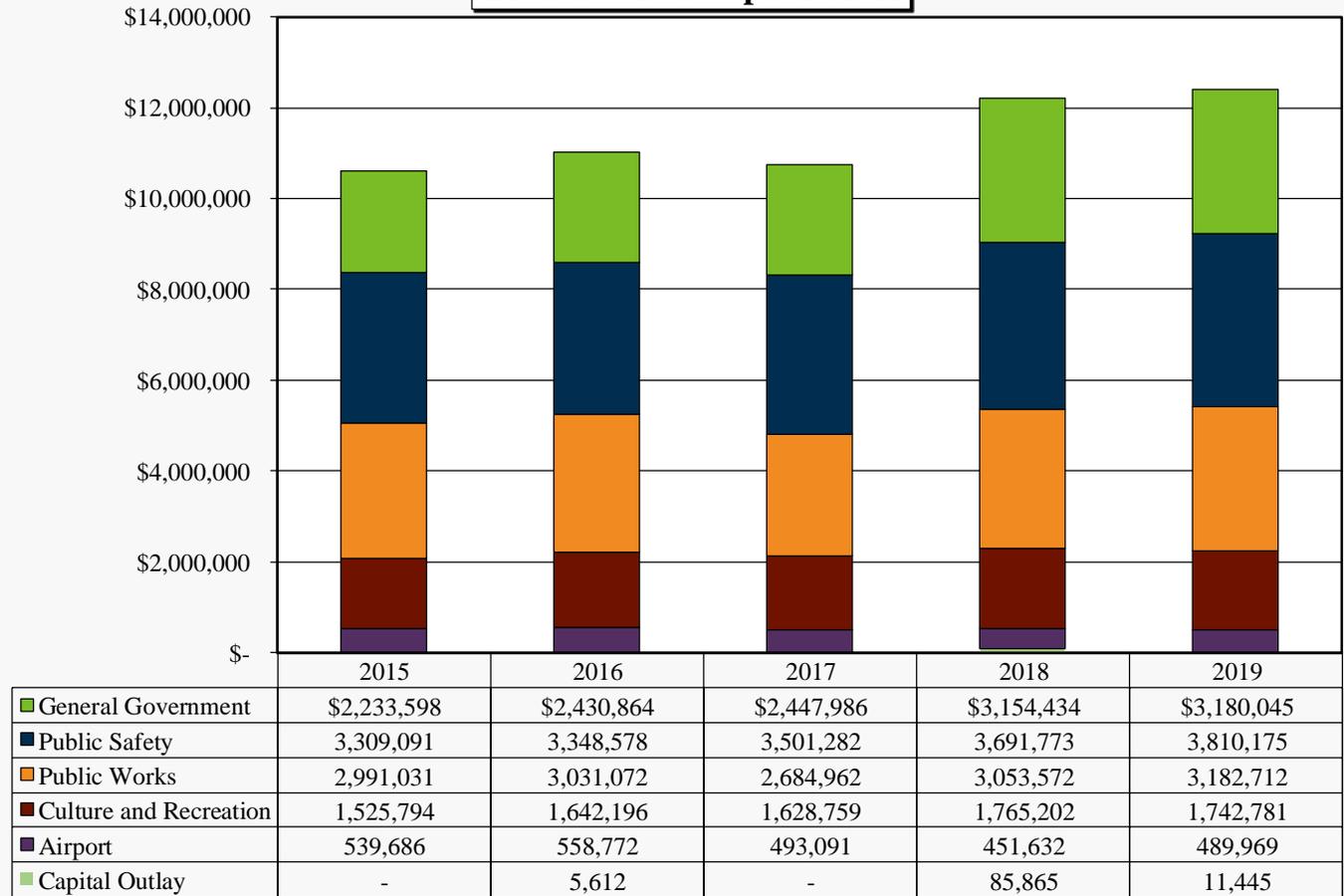
# General Fund Revenues

**General Fund Revenues**



