

# Annual Financial Report

## City of Marshall

Marshall, Minnesota

For the Year Ended  
December 31, 2018

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City of Marshall, Minnesota  
Annual Financial Report  
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For the Year Ended December 31, 2018

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INTRODUCTORY SECTION

CITY OF MARSHALL  
MARSHALL, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2018

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City of Marshall, Minnesota  
Principal City Officials  
For the Year Ended December 31, 2018

**ELECTED**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Robert Byrnes	Mayor	1/12/2021
John DeCramer	Council Member, Ward 1	1/7/2023
Glenn Bayerkohler	Council Member, Ward 1	1/12/2021
David Sturrock	Council Member, Ward 2	1/7/2019
Steven Meister	Council Member, Ward 2	1/12/2021
Craig Schafer	Council Member, Ward 3	1/7/2023
James Lozinski	Council Member, Ward 3	1/12/2021

**APPOINTED**

Sharon Hanson	City Administrator
Karla Drown	Finance Director

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FINANCIAL SECTION  
CITY OF MARSHALL  
MARSHALL, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2018

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of 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 (the City), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### 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 the Marshall Housing Commission. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units mentioned above, is based solely 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 of 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.

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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City as of December 31, 2018, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the General fund and Tax Increment Financing and Sales/Lodging Tax special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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## Change in Accounting Principles

As described in Note 11 to the financial statements, the City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, for the year ended December 31, 2018. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements.

## Other Matters

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedules of Employer's Share of the Net Pension Liability, the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios, the Schedules of Employer's Contributions, the related note disclosures and the Schedule of Changes in the City's OPEB Liability and Related Ratios starting on page 108 be presented to supplement the basic financial statements. Such information although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

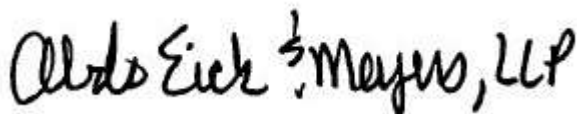
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



ABDO, EICK & MEYERS, LLP  
Mankato, Minnesota  
June 17, 2019

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## 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, 2018.

### 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 \$113,193,566 (net position). Of this amount, \$19,714,477 (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 \$5,000,180, compared to an increase of \$3,655,874 in the previous year. Of this increase, business-type activities (enterprise funds) had an increase of \$647,387 and governmental activities had an increase of \$4,352,793. The major factors in the governmental activity change was due to a one-time transfer of CRIF Grant Funds from the Economic Development Authority (discretely presented component unit) to the Small Cities Development Program Fund (\$539,290), changing the Library to an appropriation instead of a tax levy (\$612,109), and airport construction grant proceeds (\$608,685).
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$30,731,187, an increase of \$1,245,768 in comparison with the prior year. Approximately 41.4 percent of this total amount, \$12,710,662, is available for spending at the City's discretion between assigned and unassigned fund balance. The fund balances are classified in accordance with GASB statements No. 54 as follows:  
1) nonspendable - \$150,941; 2) restricted - \$16,969,711; committed - \$899,873; 4) assigned - \$6,945,772; 5) unassigned \$5,764,890.

### 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.

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 and 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**

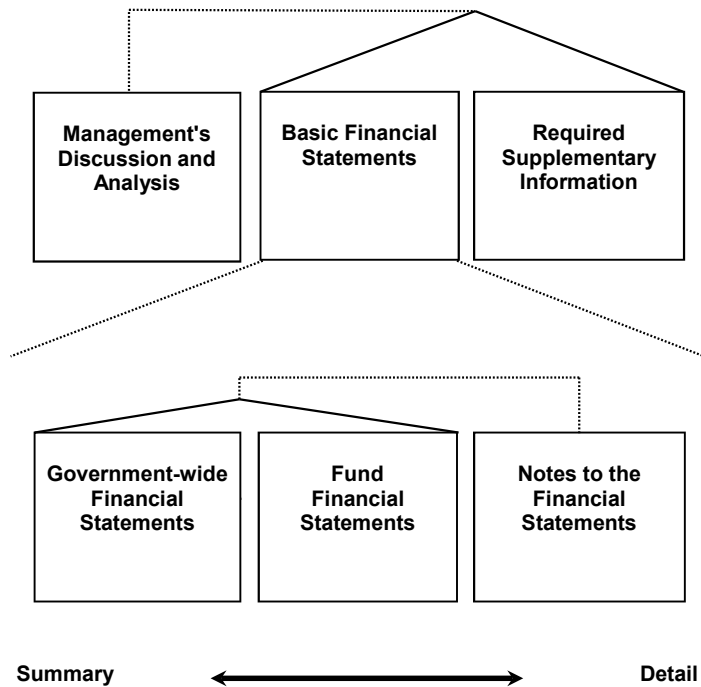


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the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

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

	Fund Financial Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds
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

**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 starting on page 30 of this report.

**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.

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 Sales/Lodging Tax fund, the Debt Service fund, the 2017 Public Improvement fund and the 2018 Public Improvement 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 starting on page 36 of this report.

**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 starting on page 46 of this report.

**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 starting on page 52 of this report.

**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 55 of this report.

**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 on page 108 of this report.

**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 starting on page 118 of this report.

## 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 \$113,193,566 at the close of the most recent fiscal year.

A large portion of the City's net position (64.9 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		
	2018	2017	Increase (Decrease)	2018	2017	Increase (Decrease)
Current and						
Other Assets	\$ 36,372,743	\$ 38,197,828	\$ (1,825,085)	\$ 13,502,895	\$ 12,167,858	\$ 1,335,037
Capital Assets	90,846,375	88,660,714	2,185,661	33,252,779	34,308,622	(1,055,843)
Total Assets	127,219,118	126,858,542	360,576	46,755,674	46,476,480	279,194
Deferred Outflows of Resources	3,044,348	4,050,855	(1,006,507)	179,498	289,270	(109,772)
Long-term Liabilities						
Outstanding	41,032,016	43,150,776	(2,118,760)	16,542,926	16,970,748	(427,822)
Other Liabilities	1,519,813	1,179,366	340,447	421,918	440,971	(19,053)
Total Liabilities	42,551,829	44,330,142	(1,778,313)	16,964,844	17,411,719	(446,875)
Deferred Inflows of Resources	4,263,961	5,117,346	(853,385)	224,438	248,003	(23,565)
Net Position						
Net investment						
in capital assets	55,540,334	52,225,344	3,314,990	17,914,365	18,746,746	(832,381)
Restricted	20,024,390	23,776,221	(3,751,831)	-	-	-
Unrestricted	7,882,952	5,460,344	2,422,608	11,831,525	10,359,282	1,472,243
Total Net Position	\$ 83,447,676	\$ 81,461,909	\$ 1,985,767	\$ 29,745,890	\$ 29,106,028	\$ 639,862

An additional portion of the City's net position (17.7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (17.4 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

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 \$647,387 in net position reported in connection with the City's business-type activities. This increase was a result of the following funds and profits: Wastewater Treatment (\$402,390), Municipal Liquor Store (\$158,938) and Surface Water Management (\$107,805). The Municipal Liquor fund's gross profit percentage is currently at 23.3 percent, lower than 24.2 percent in 2017.

**Governmental Activities.** Governmental activities increased the City's net position by \$4,352,793. Key elements of this increase are described above and summarized as follows:

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

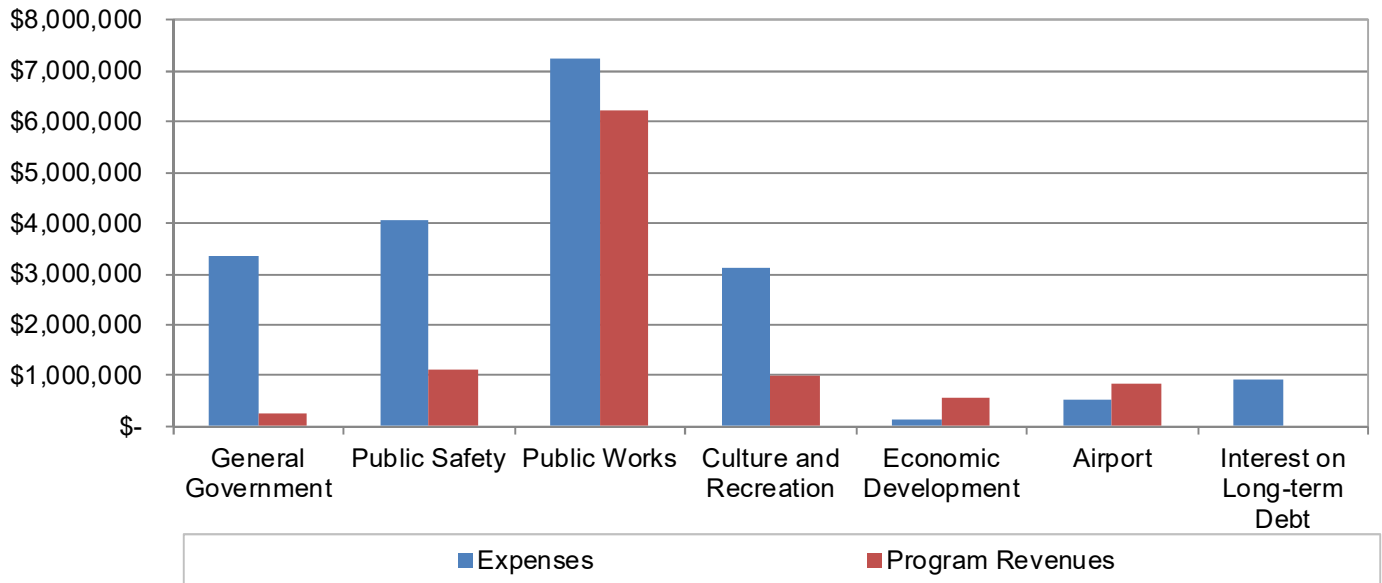
	Governmental Activities			Business-type Activities		
	2018	2017	Increase (Decrease)	2018	2017	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 3,215,326	\$ 2,993,994	\$ 221,332	\$ 11,774,791	\$ 11,727,560	\$ 47,231
Operating grants and contributions	1,363,290	644,746	718,544	-	-	-
Capital grants and contributions	5,416,612	4,185,748	1,230,864	13,046	80,000	(66,954)
General Revenues						
Property taxes/tax increments	7,015,846	6,027,061	988,785	-	(61)	61
Franchise fees and other taxes	2,679,113	2,426,088	253,025	-	-	-
Grants and contributions not restricted to specific programs	3,315,293	3,292,624	22,669	-	-	-
Unrestricted investment earnings	241,317	117,729	123,588	70,479	37,480	32,999
Other	43,014	54,041	(11,027)	25,917	50,000	(24,083)
<b>Total Revenues</b>	<b>23,289,811</b>	<b>19,742,031</b>	<b>3,547,780</b>	<b>11,884,233</b>	<b>11,894,979</b>	<b>(10,746)</b>
Expenses						
General government	3,370,422	2,618,427	751,995	-	-	-
Public safety	4,069,232	4,163,762	(94,530)	-	-	-
Public works	7,252,085	7,170,436	81,649	-	-	-
Culture and recreation	3,110,696	2,625,981	484,715	-	-	-
Economic development	138,506	120,395	18,111	-	-	-
Airport	512,992	528,600	(15,608)	-	-	-
Interest on long-term debt	931,375	1,005,500	(74,125)	-	-	-
Wastewater treatment	-	-	-	5,117,137	4,481,571	635,566
Surface water management	-	-	-	970,729	916,265	54,464
Municipal liquor store	-	-	-	4,678,944	4,350,199	328,745
Parkway townhomes	-	-	-	21,746	-	21,746
<b>Total Expenses</b>	<b>19,385,308</b>	<b>18,233,101</b>	<b>1,152,207</b>	<b>10,788,556</b>	<b>9,748,035</b>	<b>1,040,521</b>
Change in Net Position						
Before Transfers	3,904,503	1,508,930	2,395,573	1,095,677	2,146,944	(1,051,267)
Transfers	448,290	667,640	(219,350)	(448,290)	(667,640)	219,350
<b>Change in Net Position</b>	<b>4,352,793</b>	<b>2,176,570</b>	<b>2,176,223</b>	<b>647,387</b>	<b>1,479,304</b>	<b>(831,917)</b>
Net Position, January 1 as Restated (Note 11) *	79,094,883	79,285,339	(190,456)	29,098,503	27,626,724	1,471,779
<b>Net Position - December 31</b>	<b>\$ 83,447,676</b>	<b>\$ 81,461,909</b>	<b>\$ 1,985,767</b>	<b>\$ 29,745,890</b>	<b>\$ 29,106,028</b>	<b>\$ 639,862</b>

\* GASB Statement No. 75 was implemented for the year ended December 31, 2018 and required a \$2,367,026 and \$7,525 restatement of beginning governmental and business-type net position, respectively. Prior year amounts were not restated causing a variance in ending net position at December 31, 2017 and beginning net position on January 1, 2018. See note 11.

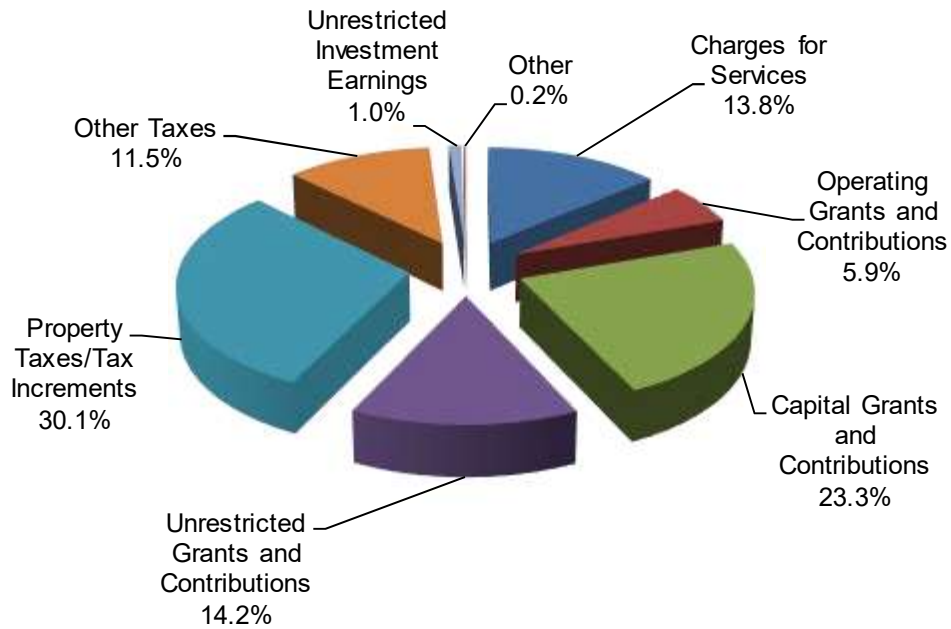
Property tax levies increased by \$232,856 or (3.8 percent) during the year.

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

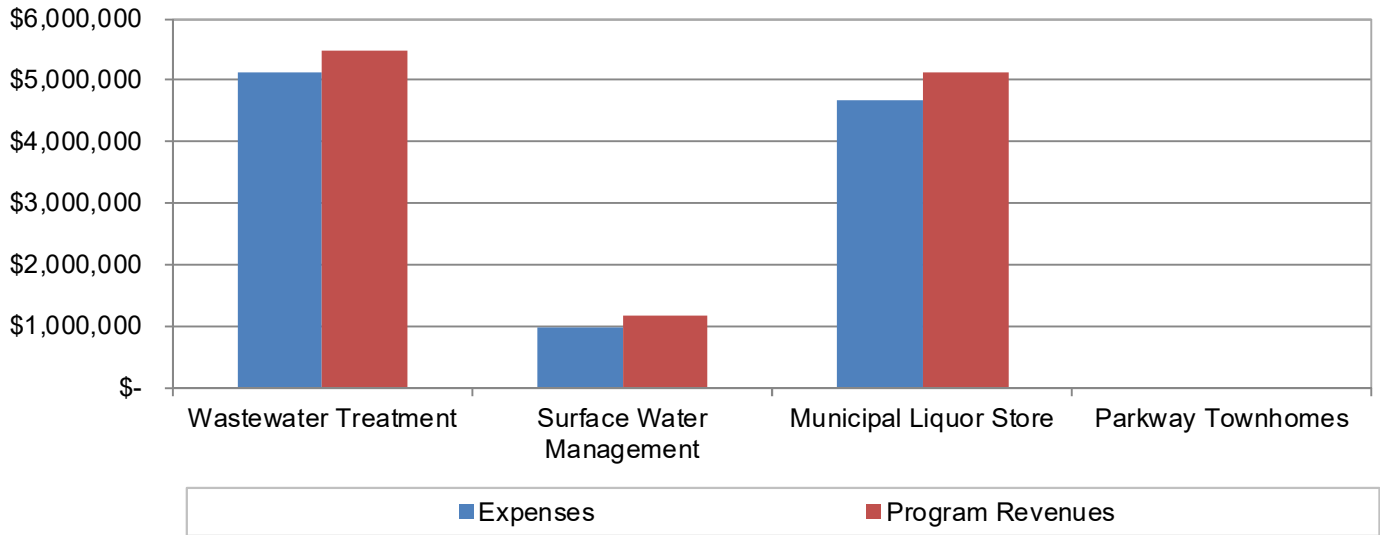




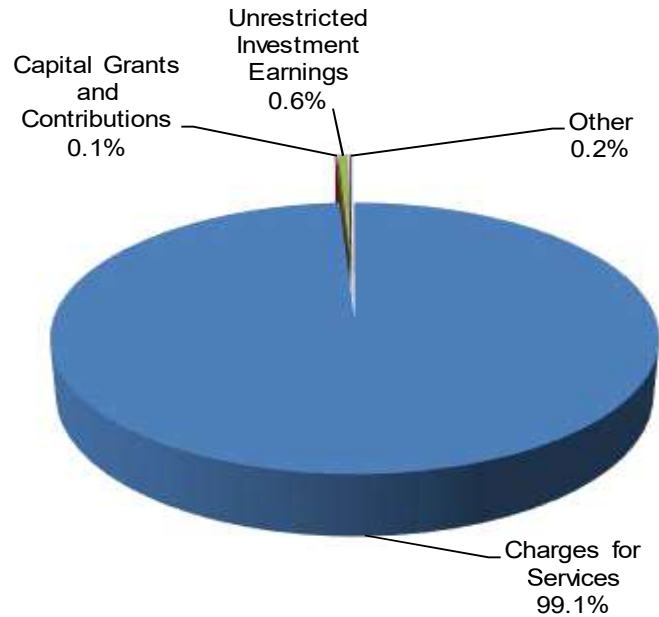
**Business-type Activities.** Business-type activities increased the City's net position by \$647,387. Key elements of this increase are as follows:

- Overall gross profit decreased by \$298,369 in the business-type funds while operating expenses increased by \$847,612.
- Transfers out increased by \$219,350 in the current year.

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



**Revenues by Source - Business-type Activities**



## 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 \$7,629,173. 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 50.3 percent of fund expenditures, while total fund balance also represents 62.5 percent of that same amount.

The fund balance of the City's *General fund* increased by \$232,462 during the current fiscal year. The key factor in this increase was an increase in franchise fees of \$59,523. There was also an increase in property taxes of \$778,769.

The *Tax Increment Financing fund* has a total fund balance of \$5,153,917. The net increase in fund balance during the current year in this fund was \$337,015. The key factors in this increase relate to tax increment revenues of \$749,421 exceeding transfers out totaling \$446,079 to capital projects funds for capital improvements.

The *Sales/Lodging Tax fund* has a total fund balance of \$1,496,083. The net increase in fund balance during the current year was \$17,768. The increase was mainly due to transfers out of \$2,028,860 being less than sales and lodging tax collections of \$2,033,808 for the year.

The *Debt Service fund* has a total fund balance of \$5,831,563, 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 \$890,560. Major factors in this increase were due primarily to transfers in of \$3,514,639 that were mainly offset by transfers out of \$1,474,685.

The *2017 Public Improvement fund* has a total fund balance of \$292,344. The net decrease in fund balance during the current year was \$1,031,310. The decrease was mainly due to receiving grant revenue during the year, but construction of the projects not complete yet.

The *2018 Public Improvement fund* has a total fund balance of \$256,467. The net increase in fund balance during the current year was \$256,467. The increase was mainly due to receiving the bond proceeds and grant revenue during the year, but construction of the project not complete yet.

**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 \$11,831,525. The total increase in net position for the funds was \$647,387. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

## 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 \$70,010. Actual revenues exceeded budgeted revenues by \$366,965 and the expenditure budget was overspent by \$39,653. Other financing sources (uses) were under expectations by \$24,840. The net result was an increase to the General fund balance of \$232,462 in 2018.

## 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, 2018 amounts to \$124,099,154 (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 0.9 percent (a 2.5 percent increase for governmental activities and a 3.1 percent decrease for business-type activities).

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

### Governmental Activities

- Commerce Park project costs of \$2,060,869
- Ball park project costs of \$550,172
- Arena project costs of \$243,621
- 2018 International 7400 Rescue Truck for \$292,289

### Business-type Activities

- 2018 Western Star Jetter for \$133,404
- Camel 1200 Ejector 12 yard combination sewer cleaner for \$278,504
- 2016 street project costs of \$117,353

Additional information on the City's capital assets can be found in Note 3C starting on page 71 of this report.

## City of Marshall's Capital Assets (Net of Depreciation)

	Governmental Activities			Business-type Activities		
	2018	2017	Increase (Decrease)	2018	2017	Increase (Decrease)
Land	\$ 7,301,489	\$ 7,273,262	\$ 28,227	\$ 512,872	\$ 512,872	\$ -
Construction in Progress	7,269,915	29,030,993	(21,761,078)	667,011	-	667,011
Buildings	29,176,649	5,101,482	24,075,167	2,263,093	2,331,228	(68,135)
Improvements Other Than Buildings	13,132,458	10,034,769	3,097,689	8,184,879	9,081,051	(896,172)
Systems and Infrastructure	29,777,167	32,650,940	(2,873,773)	20,196,444	21,124,619	(928,175)
Equipment and Machinery	4,188,697	4,569,268	(380,571)	1,428,480	1,258,852	169,628
<b>Total</b>	<b>\$ 90,846,375</b>	<b>\$ 88,660,714</b>	<b>\$ 2,185,661</b>	<b>\$ 33,252,779</b>	<b>\$ 34,308,622</b>	<b>\$(1,055,843)</b>

**Long-term Debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$45,715,000. Of this amount, \$5,440,000 is general obligation debt, \$3,760,000 is tax increment debt, \$2,695,000 is tax abatement debt, \$24,133,608 is general obligation improvement debt and \$12,381,392 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		
	2018	2017	Increase (Decrease)	2018	2017	Increase (Decrease)
General Obligation Bonds	\$ 2,745,000	\$ 3,180,000	\$ (435,000)	\$ -	\$ -	\$ -
G.O. Tax Increment Bonds	3,760,000	3,915,000	(155,000)	-	-	-
G.O. Tax Abatement Bonds	2,695,000	2,810,000	(115,000)	-	-	-
G.O. Special Assessment Bonds	24,133,608	24,380,000	(246,392)	-	-	-
G.O. Revenue Bonds	-	-	-	12,381,392	12,405,000	(23,608)
Contract for Deed	-	95,404	(95,404)	-	-	-
<b>Total</b>	<b><u>\$ 33,333,608</u></b>	<b><u>\$ 34,380,404</u></b>	<b><u>\$ (1,046,796)</u></b>	<b><u>\$ 12,381,392</u></b>	<b><u>\$ 12,405,000</u></b>	<b><u>\$ (23,608)</u></b>

The City's total debt decreased \$1,070,404, or 2.3 percent during the current fiscal year. Long-term debt of \$3,580,000 was issued during the year and \$4,535,404 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 \$26,708,596, which is significantly in excess of the City's outstanding general obligation debt of \$5,440,000.

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 3E starting on page 78 of this report.

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

- The unemployment rate for Lyon County is currently 3.4 percent, which is a decrease from a rate of 2.9 percent a year ago. This is comparable to the State's average unemployment rate of 3.2 percent and the national average rate of 3.8 percent.
- 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 2019 fiscal year.

The 2019 general levy increased \$409,997 from 2018, resulting in a tax rate increase of 1.37%. The key factor to this increase is to reduce long term debt.

#### 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.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF MARSHALL  
MARSHALL, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2018

City of Marshall, Minnesota  
Statement of Net Position  
December 31, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and temporary investments	\$ 30,400,958	\$ 11,853,681	\$ 42,254,639
Restricted assets	-	-	-
Receivables			
Interest	9,826	2,793	12,619
Delinquent taxes	166,714	31	166,745
Accounts	169,429	156,485	325,914
Notes/leases	13,576	-	13,576
Special assessments	4,044,622	12,107	4,056,729
Intergovernmental	784,710	36	784,746
Due from component units/primary government	317,073	782,891	1,099,964
Internal balances	(20,998)	20,998	-
Inventories	-	624,448	624,448
Prepaid items	150,941	49,425	200,366
Land held for resale	-	-	-
Net pension asset	335,892	-	335,892
Capital assets			
Nondepreciable	14,571,404	1,179,883	15,751,287
Depreciable, net of accumulated depreciation	76,274,971	32,072,896	108,347,867
Total Assets	<u>127,219,118</u>	<u>46,755,674</u>	<u>173,974,792</u>
<b>Deferred Outflows of Resources</b>			
Deferred other postemployment resources	32,084	6,082	38,166
Deferred pension resources	3,012,264	173,416	3,185,680
Total Deferred Outflows of Resources	<u>3,044,348</u>	<u>179,498</u>	<u>3,223,846</u>
<b>Liabilities</b>			
Accounts payable	381,570	171,365	552,935
Contracts payable	399,795	-	399,795
Due to other governments	63,988	61,812	125,800
Due to component units/primary government	78,443	28,083	106,526
Accrued interest payable	425,485	136,289	561,774
Accrued salaries payable	160,460	24,369	184,829
Deposits payable	-	-	-
Unearned revenue	10,072	-	10,072
Noncurrent liabilities			
Due within one year	3,816,240	1,916,693	5,732,933
Due in more than one year	37,215,776	14,626,233	51,842,009
Total Liabilities	<u>42,551,829</u>	<u>16,964,844</u>	<u>59,516,673</u>
<b>Deferred Inflows of Resources</b>			
Deferred pension resources	4,263,961	224,438	4,488,399
<b>Net Position</b>			
Net investment in capital assets	55,540,334	17,914,365	73,454,699
Restricted for			
Debt service	8,886,242	-	8,886,242
City celebrations	18,259	-	18,259
Economic development	2,056,401	-	2,056,401
Tax increment financing	5,153,917	-	5,153,917
Capital projects	3,909,571	-	3,909,571
Unrestricted	7,882,952	11,831,525	19,714,477
Total Net Position	<u>\$ 83,447,676</u>	<u>\$ 29,745,890</u>	<u>\$ 113,193,566</u>

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

Component Units

Marshall Municipal Utilities	Marshall Housing Commission	Economic Development Authority	Marshall-Lyon County Library
\$ 24,561,863	\$ 479,949	\$ 1,238,671	\$ 446,730
6,154,948	32,525	-	-
152,539	-	1,932	60
-	-	3,370	1,232
4,453,772	6,291	-	-
44,568	-	377,138	-
-	-	-	-
-	-	904	311
104,033	-	-	5,936
-	-	-	-
718,288	1,100	-	-
153,603	14,028	124	4,667
-	-	1,110,455	-
-	-	-	-
2,381,705	642,073	-	-
64,676,458	2,424,056	6,299	5,935,694
<u>103,401,777</u>	<u>3,600,022</u>	<u>2,738,893</u>	<u>6,394,630</u>
26,834	-	-	1,877
497,804	-	-	90,495
<u>524,638</u>	<u>-</u>	<u>-</u>	<u>92,372</u>
2,939,083	5,600	44,530	23,129
-	-	-	-
-	8,231	-	547
782,891	-	317,090	3,426
393,976	-	-	6,724
234,189	2,702	-	10,341
83,567	24,885	-	-
-	7,640	-	-
4,151,192	25,679	-	83,672
26,448,892	46,187	-	1,043,604
<u>35,033,790</u>	<u>120,924</u>	<u>361,620</u>	<u>1,171,443</u>
<u>814,029</u>	<u>-</u>	<u>-</u>	<u>117,121</u>
41,878,163	3,066,129	6,299	5,363,196
6,154,948	-	-	111,401
-	-	-	-
-	-	428,512	-
-	-	-	-
-	-	-	-
20,045,485	412,969	1,942,462	(276,159)
<u>\$ 68,078,596</u>	<u>\$ 3,479,098</u>	<u>\$ 2,377,273</u>	<u>\$ 5,198,438</u>

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

City of Marshall, Minnesota  
Statement of Activities  
For the Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental Activities				
General government	\$ 3,370,422	\$ 215,055	\$ 21,802	\$ -
Public safety	4,069,232	462,320	546,882	109,624
Public works	7,252,085	1,553,397	36,238	4,634,381
Culture and recreation	3,110,696	820,753	104,310	63,772
Economic development	138,506	12,731	554,290	-
Airport	512,992	151,070	99,768	608,835
Interest on long-term debt	931,375	-	-	-
<b>Total Governmental Activities</b>	<u>19,385,308</u>	<u>3,215,326</u>	<u>1,363,290</u>	<u>5,416,612</u>
Business-type Activities				
Wastewater treatment	5,117,137	5,487,718	-	-
Surface water management	970,729	1,166,670	-	13,046
Municipal liquor store	4,678,944	5,120,403	-	-
Parkway Townhomes	21,746	-	-	-
<b>Total Business-type Activities</b>	<u>10,788,556</u>	<u>11,774,791</u>	<u>-</u>	<u>13,046</u>
<b>Total Primary Government</b>	<u>\$ 30,173,864</u>	<u>\$ 14,990,117</u>	<u>\$ 1,363,290</u>	<u>\$ 5,429,658</u>
<b>Component Units</b>				
Marshall Municipal Utilities - Water	\$ 4,467,169	\$ 5,418,297	\$ -	\$ 354,082
Marshall Municipal Utilities - Electric	40,632,340	41,061,703	-	-
Marshall Housing Commission	977,970	421,436	366,654	131,653
Economic Development Authority	1,025,041	12,801	21,746	-
Marshall-Lyon County Library	1,210,448	17,145	953,822	-
<b>Total Component Units</b>	<u>\$ 48,312,968</u>	<u>\$ 46,931,382</u>	<u>\$ 1,342,222</u>	<u>\$ 485,735</u>
<b>General Revenues</b>				
Property taxes, levied for general purposes				
Property taxes, levied for special purposes				
Property taxes, levied for debt service				
Tax increments				
Sales tax				
Lodging taxes				
Franchise taxes				
Grants and contributions not restricted to specific programs				
Unrestricted investment earnings				
Gain on sale of capital assets				
Other revenues				
<b>Transfers</b>				
Total General Revenues and Transfers				
<b>Change in Net Position</b>				
Net Position, January 1 as Restated (Note 11)				
Net Position, December 31				

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



Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Units			
Governmental Activities	Business-type Activities	Total	Marshall Municipal Utilities	Marshall Housing Commission	Economic Development Authority	Marshall-Lyon County Library
\$ (3,133,565)		\$ (3,133,565)				
(2,950,406)		(2,950,406)				
(1,028,069)		(1,028,069)				
(2,121,861)		(2,121,861)				
428,515		428,515				
346,681		346,681				
(931,375)		(931,375)				
<u>(9,390,080)</u>		<u>(9,390,080)</u>				
-	\$ 370,581	370,581				
-	208,987	208,987				
-	441,459	441,459				
-	(21,746)	(21,746)				
-	<u>999,281</u>	<u>999,281</u>				
<u>(9,390,080)</u>	<u>999,281</u>	<u>(8,390,799)</u>				
			\$ 1,305,210	\$ -	\$ -	\$ -
			429,363	-	-	-
			-	(58,227)	-	-
			-	-	(990,494)	-
			-	-	-	(239,481)
			<u>1,734,573</u>	<u>(58,227)</u>	<u>(990,494)</u>	<u>(239,481)</u>
4,926,377	-	4,926,377	-	-	-	-
-	-	-	-	-	120,779	706
1,340,048	-	1,340,048	-	-	-	40,510
749,421	-	749,421	-	-	-	-
1,949,290	-	1,949,290	-	-	-	-
257,701	-	257,701	-	-	-	-
472,122	-	472,122	-	-	-	-
3,315,293	-	3,315,293	-	-	-	-
241,317	70,479	311,796	394,397	3,376	21,616	33,189
27,586	25,917	53,503	-	-	-	-
15,428	-	15,428	577,869	5,935	-	-
448,290	(448,290)	-	-	-	-	-
<u>13,742,873</u>	<u>(351,894)</u>	<u>13,390,979</u>	<u>972,266</u>	<u>9,311</u>	<u>142,395</u>	<u>74,405</u>
4,352,793	647,387	5,000,180	2,706,839	(48,916)	(848,099)	(165,076)
<u>79,094,883</u>	<u>29,098,503</u>	<u>108,193,386</u>	<u>65,371,757</u>	<u>3,528,014</u>	<u>3,225,372</u>	<u>5,363,514</u>
<u>\$ 83,447,676</u>	<u>\$ 29,745,890</u>	<u>\$ 113,193,566</u>	<u>\$ 68,078,596</u>	<u>\$ 3,479,098</u>	<u>\$ 2,377,273</u>	<u>\$ 5,198,438</u>

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

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FUND FINANCIAL STATEMENTS

CITY OF MARSHALL  
MARSHALL, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2018

City of Marshall, Minnesota  
Balance Sheet  
Governmental Funds  
December 31, 2018

	101	230	256
	General	Tax Increment Financing	Sales / Lodging Tax
<b>Assets</b>			
Cash and temporary investments	\$ 7,862,622	\$ 4,276,157	\$ 1,123,460
Receivables			
Interest	7,463	-	1,508
Delinquent taxes	123,092	-	-
Accounts	121,417	-	5,646
Notes/leases	-	-	-
Special assessments	1,207	-	-
Intergovernmental	141,968	625	365,469
Due from other funds	-	561,631	-
Due from component units	-	317,073	-
Prepaid items	125,393	-	-
<b>Total Assets</b>	<b><u>\$ 8,383,162</u></b>	<b><u>\$ 5,155,486</u></b>	<b><u>\$ 1,496,083</u></b>
<b>Liabilities</b>			
Accounts payable	\$ 196,211	\$ 1,530	\$ -
Contracts payable	-	-	-
Due to other funds	153,601	-	-
Due to component units	68,447	39	-
Due to other governments	45,388	-	-
Accrued salaries payable	155,971	-	-
Unearned revenue	10,072	-	-
<b>Total Liabilities</b>	<b><u>629,690</u></b>	<b><u>1,569</u></b>	<b><u>-</u></b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - taxes	123,092	-	-
Unavailable revenue - special assessments	1,207	-	-
<b>Total Deferred Inflows of Resources</b>	<b><u>124,299</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Fund Balances</b>			
Nonspendable			
Prepaid items	125,393	-	-
Restricted for			
Debt service	-	-	-
City celebrations	-	-	-
Economic development	-	-	-
Tax increment financing	-	5,153,917	-
Capital projects	-	-	1,496,083
Committed for			
Economic development	-	-	-
Capital projects	-	-	-
Assigned for			
Insurance reserve	119,295	-	-
Carryover expenditures	34,761	-	-
OPEB liability	465,660	-	-
Shelter	13,744	-	-
Operating expenditure contingency	641,733	-	-
Forfeiture program - Police department	82,797	-	-
Unallocated health insurance premium	12,218	-	-
Capital projects	-	-	-
Drivers education	-	-	-
ASC Arena	-	-	-
Economic development	-	-	-
Park improvements	-	-	-
Emergency response and industrial training center	-	-	-
Unassigned	6,133,572	-	-
<b>Total Fund Balances</b>	<b><u>7,629,173</u></b>	<b><u>5,153,917</u></b>	<b><u>1,496,083</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$ 8,383,162</u></b>	<b><u>\$ 5,155,486</u></b>	<b><u>\$ 1,496,083</u></b>

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

<b>300s</b>	<b>462</b>	<b>475</b>		
Debt	2017	2018	Other	
Service	Public	Public	Governmental	Totals
	Improvements	Improvements	Funds	
\$ 5,810,691	\$ 306,135	\$ 486,228	\$ 10,535,665	\$ 30,400,958
-	-	-	855	9,826
32,166	-	-	11,456	166,714
-	-	5,527	36,839	169,429
-	-	-	13,576	13,576
3,447,998	-	-	595,417	4,044,622
21,872	157,915	-	96,861	784,710
-	-	-	30,000	591,631
-	-	-	-	317,073
-	-	-	25,548	150,941
<u>\$ 9,312,727</u>	<u>\$ 464,050</u>	<u>\$ 491,755</u>	<u>\$ 11,346,217</u>	<u>\$ 36,649,480</u>
\$ 1,000	\$ -	\$ 1,501	\$ 181,328	\$ 381,570
-	170,673	229,122	-	399,795
-	-	-	459,028	612,629
-	-	-	9,957	78,443
-	1,033	4,665	12,902	63,988
-	-	-	4,489	160,460
-	-	-	-	10,072
<u>1,000</u>	<u>171,706</u>	<u>235,288</u>	<u>667,704</u>	<u>1,706,957</u>
32,166	-	-	11,456	166,714
3,447,998	-	-	595,417	4,044,622
<u>3,480,164</u>	<u>-</u>	<u>-</u>	<u>606,873</u>	<u>4,211,336</u>
-	-	-	25,548	150,941
5,831,563	-	-	-	5,831,563
-	-	-	18,259	18,259
-	-	-	2,056,401	2,056,401
-	-	-	-	5,153,917
-	256,864	223,618	1,933,006	3,909,571
-	-	-	2,316	2,316
-	-	-	897,557	897,557
-	-	-	-	119,295
-	-	-	-	34,761
-	-	-	-	465,660
-	-	-	-	13,744
-	-	-	-	641,733
-	-	-	-	82,797
-	-	-	-	12,218
-	35,480	32,849	4,704,846	4,773,175
-	-	-	79,601	79,601
-	-	-	30,422	30,422
-	-	-	622,465	622,465
-	-	-	16,569	16,569
-	-	-	53,332	53,332
-	-	-	(368,682)	5,764,890
<u>5,831,563</u>	<u>292,344</u>	<u>256,467</u>	<u>10,071,640</u>	<u>30,731,187</u>
<u>\$ 9,312,727</u>	<u>\$ 464,050</u>	<u>\$ 491,755</u>	<u>\$ 11,346,217</u>	<u>\$ 36,649,480</u>

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

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City of Marshall, Minnesota  
 Reconciliation of the Balance Sheet  
 to the Statement of Net Position  
 Governmental Funds  
 December 31, 2018

Amounts reported for governmental activities in the statement  
 of net position are different because

Total Fund Balances - Governmental Funds	\$ 30,731,187
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	90,846,375
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	(896,869)
Other postemployment benefits obligation	(391,451)
Pension liability	(4,437,655)
Bonds payable	(33,333,608)
Unamortized bond premiums	(1,974,909)
Unamortized bond discounts	2,476
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	166,714
Special assessments receivable	4,044,622
Long-term assets from pensions reported in governmental activities are not financial resources therefore are not reported as assets in the funds.	335,892
Governmental funds do not report long-term amounts related to pensions and other post employment benefits.	
Deferred outflows of pension resources	3,012,264
Deferred inflows of pension resources	(4,263,961)
Deferred outflows of other postemployment benefits	32,084
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(425,485)</u>
Total Net Position - Governmental Activities	<u><u>\$ 83,447,676</u></u>

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

City of Marshall, Minnesota  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2018

	101	230	256
	General	Tax Increment Financing	Sales / Lodging Tax
<b>Revenues</b>			
Taxes	\$ 5,094,405	\$ 749,421	\$ 2,033,808
Special assessments	4,521	-	-
Licenses and permits	262,748	-	-
Intergovernmental	3,233,991	-	-
Charges for services	2,180,174	-	-
Fines and forfeits	95,764	-	-
Investment earnings	85,294	18,867	12,820
Miscellaneous	1,145,778	15,000	-
<b>Total Revenues</b>	<u>12,102,675</u>	<u>783,288</u>	<u>2,046,628</u>
<b>Expenditures</b>			
<b>Current</b>			
General government	3,154,434	-	-
Public safety	3,691,773	-	-
Public works	3,053,572	-	-
Culture and recreation	1,765,202	-	-
Economic development	-	138,263	-
Airport	451,632	-	-
<b>Capital outlay</b>			
General government	-	-	-
Public safety	80,101	-	-
Public works	-	-	-
Culture and recreation	5,764	-	-
Airport	-	-	-
<b>Debt service</b>			
Principal	-	-	-
Interest and other	-	-	-
Bond issuance costs	-	-	-
<b>Total Expenditures</b>	<u>12,202,478</u>	<u>138,263</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(99,803)</u>	<u>645,025</u>	<u>2,046,628</u>
<b>Other Financing Sources (Uses)</b>			
Sale of capital assets	5,160	-	-
Transfers in	327,105	138,069	-
Bonds issued	-	-	-
Premium on bonds issued	-	-	-
Transfers out	-	(446,079)	(2,028,860)
<b>Total Other Financing Sources (Uses)</b>	<u>332,265</u>	<u>(308,010)</u>	<u>(2,028,860)</u>
<b>Net Change in Fund Balances</b>	232,462	337,015	17,768
<b>Fund Balances, January 1</b>	<u>7,396,711</u>	<u>4,816,902</u>	<u>1,478,315</u>
<b>Fund Balances, December 31</b>	<u><u>\$ 7,629,173</u></u>	<u><u>\$ 5,153,917</u></u>	<u><u>\$ 1,496,083</u></u>

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



<b>300s</b>	<b>462</b>	<b>475</b>		
Debt	2017	2018	Other	
Service	Public	Public	Governmental	Totals
	Improvements	Improvements	Funds	
\$ 1,319,020	\$ -	\$ -	\$ 387,186	\$ 9,583,840
1,341,280	-	-	259,901	1,605,702
-	-	-	-	262,748
-	660,383	2,073,844	745,919	6,714,137
-	-	-	255,375	2,435,549
-	-	-	-	95,764
14,689	18,997	32,849	57,801	241,317
500,000	-	704,351	732,295	3,097,424
<u>3,174,989</u>	<u>679,380</u>	<u>2,811,044</u>	<u>2,438,477</u>	<u>24,036,481</u>
-	-	-	8,559	3,162,993
-	-	-	166,601	3,858,374
-	-	-	5,547	3,059,119
-	-	-	691,344	2,456,546
-	-	-	243	138,506
-	-	-	-	451,632
-	-	-	131,243	131,243
-	-	-	145,637	225,738
-	1,710,690	4,798,086	39,341	6,548,117
-	-	61,762	416,866	484,392
-	-	-	683,548	683,548
3,280,000	-	-	95,404	3,375,404
1,044,674	-	-	825	1,045,499
-	-	78,417	764	79,181
<u>4,324,674</u>	<u>1,710,690</u>	<u>4,938,265</u>	<u>2,385,922</u>	<u>25,700,292</u>
<u>(1,149,685)</u>	<u>(1,031,310)</u>	<u>(2,127,221)</u>	<u>52,555</u>	<u>(1,663,811)</u>
-	-	-	35,000	40,160
3,514,639	-	-	4,004,659	7,984,472
-	-	2,293,608	35,000	2,328,608
-	-	90,080	2,441	92,521
<u>(1,474,394)</u>	<u>-</u>	<u>-</u>	<u>(3,586,849)</u>	<u>(7,536,182)</u>
<u>2,040,245</u>	<u>-</u>	<u>2,383,688</u>	<u>490,251</u>	<u>2,909,579</u>
890,560	(1,031,310)	256,467	542,806	1,245,768
4,941,003	1,323,654	-	9,528,834	29,485,419
<u>\$ 5,831,563</u>	<u>\$ 292,344</u>	<u>\$ 256,467</u>	<u>\$ 10,071,640</u>	<u>\$ 30,731,187</u>

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

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City of Marshall, Minnesota  
 Reconciliation of the Statement of  
 Revenues, Expenditures and Changes in Fund Balances  
 to the Statement of Activities  
 Governmental Funds  
 For the Year Ended December 31, 2018

Amounts reported for governmental activities in the statement of activities are different because

Net Change in Fund Balances - Governmental Funds	\$ 1,245,768
<p>Governmental 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.</p>	
Capital outlay	7,202,224
Depreciation expense	(5,003,989)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales and trade-ins) is to decrease net position.</p>	
Book value of disposed of capital assets	(12,574)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>	
Bonds issued	(2,328,608)
Principal repayments	3,375,404
Bond premiums issued, net of amortization	85,009
Bond discounts amortization	(2,476)
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the 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>	
	18,251
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	344,320
Direct aid contributions	35,184
<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	111,119
Special assessments	(911,979)
<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	216,796
Other postemployment benefits costs	(21,656)
Change in Net Position - Governmental Activities	\$ 4,352,793

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

City of Marshall, Minnesota  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual  
General, Tax Increment Financing and Sales/Lodging Tax Funds  
For the Year Ended December 31, 2018

	General			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 5,025,491	\$ 5,025,491	\$ 5,094,405	\$ 68,914
Licenses and permits	274,678	274,678	262,748	(11,930)
Special assessments	-	-	4,521	4,521
Intergovernmental	3,135,955	3,135,955	3,233,991	98,036
Charges for services	2,173,179	2,173,179	2,180,174	6,995
Fines and forfeits	108,000	108,000	95,764	(12,236)
Investment earnings	30,000	30,000	85,294	55,294
Miscellaneous	988,407	988,407	1,145,778	157,371
Total Revenues	<u>11,735,710</u>	<u>11,735,710</u>	<u>12,102,675</u>	<u>366,965</u>
Expenditures				
Current				
General government	3,185,341	3,185,341	3,154,434	30,907
Public safety	3,682,929	3,682,929	3,691,773	(8,844)
Public works	2,927,360	2,927,360	3,053,572	(126,212)
Culture and recreation	1,937,219	1,937,219	1,765,202	172,017
Economic development	-	-	-	-
Airport	429,976	429,976	451,632	(21,656)
Capital outlay				
Public safety	-	-	80,101	(80,101)
Culture and recreation	-	-	5,764	(5,764)
Total Expenditures	<u>12,162,825</u>	<u>12,162,825</u>	<u>12,202,478</u>	<u>(39,653)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(427,115)</u>	<u>(427,115)</u>	<u>(99,803)</u>	<u>327,312</u>
Other Financing Sources (Uses)				
Sale of capital assets	30,000	30,000	5,160	(24,840)
Transfers in	327,105	327,105	327,105	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>357,105</u>	<u>357,105</u>	<u>332,265</u>	<u>(24,840)</u>
Net Change in Fund Balances	(70,010)	(70,010)	232,462	302,472
Fund Balances, January 1	<u>7,396,711</u>	<u>7,396,711</u>	<u>7,396,711</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 7,326,701</u>	<u>\$ 7,326,701</u>	<u>\$ 7,629,173</u>	<u>\$ 302,472</u>