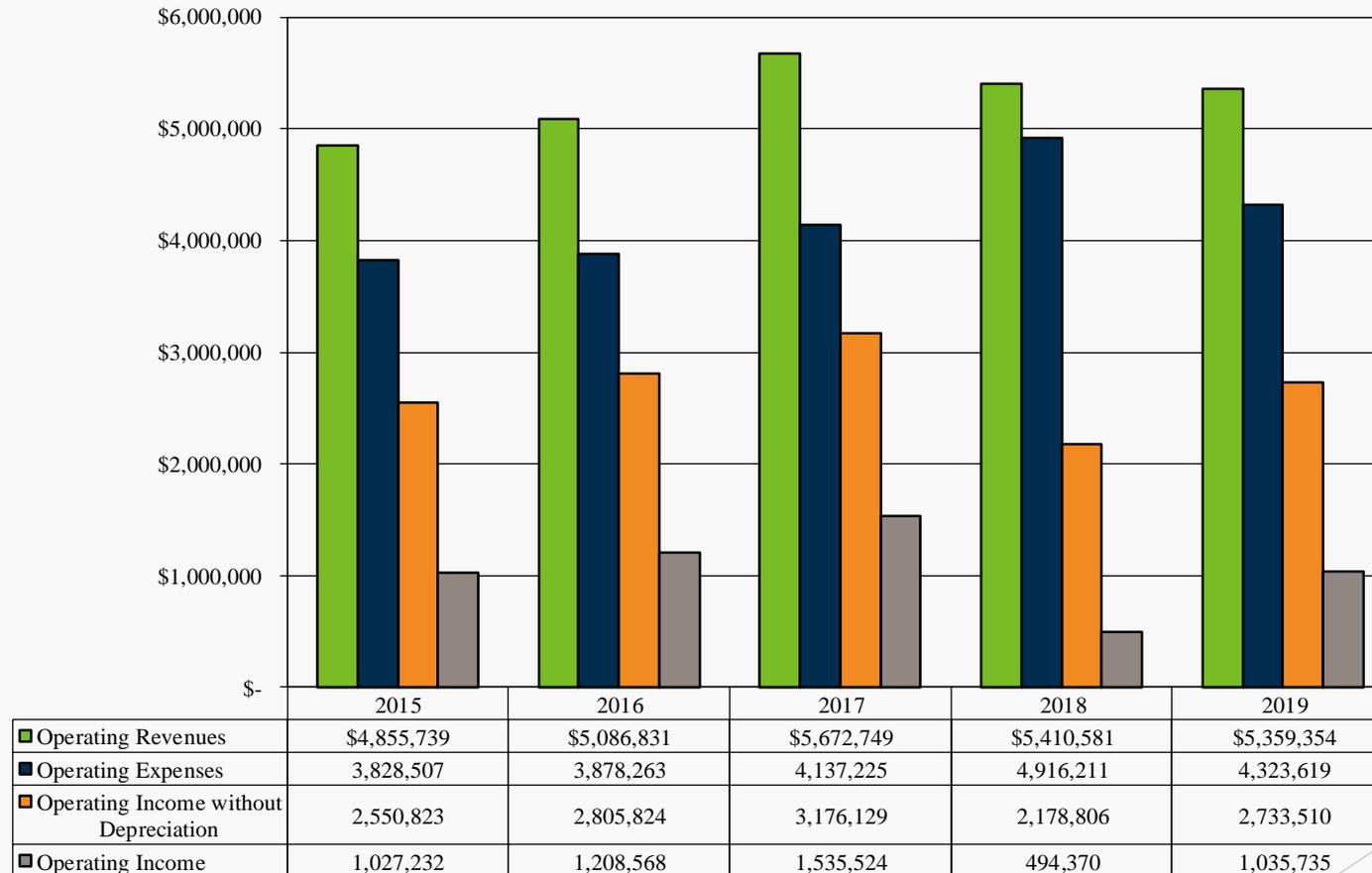
# General Fund Expenditures

**General Fund Expenditures**



# Wastewater