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

Tax Increment Financing				Sales/Lodging Tax			
Budgeted Amounts		Actual Amounts	Variance with Final Budget	Budgeted Amounts		Actual Amounts	Variance with Final Budget
Original	Final			Original	Final		
\$ 632,400	\$ 632,400	\$ 749,421	\$ 117,021	\$ 2,081,640	\$ 2,081,640	\$ 2,033,808	\$ (47,832)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
7,500	7,500	18,867	11,367	2,500	2,500	12,820	10,320
-	-	15,000	15,000	-	-	-	-
<u>639,900</u>	<u>639,900</u>	<u>783,288</u>	<u>143,388</u>	<u>2,084,140</u>	<u>2,084,140</u>	<u>2,046,628</u>	<u>(37,512)</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
22,000	22,000	138,263	(116,263)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>22,000</u>	<u>22,000</u>	<u>138,263</u>	<u>(116,263)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
617,900	617,900	645,025	27,125	2,084,140	2,084,140	2,046,628	(37,512)
-	-	-	-	-	-	-	-
-	-	138,069	138,069	-	-	-	-
(454,219)	(454,219)	(446,079)	8,140	(1,457,969)	(1,457,969)	(2,028,860)	(570,891)
<u>(454,219)</u>	<u>(454,219)</u>	<u>(308,010)</u>	<u>146,209</u>	<u>(1,457,969)</u>	<u>(1,457,969)</u>	<u>(2,028,860)</u>	<u>(570,891)</u>
163,681	163,681	337,015	173,334	626,171	626,171	17,768	(608,403)
4,816,902	4,816,902	4,816,902	-	1,478,315	1,478,315	1,478,315	-
<u>\$ 4,980,583</u>	<u>\$ 4,980,583</u>	<u>\$ 5,153,917</u>	<u>\$ 173,334</u>	<u>\$ 2,104,486</u>	<u>\$ 2,104,486</u>	<u>\$ 1,496,083</u>	<u>\$ (608,403)</u>

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

City of Marshall, Minnesota  
Statement of Net Position  
Proprietary Funds  
December 31, 2018

	Business-type Activities - Enterprise Funds				Totals
	602 Wastewater Treatment	609 Municipal Liquor Store	620 Parkway Townhomes	630 Surface Water Management	
<b>Assets</b>					
<b>Current Assets</b>					
Cash and temporary investments	\$ 3,845,928	\$ 1,794,175	\$ -	\$ 1,751,338	\$ 7,391,441
Designated assets					
Cash and temporary investments					
Capital reserve	2,686,855	-	-	-	2,686,855
Debt service	1,392,568	-	-	382,817	1,775,385
Receivables					
Interest	2,356	437	-	-	2,793
Accounts	142,874	13,611	-	-	156,485
Delinquent taxes	-	-	-	31	31
Special assessments	-	-	-	12,107	12,107
Intergovernmental	-	-	-	36	36
Due from other funds	20,998	-	-	-	20,998
Due from component units	588,262	-	-	194,629	782,891
Inventories	-	624,448	-	-	624,448
Prepaid items	26,976	12,477	-	9,972	49,425
Total Current Assets	<u>8,706,817</u>	<u>2,445,148</u>	<u>-</u>	<u>2,350,930</u>	<u>13,502,895</u>
<b>Noncurrent Assets</b>					
Capital assets, at cost					
Land	199,134	48,603	-	265,135	512,872
Construction in progress	291,485	-	-	375,526	667,011
Buildings	168,472	2,359,862	-	-	2,528,334
Improvements other than buildings	28,001,430	123,122	-	-	28,124,552
Systems and infrastructure	20,487,396	-	-	16,063,933	36,551,329
Equipment and machinery	3,216,598	167,916	-	356,215	3,740,729
Less accumulated depreciation	<u>(31,776,743)</u>	<u>(288,017)</u>	<u>-</u>	<u>(6,807,288)</u>	<u>(38,872,048)</u>
Total Noncurrent Assets	<u>20,587,772</u>	<u>2,411,486</u>	<u>-</u>	<u>10,253,521</u>	<u>33,252,779</u>
Total Assets	<u>29,294,589</u>	<u>4,856,634</u>	<u>-</u>	<u>12,604,451</u>	<u>46,755,674</u>
<b>Deferred Outflows of Resources</b>					
Deferred pension resources	131,217	42,199	-	-	173,416
Deferred other postemployment resources	5,212	870	-	-	6,082
Total Deferred Outflows of Resources	<u>136,429</u>	<u>43,069</u>	<u>-</u>	<u>-</u>	<u>179,498</u>

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

City of Marshall, Minnesota  
Statement of Net Position (Continued)  
Proprietary Funds  
December 31, 2018

	Business-type Activities - Enterprise Funds				Totals
	602 Wastewater Treatment	609 Municipal Liquor Store	620 Parkway Townhomes	630 Surface Water Management	
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Accounts payable	\$ 30,903	\$ 105,929	\$ -	\$ 34,533	\$ 171,365
Due to component unit	24,514	1,786	-	1,783	28,083
Due to other governments	1,208	60,566	-	38	61,812
Accrued interest payable	96,488	5,904	-	33,897	136,289
Accrued salaries payable	18,557	5,812	-	-	24,369
Compensated absences payable	59,125	7,568	-	-	66,693
Bonds payable - current portion	1,296,080	205,000	-	348,920	1,850,000
<b>Total Current Liabilities</b>	<u>1,526,875</u>	<u>392,565</u>	<u>-</u>	<u>419,171</u>	<u>2,338,611</u>
<b>Noncurrent Liabilities</b>					
Compensated absences payable	192,386	26,860	-	-	219,246
Other postemployment benefit obligation	63,597	10,612	-	-	74,209
Pension liability	638,896	205,468	-	-	844,364
Bonds payable - noncurrent portion	8,471,020	2,355,000	-	2,662,394	13,488,414
<b>Total Noncurrent Liabilities</b>	<u>9,365,899</u>	<u>2,597,940</u>	<u>-</u>	<u>2,662,394</u>	<u>14,626,233</u>
<b>Total Liabilities</b>	<u>10,892,774</u>	<u>2,990,505</u>	<u>-</u>	<u>3,081,565</u>	<u>16,964,844</u>
<b>Deferred Inflows of Resources</b>					
Deferred pension resources	169,823	54,615	-	-	224,438
<b>Net Position</b>					
Net investment in capital assets	10,820,672	(148,514)	-	7,242,207	17,914,365
Unrestricted	7,547,749	2,003,097	-	2,280,679	11,831,525
<b>Total Net Position</b>	<u>\$ 18,368,421</u>	<u>\$ 1,854,583</u>	<u>\$ -</u>	<u>\$ 9,522,886</u>	<u>\$ 29,745,890</u>

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

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City of Marshall, Minnesota  
Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Funds  
For the Year Ended December 31, 2018

	Business-type Activities - Enterprise Funds				Totals
	602 Wastewater Treatment	609 Municipal Liquor Store	620 Parkway Townhomes	630 Surface Water Management	
Operating Revenues					
Charges for services	\$ 5,410,581	\$ -	\$ -	\$ 1,165,997	\$ 6,576,578
Pension revenue					
Sales	-	5,104,513	-	-	5,104,513
Cost of sales	-	(3,913,265)	-	-	(3,913,265)
Total Operating Revenues/Gross Profit	<u>5,410,581</u>	<u>1,191,248</u>	<u>-</u>	<u>1,165,997</u>	<u>7,767,826</u>
Operating Expenses					
Salaries and benefits	1,079,629	353,186	-	-	1,432,815
Supplies	302,475	14,153	-	43,999	360,627
Repairs and maintenance	159,541	9,270	-	-	168,811
Other services and charges	1,338,699	174,485	-	357,161	1,870,345
Insurance	35,033	16,555	-	-	51,588
Utilities	316,398	30,110	-	-	346,508
Depreciation	1,684,436	93,584	-	496,683	2,274,703
Total Operating Expenses	<u>4,916,211</u>	<u>691,343</u>	<u>-</u>	<u>897,843</u>	<u>6,505,397</u>
Operating Income (Loss)	<u>494,370</u>	<u>499,905</u>	<u>-</u>	<u>268,154</u>	<u>1,262,429</u>
Nonoperating Revenues (Expenses)					
Property taxes	-	-	-	-	-
Special assessments	-	-	-	13,058	13,058
Other income	4,884	1,571	-	-	6,455
Investment earnings (loss)	51,017	17,479	-	1,983	70,479
Refunds and reimbursements	56,971	14,319	-	661	71,951
Rents	15,282	-	-	-	15,282
Gain (loss) on disposal of assets	20,592	-	-	5,325	25,917
Bond (discount) premium amortization	35,600	-	-	10,896	46,496
Bond issuance costs	(13,742)	-	-	(14,436)	(28,178)
Interest and other expense	(222,784)	(74,336)	-	(69,346)	(366,466)
Payment to Component Unit	-	-	(21,746)	-	(21,746)
Total Nonoperating Revenues (Expenses)	<u>(52,180)</u>	<u>(40,967)</u>	<u>(21,746)</u>	<u>(51,859)</u>	<u>(166,752)</u>
Income (Loss) Before Transfers	442,190	458,938	(21,746)	216,295	1,095,677
Transfers Out	<u>(39,800)</u>	<u>(300,000)</u>	<u>-</u>	<u>(108,490)</u>	<u>(448,290)</u>
Change in Net Position	402,390	158,938	(21,746)	107,805	647,387
Net Position, January 1 as Restated (Note 11)	<u>17,966,031</u>	<u>1,695,645</u>	<u>21,746</u>	<u>9,415,081</u>	<u>29,098,503</u>
Net Position, December 31	<u>\$ 18,368,421</u>	<u>\$ 1,854,583</u>	<u>\$ -</u>	<u>\$ 9,522,886</u>	<u>\$ 29,745,890</u>

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

City of Marshall, Minnesota  
Statement of Cash Flows (Continued on the Following Page)  
Proprietary Funds  
For the Year Ended December 31, 2018

	Business-type Activities - Enterprise Funds				Totals
	602 Wastewater Treatment	609 Municipal Liquor Store	620 Parkway Townhomes	630 Surface Water Management	
<b>Cash Flows From Operating Activities</b>					
Receipts from customers	\$ 5,401,004	\$ 5,090,902	\$ -	\$ 1,156,088	\$ 11,647,994
Payments to suppliers and vendors	(2,288,537)	(4,118,972)	-	(373,703)	(6,781,212)
Payments to and on behalf of employees	(1,140,157)	(414,940)	-	-	(1,555,097)
Other receipts	77,137	15,890	-	661	93,688
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>2,049,447</u>	<u>572,880</u>	<u>-</u>	<u>783,046</u>	<u>3,405,373</u>
<b>Cash Flows From Noncapital Financing Activities</b>					
Transfers to other funds	(39,800)	(300,000)	-	(108,490)	(448,290)
Payment to Component Unit	-	-	(21,746)	-	(21,746)
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<u>(39,800)</u>	<u>(300,000)</u>	<u>(21,746)</u>	<u>(108,490)</u>	<u>(470,036)</u>
<b>Cash Flows From Capital and Related Financing Activities</b>					
Acquisition of capital assets	(753,174)	-	-	(468,519)	(1,221,693)
Proceeds from sales of capital assets	21,250	-	-	7,500	28,750
Proceeds from bonds issued, net of discounts/premiums issued	641,712	-	-	656,322	1,298,034
Principal paid on long-term debt	(926,080)	(200,000)	-	(348,920)	(1,475,000)
Interest paid on long-term debt	(216,244)	(74,653)	-	(62,654)	(353,551)
Bond issuance costs	(13,742)	-	-	(14,436)	(28,178)
Property taxes received/adjusted	-	-	-	212	212
Special assessments received	-	-	-	13,058	13,058
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>(1,246,278)</u>	<u>(274,653)</u>	<u>-</u>	<u>(217,437)</u>	<u>(1,738,368)</u>
<b>Cash Flows From Investing Activities</b>					
Interest received on cash and investments	49,077	17,179	-	2,126	68,382
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	812,446	15,406	(21,746)	459,245	1,265,351
Cash and Cash Equivalents, January 1	7,112,905	1,778,769	21,746	1,674,910	10,588,330
Cash and Cash Equivalents, December 31	<u>\$ 7,925,351</u>	<u>\$ 1,794,175</u>	<u>\$ -</u>	<u>\$ 2,134,155</u>	<u>\$ 11,853,681</u>
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Position</b>					
Cash and temporary investments					
Undesignated	\$ 3,845,928	\$ 1,794,175	\$ -	\$ 1,751,338	\$ 7,391,441
Designated - capital reserve	2,686,855	-	-	-	2,686,855
Designated - debt service	1,392,568	-	-	382,817	1,775,385
<b>Total Cash and Cash Equivalents</b>	<u>\$ 7,925,351</u>	<u>\$ 1,794,175</u>	<u>\$ -</u>	<u>\$ 2,134,155</u>	<u>\$ 11,853,681</u>

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

City of Marshall, Minnesota  
Statement of Cash Flows (Continued)  
Proprietary Funds  
For the Year Ended December 31, 2018

	Business-type Activities - Enterprise Funds				Totals
	602 Wastewater Treatment	609 Municipal Liquor Store	620 Parkway Townhomes	630 Surface Water Management	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating income (loss)	\$ 494,370	\$ 499,905	\$ -	\$ 268,154	\$ 1,262,429
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Other income related to operations	77,137	15,890	-	661	93,688
Depreciation	1,684,436	93,584	-	496,683	2,274,703
(Increase) decrease in assets					
Accounts receivable	2,113	(13,611)	-	-	(11,498)
Special assessments receivable	-	-	-	(9,059)	(9,059)
Due from component units	(11,690)	-	-	(850)	(12,540)
Inventories	-	(64,530)	-	-	(64,530)
Prepaid items	29,485	(82)	-	423	29,826
(Increase) decrease in deferred outflows of resources					
Deferred pension resources	92,816	23,038	-	-	115,854
Deferred other postemployment resources	(5,212)	(870)	-	-	(6,082)
Increase (decrease) in liabilities					
Accounts payable	4,959	67,459	-	26,329	98,747
Due to other governments	684	36,265	-	38	36,987
Due to component unit	(171,519)	(246)	-	667	(171,098)
Accrued salaries payable	2,754	642	-	-	3,396
Other postemployment benefit obligation	9,124	646	-	-	9,770
Pension liability	(150,251)	(24,325)	-	-	(174,576)
Compensated absences payable	12,491	(59,570)	-	-	(47,079)
Increase (decrease) in deferred inflows of resources					
Deferred pension resources	(22,250)	(1,315)	-	-	(23,565)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 2,049,447</b>	<b>\$ 572,880</b>	<b>\$ -</b>	<b>\$ 783,046</b>	<b>\$ 3,405,373</b>
Noncash Investing, Capital and Financing Activities					
Book value of disposed/traded of capital assets	\$ 8,716	\$ -	\$ -	\$ 2,175	\$ 10,891
Capital assets contributed from (to) other funds	(108,044)	-	-	66,037	(42,007)
Amortization of bond (premium) discount	(35,600)	-	-	(10,896)	(46,496)

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

City of Marshall, Minnesota  
Statement of Fiduciary Net Position  
Fiduciary Funds  
December 31, 2018

	<u>Private Purpose Trust Fund</u>
Assets	
Cash and temporary investments	<u>\$    16,102</u>
Net Position	
Net position held in trust for future use	<u>\$    16,102</u>

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

City of Marshall, Minnesota  
Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
For the Year Ended December 31, 2018

	Private Purpose Trust Fund
Additions	
Investment earnings	\$ 245
Subtractions	
Scholarships	(300)
Changes in Net Position	(55)
Net Position, January 1	16,157
Net Position, December 31	\$ 16,102

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

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## 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 City is governed by an elected mayor and a six-member Council. The Council exercises legislative authority and determines all matters of policy. The Council appoints personnel responsible for the proper administration of all affairs relating to the City. The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. Blended component units, although legally separate entities are in substance, part of the City's operations and so data from these units are combined with data of the primary government. The blended component unit has a December 31 year end. Each discretely presented component unit is reported in a separate column in the combined financial statements to emphasize it is legally separate from the City.

**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.

**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.

City of Marshall, Minnesota  
Notes to the Financial Statements  
December 31, 2018

**Note 1: Summary of Significant Accounting Policies (Continued)**

The Marshall Housing Commission (the Commission) of the City of Marshall meets the criteria to be included as a discrete presentation. The members of the governing board of the Commission 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.

The Marshall-Lyon County Public Library meets the criteria to be included as a discrete presentation. The 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, whose year-end is December 31, is a discretely presented component unit (with special revenue, debt service and capital projects funds) of the City. Separate financial statements have not been prepared.

**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 and 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 reviewed by the City and the Association pays 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 Association's pension benefits is included in the General fund under public safety.

**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 primary government and its component units. *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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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. Amounts reported as *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*.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.



## Note 1: Summary of Significant Accounting Policies (Continued)

### 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 funds. 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 fiscal 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.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal 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.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## Note 1: Summary of Significant Accounting Policies (Continued)

The City reports the following major governmental funds:

The *General 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.

The *Tax Increment Financing fund* is used to account for the collection of tax increment and payment of related expenditures for all of the City tax increment financing districts.

The *Sales / Lodging Tax fund* is used to be used for debt service payments and operation expenses related to the Red Baron Arena & Expo and MERIT Center.

The *Debt Service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *2017 Public Improvement fund* is used to account for street and utility improvements made to the City's infrastructure system.

The *2018 Public Improvement fund* is used to account for street and utility improvements made to the City's infrastructure system.

The City reports the following major proprietary funds:

The *Wastewater Treatment fund* is used to account for the operation, maintenance, and capital improvements of the City's wastewater treatment activities.

The *Municipal Liquor fund* is used to account for the operation of the City's off-sale municipal liquor store.

The *Parkway Townhomes fund* was used to account for rental activities before the townhomes were sold.

The *Surface Water Management fund* is used to account for the operation, maintenance, and capital improvements of the City's storm water collection activities.

Additionally, the City reports the following fund type:

The *Private-Purpose Trust fund* is used to account for resources legally held 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.

*Fiduciary funds* account for assets held by the government in a trustee capacity or as an agent on behalf of others.

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and charges between the City's water and electric 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 City's enterprise funds and of the City's internal service funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service 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.

## Note 1: Summary of Significant Accounting Policies (Continued)

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

### ***Component Units***

The Marshall Economic Development Authority and the Marshall-Lyon County Public Library have adopted the modified accrual basis of accounting and 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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance**

#### ***Deposits and Investments***

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. Certain restricted assets are included in cash and cash equivalents. The proprietary funds' portion in the government-wide cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the statements of cash flows.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds

The City may invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

City of Marshall, Minnesota  
Notes to the Financial Statements  
December 31, 2018

**Note 1: Summary of Significant Accounting Policies (Continued)**

Broker money market funds operate in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the shares.

The City and its component units 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.

The City has the following recurring fair value measurements as of December 31, 2018:

- US Government Securities of \$3,718,032 are valued using quoted market prices (Level 1 inputs)
- US Treasury Notes of \$545,170 are valued using quoted market prices. (Level 2 inputs)
- Mortgage backed securities of \$2,072,220 are valued using a matrix pricing model (Level 2 inputs)
- Municipal bonds of \$860,437 are valued using a matrix pricing model (Level 2 inputs)

The Municipal Utilities discretely presented component unit has the following recurring fair value measurements as of December 31, 2018:

- US Treasury Notes of \$3,069,566 are valued using quoted market prices (Level 2 inputs)
- Federal Agency Bonds and Notes of \$5,418,005 are valued using a matrix pricing model (Level 2 inputs)
- Federal Mortgage Pools of \$1,805,561 are valued using a matrix pricing model (Level 2 inputs)
- Mortgage Backed Securities of \$25,267 are valued using a matrix pricing model (Level 2 inputs)
- Municipal Bonds of \$13,637,039 are valued using a matrix pricing model (Level 2 inputs)

The Housing Commission discretely presented component unit has the following recurring fair value measurements as of December 31, 2018:

- Negotiable Certificates of Deposit of \$194,037 are valued using quoted market prices (Level 2 inputs)

***Property Taxes***

The City Council annually adopts a tax levy and certifies it to the County in December for collection the following year. The County is responsible for collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments in May and October. The taxes are collected by the County Treasurer and tax settlements are made to the City during January, June and November each year.

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.

***Accounts Receivable - City of Marshall***

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2018. All trade receivables are shown net of an allowance for uncollectible accounts. No substantial losses are anticipated from present receivable balances. The other utility funds do not record an allowance because uncollected bills may be certified to the County for collection.

***Accounts Receivable - Marshall Municipal Utilities***

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.

## **Note 1: Summary of Significant Accounting Policies (Continued)**

### ***Special Assessments***

Special assessments represent the financing for public improvements paid for by benefiting 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.

### ***Interfund Receivables and Payables***

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" in the fund financial statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds and component unit, as reported in the fund financial statements, are offset by a fund balance nonspendable account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

### ***Inventories and Prepaid Items - City of Marshall***

The inventories of the Municipal Liquor Store fund are stated at the lower of cost or market on the first-in, first-out (FIFO) method. The cost of inventory is recorded as expenditure at the time inventory is purchased in the governmental funds and as an expense when consumed in the proprietary fund types.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items or unearned charges in both government-wide and fund financial statements.

### ***Inventories and Prepaid Items - Marshall Municipal Utilities***

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

### ***Land Held for Resale***

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

### ***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 assets on the balance sheet. These amounts have been set aside for debt service payments and capital improvements.

### ***Capital Assets - City of Marshall***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, 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 (amount not rounded) and an estimated useful life in excess of one year. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

City of Marshall, Minnesota  
Notes to the Financial Statements  
December 31, 2018

**Note 1: Summary of Significant Accounting Policies (Continued)**

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include items dating back prior to June 30, 1980. The City had already accounted for its prior infrastructure at historical cost for the initial reporting of these assets. As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the acquisition value of the item at the date of its donation. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government, as well as the component units, 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 - 50
Machinery and Equipment	3 - 20
Vehicles	3 - 30

**Capital Assets - Component Units**

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 3.23 percent of the average balance of depreciable property in service at December 31, 2018.

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-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.

**Deferred Outflows of Resources**

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items which qualify for reporting in this category. Accordingly, the item, deferred pension resources and deferred other postemployment benefit resources, are reported only in the statement of net position. These items result from actuarial calculations and current year pension contributions and OPEB contributions made subsequent to the measurement dates.

**Compensated Absences**

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. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. For the most part, the General fund is typically used to liquidate governmental compensated absences payable.

City of Marshall, Minnesota  
Notes to the Financial Statements  
December 31, 2018

**Note 1: Summary of Significant Accounting Policies (Continued)**

***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 retirement. All premiums are funded on a pay-as-you-go basis. The liability was actuarially determined, in accordance with GASB Statement 75, at December 31, 2017. The General fund is typically used to liquidate governmental other postemployment benefits payable.

***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 3 percent annual salary each year in excess of twenty years to a maximum of 150 percent of the monthly salary. As of December 31, 2018, the City has recorded estimated future costs under this plan of \$172,754.

***Accrued Vacation and Sick Leave - City of Marshall***

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 of absence. Sick leave does not accrue during an unpaid leave of absence.

Full-time employees will earn sick leave at the rate of one (1) day or 8 hours for each month of service and can accumulate 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 day or 4 hours for each month of service.

If at any time the accumulation drops below 120 days or 960 hours the employee will then accumulate one (1) day or 8 hours for each month of service up to 120 days or 960 hour and then continue accumulating 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 time, it shall first be withdrawn from the 960 hour portion and not from the accumulated sick leave.

City of Marshall, Minnesota  
Notes to the Financial Statements  
December 31, 2018

**Note 1: Summary of Significant Accounting Policies (Continued)**

***Accrued Vacation and 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 minimum 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.

***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 additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA 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. The General fund is typically used to liquidate the governmental net pension liability.

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit plan administered by Marshall Fire Relief Association and additions to and deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. Investments are reported at fair value.

The total pension expense for the GERF, PEPFF and Marshall's Fire Relief Association is as follows:

	Public Employees Retirement Association of Minnesota (PERA)		Fire Relief Association	Total All Plans
	GERF	PEPFF		
	Pension Expense	\$ 177,973		

***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 straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognized 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.



## **Note 1: Summary of Significant Accounting Policies (Continued)**

### ***Deferred Inflows of Resources***

In addition to liabilities, the statements of net position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: 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 has an additional item which qualifies for reporting in this category. The item, deferred pension resources, is reported only in the statements of net position and results from actuarial calculations.

### ***Fund Balance***

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

*Nonspendable* - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

*Restricted* - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

*Committed* - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council (the Council), which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Council modifies or rescinds the commitment by resolution.

*Assigned* - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the Council itself or by an official to which the governing body delegates the authority. The Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the Finance Director.

*Unassigned* - The residual classification for the General fund and also negative residual amounts in other funds.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unrestricted fund balance of 50 percent of budgeted operating expenditures for cash-flow timing needs.

### ***Net Position***

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position that does not meet the definition of "restricted" or "net investment in capital assets".

City of Marshall, Minnesota  
Notes to the Financial Statements  
December 31, 2018

**Note 2: Stewardship, Compliance and Accountability**

**A. Budgetary Information**

Prior to September 1, the City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. The City Council adopts the proposed budget as amended and adjusted by the Council and certifies the proposed property tax levy to the County Auditor according to Minnesota statutes.

On or before December 28, the final budget is legally enacted by Council resolution and the final property tax levy certified to the County Auditor.

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.

The City has legally adopted budgets for the General fund and certain special revenue funds. Expenditures may not legally exceed budgeted appropriations at the total fund level. Monitoring of budgets is maintained at the expenditure category level (i.e., personal services, supplies, charges for services, and capital outlay) within each program. All amounts over budget have been approved by the City Council through the disbursement process. The City is not legally required to adopt an annual budget for the Capital Projects and Debt Service funds. Project-length financial plans are adopted for the Capital Projects funds. Formal budgetary integration is not employed for Debt Service funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.

Budgets for the General and certain special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the City Council. There were no amendments to the 2018 budget.

**B. Excess of Expenditures Over Appropriations**

For the year ended December 31, 2018 expenditures exceeded appropriations in the following funds:

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
General	\$ 12,162,825	\$ 12,202,478	\$ 39,653
Special Revenue			
Tax Increment Financing	22,000	138,263	116,263
Component Units			
Economic Development Authority	136,777	147,092	10,315
EDA Parkway Housing	256	24,067	23,811
Marshall - Lyon County Library	947,910	962,673	14,763

The excess of expenditures over appropriations were funded by actual revenues in excess of budget and available fund balance.

City of Marshall, Minnesota  
Notes to the Financial Statements  
December 31, 2018

**Note 2: Stewardship, Compliance and Accountability (Continued)**

**C. Deficit Fund Equity**

The following fund had a fund equity deficit at December 31, 2018:

Fund	Amount
Capital Projects	
SMSAC Ball Parks	\$ 368,682

The City intends to fund this deficit through future transfers from other funds.

**Note 3: Detailed Notes on All Funds**

**A. Deposits and Investments**

**Deposits**

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the City's deposits and investments may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the Council, the City maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds, with the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

City of Marshall, Minnesota  
Notes to the Financial Statements  
December 31, 2018

**Note 3: Detailed Notes on All Funds (Continued)**

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the City.

At year end, the City's carrying amount of deposits was \$25,130,653 (including fiduciary deposits of \$16,102) and the bank balance was \$25,690,644. The bank balance was covered by federal depository insurance of \$751,107 and securities pledge by the financial institution's trust department in the City's name in the amount of \$24,939,537. The above balances include the primary government and the Economic Development Authority and Marshall-Lyon County Library discretely presented component unities deposits.

At year end, the Municipal Utilities discretely presented component unit's carrying amount of deposits was \$2,411,318 and the bank balance was \$2,411,318. The bank balance was covered by federal depository insurance of \$250,000 and securities held by the pledging financial institution's trust department of \$2,161,318.

At year end, the Housing Commission discretely presented component unit's carrying amount of deposits was \$318,437 and the bank balance was \$335,793. The bank balance was covered by federal depository insurance of \$250,000 and securities held by the pledging financial institution's trust department of \$85,793.

**Investments**

As of December 31, 2018, the City had the following investments that are insured or registered, or securities held by the City or it's agent in the City's name:

Types of Investments	Primary Government			Fair Value Measurement Using		
	Credit Quality/	Segmented Time	Amount	Level		
	Ratings (1)	Distribution (2)		Level 1	Level 2	Level 3
<b>Pooled Investments at Ammortized Costs</b>						
Broker Money Market Funds	N/A	less than 6 months	\$ 78,878			
Money Market Mutual Funds	N/A	less than 6 months	11,547,428			
<b>Non-pooled Investments at Fair Value</b>						
Governmental Agency Security	N/A	less than 6 months	49,959	\$ 49,959	\$ -	\$ -
Governmental Agency Security	N/A	6 months to 1 year	139,960	139,960	-	-
Governmental Agency Security	N/A	1 to 3 years	1,982,563	1,982,563	-	-
Governmental Agency Security	N/A	more than 3 years	1,545,550	1,545,550	-	-
U. S. Treasury Notes	N/A	less than 6 months	545,170	-	545,170	-
Mortgage Backed Securities	N/A	less than 6 months	174,080	-	174,080	-
Mortgage Backed Securities	N/A	6 months to 1 year	446,390	-	446,390	-
Mortgage Backed Securities	N/A	1 to 3 years	1,290,700	-	1,290,700	-
Mortgage Backed Securities	N/A	more than 3 years	161,050	-	161,050	-
Municipal Bonds	N/A	less than 6 months	99,887	-	99,887	-
Municipal Bonds	N/A	1 to 3 years	52,861	-	52,861	-
Municipal Bonds	N/A	more than 3 years	707,689	-	707,689	-
<b>Total Investments</b>			<b>\$ 18,822,165</b>	<b>\$ 3,718,032</b>	<b>\$ 3,477,827</b>	<b>\$ -</b>

(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, Minnesota  
Notes to the Financial Statements  
December 31, 2018

**Note 3: Detailed Notes on All Funds (Continued)**

Types of Investments	Component Units			Fair Value Measurement Using		
	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Level 1	Level 2	Level 3
	Component Unit - Municipal Utilities					
Pooled Investments at Ammortized Costs						
Broker Money Market Funds	N/A	less than 1 year	\$ 4,348,455			
Non-pooled Investments at Fair Value						
U. S. Treasury Notes	N/A	less than 1 year	1,375,430	\$ -	\$ 1,375,430	\$ -
U. S. Treasury Notes	N/A	1 to 5 years	1,487,487	-	1,487,487	-
U. S. Treasury Notes	N/A	more than 5 years	206,649	-	206,649	-
Federal Agency Bonds and Notes	N/A	less than 1 year	1,245,784	-	1,245,784	-
Federal Agency Bonds and Notes	N/A	1 to 5 years	4,172,221	-	4,172,221	-
Federal Agency Mortgage Pools	N/A	less than 1 year	19	-	19	-
Federal Agency Mortgage Pools	N/A	1 to 5 years	192,306	-	192,306	-
Federal Agency Mortgage Pools	N/A	more than 5 years	1,613,236	-	1,613,236	-
Mortgage Backed Securities	N/A	1 to 5 years	25,267	-	25,267	-
Municipal Bonds	A- to AAA	less than 1 year	1,432,195	-	1,432,195	-
Municipal Bonds	A- to AAA	1 to 5 years	10,649,505	-	10,649,505	-
Municipal Bonds	A- to AAA	more than 5 years	1,555,339	-	1,555,339	-
Total Municipal Utilities Investments			<u>28,303,893</u>	<u>-</u>	<u>23,955,438</u>	<u>-</u>
Component Unit - Housing Commission						
Negotiable Certificates of Deposit						
Certificates of Deposit	N/A	less than 6 months	6,013	-	6,013	-
Certificates of Deposit	N/A	6 months to 1 year	15,000	-	15,000	-
Certificates of Deposit	N/A	1 to 3 years	88,024	-	88,024	-
Certificates of Deposit	N/A	more than 3 years	85,000	-	85,000	-
Total Housing Commission Investments			<u>194,037</u>	<u>-</u>	<u>194,037</u>	<u>-</u>
Total Investments			<u>\$ 28,497,930</u>	<u>\$ -</u>	<u>\$ 23,955,438</u>	<u>\$ -</u>

(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.

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

- **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.
- **Custodial Credit Risk.** The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City typically limits its exposure by purchasing insured or registered 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 places no limit on the amount that may be invested in any one issuer.
- **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.

City of Marshall, Minnesota  
Notes to the Financial Statements  
December 31, 2018

**Note 3: Detailed Notes on All Funds (Continued)**

**Cash on Hand**

Cash in the possession of the City, consisting of petty cash and change funds totals \$3,202 for the primary government and \$1,600 for the Municipal Utilities and \$122 for the Marshall-Lyon County Library.

**Cash and Investments 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
Deposits	\$ 23,429,272	\$ 2,411,318	\$ 318,437	\$ 1,238,671
Cash on Hand	3,202	1,600	-	-
Investments	18,822,165	28,303,893	194,037	-
<b>Total</b>	<b>\$ 42,254,639</b>	<b>\$ 30,716,811</b>	<b>\$ 512,474</b>	<b>\$ 1,238,671</b>
Cash and Temporary Investments	\$ 42,254,639	\$ 24,561,863	\$ 479,949	\$ 1,238,671
Restricted Assets	-	6,154,948	32,525	-
<b>Total</b>	<b>\$ 42,254,639</b>	<b>\$ 30,716,811</b>	<b>\$ 512,474</b>	<b>\$ 1,238,671</b>

	Component Units		
	Marshall-Lyon County Library	Fiduciary Funds	Total
Deposits	\$ 446,608	\$ 16,102	\$ 27,860,408
Cash on Hand	122	-	4,924
Investments	-	-	47,320,095
<b>Total</b>	<b>\$ 446,730</b>	<b>\$ 16,102</b>	<b>\$ 75,185,427</b>
Cash and Temporary Investments	\$ 446,730	\$ 16,102	\$ 68,997,954
Restricted Assets	-	-	6,187,473
<b>Total</b>	<b>\$ 446,730</b>	<b>\$ 16,102</b>	<b>\$ 75,185,427</b>

**B. Notes/Leases Receivable**

The EDA has made various loans to local businesses which are payable to the City with variable payments and interest rates. The balance on these notes as of December 31, 2018 is \$143,424. Loans were also made by the EDA Parkway Housing fund, the balance of which is \$233,714 as of December 31, 2018. The portion of the Small Cities Development Program which is required to be repaid only if the borrower sells the property within 7 years of the date of the loan is \$13,576 as of December 31, 2018, net of an allowance of \$161,288. MMU has issued a loan for energy efficiency that has a balance of \$44,568 as of December 31, 2018.

City of Marshall, Minnesota  
Notes to the Financial Statements  
December 31, 2018

**Note 3: Detailed Notes on All Funds (Continued)**

**C. Capital Assets**

**Primary Government**

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

	Beginning Balance	Reclassifications	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>					
Capital Assets not Being Depreciated					
Land	\$ 7,273,262	\$ -	\$ 28,227	\$ -	\$ 7,301,489
Construction in progress	29,030,993	-	6,111,012	(27,872,090)	7,269,915
Total Capital Assets not Being Depreciated	<u>36,304,255</u>	<u>-</u>	<u>6,139,239</u>	<u>(27,872,090)</u>	<u>14,571,404</u>
Capital Assets Being Depreciated					
Buildings	14,239,321	1,813,916	23,181,291	(534,084)	38,700,444
Improvements other than buildings	24,538,232	-	4,023,929	(185,007)	28,377,154
Infrastructure	62,148,259	(1,907,842)	1,465,177	(3,447,283)	58,258,311
Equipment and machinery	10,062,450	167,950	264,678	(207,245)	10,287,833
Total Capital Assets Being Depreciated	<u>110,988,262</u>	<u>74,024</u>	<u>28,935,075</u>	<u>(4,373,619)</u>	<u>135,623,742</u>
Less Accumulated Depreciation for					
Buildings	(9,137,839)	(90,696)	(829,344)	534,084	(9,523,795)
Improvements other than buildings	(14,503,463)	-	(926,240)	185,007	(15,244,696)
Infrastructure	(29,497,319)	98,767	(2,517,301)	3,434,709	(28,481,144)
Equipment and machinery	(5,493,182)	(82,095)	(731,104)	207,245	(6,099,136)
Total Accumulated Depreciation	<u>(58,631,803)</u>	<u>(74,024)</u>	<u>(5,003,989)</u>	<u>4,361,045</u>	<u>(59,348,771)</u>
Total Capital Assets Being Depreciated, Net	<u>52,356,459</u>	<u>-</u>	<u>23,931,086</u>	<u>(12,574)</u>	<u>76,274,971</u>
Governmental Activities Capital Assets, Net	<u>\$ 88,660,714</u>	<u>\$ -</u>	<u>\$ 30,070,325</u>	<u>\$ (27,884,664)</u>	<u>\$ 90,846,375</u>

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

General Government	\$ 187,502
Public Safety	521,921
Public Works	3,587,300
Culture and Recreation	680,639
Airport	26,627
Total Depreciation Expense - Governmental Activities	<u>\$ 5,003,989</u>

City of Marshall, Minnesota  
Notes to the Financial Statements  
December 31, 2018

**Note 3: Detailed Notes on All Funds (Continued)**

	Beginning Balance	Reclassifications	Increases	Decreases	Ending Balance
<b>Business-type Activities</b>					
Capital Assets not Being Depreciated					
Land	\$ 512,872	\$ -	\$ -	\$ -	\$ 512,872
Construction in progress	-	-	667,011	-	667,011
Total Capital Assets not Being Depreciated	<u>512,872</u>	<u>-</u>	<u>667,011</u>	<u>-</u>	<u>1,179,883</u>
Capital Assets Being Depreciated					
Buildings	2,528,334	-	-	-	2,528,334
Improvements other than buildings	28,124,552	-	-	-	28,124,552
Infrastructure	36,552,552	-	158,279	(159,502)	36,551,329
Equipment and machinery	3,421,806	(42,007)	404,461	(43,531)	3,740,729
Total Capital Assets Being Depreciated	<u>70,627,244</u>	<u>(42,007)</u>	<u>562,740</u>	<u>(203,033)</u>	<u>70,944,944</u>
Less Accumulated Depreciation for					
Buildings	(197,106)	-	(68,135)	-	(265,241)
Improvements other than buildings	(19,043,501)	-	(896,172)	-	(19,939,673)
Infrastructure	(15,427,933)	-	(1,083,622)	156,670	(16,354,885)
Equipment and machinery	(2,162,954)	42,007	(226,774)	35,472	(2,312,249)
Total Accumulated Depreciation	<u>(36,831,494)</u>	<u>42,007</u>	<u>(2,274,703)</u>	<u>192,142</u>	<u>(38,872,048)</u>
Total Capital Assets Being Depreciated, Net	<u>33,795,750</u>	<u>-</u>	<u>(1,711,963)</u>	<u>(10,891)</u>	<u>32,072,896</u>
Business-type Activities Capital Assets, Net	<u>\$ 34,308,622</u>	<u>\$ -</u>	<u>\$ (1,044,952)</u>	<u>\$ (10,891)</u>	<u>\$ 33,252,779</u>

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

Wastewater Treatment	\$ 1,684,436
Surface Water Management	496,683
Municipal Liquor Store	<u>93,584</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 2,274,703</u>



City of Marshall, Minnesota  
Notes to the Financial Statements  
December 31, 2018

**Note 3: Detailed Notes on All Funds (Continued)**

**Construction Commitments**

The City has active projects as of December 31, 2018. At year end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Saratoga Street Reconstruction	\$ 2,743,530	\$ 145,332
Commerce Park	959,481	64,997
<b>Total</b>	<b>\$ 3,703,011</b>	<b>\$ 210,329</b>

The special assessment portion of the commitment for residential street construction is being financed by special assessment bonds that will be repaid by the benefiting property owners.

**Discretely Presented Component Units**

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not Being Depreciated				
Construction in progress	\$ 1,241,139	\$ 3,152,748	\$ (2,012,182)	\$ 2,381,705
Total Capital Assets not Being Depreciated	1,241,139	3,152,748	(2,012,182)	2,381,705
Capital Assets Being Depreciated				
Electric production plant	2,825,874	498,871	-	3,324,745
Electric transmission line	16,404,370	-	-	16,404,370
Electric distribution system	55,374,454	1,008,285	(178,342)	56,204,397
Transportation and general	8,724,189	655,663	(88,420)	9,291,432
Water utility	55,083,994	1,148,602	(40,597)	56,191,999
Total Capital Assets Being Depreciated	138,412,881	3,311,421	(307,359)	141,416,943
Less Accumulated Depreciation for				
Electric production plant	(2,583,746)	(69,717)	-	(2,653,463)
Electric transmission line	(9,490,795)	(521,664)	-	(10,012,459)
Electric distribution system	(24,372,798)	(2,243,090)	178,342	(26,437,546)
Transportation and general	(6,655,354)	(485,701)	88,420	(7,052,635)
Water utility	(29,481,284)	(1,143,695)	40,597	(30,584,382)
Total Accumulated Depreciation	(72,583,977)	(4,463,867)	307,359	(76,740,485)
 Total Capital Assets Being Depreciated, Net	 65,828,904	 (1,152,446)	 -	 64,676,458
 Capital Assets, Net	 <u>\$ 67,070,043</u>	 <u>\$ 2,000,302</u>	 <u>\$ (2,012,182)</u>	 <u>\$ 67,058,163</u>

City of Marshall, Minnesota  
Notes to the Financial Statements  
December 31, 2018

**Note 3: Detailed Notes on All Funds (Continued)**

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

Business-type Activities		
Marshall Municipal Utilities - Water	\$	1,236,382
Marshall Municipal Utilities - Electric		<u>3,227,485</u>
Total		<u><u>\$ 4,463,867</u></u>

Capital asset activity for the Marshall Housing Commission for the year ended September 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not Being Depreciated				
Land	\$ 514,965	\$ -	\$ -	\$ 514,965
Construction in progress	<u>-</u>	<u>127,108</u>	<u>-</u>	<u>127,108</u>
Total Capital Assets not being Depreciated	<u>514,965</u>	<u>127,108</u>	<u>-</u>	<u>642,073</u>
Capital Assets Being Depreciated				
Buildings	8,116,830	12,742	-	8,129,572
Equipment and machinery	<u>180,674</u>	<u>4,637</u>	<u>-</u>	<u>185,311</u>
Total Capital Assets Being Depreciated	<u>8,297,504</u>	<u>17,379</u>	<u>-</u>	<u>8,314,883</u>
Less Accumulated Depreciation	<u>(5,635,473)</u>	<u>(255,353)</u>	<u>(1)</u>	<u>(5,890,827)</u>
Total Capital Assets Being Depreciated, Net	<u>2,662,031</u>	<u>(237,974)</u>	<u>(1)</u>	<u>2,424,056</u>
Capital Assets, Net	<u><u>\$ 3,176,996</u></u>	<u><u>\$ (110,866)</u></u>	<u><u>\$ (1)</u></u>	<u><u>\$ 3,066,129</u></u>

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

Business-type Activities		
Marshall Housing Commission		<u><u>\$ 255,353</u></u>

City of Marshall, Minnesota  
Notes to the Financial Statements  
December 31, 2018

**Note 3: Detailed Notes on All Funds (Continued)**

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Being Depreciated				
Land improvements	\$ 12,920	\$ -	\$ -	\$ 12,920
Less Accumulated Depreciation for				
Land improvements	<u>(5,975)</u>	<u>(646)</u>	<u>-</u>	<u>(6,621)</u>
Total Capital Assets Being Depreciated, Net	<u>6,945</u>	<u>(646)</u>	<u>-</u>	<u>6,299</u>
Capital Assets, Net	<u>\$ 6,945</u>	<u>\$ (646)</u>	<u>\$ -</u>	<u>\$ 6,299</u>

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

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

Capital asset activity for the Marshall-Lyon County Library for the year ended December 31, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Being Depreciated				
Buildings and improvements	\$ 6,409,339	\$ -	\$ -	\$ 6,409,339
Equipment and machinery	587,901	-	-	587,901
Library books	1,233,452	-	(310,224)	923,228
Total Capital Assets Being Depreciated	<u>8,230,692</u>	<u>-</u>	<u>(310,224)</u>	<u>7,920,468</u>
Less Accumulated Depreciation for				
Buildings and improvements	(675,844)	(160,233)	-	(836,077)
Equipment and machinery	(287,434)	(43,426)	-	(330,860)
Library books	(1,069,038)	(59,023)	310,224	(817,837)
Total Accumulated Depreciation	<u>(2,032,316)</u>	<u>(262,682)</u>	<u>310,224</u>	<u>(1,984,774)</u>
Total Capital Assets Being Depreciated, Net	<u>6,198,376</u>	<u>(262,682)</u>	<u>-</u>	<u>5,935,694</u>
Capital Assets, Net	<u>\$ 6,198,376</u>	<u>\$ (262,682)</u>	<u>\$ -</u>	<u>\$ 5,935,694</u>

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

Governmental Activities	
Marshall-Lyon County Library	<u>\$ 262,682</u>

City of Marshall, Minnesota  
Notes to the Financial Statements  
December 31, 2018

**Note 3: Detailed Notes on All Funds (Continued)**

**D. Interfund Receivables, Payables and Transfers**

***Due from/to Other Funds:***

Individual fund interfund receivables and payables balances at year end were as follows:

Receivable Fund	Payable Fund	Amount
Tax Increment Financing	General	\$ 153,601
Tax Increment Financing	Nonmajor governmental	408,030
Nonmajor governmental	Nonmajor governmental	30,000
Enterprise		
Wastewater Treatment	Nonmajor governmental	20,998
Total		<u>\$ 612,629</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The majority of the interfund balances represent temporary funding for various projects. The remaining balance represents monthly and year-end charges to other funds.