Treatment Fund Operations

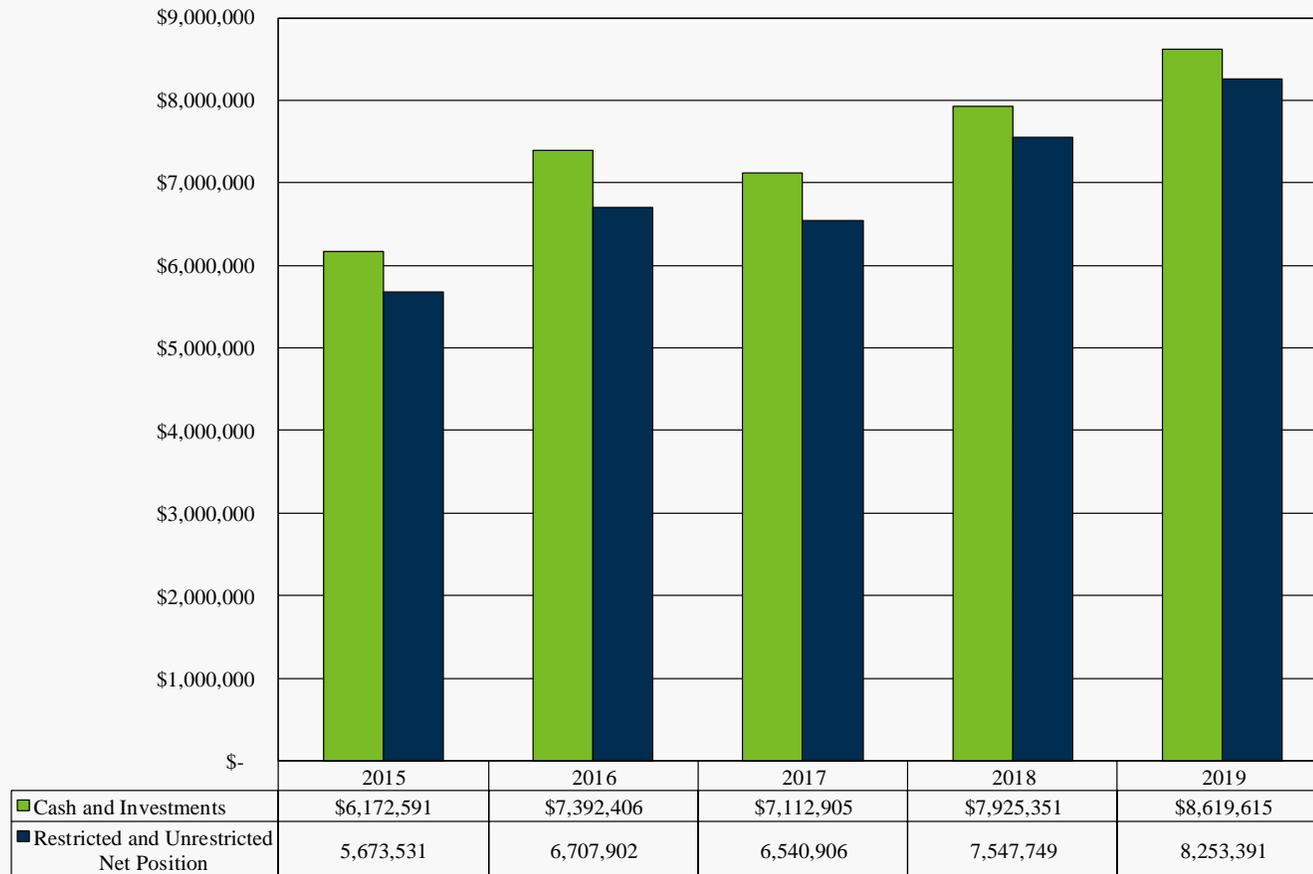
**Wastewater Treatment Operations**