Amounts due from/to component units/primary government representing capital improvements and monthly and year-end charges to other funds are as follows:

**Due to Primary Government From Component Unit**

Receivable Entity/Fund	Payable Entity/Fund	Amount
Primary Government	Component unit	
Tax Increment Financing	Economic Development Authority	\$ 317,073
Nonmajor governmental	Marshall-Lyon Country Library	5,936
Enterprise		
Wastewater Treatment	Marshall Municipal Utilities	588,262
Storm Water Management	Marshall Municipal Utilities	194,629
Total		<u>\$ 1,105,900</u>

**Due to Component Unit From Primary Government**

Receivable Fund/Entity	Payable Fund/Entity	Amount
Component Unit	Primary Government	
Marshall Municipal Utilities	General	\$ 68,447
Marshall Municipal Utilities	Tax Increment Financing	39
Marshall Municipal Utilities	Nonmajor governmental	9,957
Marshall Municipal Utilities	Wastewater Treatment enterprise	24,514
Marshall Municipal Utilities	Municipal Liquor Store enterprise	1,786
Marshall Municipal Utilities	Surface StormWater Management enterprise	1,783
Total		<u>\$ 106,526</u>

City of Marshall, Minnesota  
Notes to the Financial Statements  
December 31, 2018

**Note 3: Detailed Notes on All Funds (Continued)**

**Due to Component Unit From Component Unit**

Receivable Fund/Entity	Payable Fund/Entity	Amount
Component Unit	Component Unit	
Marshall Municipal Utilities	Marshall - Lyon County Library	\$ 3,426
	Economic Development Authority	17
		<u>3,443</u>
Total		<u>\$ 3,443</u>

**Interfund Transfers:**

Interfund transfers for the year ended December 31, 2018 were as follows:

Fund	Transfers in				Total
	General	Debt Service	Nonmajor Governmental	Tax Increment Financing	
Transfers Out					
Tax Increment Financing	\$ -	\$ 446,079	\$ -	\$ -	\$ 446,079
Debt Service	-	-	1,336,325	138,069	1,474,394
Sales/Lodging Tax	-	1,457,969	570,891	-	2,028,860
Nonmajor governmental	27,105	1,570,791	1,988,953	-	3,586,849
Wastewater Treatment enterprise	-	39,800	-	-	39,800
Municipal Liquor Store enterprise	300,000	-	-	-	300,000
Surface Water Management enterprise	-	-	108,490	-	108,490
Total Transfers Out	<u>\$ 327,105</u>	<u>\$ 3,514,639</u>	<u>\$ 4,004,659</u>	<u>\$ 138,069</u>	<u>\$ 7,984,472</u>

During the year, transfers are used to 1) move revenues from the fund with collection authorization to the Debt Service fund as debt service principal and interest payments become due, 2) move restricted amounts from borrowings to the Debt Service fund to establish mandatory reserve accounts, 3) move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs. For the year ended December 31, 2018, the City made the following one-time transfers:

- Transfer from the Tax Increment Financing fund (\$205,249) to the Debt Services fund for the TIF collected for debt services account.
- Transfer from two nonmajor capital projects funds to the surface water management enterprise fund (\$108,490) to close the funds
- Transfer from two debt service funds to a Tax Increment Financing fund (\$138,069) to close debt service to TIF.

City of Marshall, Minnesota  
Notes to the Financial Statements  
December 31, 2018

**Note 3: Detailed Notes on All Funds (Continued)**

**E. Long-term Debt**

**Governmental Activity Debt**

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. 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. General obligation bonds currently outstanding are as follows:

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.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Equipment					
Certificates of 2013A	\$ 860,000	2.00 - 3.00 %	08/01/13	02/01/23	\$ 495,000
G.O. Bonds of 2015A	1,710,000	2.00 - 3.00	01/01/15	02/01/31	1,510,000
G.O. Bonds of 2016B	705,000	2.00	06/23/16	02/01/25	570,000
G.O. Bonds of 2017A	170,000	2.00 - 3.00	07/13/17	02/01/23	170,000
Total General Obligation Bonds					<u>\$ 2,745,000</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
2019	\$ 370,000	\$ 63,788	\$ 433,788
2020	375,000	56,069	431,069
2021	385,000	48,100	433,100
2022	390,000	39,550	429,550
2023	250,000	31,763	281,763
2024 - 2028	585,000	103,011	688,011
2029 - 2031	390,000	17,850	407,850
Total	<u>\$ 2,745,000</u>	<u>\$ 360,131</u>	<u>\$ 3,105,131</u>

City of Marshall, Minnesota  
Notes to the Financial Statements  
December 31, 2018

**Note 3: Detailed Notes on All Funds (Continued)**

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 of 2011A	\$ 1,265,000	0.70 - 2.70 %	09/15/11	02/01/23	\$ 830,000
G.O. Tax Increment Revenues Bonds of 2017B	2,930,000	2.00 - 3.00	10/26/17	02/01/33	<u>2,930,000</u>
Total G.O. Tax Increment Bonds					<u>\$ 3,760,000</u>

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
	2019	\$ 550,000	\$ 86,035
2020	575,000	74,665	649,665
2021	405,000	64,498	469,498
2022	170,000	58,075	228,075
2023	175,000	53,588	228,588
2024 - 2028	660,000	230,000	890,000
2029 - 2033	<u>1,225,000</u>	<u>91,887</u>	<u>1,316,887</u>
Total	<u>\$ 3,760,000</u>	<u>\$ 658,748</u>	<u>\$ 4,418,748</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	<u>\$ 2,695,000</u>

City of Marshall, Minnesota  
Notes to the Financial Statements  
December 31, 2018

**Note 3: Detailed Notes on All Funds (Continued)**

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
2019	\$ 115,000	\$ 65,550	\$ 180,550
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 - 2028	670,000	240,000	910,000
2029 - 2033	750,000	157,550	907,550
2034 - 2037	670,000	40,950	710,950
<b>Total</b>	<b>\$ 2,695,000</b>	<b>\$ 742,250</b>	<b>\$ 3,437,250</b>

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 issues, 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. Utility Revenue and Improvement Bonds of 2008B - Improvement	\$ 1,950,000	3.50 - 4.20 %	12/01/08	02/01/19	\$ 175,000
G.O. Utility Revenue and Improvement Bonds of 2010B - Improvement	3,295,000	1.50 - 2.75	09/15/10	02/01/21	920,000
G.O. Improvement Bonds of 2011B	1,510,000	0.50 - 4.00	10/01/11	02/01/27	835,000
G.O. Improvement Bonds of 2012A	2,550,000	2.00 - 2.55	06/01/12	02/01/28	1,240,000
G.O. Improvement Bonds of 2013A	2,785,000	2.00 - 3.00	08/01/13	02/01/25	1,855,000
G.O. Improvement Bonds of 2014B	15,735,000	3.13 - 5.00	07/23/14	02/01/28	12,020,000
G.O. Improvement Bonds of 2014C	1,955,000	2.00 - 3.00	07/23/14	02/01/26	1,390,000
G.O. Improvement Bonds of 2015B	895,000	3.00 - 4.00	07/22/15	02/01/24	665,000
G.O. Improvement Bonds of 2016B	1,500,000	2.00	06/23/16	02/01/25	1,310,000
G.O. Improvement Bonds of 2017A	1,035,000	2.00 - 3.00	07/13/17	02/01/28	1,035,000
G.O. Improvement Bonds of 2017B	360,000	1.65 - 3.00	10/26/17	02/01/28	360,000
G.O. Improvement Bonds of 2018A	2,328,608	3.13 - 4.00	07/25/18	02/01/34	2,328,608
<b>Total General Obligation Improvement Bonds</b>					<b>\$ 24,133,608</b>



City of Marshall, Minnesota  
Notes to the Financial Statements  
December 31, 2018

**Note 3: Detailed Notes on All Funds (Continued)**

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

<u>Year Ending December 31,</u>	<b>G.O. Special Assessment Bonds</b> Governmental Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 2,725,000	\$ 808,489	\$ 3,533,489
2020	2,793,490	715,050	3,508,540
2021	2,800,099	619,986	3,420,085
2022	2,410,099	525,779	2,935,878
2023	2,442,896	431,609	2,874,505
2024 - 2028	10,162,868	902,173	11,065,041
2029 - 2033	668,463	71,985	740,448
2034	130,693	2,124	132,817
Total	<u>\$ 24,133,608</u>	<u>\$ 4,077,195</u>	<u>\$ 28,210,803</u>

City of Marshall, Minnesota  
Notes to the Financial Statements  
December 31, 2018

**Note 3: Detailed Notes on All Funds (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.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Utility Revenue and Improvement Bonds of 2010B - Wastewater	\$ 1,400,000	1.50 - 2.75 %	09/15/10	02/01/21	\$ 450,000
G.O. Utility Revenue and Improvement Bonds of 2010B - Storm	1,365,000	1.50 - 2.75	09/15/10	02/01/21	450,000
G.O. Utility and Improvement Bonds of 2011A - Storm	925,000	0.50 - 4.00	09/15/11	02/01/27	600,000
G.O. Utility and Improvement Bonds of 2011A - Wastewater	960,000	0.50 - 4.00	09/15/11	02/01/27	625,000
G.O. Utility and Improvement Bonds of 2011B - Storm	335,000	0.50 - 4.00	10/01/11	02/01/27	220,000
G.O. Utility and Improvement Bonds of 2011B - Wastewater	205,000	0.50 - 4.00	10/01/11	02/01/27	135,000
G.O. Utility and Improvement Bonds of 2012A - Wastewater	1,775,000	2.00 - 2.55	06/01/12	02/01/28	1,235,000
G.O. Utility and Improvement Bonds of 2014C - Wastewater	1,420,000	2.00 - 3.00	07/23/14	02/01/25	1,025,000
G.O. Utility and Improvement Bonds of 2015B - Wastewater	860,000	3.00 - 4.00	07/22/15	02/01/24	665,000
G.O. Utility and Improvement Bonds of 2016B - Wastewater	305,553	2.00	06/23/16	02/01/25	269,473
G.O. Utility and Improvement Bonds of 2016B - Storm	1,049,447	2.00	06/23/16	02/01/25	925,527
G.O. Utility refunding Bonds of 2016D - Wastewater	3,630,000	2.00	06/23/16	02/01/27	3,305,000
G.O. Utility refunding Bonds of 2017B - Wastewater	1,140,000	2.00	06/23/16	02/01/25	1,140,000
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	<u>631,542</u>
Total G.O. Revenue Bonds					<u><u>\$ 12,381,392</u></u>

City of Marshall, Minnesota  
Notes to the Financial Statements  
December 31, 2018

**Note 3: Detailed Notes on All Funds (Continued)**

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

Year Ending December 31,	<b>G.O. Revenue Bonds</b> Business-type Activities		
	Principal	Interest	Total
2019	\$ 1,645,000	\$ 294,691	\$ 1,939,691
2020	1,826,510	255,118	2,081,628
2021	1,859,901	212,725	2,072,626
2022	1,174,901	176,794	1,351,695
2023	1,207,104	144,779	1,351,883
2024 - 2028	4,192,132	290,836	4,482,968
2029 - 2033	396,537	44,115	440,652
2034	79,307	1,289	80,596
<b>Total</b>	<b><u>\$ 12,381,392</u></b>	<b><u>\$ 1,420,347</u></b>	<b><u>\$ 13,801,739</u></b>

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 fund.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Lease Revenue Bond of 2015	\$ 3,240,000	1.05 - 3.10 %	02/10/15	12/01/29	<u>\$ 2,560,000</u>

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

Year Ending December 31,	<b>Revenue Bonds</b> Business-type Activities		
	Principal	Interest	Total
2019	\$ 205,000	\$ 70,853	\$ 275,853
2020	210,000	66,547	276,547
2021	215,000	61,822	276,822
2022	220,000	56,555	276,555
2023	225,000	50,835	275,835
2024 - 2028	1,220,000	155,110	1,375,110
2029	265,000	8,216	273,216
<b>Total</b>	<b><u>\$ 2,560,000</u></b>	<b><u>\$ 469,938</u></b>	<b><u>\$ 3,029,938</u></b>

City of Marshall, Minnesota  
Notes to the Financial Statements  
December 31, 2018

**Note 3: Detailed Notes on All Funds (Continued)**

Annual revenues from charges for services, principal and interest payments, and percentage of revenue required to cover principal and interest payments are as follows:

	<u>Wastewater</u>	<u>Municipal Liquor Store</u>	<u>Surface Water</u>
Revenue	\$ 5,410,581	\$ 1,191,248	\$ 1,165,997
Principal and Interest	1,142,324	274,653	411,574
Percent of Revenue	21.11%	23.06%	35.30%

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Bonds Payable					
General obligation bonds	\$ 3,180,000	\$ -	\$ (435,000)	\$ 2,745,000	\$ 370,000
General obligation tax increment bonds	3,915,000	-	(155,000)	3,760,000	550,000
General obligation tax abatement bonds	2,810,000	-	(115,000)	2,695,000	115,000
General obligation improvement bonds	24,380,000	2,328,608	(2,575,000)	24,133,608	2,725,000
Unamortized bond premium	2,059,918	92,521	(177,530)	1,974,909	-
Unamortized bond discount	(4,952)	-	2,476	(2,476)	-
Total Bonds Payable	<u>36,339,966</u>	<u>2,421,129</u>	<u>(3,455,054)</u>	<u>35,306,041</u>	<u>3,760,000</u>
Contract for Deed	95,404	-	(95,404)	-	-
Pension Liability					
GERF	3,281,736	44,930	(467,604)	2,859,062	-
PEPFF	2,065,682	-	(487,089)	1,578,593	-
Other Postemployment Benefits Obligation	337,711	53,740	-	391,451	-
Compensated Absences Payable	<u>1,113,665</u>	<u>339,057</u>	<u>(555,853)</u>	<u>896,869</u>	<u>56,240</u>
 Governmental Activity Long-term Liabilities	 <u>\$ 43,234,164</u>	 <u>\$ 2,858,856</u>	 <u>\$ (5,061,004)</u>	 <u>\$ 41,032,016</u>	 <u>\$ 3,816,240</u>

City of Marshall, Minnesota  
Notes to the Financial Statements  
December 31, 2018

**Note 3: Detailed Notes on All Funds (Continued)**

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Business-Type Activities</b>					
Bonds Payable					
General obligation					
revenue bonds	\$ 12,405,000	\$ 1,251,392	\$(1,275,000)	\$ 12,381,392	\$ 1,645,000
Revenue bonds	2,760,000	-	(200,000)	2,560,000	205,000
Unamortized bond premium	396,876	46,642	(46,496)	397,022	-
Total Bonds Payable	<u>15,561,876</u>	<u>1,298,034</u>	<u>(1,521,496)</u>	<u>15,338,414</u>	<u>1,850,000</u>
Pension Liability					
GERF	1,018,940	8,417	(182,993)	844,364	-
Other Postemployment Benefits Obligation	64,440	9,769	-	74,209	-
Compensated Absences Payable	<u>333,018</u>	<u>112,757</u>	<u>(159,836)</u>	<u>285,939</u>	<u>66,693</u>
Business-type Activity Long-term Liabilities	<u><u>\$ 16,978,274</u></u>	<u><u>\$ 1,428,977</u></u>	<u><u>\$(1,864,325)</u></u>	<u><u>\$ 16,542,926</u></u>	<u><u>\$ 1,916,693</u></u>

Conduit Debt Obligations

The City has issued conduit debt to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage or lease. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City or the State, nor any political subdivisions thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

At December 31, 2018 the following conduit debt existed:

- \$5,600,000 Student Housing Revenue note, Series 2005, with an outstanding balance of \$3,541,049.

City of Marshall, Minnesota  
Notes to the Financial Statements  
December 31, 2018

**Note 3: Detailed Notes on All Funds (Continued)**

**Component Unit Debt Activity**

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	3.69 %	04/28/09	07/01/24	\$ 2,330,000
Series 2010	6,635,000	2.80	11/18/10	07/01/25	3,450,000
Series 2011	4,290,000	2.79	11/10/11	07/01/22	2,505,000
Series 2012 Refunding	2,320,000	1.28	06/01/12	07/01/19	360,000
Series 2012	5,500,000	2.31	06/01/12	07/01/27	3,495,000
Series 2013	6,355,000	3.14	12/18/13	07/01/28	4,460,000
Series 2014	4,025,000	3.04	04/24/14	07/01/29	3,130,000
Series 2016	7,310,000	1.51	04/21/16	07/01/23	5,450,000
					<u>\$ 25,180,000</u>
Total Revenue Bonds					<u>\$ 25,180,000</u>

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

Year Ending December 31,	<b>Revenue Bonds</b>		
	<b>Marshall Municipal Utilities</b>		
	Component Unit Activities		
	Principal	Interest	Total
2019	\$ 3,375,000	\$ 845,486	\$ 4,220,486
2020	3,535,000	751,867	4,286,867
2021	3,645,000	646,437	4,291,437
2022	3,245,000	535,918	3,780,918
2023	2,915,000	429,040	3,344,040
2024 - 2028	8,135,000	805,961	8,940,961
2029	330,000	11,550	341,550
Total	<u>\$ 25,180,000</u>	<u>\$ 4,026,259</u>	<u>\$ 29,206,259</u>

General Obligation Bonds

These bonds were issued for capital improvements of the library. The debt is a general obligation of the City and will be retired through ad valorem tax levies and pledges and cash contributions.

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 %	9/15/2010	02/01/26	<u>\$ 565,000</u>

City of Marshall, Minnesota  
Notes to the Financial Statements  
December 31, 2018

**Note 3: Detailed Notes on All Funds (Continued)**

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

Year Ending June 30,	<b>General Obligation Bonds</b>		
	<b>Marshall-Lyon County Library</b>		
	Component Unit Activities		
	Principal	Interest	Total
2019	\$ 65,000	\$ 15,406	\$ 80,406
2020	65,000	13,895	78,895
2021	65,000	12,270	77,270
2022	70,000	10,445	80,445
2023	70,000	8,415	78,415
2024 - 2026	230,000	11,363	241,363
Total	\$ 565,000	\$ 71,794	\$ 636,794

Changes in Long-term Liabilities

Long-term liability activity for the component units for the year ended December 31, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Component Unit Activities</b>					
<b>Marshall Municipal Utilities</b>					
Revenue Bonds	\$ 28,475,000	\$ -	\$ (3,295,000)	\$ 25,180,000	\$ 3,375,000
Accrued Transmission Reserve	901,385	1,054,832	-	1,956,217	776,192
Compensated Absences Payable	697,756	-	(14,502)	683,254	-
Other Postemployment Benefits Obligation	337,885	35,329	(14,538)	358,676	-
Pension Liability GERV	3,108,976	-	(595,918)	2,513,058	-
Unamortized Bond Discount	(110,671)	-	19,550	(91,121)	-
Component Unit Long-term Liabilities	\$ 33,410,331	\$ 1,090,161	\$ (3,900,408)	\$ 30,600,084	\$ 4,151,192
<b>Marshall Housing Commission</b>					
Compensated Absences Payable	\$ 51,142	\$ 20,724	\$ -	\$ 71,866	\$ 25,679
<b>Marshall-Lyon County Library</b>					
Bonds Payable					
General obligation bonds	\$ 625,000	\$ -	\$ (60,000)	\$ 565,000	\$ 65,000
Unamortized bond premium	8,435	-	(937)	7,498	-
Total Bonds Payable	633,435	-	(60,937)	572,498	65,000
Pension Liability GERV	531,962	-	(91,338)	440,624	-
Compensated Absences Payable	82,791	39,613	(31,149)	91,255	18,672
Other Postemployment Benefits Obligation	20,523	2,376	-	22,899	-
Component Unit Long-term Liabilities	\$ 1,268,711	\$ 41,989	\$ (183,424)	\$ 1,127,276	\$ 83,672

## **Note 4: Defined Benefit Pension Plan - Statewide**

### **A. Plan Description**

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (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 Fund (GERF)

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

#### Public Employees Police and Fire Fund (PEPFF)

The PEPFF, 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 PEPFF 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 Minnesota 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.

#### GERF Benefits

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 and Basic 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 Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for 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.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. If the General Employees Plan is at least 90 percent funded for two consecutive years, benefit recipients are given a 2.5 percent increase. If the plan has not exceeded 90 percent funded, or have fallen below 80 percent, benefit recipients are given a one percent increase. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase.



City of Marshall, Minnesota  
Notes to the Financial Statements  
December 31, 2018

**Note 4: Defined Benefit Pension Plan - Statewide (Continued)**

PEPFF Benefits

Benefits for the PEPFF members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for PEPFF members first hired after June 30, 2014 vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent 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.

Benefit increases are provided to benefit recipients each January. Police and Fire Plan benefit recipients receive a future annual 1.0 percent increase. An annual adjustment will equal 2.5 percent any time the plan exceeds a 90 percent funded ratio for two consecutive years. If the adjustment is increased to 2.5 percent and the funded ratio falls below 80 percent for one year or 85 percent for two consecutive years, the post-retirement benefit increase will be lowered to one percent. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase. For retirements after May 31, 2014, the first increase will be delayed two years.

**C. Contributions**

Minnesota statutes chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

GERF Contributions

Plan members were required to contribute 6.50 percent of their annual covered salary and the City was required to contribute 7.50 percent of pay for Coordinated Plan member in fiscal year 2018. The City's contributions to the GERF for the years ending December 31, 2018, 2017 and 2016 were \$346,802, \$325,243 and \$303,513, respectively. The Marshall Municipal Utilities contributions to the GERF for the years ending December 31, 2018, 2017 and 2016 were \$228,233, \$228,045 and \$223,004, respectively. The Marshall-Lyon County Library's contributions to the GERF for the years ending December 31, 2018, 2017 and 2016 were \$41,335, \$38,801 and \$35,525, respectively. The City's and discretely presented component units' contributions were equal to the required contributions for each year as set by Minnesota statute.

PEPFF Contributions

Plan members were required to contribute 10.80 percent of their annual covered salary and the City was required to contribute 16.20 percent of pay for the members in fiscal year 2018. The City's contributions to the PEPFF for the years ending December 31, 2018, 2017 and 2016 were \$260,368, \$254,704 and \$229,508, respectively. The City's contributions were equal to the required contributions for each year as set by Minnesota statute.

**D. Pension Costs**

GERF pension costs - Primary Government and Marshall - Lyon County Library

At December 31, 2018, the City reported a liability of \$4,144,050 for its proportionate share of the GERF's net pension liability of which the Marshall-Lyon County Library's portion was calculated at \$440,624. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2018. 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 \$135,844. The net pension liability was measured as of June 30, 2018, 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 proportion 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, 2017 through June 30, 2018 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportionate share was 0.0747 percent which was a decrease of 0.0010 percent from its proportion measured as of June 30, 2017. The Marshall-Lyon County Library's proportionate share was calculated at 0.0079 percent at June 30, 2018 which was a decrease of 0.0004 percent from its proportion measured as of June 30, 2017. For the year ended December 31, 2018, the City recognized pension expense of \$146,295 for its proportionate share of GERF's pension expense.

City of Marshall, Minnesota  
Notes to the Financial Statements  
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**Note 4: Defined Benefit Pension Plan - Statewide (Continued)**

At December 31, 2018 the City reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	<u>Primary Government</u>		<u>Component Unit - Library</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 98,372	\$ 103,288	\$ 11,704	\$ 12,289
Changes in Actuarial Assumptions	354,549	416,119	42,183	49,509
Net Difference Between Projected and Actual Earnings on Plan Investments	-	394,623	-	46,951
Changes in Proportion	133,503	70,369	15,884	8,372
Contributions to GERF Subsequent to the Measurement Date	<u>174,186</u>	<u>-</u>	<u>20,724</u>	<u>-</u>
Total	<u>\$ 760,610</u>	<u>\$ 984,399</u>	<u>\$ 90,495</u>	<u>\$ 117,121</u>

Deferred outflows of resources totaling \$194,910 related to pensions resulting from the City's contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

	<u>Primary Government</u>	<u>Component Unit Library</u>
2019	\$ 149,747	\$ 17,816
2020	(151,515)	(18,027)
2021	(318,910)	(37,943)
2022	(77,297)	(9,196)

GERF Pension Costs - Marshall Municipal Utilities

At December 31, 2018, MMU reported a liability of \$2,513,058 for its proportionate share of the GERF's net pension liability. MMU's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2017. 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 MMU totaled \$82,458. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. MMU's proportion of the net pension liability was based on MMU's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017 through June 30, 2018 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, MMU's proportionate share was 0.0453 percent which was a 0.0034 percent decrease from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, MMU recognized pension expense (recovered) of (\$29,665) for its proportionate share of GERF's pension expense.