# Wastewater Treatment Fund

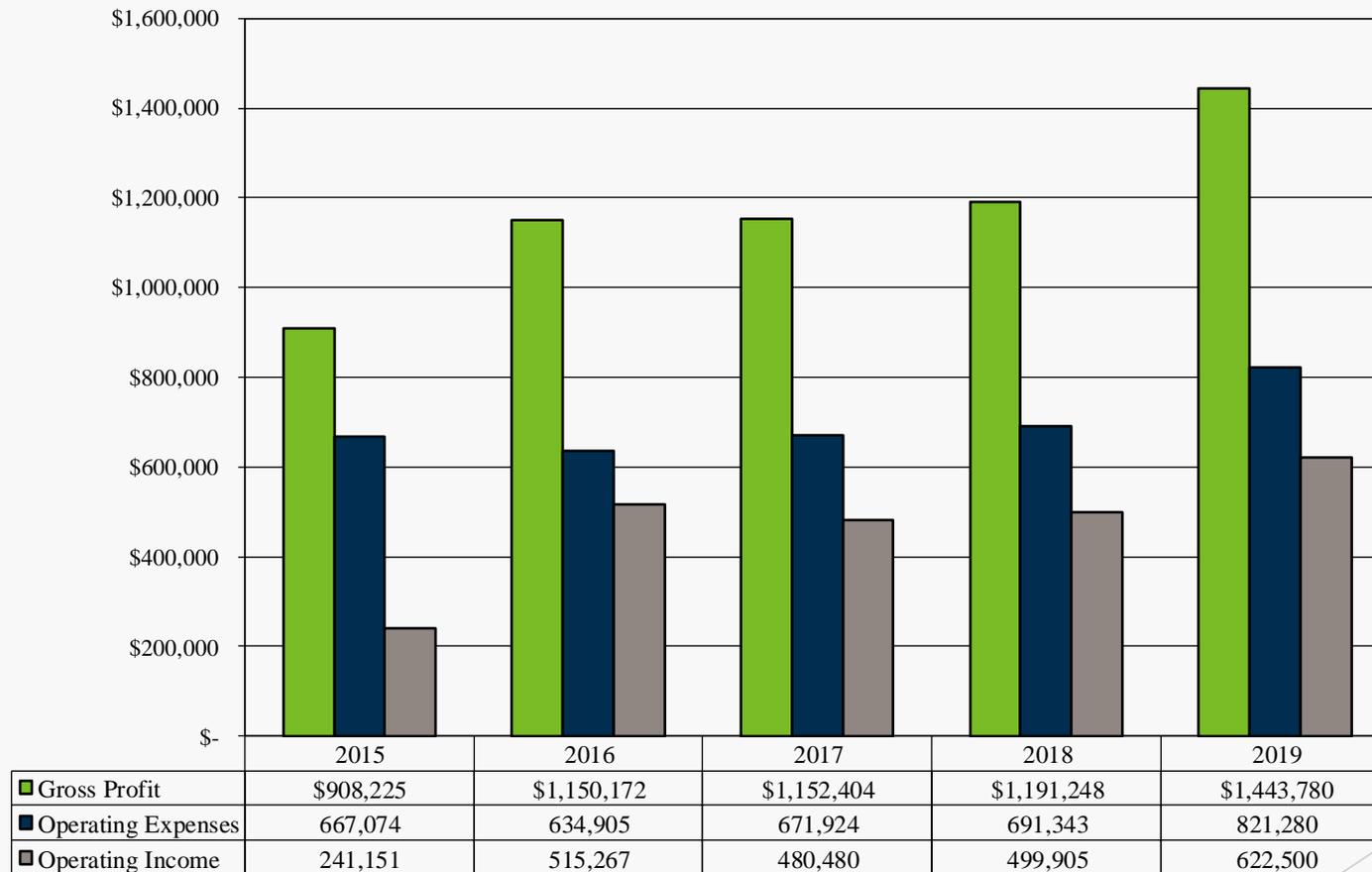
## Cash and Investments and Net Position