City of Marshall, Minnesota  
Notes to the Financial Statements  
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**Note 4: Defined Benefit Pension Plan - Statewide (Continued)**

At December 31, 2018, MMU reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	<u>Component Unit - Municipal Utilities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 71,285	\$ 76,369
Changes in Actuarial Assumptions	250,129	296,875
Net Difference Between Projected and Actual Earnings on Plan Investments	-	270,220
Changes in Proportion	60,897	170,565
Contributions to GERF Subsequent to the Measurement Date	115,493	-
<b>Total</b>	<b><u>\$ 497,804</u></b>	<b><u>\$ 814,029</u></b>

Deferred outflows of resources totaling \$115,493 related to pensions resulting from MMU's contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

	<u>Component Unit - Municipal Utilities</u>
2019	\$ 56,370
2020	(168,244)
2021	(267,394)
2022	(52,450)

PEPFF Pension Costs

At December 31, 2018, the City reported a liability of \$1,578,593 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2018, 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 proportion 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, 2017 through June 30, 2018 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportionate share was 0.1481 percent which was a 0.0049 percent decrease from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the City recognized pension expense of \$41,499 for its proportionate share of PEPFF's pension expense. The City also recognized \$13,329 for the year ended December 31, 2018 as pension expense (and an offsetting reduction of net pension liability) for its proportionate share of the State of Minnesota's on-behalf contributions to the plan. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in fiscal year 2014.

City of Marshall, Minnesota  
Notes to the Financial Statements  
December 31, 2018

**Note 4: Defined Benefit Pension Plan - Statewide (Continued)**

At December 31, 2018 the City reported its proportionate share of PEPFF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 64,058	\$ 369,691
Changes in Actuarial Assumptions	2,036,747	2,323,895
Net Difference Between Projected and Actual Earnings on Plan Investments	-	341,668
Changes in Proportion	60,242	107,598
Contributions to PEPFF Subsequent to the Measurement Date	131,143	-
<b>Total</b>	<b>\$ 2,292,190</b>	<b>\$ 3,142,852</b>

Deferred outflows of resources totaling \$131,143 related to pensions resulting from the City's contributions to PEPFF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to PEPFF pensions will be recognized in pension expense as follows:

2019	\$ 43,896
2020	(115,770)
2021	(241,892)
2022	(647,839)
2023	(20,200)

**E. Actuarial Assumptions**

The total pension liability in the June 30, 2018 actuarial valuation was determined using 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 were based on RP-2014 tables for all plans 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 percent per year for GERF and 1.0 percent per year for PEPFF.

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies. The most recent six-year experience study in the GERF plan was completed in 2015. The most recent four-year experience study for PEPFF was completed in 2016. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

City of Marshall, Minnesota  
Notes to the Financial Statements  
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**Note 4: Defined Benefit Pension Plan - Statewide (Continued)**

The following changes in actuarial assumptions occurred in 2018:

GERF

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

PEPFF

- The mortality projection scale was changed from MP-2016 to MP-2017.
- As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.5 percent per year, thereafter, to 1.0 percent for all years, with no trigger.

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 Stocks	36.00 %	5.10 %
International Stocks	17.00	5.30
Bonds (Fixed Income)	20.00	0.75
Alternative Assets (Private Markets)	25.00	5.90
Cash	2.00	-
Total	100.00 %	

**F. Discount Rate**

The discount rate used to measure the total pension liability in 2018 was 7.50 percent. 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 position of the GERF and PEPFF were projected to be available to make all projected future benefit payments of current plan member. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Marshall, Minnesota  
Notes to the Financial Statements  
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**Note 4: Defined Benefit Pension Plan - Statewide (Continued)**

**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:

	City/Component Unit Proportionate Share of NPL		
	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
	GERF		
Primary Government	\$ 6,052,395	\$ 3,703,426	\$ 1,802,446
Component Unit - Library	682,216	440,624	203,169
Component Unit - Municipal Utilities	4,084,041	2,513,058	1,216,257
	City Proportionate Share of NPL		
	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
PEPFF			
Primary Government	\$ 3,384,603	\$ 1,578,593	\$ 85,098

**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, Minnesota  
Notes to the Financial Statements  
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**Note 5: Defined Contribution Plan**

There are 5 City Council members covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by PERA. The PEDCP 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 employer. 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 percent 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 contributions 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. 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 2.0 percent of employer contributions and twenty-five hundredths of 1.0 percent (0.25 percent) of the assets in each member's account annually.

Pension expense for the year is equal to contributions made. Total contributions made by the City during the fiscal year 2018 were:

Contribution Amount		Percentage of Covered Payroll		Required Rate
Employee	Employer	Employee	Employer	
\$ 1,991	\$ 1,991	5.00%	5.00%	5.00%

The City's contributions to the PEDCP for the years ended December 31, 2018, 2017 and 2016 were \$1,991, \$1,943 and \$1,599, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

**Note 6: Defined Benefit Pension Plan - Fire Relief Association**

**A. Plan Description**

All members of the Marshall Fire Department (the Department) are covered by a defined benefit plan administered by the Marshall Volunteer Firefighters Relief Association (the Association). As of December 31, 2017, the plan covered 48 active firefighters and 11 vested terminated fire fighters whose pension benefits are deferred. The plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69.

The Association maintains a separate Special fund to accumulate assets to fund the retirement benefits earned by the Department's membership. Funding for the Association is derived from an insurance premium tax in accordance with the Volunteer Firefighter's Relief Association Financing Guidelines Act of 1971 (chapter 261 as amended by chapter 509 of Minnesota statutes 1980). Funds are also derived from investment income.

**B. Benefits Provided**

A fire fighter who completes at least 20 years as an active member of the Department is entitled, after age 50, to a full service pension upon retirement.

The bylaws of the Association also provide for an early vested service pension for a retiring member who has completed fewer than 20 years of service. The reduced pension, available to members with 10 years of service, shall be equal to 60 percent of the pension as prescribed by the bylaws. This percentage increases 4 percent per year so that at 20 years of service, the full amount prescribed is paid. Members who retire at or after age 50 with 10 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to the applicable vesting percentage times \$5,500 per year of service.

City of Marshall, Minnesota  
Notes to the Financial Statements  
December 31, 2018

**Note 6: Defined Benefit Pension Plan - Fire Relief Association (Continued)**

**C. Contributions**

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed \$107,252 in fire state aid to the plan on behalf of the City Fire Department for the year ended December 31, 2017, which was recorded as a revenue. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the plan for the year ended December 31, 2017 were \$107,252. The City's contributions were equal to the required contributions as set by state statute. In addition, the City made voluntary contributions of \$1,654 to the plan. The firefighter has no obligation to contribute to the plan.

**D. Pension Costs**

At December 31, 2018, the City reported a net pension liability (asset) of (\$335,892) for the plan. The net pension liability (asset) was measured as of December 31, 2018. The total pension liability used to calculate the net pension liability (asset) in accordance with GASB 68 was determined by Van Iwaarden Associates applying an actuarial formula to specific census data certified by the Department. For the year ended December 31, 2018, the City recognized negative pension expense of \$43,634.

At December 31, 2018, the City reported deferred outflows of resources and its contributions subsequent to the measurement date, related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 356,220
Changes in Actuarial Assumptions	-	4,928
Net Difference Between Projected and Actual Earnings on Plan Investments	132,880	-
Total	\$ 132,880	\$ 361,148

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

2019	\$ (27,705)
2020	(80,254)
2021	(61,683)
2022	191
2023	(58,817)



City of Marshall, Minnesota  
Notes to the Financial Statements  
December 31, 2018

**Note 6: Defined Benefit Pension Plan - Fire Relief Association (Continued)**

**E. Actuarial Assumptions**

The total pension liability at December 31, 2018 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Retirement eligibility at the later of age 50 or after completion of 20 years of service, if a member is both age 50 and has completed 10 years of service, but not 20 years of service, the lump sum pension will be reduced by 4% for each year of service less than 20 years.

Discount Rate	6.75%
Expected Long-term Rate of Return on Assets	6.75%
Investment Rate of Return	6.75%
20 Year Municipal Bond Yield	3.71%
Inflation Rate	2.75%

There were no changes in actuarial assumptions in 2018.

Retirement eligibility at the later of age 50 or after completion of 20 years of service, if a member is both age 50 and has completed 10 years of service, but not 20 years of service, the lump sum pension will be reduced by 4 percent for each year of service less than 20 years.

The 6 percent long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using the plan's target investment allocation along with long-term return expectations by asset class. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

The target allocation and best estimates of arithmetic 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
Equities	60.00 %	5.39 %
Fixed Income	30.00	1.98
Real Estate and Alternatives	5.00	4.25
Cash and Equivalents	5.00	0.79
Total	100.00 %	

**F. Discount Rate**

The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Marshall, Minnesota  
Notes to the Financial Statements  
December 31, 2018

**Note 6: Defined Benefit Pension Plan - Fire Relief Association (Continued)**

**G. Pension Liability Sensitivity**

The following presents the City's net pension liability (asset) for the plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate 1 percent lower or 1 percent higher than the current discount rate:

	<u>1 Percent Decrease (5.75%)</u>	<u>Current (6.75%)</u>	<u>1 Percent Increase (7.75%)</u>
Defined Benefit Plan	\$ (273,878)	\$ (335,892)	\$ (395,108)

**H. Pension Plan Fiduciary Net Position**

For financial reporting purposes, the Association's financial statements are not included with the City's financial statements because the Association is not a component unit of the City. The financial statements of the Association may be obtained at the City's offices.

**Note 7: Retirement Plan - Housing Commission (Component Unit)**

***Component Unit Pension Information***

Qualified employees of the Marshall Housing Commission (the Commission), a discrete component unit of the City, belong 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 commissions, 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 years ending December 31, 2018, 2017 and 2016 were \$8,106, \$7,813 and \$7,835, respectively.

Detailed information concerning the Commission's pension plan is presented in its publicly available annual report for the year ended September 30, 2018. That report may be obtained by contacting the Commission.

**Note 8: Postemployment Benefits Other Than Pensions**

**A. Plan Description**

The City, including the discretely presented component units, administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the City's group health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiations between the City and the union representing employees and are renegotiated each three-year bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

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

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	13
Active Plan Members	<u>92</u>
Total Plan Members	<u><u>105</u></u>

**B. Funding Policy**

Contribution requirements are also negotiated between the City and union representatives. The City does not contribute to the cost of current-year premiums for eligible retired plan members and their spouses. For the year 2018, the City directly contributed \$0 to the Plan, while implicit contributions totaled \$24,752.

City of Marshall, Minnesota  
Notes to the Financial Statements  
December 31, 2018

**Note 8: Postemployment Benefits Other Than Pensions (Continued)**

**C. Actuarial Methods and Assumptions**

The City's total OPEB liability of \$488,559 was measured as of December 31, 2017, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of December 31, 2016. Roll forward procedures were used to roll forward the total OPEB liability to the measurement date.

The total OPEB liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.31%
20-Year Municipal Bond Yield	3.31%
Inflation Rate	2.75%
Medical Trend Rate	6.90% in 2018 grading to 4.40% over several decades

The discount rate used to measure the total OPEB liability was 3.31 percent. Per GASB guidance, the single rate that produces the same present value of expected benefit payments as (1) the expected long-term rate of return on plan assets during the period when projected assets are sufficient to pay future retiree benefits, and (2) the 20-year municipal bond rate after assets are projected to be exhausted.

Mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2015, and other adjustments for general employees and mortality rates were based on the RP-2000 mortality tables with projected mortality improvements based on Scale AA, and other adjustments.

The actuarial assumptions used in the December 31, 2018 valuation were based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information as well as for consistency with the other economic assumptions.

**D. Changes in the Total OPEB Liability**

	Total OPEB Liability (a)
Balances at December 31, 2017	<u>\$ 422,674</u>
Changes for the Year:	
Service cost	46,291
Interset	17,579
Changes in assumptions or other inputs	17,186
Benefit payments	<u>(15,171)</u>
Net Changes	<u>65,885</u>
Balances at December 31, 2018	<u><u>\$ 488,559</u></u>

City of Marshall, Minnesota  
Notes to the Financial Statements  
December 31, 2018

**Note 8: Postemployment Benefits Other Than Pensions (Continued)**

Changes in the total OPEB liability for the MMU:

	Total OPEB Liability (a)
Balances at December 31, 2017	\$ 337,885
Changes for the Year:	
Service cost	8,762
Interset	12,930
Changes in assumptions or other inputs	13,637
Benefit payments	(14,538)
Net Changes	20,791
Balances at December 31, 2018	\$ 358,676

Since the prior measurement date, the following assumptions changed:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The index rate for 20-year, tax-exempt municipal bonds (Fidelity 20-Year Municipal GO AA Index); used in discount rate determination changed from 3.81% to 3.31%.

Since the prior measurement date, there have been no benefit terms changed.

**E. Sensitivity of the Total OPEB Liability**

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 a discount rate that is 1-percentage point lower (2.31 percent) or 1-percentage-point higher (4.31 percent) than the current discount rate:

1 Percent Decrease (2.31%)	Current (3.31%)	1 Percent Increase (4.31%)
\$ 525,066	\$ 488,559	\$ 454,849

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 a Healthcare Cost Trend Rates that is 1-percentage point lower (5.90 percent decreasing to 3.40 percent) or 1-percentage-point higher (7.90 percent increasing to 5.40 percent) than the current cost trend rate:

1 Percent Decrease (5.9% Decreasing to 3.4%)	Healthcare Cost Trend Rates (6.9% Decreasing to 4.4%)	1 Percent Increase (7.9% Decreasing to 5.4%)
\$ 437,898	\$ 488,559	\$ 548,481

City of Marshall, Minnesota  
Notes to the Financial Statements  
December 31, 2018

**Note 8: Postemployment Benefits Other Than Pensions (Continued)**

The following presents the total OPEB liability of the MMU, as well as what the MMU's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.31 percent) or 1-percentage-point higher (4.31 percent) than the current discount rate:

1 Percent Decrease (2.31%)	Current (3.31%)	1 Percent Increase (4.31%)
\$ 388,516	\$ 358,676	\$ 332,171

The following presents the total OPEB liability of the MMU, as well as what the MMU's total OPEB liability would be if it were calculated using a Healthcare Cost Trend Rates that is 1-percentage point lower (5.90 percent decreasing to 3.40 percent) or 1-percentage-point higher (7.90 percent increasing to 5.40 percent) than the current cost trend rate:

1 Percent Decrease (5.9% Decreasing to 3.4%)	Healthcare Cost Trend Rates (6.9% Decreasing to 4.4%)	1 Percent Increase (7.9% Decreasing to 5.4%)
\$ 327,132	\$ 358,676	\$ 394,864

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

For the year ended December 31, 2018, the City recognized OPEB expense of \$25,842. At December 31, 2018, 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
Changes in Actuarial Assumptions	\$ 15,291	\$ -
Contributions to OPEB Subsequent to the Measurement Date	24,752	-
Total	\$ 40,043	\$ -

Deferred outflows of resources totaling \$24,752 related to pensions resulting from the City's contributions to OPEB subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31:		Amount
2019	\$	1,895
2020		1,895
2021		1,895
2022		1,895
2023		1,895
Thereafter		5,816

City of Marshall, Minnesota  
Notes to the Financial Statements  
December 31, 2018

**Note 8: Postemployment Benefits Other Than Pensions (Continued)**

For the year ended December 31, 2018, the MMU recognized OPEB expense of \$23,033. At December 31, 2018, the MMU 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
Changes in Actuarial Assumptions	\$ 12,296	\$ -
Contributions to OPEB Subsequent to the Measurement Date	14,538	-
Total	\$ 26,834	\$ -

Deferred outflows of resources totaling \$14,538 related to pensions resulting from the MMU's contributions to OPEB subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31:		
2019	\$	1,341
2020		1,341
2021		1,341
2022		1,341
2023		1,341
Thereafter		5,591

**Note 9: Other Information**

**A. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT) which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation, property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The City's management is not aware of any incurred but not reported claims.

**B. Commitments and Contingencies**

**Grants**

Amounts received or receivable from Federal and State agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial. The financial assistance received is subject to an audit pursuant to the Uniform Guidance or audits by the grantor agency.

## **Note 9: Other Information (Continued)**

### ***Claims and Litigation***

In connection with the normal conduct of its affairs, the City is involved in various claims, litigations and judgments. It is expected that the final settlement of these matters will not materially affect the financial statements of the City. No liability or provision for loss has been recorded in the December 31, 2018 financial statements in relation to any of these matters.

### ***Tax Increment Districts***

The City's tax increment districts are subject to review by the State of Minnesota Office of the State Auditor (OSA). Any disallowed claims or misuse of tax increments could become a liability of the applicable fund. Management has indicated that they are not aware of any instances of noncompliance which would have a material effect on the financial statements.

### ***Component Units***

MMU has contracted for the delivery of a fixed amount of power with the Western Area Power Administration (WAPA), which is a part of the US Department of Energy, through December 31, 2050.

MMU has entered into an S-1 Agreement with Missouri River Energy Services (MRES) for the purchase of any power and transmission service greater than our fixed WAPA allocation of power supply, required by MMU through January 1, 2057.

MMU has contracted to sell the capacity of its generation plant to MRES through May 31, 2029.

MMU has entered an agreement with the City of Marshall in support of industrial land development. This agreement calls for MMU to pay one half of the acquisition and development costs of approved projects through a payment in lieu of taxes capped at \$500,000 per year. Proceeds from subsequent sales of development projects will be divided equally between MMU and the City of Marshall with MMU's portion deducted from the payment in lieu of taxes.

MMU has contracted with Missouri Basin Municipal Power Agency dba Missouri River Energy Services (MRES) for Transmission Service (the TSA). The agreement dated February 1, 2011 runs through December 31, 2019, with continuation provisions. Among other things, the TSA provides for MRES to pay the Xcel Energy monthly transmission costs and then bill MMU for the cost of transmission on the MRES monthly power invoice.

### **C. Major Customers**

MMU has two major customers who individually account for more than 10 percent revenue in 2018 and 2017. Revenue generated from these customers was \$24,327,941 and \$27,141,669 for 2018 and 2017, respectively. These amounts represent 56 percent and 58 percent of total revenue for 2018 and 2017, respectively.

### **D. Dark Fiber Agreement**

Members of PrairieNet WAN are able to use dark fiber owned by MMU through negotiation of dark fiber agreements or through a month to month dark fiber fee as established by the MMU Commission. Dark Fiber made available to participating PrairieNet WAN members shall be "lit up" by the member so acquiring the use of the dark fiber, is at their cost. With prior approval of MMU, a member using dark fiber may work with another public body through which the member does joint work. Example of this would include Southwest Minnesota State University working through Marshall Public Schools (MPS) fiber capacity or the State of Minnesota working through the Lyon County fiber capacity. MMU has one dark fiber agreement with MPS that runs through June 1, 2024 in which MPS pays MMU \$1,500 per month.

### **E. Legal Debt Margin**

The City's statutory debt limit is 3 percent of the estimated taxable market value of real and personal property located in the City. The taxable market value was \$890,286,520 at December 31, 2018 for a limit of \$26,708,596. The City currently has \$5,440,000 general obligation debt subject to the limit, leaving \$21,268,596 as a debt margin. Debt financed partially or entirely by special assessments, tax increment or operations of enterprise funds are excluded from this computation by statute.

City of Marshall, Minnesota  
Notes to the Financial Statements  
December 31, 2018

**Note 9: Other Information (Continued)**

**F. Concentrations**

The City receives a significant amount of its annual General fund revenues from the State of Minnesota from the Local Government Aid (LGA) program. The amount received in 2018 was \$2,471,597 for LGA. This accounted for 20.4 percent of General fund revenues.

**G. Transactions Between the Primary Government and its Component Unit**

MMU remits an annually negotiated payment to the City of Marshall General fund in lieu of taxes. This fee is calculated on a formula based on preceding years KWH sales increased by an amount in support of industrial land development (\$500,000 in the year ended December 31, 2018). Payments under this agreement are \$1,328,669 for the year ended December 31, 2018.

**Note 10: Subsequent Event**

The City passed a resolution on May 22, 2018 to issue a General Obligation bond for \$3,580,000. This bond was issued for the construction of street reconstruction and bituminous overlays.

The City passed a resolution on May 22, 2018 to approve a Pay-Go TIF District for \$2,070,000 in the Parkway Addition III.



City of Marshall, Minnesota  
Notes to the Financial Statements  
December 31, 2018

**Note 11: Prior Period Restatement**

The City restated its governmental activities OPEB liability account as of January 1, 2018 which was overstated by \$83,388 and special assessment receivable which was overstated by \$2,283,638.

The City restated its business activities OPEB liability account as of January 1, 2018 which was overstated by \$7,525.

The Economic Development Authority discretely presented component unit restated its long term debt as of January 1, 2018 which was understated by \$8,498.

Fund	December 31, 2018		
	Net Position January 1, 2018 as Previously Reported	Prior Period Restatement	Net Position January 1, 2018 as Restated
Governmental Activities	\$ 81,461,909	\$ (2,367,026)	\$ 79,094,883
Business-type Activities	\$ 29,106,028	\$ (7,525)	\$ 29,098,503
Business-type Activities			
Wastewater Treatment	\$ 17,973,530	\$ (7,499)	\$ 17,966,031
Municipal Liquor Store	1,695,671	(26)	1,695,645
Parkway Townhomes	21,746	-	21,746
Surface Water Management	8,415,081	-	8,415,081
Total Business-type Activities	\$ 28,106,028	\$ (7,525)	\$ 28,098,503
Component Units			
Marshall-Lyon County Library	\$ 5,355,016	\$ 8,498	\$ 5,363,514
			Adjustment/ Restatement
Government-wide Statements			
Governmental activities			
To restate beginning OPEB liability			\$ (83,388)
To write off special assessments on City owned property, subsequently sold and forgiven			(2,283,638)
Total Governmental Activities			\$ (2,367,026)
Business-type activities			
Sewer			
To restate beginning OPEB liability			\$ (7,499)
Liquor			
To restate beginning OPEB liability			(26)
Total Business-type Activities			\$ (7,525)
Marshall-Lyon County Library			
To restate beginning OPEB liability			\$ 8,498

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MARSHALL  
MARSHALL, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2018

City of Marshall, Minnesota  
 Required Supplementary Information (Continued)  
 For the Year Ended December 31, 2018

**Schedule of Employer's Share of PERA Net Pension Liability - General Employees Retirement Fund**

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/18	0.0747 %	\$ 4,144,050	\$ 135,844	\$ 4,279,894	\$ 5,015,656	85.3 %	79.5 %
06/30/17	0.0757	4,832,638	60,786	4,893,424	4,879,197	100.3	75.9
06/30/16	0.0708	5,748,609	75,053	5,823,662	4,394,194	132.5	68.9
06/30/15	0.0730	3,783,239	-	3,783,239	4,221,213	89.6	78.2

*Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.*

**Schedule of Employer's PERA Contributions - General Employees Retirement Fund**

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered-Employee Payroll (b/c)
12/31/18	\$ 388,137	\$ 388,137	\$ -	\$ 5,175,154	7.5 %
12/31/17	364,044	364,044	-	4,853,924	7.5
12/31/16	339,038	339,038	-	4,520,504	7.5
12/31/15	337,463	337,463	-	4,499,507	7.5

*Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.*

City of Marshall, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2018

**Notes to the Required Supplementary Information - General Employees Retirement Fund**

Changes in Actuarial Assumptions

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

Changes in Plan Provisions

2017 - The State's special funding contribution increased from \$6 million to \$16 million.