**Wastewater Treatment Fund**



# Municipal Liquor Store Fund Operations

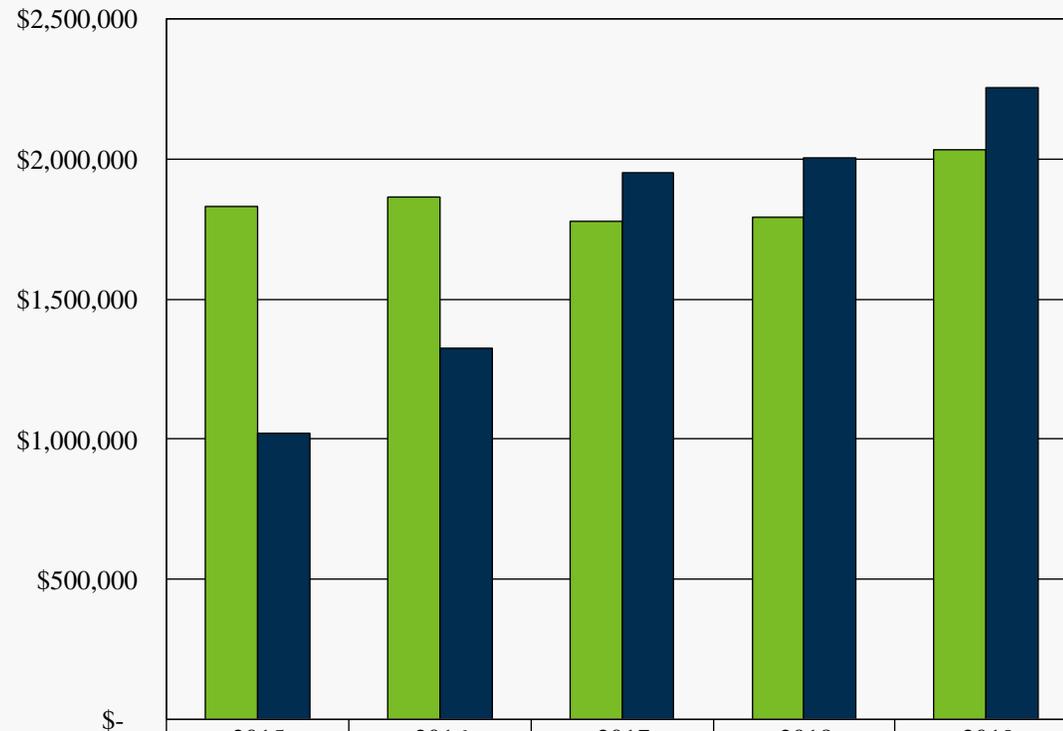
**Municipal Liquor Store Operations**



# Municipal Liquor Store Fund

## Cash and Investments and Net Position

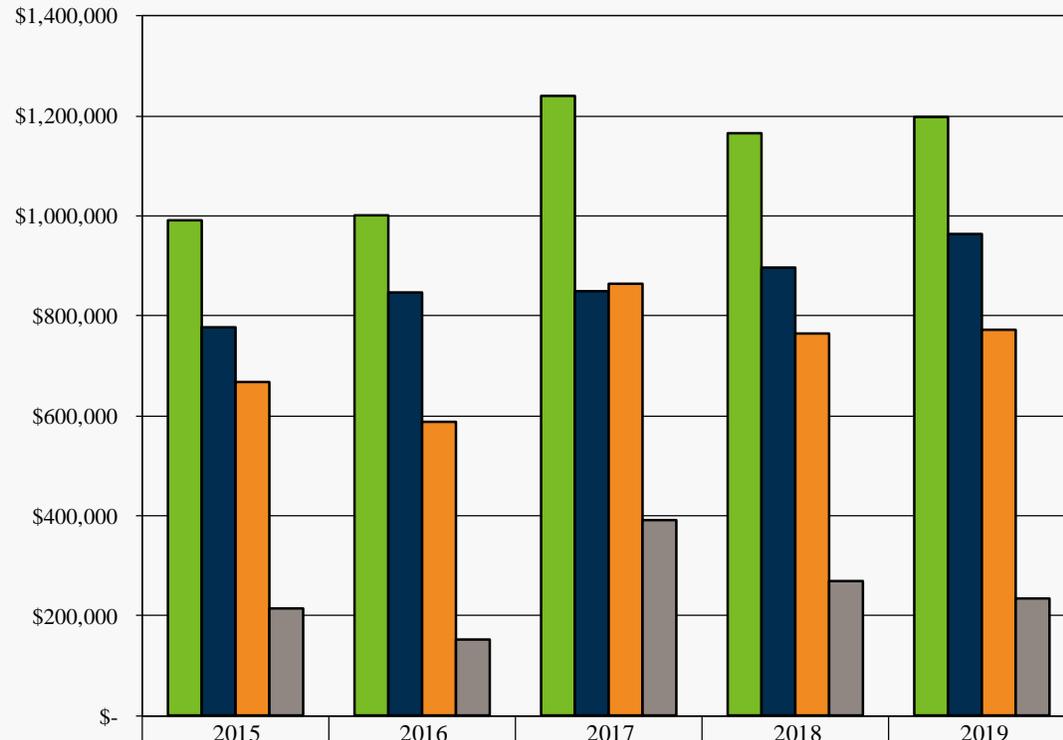
**Municipal Liquor Store Fund**



	2015	2016	2017	2018	2019
■ Cash and Investments	\$1,829,311	\$1,865,418	\$1,778,769	\$1,794,175	\$2,036,309
■ Restricted and Unrestricted Net Position	1,022,498	1,323,523	1,950,601	2,003,097	2,254,908