2015 - 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.

City of Marshall, Minnesota  
 Required Supplementary Information (Continued)  
 For the Year Ended December 31, 2018

**Schedule of Municipal Utilities' Share of PERA Net Pension Liability - General Employees Retirement Fund**

Fiscal Year Ending	Component Unit's Proportion of the Net Pension Liability	Component Unit's Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the Component Unit (b)	Total (a+b)	Component Unit's Covered Payroll (c)	Component Unit's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/18	0.0453 %	\$ 2,513,058	\$ 82,458	\$ 2,595,516	\$ 3,099,066	81.1 %	79.5 %
06/30/17	0.0487	3,108,976	39,118	3,148,094	3,040,599	102.2	75.9
06/30/16	0.0472	3,832,406	14,919	3,847,325	2,973,391	128.9	68.9
06/30/15	0.0478	2,477,244	-	2,477,244	2,809,961	88.2	78.2

*Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.*

**Schedule of Municipal Utilities' PERA Contributions - General Employees Retirement Fund**

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Component Unit's Covered Payroll (c)	Contributions as a Percentage of Covered-Employee Payroll (b/c)
12/31/18	\$ 228,233	\$ 228,233	\$ -	\$ 3,043,105	7.5 %
12/31/17	228,045	228,045	-	3,040,599	7.5
12/31/16	223,004	223,004	-	2,973,391	7.5
12/31/15	207,341	207,341	-	2,809,961	7.5

*Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.*

City of Marshall, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2018

**Municipal Utilities' Notes to the Required Supplementary Information - General Employee Retirement Fund**

Changes in Actuarial Assumptions

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

Changes in Plan Provisions

2017 - The State's special funding contribution increased from \$6 million to \$16 million.

2015 - 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.

City of Marshall, Minnesota  
 Required Supplementary Information (Continued)  
 For the Year Ended December 31, 2018

**Schedule of Employer's Share of PERA Net Pension Liability - Public Employees Police and Fire Fund**

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/18	0.1481 %	\$ 1,578,593	\$ -	\$ 1,578,593	\$ 1,561,333	101.1 %	88.8 %
06/30/17	0.1530	2,065,682	-	2,065,682	1,566,649	131.9	85.4
06/30/16	0.1490	5,979,629	-	5,979,629	1,433,849	417.0	63.9
06/30/15	0.1540	1,749,800	-	1,749,800	1,367,414	128.0	86.6

*Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.*

**Schedule of Employer's PERA Contributions - Public Employees Police and Fire Fund**

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered-Employee Payroll (b/c)
12/31/18	\$ 260,368	\$ 260,368	\$ -	\$ 1,607,209	16.2 %
12/31/17	254,704	254,704	-	1,572,249	16.2
12/31/16	229,508	229,508	-	1,416,719	16.2
12/31/15	240,460	240,460	-	1,484,321	16.2

*Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.*



City of Marshall, Minnesota  
 Required Supplementary Information (Continued)  
 For the Year Ended December 31, 2018

**Notes to the Required Supplementary Information - Public Employees Police and Fire Fund**

Changes in Actuarial Assumptions

2018 - The mortality projection scale was changed from MP-2016 to MP-2017. As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.5 percent per year, thereafter, to 1.0 percent for all years, with no trigger.

2017 - Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent 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 3.0 percent 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 percent to 60 percent. 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 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter. The single discount rate was changed from 5.6 percent to 7.5 percent.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2037 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 5.6 percent. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2037 and 2.5 percent per year thereafter.

Changes in Plan Provisions

2015 - The post-retirement benefit increase to be paid after attainment of the 90 percent funding threshold was changed, from inflation up to 2.5 percent, to a fixed rate of 2.5 percent.

**Schedule Employer's Fire Relief Association Contributions**

Year Ending	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/18	\$ 117,360	\$ 117,360	\$ -
12/31/17	156,757	156,757	-
12/31/16	124,166	124,166	-
12/31/15	103,127	103,127	-
12/31/14	173,399	173,399	-

City of Marshall, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2018

**Schedule of Changes in the Fire Relief Association's Net Pension Liability (Asset) and Related Ratios**

	2018 (Fire Relief Report Date 2017)	2017 (Fire Relief Report Date 2016)	2016 (Fire Relief Report Date 2015)	2015 (Fire Relief Report Date 2014)
<b>Total Pension Liability</b>				
Service cost	\$ 131,058	\$ 138,841	\$ 151,873	\$ 128,480
Interest	173,655	234,533	206,225	203,955
Changes of benefit terms	-	-	88,384	59,012
Differences between expected and actual experience	-	(504,956)	-	-
Changes of assumptions	-	(579)	(44,795)	34,723
Benefit payments, including refunds of employee contributions	(867,453)	(656,455)	(45,890)	(254,609)
<b>Net Change in Total Pension Liability</b>	<u>(562,740)</u>	<u>(788,616)</u>	<u>355,797</u>	<u>171,561</u>
<b>Total Pension Liability - January 1</b>	<u>2,875,329</u>	<u>3,663,945</u>	<u>3,308,148</u>	<u>3,136,587</u>
<b>Total Pension Liability - December 31 (A)</b>	<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</b>				
Contributions - employer	\$ 108,906	\$ 156,757	\$ 124,166	\$ 103,127
Contributions - donations and other income	8,454	-	-	-
Net investment income	(147,725)	514,498	269,176	(45,718)
Benefit payments, including refunds of employee contributions	(867,453)	(656,455)	(45,890)	(254,609)
Administrative expense	(9,975)	(9,152)	(8,530)	(11,275)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>(907,793)</u>	<u>5,648</u>	<u>338,922</u>	<u>(208,475)</u>
<b>Plan Fiduciary Net Position - January 1</b>	<u>3,556,274</u>	<u>3,550,626</u>	<u>3,211,704</u>	<u>3,420,179</u>
<b>Plan Fiduciary Net Position - December 31 (B)</b>	<u>\$ 2,648,481</u>	<u>\$ 3,556,274</u>	<u>\$ 3,550,626</u>	<u>\$ 3,211,704</u>
<b>Fire Relief's Net Pension Liability (Asset) - December 31 (A-B)</b>	<u>\$ (335,892)</u>	<u>\$ (680,945)</u>	<u>\$ 113,319</u>	<u>\$ 96,444</u>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (B/A)</b>	114.52%	123.68%	96.91%	97.08%
<b>Covered-employee Payroll</b>	N/A	N/A	N/A	N/A
<b>Fire Relief's Net Pension Liability (Asset) as a Percentage of Covered-employee Payroll</b>	N/A	N/A	N/A	N/A

**Notes to Schedule:**

*Benefit Changes. None in 2018.*

*Changes of Assumptions. None in 2018.*

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.
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**Notes to the Required Supplementary Information - Fire Relief Association**

Changes in Actuarial Assumptions

2018 - No changes in assumptions.

City of Marshall, Minnesota  
 Required Supplementary Information (Continued)  
 For the Year Ended December 31, 2018

**Schedule of Changes in the City's Total OPEB Liability and Related Ratios**

	2018
Total OPEB Liability	
Service cost	\$ 46,291
Interest	17,579
Changes in assumptions	17,186
Benefit payments	(15,171)
Net Change in Total OPEB Liability	65,885
Total OPEB Liability - Beginning	422,674
Total OPEB Liability - Ending	\$ 488,559
Covered - Employee Payroll	\$ 7,183,783
City's total OPEB liability as a percentage of covered employee payroll	6.80 %

*Benefit Changes:*

In 2018, there were no benefit changes that occurred.

*Changes in Assumptions:*

In 2018, the following assumptions changes:

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

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

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COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF MARSHALL  
MARSHALL, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2018

City of Marshall, Minnesota  
 Nonmajor Governmental Funds  
 Combining Balance Sheet  
 December 31, 2018

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total
<b>Assets</b>			
Cash and temporary investments	\$ 2,912,623	\$ 7,623,042	\$ 10,535,665
Receivables			
Interest	148	707	855
Delinquent taxes	-	11,456	11,456
Accounts	6,394	30,445	36,839
Notes/leases	13,576	-	13,576
Special assessments	-	595,417	595,417
Intergovernmental	-	96,861	96,861
Due from other funds	-	30,000	30,000
Prepaid items	25,548	-	25,548
	<u>\$ 2,958,289</u>	<u>\$ 8,387,928</u>	<u>\$ 11,346,217</u>
<b>Liabilities</b>			
Accounts payable	\$ 13,051	\$ 168,277	\$ 181,328
Due to other funds	30,000	429,028	459,028
Due to component unit	9,503	454	9,957
Due to other governments	12,902	-	12,902
Accrued salaries payable	4,489	-	4,489
Total Liabilities	<u>69,945</u>	<u>597,759</u>	<u>667,704</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - taxes	-	11,456	11,456
Unavailable revenue - special assessments	-	595,417	595,417
Total Deferred Inflows of Resources	<u>-</u>	<u>606,873</u>	<u>606,873</u>
<b>Fund Balances</b>			
Nonspendable for			
Prepaid items	25,548	-	25,548
Restricted for			
City celebrations	18,259	-	18,259
Economic development	2,056,401	-	2,056,401
Capital projects	-	1,933,006	1,933,006
Committed for			
Economic development	2,316	-	2,316
Capital projects	-	897,557	897,557
Assigned for			
Economic development	622,465	-	622,465
Capital projects	-	4,704,846	4,704,846
Drivers education	79,601	-	79,601
ASC Arena	30,422	-	30,422
Park improvements	-	16,569	16,569
Emergency response and industrial training center	53,332	-	53,332
Unassigned	-	(368,682)	(368,682)
Total Fund Balances	<u>2,888,344</u>	<u>7,183,296</u>	<u>10,071,640</u>
	<u>\$ 2,958,289</u>	<u>\$ 8,387,928</u>	<u>\$ 11,346,217</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
	<u>\$ 2,958,289</u>	<u>\$ 8,387,928</u>	<u>\$ 11,346,217</u>

City of Marshall, Minnesota  
 Nonmajor Governmental Funds  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 For the Year Ended December 31, 2018

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total
<b>Revenues</b>			
Taxes	\$ -	\$ 387,186	\$ 387,186
Intergovernmental	-	745,919	745,919
Charges for services	255,375	-	255,375
Special assessments	-	259,901	259,901
Investment earnings	31,773	26,028	57,801
Miscellaneous	593,656	138,639	732,295
Total Revenues	<u>880,804</u>	<u>1,557,673</u>	<u>2,438,477</u>
<b>Expenditures</b>			
<b>Current</b>			
General government	-	8,559	8,559
Public safety	166,601	-	166,601
Public works	-	5,547	5,547
Culture and recreation	679,839	11,505	691,344
Economic development	243	-	243
<b>Capital outlay</b>			
General government	-	131,243	131,243
Public safety	-	145,637	145,637
Public works	-	39,341	39,341
Culture and recreation	-	416,866	416,866
Airport	-	683,548	683,548
<b>Debt service</b>			
Principal	-	95,404	95,404
Interest and other	-	825	825
Bond issuance costs	-	764	764
Total Expenditures	<u>846,683</u>	<u>1,539,239</u>	<u>2,385,922</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>34,121</u>	<u>18,434</u>	<u>52,555</u>
<b>Other Financing Sources (Uses)</b>			
Sale of capital assets	-	35,000	35,000
Transfers in	582,951	3,421,708	4,004,659
Bonds issued	-	35,000	35,000
Premium on bonds issued	-	2,441	2,441
Transfers out	<u>(58,604)</u>	<u>(3,528,245)</u>	<u>(3,586,849)</u>
Total Other Financing Sources (Uses)	<u>524,347</u>	<u>(34,096)</u>	<u>490,251</u>
Net Change in Fund Balances	558,468	(15,662)	542,806
Fund Balances, January 1	<u>2,329,876</u>	<u>7,198,958</u>	<u>9,528,834</u>
Fund Balances, December 31	<u>\$ 2,888,344</u>	<u>\$ 7,183,296</u>	<u>\$ 10,071,640</u>

City of Marshall, Minnesota  
 Nonmajor Special Revenue Funds  
 Combining Balance Sheet  
 December 31, 2018

	<b>215</b>	<b>220</b>	<b>221</b>	<b>223</b>
	Marshall	Small	2018 Small	Program
	Celebrations	Cities	Cities	Income
	Development	Development	Development	SCDP -
	Program	Program	Program	Local
<b>Assets</b>				
Cash and temporary investments	\$ 18,259	\$ 1,107	\$ 539,290	\$ 124,523
Receivables				
Interest	-	-	-	-
Accounts	-	381	-	-
Notes/leases	-	13,576	-	-
Prepaid items	-	-	-	-
	<u>18,259</u>	<u>15,064</u>	<u>539,290</u>	<u>124,523</u>
<b>Total Assets</b>	<b><u>\$ 18,259</u></b>	<b><u>\$ 15,064</u></b>	<b><u>\$ 539,290</u></b>	<b><u>\$ 124,523</u></b>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 11	\$ -	\$ -
Due to other funds	-	-	-	-
Due to component unit	-	-	-	-
Due to other governments	-	-	-	-
Accrued salaries payable	-	-	-	-
	<u>-</u>	<u>11</u>	<u>-</u>	<u>-</u>
<b>Total Liabilities</b>	<b><u>-</u></b>	<b><u>11</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Fund Balances</b>				
Nonspendable for				
Prepaid items	-	-	-	-
Restricted for				
City celebrations	18,259	-	-	-
Economic development	-	-	-	56,401
Committed for				
Economic development	-	-	-	-
Assigned for				
Economic development	-	15,053	539,290	68,122
Driver education	-	-	-	-
ASC Arena	-	-	-	-
Emergency response and industrial training center	-	-	-	-
	<u>18,259</u>	<u>15,053</u>	<u>539,290</u>	<u>124,523</u>
<b>Total Fund Balances</b>	<b><u>18,259</u></b>	<b><u>15,053</u></b>	<b><u>539,290</u></b>	<b><u>124,523</u></b>
	<u>\$ 18,259</u>	<u>\$ 15,064</u>	<u>\$ 539,290</u>	<u>\$ 124,523</u>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 18,259</u></b>	<b><u>\$ 15,064</u></b>	<b><u>\$ 539,290</u></b>	<b><u>\$ 124,523</u></b>



<b>240</b> Community Education Drivers Training	<b>258</b> ASC Arena	<b>270</b> Emergency Response and Industrial Training Center	<b>280</b> Endowment Avera / WMMC	<b>801</b> Park and Recreation Donations	Total
\$ 92,503	\$ 53,421	\$ 51,204	\$ 2,032,316	\$ -	\$ 2,912,623
-	20	128	-	-	148
-	-	6,013	-	-	6,394
-	-	-	-	-	13,576
-	17,315	8,233	-	-	25,548
<u>\$ 92,503</u>	<u>\$ 70,756</u>	<u>\$ 65,578</u>	<u>\$ 2,032,316</u>	<u>\$ -</u>	<u>\$ 2,958,289</u>
\$ -	\$ 11,000	\$ 2,040	\$ -	\$ -	\$ 13,051
-	-	-	30,000	-	30,000
-	8,649	854	-	-	9,503
12,902	-	-	-	-	12,902
-	3,370	1,119	-	-	4,489
<u>12,902</u>	<u>23,019</u>	<u>4,013</u>	<u>30,000</u>	<u>-</u>	<u>69,945</u>
-	17,315	8,233	-	-	25,548
-	-	-	-	-	18,259
-	-	-	2,000,000	-	2,056,401
-	-	-	2,316	-	2,316
-	-	-	-	-	622,465
79,601	-	-	-	-	79,601
-	30,422	-	-	-	30,422
-	-	53,332	-	-	53,332
<u>79,601</u>	<u>47,737</u>	<u>61,565</u>	<u>2,002,316</u>	<u>-</u>	<u>2,888,344</u>
<u>\$ 92,503</u>	<u>\$ 70,756</u>	<u>\$ 65,578</u>	<u>\$ 2,032,316</u>	<u>\$ -</u>	<u>\$ 2,958,289</u>

City of Marshall, Minnesota  
 Nonmajor Special Revenue Funds  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 For the Year Ended December 31, 2018

	<b>215</b>	<b>220</b>	<b>221</b>	<b>223</b>
	Marshall Celebrations	Small Cities Development Program	2018 Small Cities Development Program	Program Income SCDP - Local
Revenues				
Charges for services	\$ -	\$ -	\$ -	\$ -
Investment earnings	-	159	-	-
Miscellaneous				
Rents	-	-	-	-
Contributions and donations	-	-	539,290	-
Refunds and reimbursements	-	5,711	-	-
Total Revenues	<u>-</u>	<u>5,870</u>	<u>539,290</u>	<u>-</u>
Expenditures				
Current				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	-	243	-	-
Total Expenditures	<u>-</u>	<u>243</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>5,627</u>	<u>539,290</u>	<u>-</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	12,060
Transfers out	-	(12,060)	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(12,060)</u>	<u>-</u>	<u>12,060</u>
Net Change in Fund Balances	-	(6,433)	539,290	12,060
Fund Balances, January 1	<u>18,259</u>	<u>21,486</u>	<u>-</u>	<u>112,463</u>
Fund Balances, December 31	<u>\$ 18,259</u>	<u>\$ 15,053</u>	<u>\$ 539,290</u>	<u>\$ 124,523</u>

<b>240</b> Community Education Drivers Training	<b>258</b> ASC Arena	<b>270</b> Emergency Response and Industrial Training Center	<b>280</b> Endowment Avera / WMMC	<b>801</b> Park and Recreation Donations	Total
\$ 63,671	\$ 191,704	\$ -	\$ -	\$ -	\$ 255,375
-	81	500	31,028	5	31,773
-	-	35,868	-	-	35,868
-	-	316	-	-	539,606
-	11,927	544	-	-	18,182
<u>63,671</u>	<u>203,712</u>	<u>37,228</u>	<u>31,028</u>	<u>5</u>	<u>880,804</u>
-	-	166,601	-	-	166,601
51,398	596,635	-	31,806	-	679,839
-	-	-	-	-	243
<u>51,398</u>	<u>596,635</u>	<u>166,601</u>	<u>31,806</u>	<u>-</u>	<u>846,683</u>
<u>12,273</u>	<u>(392,923)</u>	<u>(129,373)</u>	<u>(778)</u>	<u>5</u>	<u>34,121</u>
-	440,660	130,231	-	-	582,951
-	-	-	(30,000)	(16,544)	(58,604)
-	<u>440,660</u>	<u>130,231</u>	<u>(30,000)</u>	<u>(16,544)</u>	<u>524,347</u>
12,273	47,737	858	(30,778)	(16,539)	558,468
<u>67,328</u>	<u>-</u>	<u>60,707</u>	<u>2,033,094</u>	<u>16,539</u>	<u>2,329,876</u>
<u>\$ 79,601</u>	<u>\$ 47,737</u>	<u>\$ 61,565</u>	<u>\$ 2,002,316</u>	<u>\$ -</u>	<u>\$ 2,888,344</u>

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City of Marshall, Minnesota  
Community Education Drivers Training Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual  
For the Year Ended December 31, 2018  
With Comparative Actual Amounts for the Year Ended December 31, 2017

	2018				2017
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Charges for services	\$ 55,000	\$ 55,000	\$ 63,671	\$ 8,671	\$ 60,684
Expenditures					
Current					
Culture and recreation					
Supplies	-	-	50,393	(50,393)	24,672
Other services and charges	56,000	56,000	1,005	54,995	27,915
Total Expenditures	56,000	56,000	51,398	4,602	52,587
Net Change in Fund Balances	(1,000)	(1,000)	12,273	13,273	8,097
Fund Balances, January 1	67,328	67,328	67,328	-	59,231
Fund Balances, December 31	\$ 66,328	\$ 66,328	\$ 79,601	\$ 13,273	\$ 67,328

**City of Marshall, Minnesota**  
**Emergency Response and Industrial Training Center Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual**  
**For the Year Ended December 31, 2018**  
**With Comparative Actual Amounts for the Year Ended December 31, 2017**

	2018				2017
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
<b>Revenues</b>					
Intergovernmental					
State aids	\$ 5,000	\$ 5,000	\$ -	\$ (5,000)	\$ -
Investment earnings	-	-	500	500	2
Miscellaneous					
Refunds and reimbursements	-	-	544	544	1,310
Contributions and donations	15,000	15,000	316	(14,684)	-
Rents	73,775	73,775	35,868	(37,907)	30,235
<b>Total Revenues</b>	<u>93,775</u>	<u>93,775</u>	<u>37,228</u>	<u>(56,547)</u>	<u>31,547</u>
<b>Expenditures</b>					
Current					
Public safety					
Personal services	87,104	87,104	85,494	1,610	36,285
Supplies	15,500	15,500	12,013	3,487	3,547
Other services and charges	133,689	133,689	69,094	64,595	64,779
<b>Total Expenditures</b>	<u>236,293</u>	<u>236,293</u>	<u>166,601</u>	<u>69,692</u>	<u>104,611</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(142,518)	(142,518)	(129,373)	13,145	(73,064)
<b>Other Financing Sources</b>					
Transfers in	130,220	130,220	130,231	11	129,048
<b>Net Change in Fund Balances</b>	(12,298)	(12,298)	858	13,156	55,984
<b>Fund Balances, January 1</b>	<u>60,707</u>	<u>60,707</u>	<u>60,707</u>	<u>-</u>	<u>4,723</u>
<b>Fund Balances, December 31</b>	<u>\$ 48,409</u>	<u>\$ 48,409</u>	<u>\$ 61,565</u>	<u>\$ 13,156</u>	<u>\$ 60,707</u>

City of Marshall, Minnesota  
ASC Arena Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual  
For the Year Ended December 31, 2018  
With Comparative Actual Amounts for the Year Ended December 31, 2017

	2018				2017
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
<b>Revenues</b>					
Charges for services	\$ 218,500	\$ 218,500	\$ 191,704	\$ (26,796)	\$ 132,600
Investment earnings	-	-	81	81	116
Miscellaneous					
Contributions and donations	-	-	-	-	4,445
Refunds and reimbursements	-	-	11,927	11,927	6,555
<b>Total Revenues</b>	<b>218,500</b>	<b>218,500</b>	<b>203,712</b>	<b>(14,788)</b>	<b>143,716</b>
<b>Expenditures</b>					
Current					
Culture and recreation					
Personal services	256,781	256,781	243,794	12,987	219,132
Supplies	60,000	60,000	87,373	(27,373)	58,234
Other services and charges	305,301	305,301	265,468	39,833	268,643
<b>Total Expenditures</b>	<b>622,082</b>	<b>622,082</b>	<b>596,635</b>	<b>25,447</b>	<b>546,009</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(403,582)	(403,582)	(392,923)	10,659	(402,293)
Other Financing Sources					
Transfers in	390,660	390,660	440,660	50,000	373,535
<b>Net Change in Fund Balances</b>	<b>(12,922)</b>	<b>(12,922)</b>	<b>47,737</b>	<b>60,659</b>	<b>(28,758)</b>
Fund Balances, January 1	-	-	-	-	28,758
<b>Fund Balances, December 31</b>	<b>\$ 364,816</b>	<b>\$ 364,816</b>	<b>\$ 47,737</b>	<b>\$ (317,079)</b>	<b>\$ -</b>