# Surface Water Management Fund Operations

**Surface Water Management Operations**

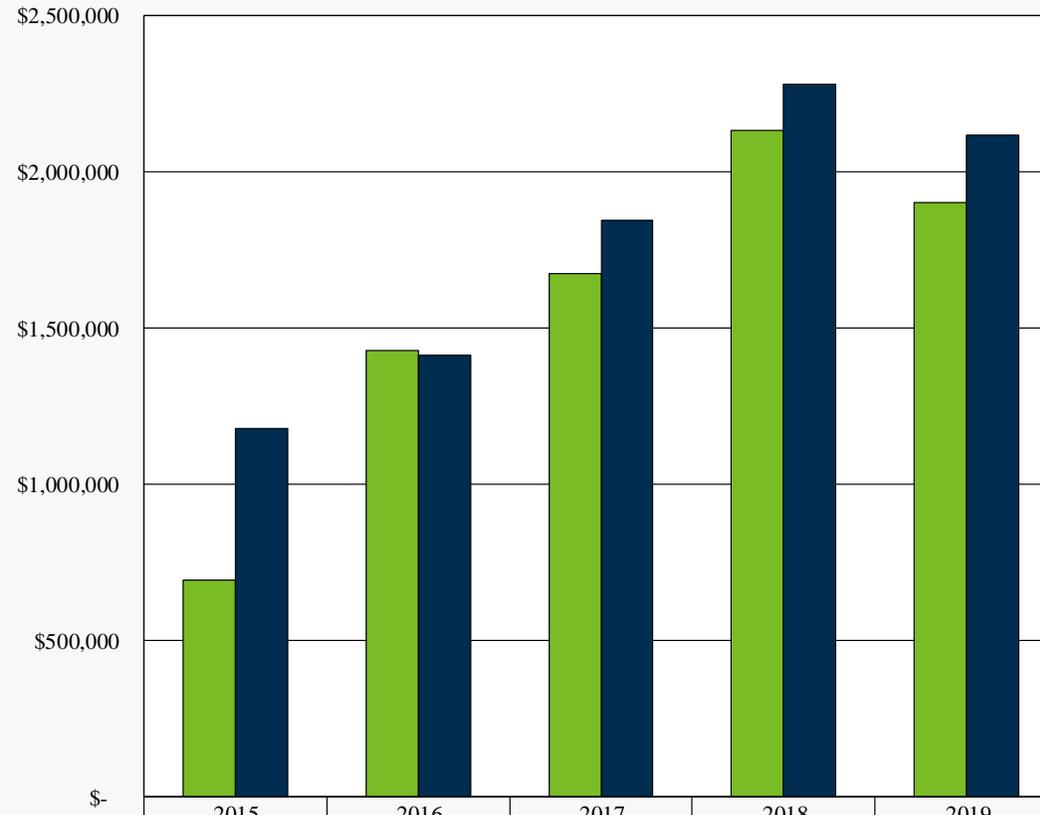


	2015	2016	2017	2018	2019
■ Operating Revenues	\$992,480	\$1,001,246	\$1,241,042	\$1,165,997	\$1,197,997
■ Operating Expenses	778,173	848,176	848,636	897,843	962,843
■ Operating Income without Depreciation	666,872	588,472	863,592	764,837	773,137
■ Operating Income	214,307	153,070	392,406	268,154	235,154

# Surface Water Management Fund

## Cash and Investments and Net Position

**Surface Water Management Fund**



■ Cash and Investments	\$694,833	\$1,426,717	\$1,674,910	\$2,134,155	\$1,903,710
■ Restricted and Unrestricted Net Position	1,178,209	1,412,722	1,846,029	2,280,679	2,119,204

# Questions?

- Andrew Grice, CPA
- [Andrew.Grice@bergankdv.com](mailto:Andrew.Grice@bergankdv.com)
- 952-563-6800

DO  
MORE.



**THANK**  
LET'S DO MORE, TOGETHER.  
**YOU**

*BerganKDV is a leading professional services firm with a contagious culture; where growth is fostered and making a difference means something. Our values drive our decisions, and our passion is empowering people and creating a wow experience for our clients.*

*We are powered by people who do business the Midwest way delivering comprehensive business, financial and technology solutions including business planning and consulting, tax, assurance and accounting, technology, wealth management and turnaround management services. From tax reform to technology, we go beyond so you can...*

**DO MORE.**



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