City of Marshall, Minnesota  
 Nonmajor Capital Projects Funds  
 Combining Balance Sheet (Continued on the Following Pages)  
 December 31, 2018

	103	260	401	413	423
	Municipal State Aid	Marshall Industrial Park	Capital Equipment	SMASC Ball Parks	Park Improvements
<b>Assets</b>					
Cash and temporary investments	\$ 513,062	\$ 1,529,442	\$ 881,686	\$ (368,682)	\$ 134,924
Receivables					
Interest	-	-	707	-	-
Delinquent taxes	-	-	11,006	-	-
Accounts	-	-	30,445	-	-
Special assessments					
Delinquent	-	-	-	-	-
Noncurrent	-	-	-	-	-
Intergovernmental	-	-	2,485	-	-
Due from other funds	-	-	-	-	30,000
<b>Total Assets</b>	<b>\$ 513,062</b>	<b>\$ 1,529,442</b>	<b>\$ 926,329</b>	<b>\$ (368,682)</b>	<b>\$ 164,924</b>
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ 7,500	\$ -	\$ -
Due to other funds	-	-	135,000	-	-
Due to component unit	-	236	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>236</b>	<b>142,500</b>	<b>-</b>	<b>-</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - taxes	-	-	11,006	-	-
Unavailable revenue - special assessments	-	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>11,006</b>	<b>-</b>	<b>-</b>
<b>Fund Balances</b>					
Restricted for					
Capital projects	124,064	-	62,782	-	-
Committed for					
Capital projects	-	-	-	-	-
Assigned for					
Capital projects	388,998	1,529,206	710,041	-	148,355
Park improvements	-	-	-	-	16,569
Unassigned	-	-	-	(368,682)	-
<b>Total Fund Balances</b>	<b>513,062</b>	<b>1,529,206</b>	<b>772,823</b>	<b>(368,682)</b>	<b>164,924</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 513,062</b>	<b>\$ 1,529,442</b>	<b>\$ 926,329</b>	<b>\$ (368,682)</b>	<b>\$ 164,924</b>



428	452	453	454	455	456	457	459	460
Saratoga/ Highway 23	2011 Public Improvements	2011 Improvements	2012 Public Improvements	2013 Merit Center	2013 Amateur Sports Center	2013 Public Improvements	2015 Public Improvements	East Wind Star Street Project
\$ 687,851	\$ -	\$ -	\$ -	\$ -	\$ 2,063,412	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>\$ 687,851</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,063,412</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 72,452	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>72,452</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
615,399	-	-	-	-	1,130,761	-	-	-
-	-	-	-	-	897,557	-	-	-
-	-	-	-	-	35,094	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>615,399</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,063,412</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 687,851</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,063,412</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Marshall, Minnesota  
 Nonmajor Capital Projects Funds  
 Combining Balance Sheet (Continued)  
 December 31, 2018

	<b>461</b>	<b>493</b>	<b>494</b>	<b>495</b>	<b>496</b>
	2016 Public Improvements	MERIT Track Expansion	City Hall Building	Public Improvement Revolving	2007 Public Improvements
<b>Assets</b>					
Cash and temporary investments	\$ -	\$ (7,974)	\$ 715,610	\$ 1,473,711	\$ -
Receivables					
Interest	-	-	-	-	-
Delinquent taxes	-	-	-	450	-
Accounts	-	-	-	-	-
Special assessments					
Delinquent	-	-	-	1,276	-
Noncurrent	-	-	-	594,141	-
Intergovernmental	-	94,124	-	252	-
Due from other funds	-	-	-	-	-
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 86,150</b>	<b>\$ 715,610</b>	<b>\$ 2,069,830</b>	<b>\$ -</b>
<b>Liabilities</b>					
Accounts payable	\$ -	\$ 86,150	\$ 2,000	\$ 175	\$ -
Due to other funds	-	-	-	294,028	-
Due to component unit	-	-	-	218	-
<b>Total Liabilities</b>	<b>-</b>	<b>86,150</b>	<b>2,000</b>	<b>294,421</b>	<b>-</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - taxes	-	-	-	450	-
Unavailable revenue - special assessments	-	-	-	595,417	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>595,867</b>	<b>-</b>
<b>Fund Balances</b>					
Restricted for					
Capital projects	-	-	-	-	-
Committed for					
Capital projects	-	-	-	-	-
Assigned for					
Capital projects	-	-	713,610	1,179,542	-
Park improvements	-	-	-	-	-
Unassigned	-	-	-	-	-
<b>Total Fund Balances</b>	<b>-</b>	<b>-</b>	<b>713,610</b>	<b>1,179,542</b>	<b>-</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ -</b>	<b>\$ 86,150</b>	<b>\$ 715,610</b>	<b>\$ 2,069,830</b>	<b>\$ -</b>

497	499	
2008 Public Improvements	2010 Public Improvements	Total
\$ -	\$ -	\$ 7,623,042
-	-	707
-	-	11,456
-	-	30,445
-	-	1,276
-	-	594,141
-	-	96,861
-	-	30,000
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,387,928</u>
\$ -	\$ -	\$ 168,277
-	-	429,028
-	-	454
<u>-</u>	<u>-</u>	<u>597,759</u>
-	-	11,456
<u>-</u>	<u>-</u>	<u>595,417</u>
<u>-</u>	<u>-</u>	<u>606,873</u>
-	-	1,933,006
-	-	897,557
-	-	4,704,846
-	-	16,569
-	-	(368,682)
<u>-</u>	<u>-</u>	<u>7,183,296</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,387,928</u>

City of Marshall, Minnesota  
 Nonmajor Capital Projects Funds  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued on Following Pages)  
 For the Year Ended December 31, 2018

	103	260	401	413	423	428
	Municipal State Aid	Marshall Industrial Park	Capital Equipment	SMASC Ball Parks	Park Improvements	Saratoga/ Highway 23
<b>Revenues</b>						
Property taxes	\$ -	\$ -	\$ 346,042	\$ -	\$ -	\$ -
Franchise taxes	-	-	40,892	-	-	-
Intergovernmental						
State grants	21,158	-	630,637	-	-	-
Special assessments	-	-	-	-	-	-
Investment earnings	1,668	4,664	8,910	720	25	-
Miscellaneous						
Rents	-	-	-	-	-	-
Contributions and donations	-	-	15,500	-	63,772	-
Refunds and reimbursements	-	-	10,547	40,020	-	-
Total Revenues	<u>22,826</u>	<u>4,664</u>	<u>1,052,528</u>	<u>40,740</u>	<u>63,797</u>	<u>-</u>
<b>Expenditures</b>						
Current						
General government	-	-	-	-	-	-
Public works	-	3,658	-	-	-	-
Culture and recreation	-	-	-	-	11,505	-
Capital outlay						
General government	-	-	54,530	-	-	-
Public safety	-	-	40,128	-	-	-
Public works	9,742	-	1,843	-	-	27,525
Culture and recreation	-	-	177,299	24,785	-	-
Airport	-	-	683,548	-	-	-
Debt service						
Principal	-	-	-	95,404	-	-
Interest and other	-	-	-	825	-	-
Bond issuance costs	-	-	764	-	-	-
Total Expenditures	<u>9,742</u>	<u>3,658</u>	<u>958,112</u>	<u>121,014</u>	<u>11,505</u>	<u>27,525</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>13,084</u>	<u>1,006</u>	<u>94,416</u>	<u>(80,274)</u>	<u>52,292</u>	<u>(27,525)</u>
<b>Other Financing Sources (Uses)</b>						
Sale of capital assets	-	-	35,000	-	-	-
Transfers in	-	-	2,640	972,718	46,544	-
Bonds issued	-	-	35,000	-	-	-
Premium on bonds issued	-	-	2,441	-	-	-
Transfers out	(27,105)	-	(139,971)	-	-	-
Total Other Financing Sources (Uses)	<u>(27,105)</u>	<u>-</u>	<u>(64,890)</u>	<u>972,718</u>	<u>46,544</u>	<u>-</u>
Net Change in Fund Balances	(14,021)	1,006	29,526	892,444	98,836	(27,525)
Fund Balances, January 1	<u>527,083</u>	<u>1,528,200</u>	<u>743,297</u>	<u>(1,261,126)</u>	<u>66,088</u>	<u>642,924</u>
Fund Balances, December 31	<u>\$ 513,062</u>	<u>\$ 1,529,206</u>	<u>\$ 772,823</u>	<u>\$ (368,682)</u>	<u>\$ 164,924</u>	<u>\$ 615,399</u>

452	453	454	455	456	457	459	460	461
2011 Public Improvements	2011 Improvements	2012 Public Improvements	2013 Merit Center	2013 Amateur Sports Center	2013 Public Improvements	2015 Public Improvements	East Wind Star Street Project	2016 Public Improvements
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	4	-	-	-	3,695	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	4	-	-	-	3,695	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	11,385	-	-	-	-	-
-	-	-	-	206,093	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	11,385	206,093	-	-	-	-
-	-	4	(11,385)	(206,093)	-	3,695	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	96,592	90,373	-	38,669
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
(201,181)	(67,791)	(222,197)	(972,718)	-	-	-	(18,786)	-
(201,181)	(67,791)	(222,197)	(972,718)	-	96,592	90,373	(18,786)	38,669
(201,181)	(67,791)	(222,193)	(984,103)	(206,093)	96,592	94,068	(18,786)	38,669
201,181	67,791	222,193	984,103	2,269,505	(96,592)	(94,068)	18,786	(38,669)
\$ -	\$ -	\$ -	\$ -	\$ 2,063,412	\$ -	\$ -	\$ -	\$ -

City of Marshall, Minnesota  
 Nonmajor Capital Projects Funds  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)  
 For the Year Ended December 31, 2018

	<b>493</b>	<b>494</b>	<b>495</b>	<b>496</b>
	MERIT Track Expansion	City Hall Building	Public Improvement Revolving	2007 Public Improvements
Revenues				
Property taxes	\$ -	\$ -	\$ 252	\$ -
Franchise taxes	-	-	-	-
Intergovernmental				
State grants	94,124	-	-	-
Special assessments	-	-	259,901	-
Investment earnings	-	-	5,101	-
Miscellaneous				
Rents	-	-	8,800	-
Contributions and donations	-	-	-	-
Refunds and reimbursements	-	-	-	-
Total Revenues	<u>94,124</u>	<u>-</u>	<u>274,054</u>	<u>-</u>
Expenditures				
Current				
General government	-	-	8,559	-
Public works	-	-	1,889	-
Culture and recreation	-	-	-	-
Capital outlay				
General government	-	36,390	40,323	-
Public safety	94,124	-	-	-
Public works	-	-	131	-
Culture and recreation	-	-	8,689	-
Airport	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Bond issuance costs	-	-	-	-
Total Expenditures	<u>94,124</u>	<u>36,390</u>	<u>59,591</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(36,390)</u>	<u>214,463</u>	<u>-</u>
Other Financing Sources (Uses)				
Sale of capital assets	-	-	-	-
Transfers in	-	750,000	1,239,667	94,017
Bonds issued	-	-	-	-
Premium on bonds issued	-	-	-	-
Transfers out	-	-	(770,552)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>750,000</u>	<u>469,115</u>	<u>94,017</u>
Net Change in Fund Balances	-	713,610	683,578	94,017
Fund Balances, January 1	<u>-</u>	<u>-</u>	<u>495,964</u>	<u>(94,017)</u>
Fund Balances, December 31	<u>\$ -</u>	<u>\$ 713,610</u>	<u>\$ 1,179,542</u>	<u>\$ -</u>

<b>497</b>	<b>499</b>	
2008 Public Improvements	2010 Public Improvements	Total
\$ -	\$ -	\$ 346,294
-	-	40,892
-	-	745,919
-	-	259,901
-	1,241	26,028
-	-	8,800
-	-	79,272
-	-	50,567
<u>-</u>	<u>1,241</u>	<u>1,557,673</u>
-	-	8,559
-	-	5,547
-	-	11,505
-	-	131,243
-	-	145,637
-	100	39,341
-	-	416,866
-	-	683,548
-	-	95,404
-	-	825
-	-	764
<u>-</u>	<u>100</u>	<u>1,539,239</u>
<u>-</u>	<u>1,141</u>	<u>18,434</u>
-	-	35,000
90,488	-	3,421,708
-	-	35,000
-	-	2,441
<u>-</u>	<u>(1,107,944)</u>	<u>(3,528,245)</u>
<u>90,488</u>	<u>(1,107,944)</u>	<u>(34,096)</u>
90,488	(1,106,803)	(15,662)
<u>(90,488)</u>	<u>1,106,803</u>	<u>7,198,958</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,183,296</u>

City of Marshall, Minnesota  
 General Fund  
 Comparative Balance Sheets  
 December 31, 2018 and 2017

	2018	2017
<b>Assets</b>		
Cash and temporary investments	\$ 7,862,622	\$ 7,605,258
Receivables		
Interest	7,463	2,423
Delinquent taxes	123,092	40,940
Accounts	121,417	108,426
Special assessments	1,207	15,035
Intergovernmental	141,968	152,268
Prepaid items	125,393	111,386
 <b>Total Assets</b>	<b>\$ 8,383,162</b>	<b>\$ 8,035,736</b>
<b>Liabilities</b>		
Accounts payable	\$ 196,211	\$ 133,251
Accrued salaries payable	155,971	136,501
Due to other governments	45,388	22
Due to other funds	153,601	153,601
Due to component unit	68,447	83,697
Unearned revenue	10,072	75,978
<b>Total Liabilities</b>	<b>629,690</b>	<b>583,050</b>
<b>Deferred Inflows of Resources</b>		
Unavailable revenue - taxes	123,092	40,940
Unavailable revenue - special assessments	1,207	15,035
<b>Total Deferred Inflows of Resources</b>	<b>124,299</b>	<b>55,975</b>
<b>Fund Balances</b>		
Nonspendable for		
Prepaid items	125,393	111,386
Assigned for		
Insurance reserve	119,295	125,280
Carryover expenditures	34,761	75,749
OPEB liability	465,660	311,237
Holiday decorations	-	500
Shelter	13,744	17,409
Operating expenditure contingency	641,733	596,447
Forfeiture program - police department	82,797	74,874
Unallocated health insurance premium	12,218	14,916
Unassigned	6,133,572	6,068,913
<b>Total Fund Balances</b>	<b>7,629,173</b>	<b>7,396,711</b>
 <b>Total Liabilities, Deferred Inflows of     Resources and Fund Balances</b>	<b>\$ 8,383,162</b>	<b>\$ 8,035,736</b>



City of Marshall, Minnesota  
 General Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Budget and Actual (Continued on the Following Pages)  
 For the Year Ended December 31, 2018  
 With Comparative Actual Amounts for the Year Ended December 31, 2017

	2018			Variance with Final Budget	2017
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Revenues					
Taxes					
Property taxes	\$ 4,537,041	\$ 4,537,041	\$ 4,489,992	\$ (47,049)	\$ 3,711,223
Lodging tax	165,000	165,000	173,183	8,183	180,731
Franchise fees	323,450	323,450	431,230	107,780	371,707
Total taxes	<u>5,025,491</u>	<u>5,025,491</u>	<u>5,094,405</u>	<u>68,914</u>	<u>4,263,661</u>
Special assessments	-	-	4,521	4,521	1,833
Licenses and permits					
Business	68,175	68,175	62,908	(5,267)	70,657
Nonbusiness	206,503	206,503	199,840	(6,663)	178,104
Total licenses and permits	<u>274,678</u>	<u>274,678</u>	<u>262,748</u>	<u>(11,930)</u>	<u>248,761</u>
Intergovernmental					
Federal					
Other Federal aid	-	-	2,080	2,080	152,898
State					
Local government aid	2,471,597	2,471,597	2,471,597	-	2,432,200
Property tax credits and aids	-	-	162	162	154
Airport grants	88,646	88,646	99,768	11,122	67,300
Other State aids	507,618	507,618	583,208	75,590	455,012
Total State	<u>3,067,861</u>	<u>3,067,861</u>	<u>3,154,735</u>	<u>86,874</u>	<u>2,954,666</u>
Local					
Other local grants	68,094	68,094	77,176	9,082	76,344
Total Intergovernmental	<u>3,135,955</u>	<u>3,135,955</u>	<u>3,233,991</u>	<u>98,036</u>	<u>3,183,908</u>
Charges for services					
General government	73,185	73,185	126,352	53,167	78,768
Public safety	83,708	83,708	107,006	23,298	74,295
Streets and highways	1,333,900	1,333,900	1,324,468	(9,432)	1,382,968
Culture and recreation	445,731	445,731	475,965	30,234	462,980
Miscellaneous	236,655	236,655	146,383	(90,272)	122,410
Total charges for services	<u>2,173,179</u>	<u>2,173,179</u>	<u>2,180,174</u>	<u>6,995</u>	<u>2,121,421</u>
Fines and forfeits	108,000	108,000	95,764	(12,236)	108,878
Investment earnings	30,000	30,000	85,294	55,294	25,627
Miscellaneous					
Contributions and donations	830,669	830,669	853,837	23,168	847,542
Refunds and reimbursements	157,738	157,738	291,941	134,203	202,997
Total miscellaneous	<u>988,407</u>	<u>988,407</u>	<u>1,145,778</u>	<u>157,371</u>	<u>1,050,539</u>
Total Revenues	<u>11,735,710</u>	<u>11,735,710</u>	<u>12,102,675</u>	<u>366,965</u>	<u>11,004,628</u>

City of Marshall, Minnesota  
 General Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Budget and Actual (Continued on the Following Pages)  
 For the Year Ended December 31, 2018  
 With Comparative Actual Amounts for the Year Ended December 31, 2017

	2018			Variance with Final Budget	2017
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
Other general government					
Personal services	\$ 53,489	\$ 53,489	\$ 51,920	\$ 1,569	\$ 50,007
Supplies	20,000	20,000	69,533	(49,533)	13,623
Other services and charges	724,669	724,669	732,607	(7,938)	160,605
Total other general government	<u>798,158</u>	<u>798,158</u>	<u>854,060</u>	<u>(55,902)</u>	<u>224,235</u>
Cable commission					
Personal services	161,219	161,219	158,420	2,799	125,245
Supplies	8,300	8,300	5,879	2,421	6,780
Other services and charges	11,686	11,686	9,608	2,078	10,961
Total cable commission	<u>181,205</u>	<u>181,205</u>	<u>173,907</u>	<u>7,298</u>	<u>142,986</u>
Administration					
Personal services	524,568	524,568	510,400	14,168	563,608
Supplies	18,250	18,250	11,806	6,444	5,838
Other services and charges	40,923	40,923	38,049	2,874	22,067
Total administration	<u>583,741</u>	<u>583,741</u>	<u>560,255</u>	<u>23,486</u>	<u>591,513</u>
Finance director/clerk/treasurer					
Personal services	291,656	291,656	292,660	(1,004)	267,605
Supplies	3,500	3,500	1,715	1,785	3,263
Other services and charges	11,059	11,059	28,671	(17,612)	21,721
Total finance director/ clerk/treasurer	<u>306,215</u>	<u>306,215</u>	<u>323,046</u>	<u>(16,831)</u>	<u>292,589</u>
Appraising and assessing					
Personal services	289,823	289,823	290,586	(763)	269,536
Supplies	2,500	2,500	666	1,834	5,667
Other services and charges	15,071	15,071	14,485	586	31,416
Total appraising and assessing	<u>307,394</u>	<u>307,394</u>	<u>305,737</u>	<u>1,657</u>	<u>306,619</u>
Legal					
Supplies	500	500	36	464	448
Other services and charges	125,720	125,720	124,064	1,656	120,177
Total legal	<u>126,220</u>	<u>126,220</u>	<u>124,100</u>	<u>2,120</u>	<u>120,625</u>

City of Marshall, Minnesota  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual (Continued)  
For the Year Ended December 31, 2018  
With Comparative Actual Amounts for the Year Ended December 31, 2017

	2018				2017
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Community development					
Supplies	\$ -	\$ -	\$ -	\$ -	\$ 481
Other services and charges	153,550	153,550	168,651	(15,101)	187,704
Total community development	153,550	153,550	168,651	(15,101)	188,185
Municipal building					
Personal services	199,199	199,199	198,993	206	193,655
Supplies	25,900	25,900	24,751	1,149	19,124
Other services and charges	61,690	61,690	53,711	7,979	54,995
Total municipal building	286,789	286,789	277,455	9,334	267,774
Safety committee					
Supplies	1,200	1,200	584	616	1,287
Other services and charges	18,876	18,876	14,811	4,065	11,865
Total safety committee	20,076	20,076	15,395	4,681	13,152
Data processing					
Supplies	33,100	33,100	26,539	6,561	24,226
Other services and charges	157,655	157,655	101,853	55,802	97,262
Total data processing	190,755	190,755	128,392	62,363	121,488
Duplication					
Supplies	3,072	3,072	1,503	1,569	3,564
Other services and supplies	17,726	17,726	16,936	790	17,023
Total duplication	20,798	20,798	18,439	2,359	20,587
Motor pool					
Supplies	5,250	5,250	2,403	2,847	2,625
Other services and supplies	1,161	1,161	429	732	755
Total motor pool	6,411	6,411	2,832	3,579	3,380
Transit operation					
Other services and charges	32,400	32,400	31,985	415	-
Adult community center					
Personal services	132,458	132,458	133,588	(1,130)	125,807
Supplies	22,786	22,786	20,723	2,063	13,466
Other services and charges	16,385	16,385	15,869	516	15,580
Total adult community center	171,629	171,629	170,180	1,449	154,853
Total general government	3,185,341	3,185,341	3,154,434	30,907	2,447,986

City of Marshall, Minnesota  
 General Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Budget and Actual (Continued)  
 For the Year Ended December 31, 2018  
 With Comparative Actual Amounts for the Year Ended December 31, 2017

	2018			Variance with Final Budget	2017
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public safety					
Police					
Personal services	\$ 2,565,644	\$ 2,565,644	\$ 2,557,077	\$ 8,567	\$ 2,405,876
Supplies	103,282	103,282	111,783	(8,501)	74,893
Other services and charges	279,908	279,908	282,741	(2,833)	274,838
Total police	<u>2,948,834</u>	<u>2,948,834</u>	<u>2,951,601</u>	<u>(2,767)</u>	<u>2,755,607</u>
Chemical assessment					
Personal services	27,891	27,891	30,236	(2,345)	32,345
Supplies	13,139	13,139	14,493	(1,354)	10,690
Other services and charges	18,907	18,907	13,168	5,739	18,790
Total chemical assessment	<u>59,937</u>	<u>59,937</u>	<u>57,897</u>	<u>2,040</u>	<u>61,825</u>
Fire					
Personal services	218,386	218,386	218,078	308	184,126
Supplies	87,565	87,565	105,621	(18,056)	102,928
Other services and charges	317,865	317,865	321,782	(3,917)	356,236
Total fire	<u>623,816</u>	<u>623,816</u>	<u>645,481</u>	<u>(21,665)</u>	<u>643,290</u>
Emergency management					
Supplies	3,000	3,000	1,381	1,619	4,406
Other services and charges	8,575	8,575	5,940	2,635	5,325
Total emergency management	<u>11,575</u>	<u>11,575</u>	<u>7,321</u>	<u>4,254</u>	<u>9,731</u>
Animal control					
Personal services	27,911	27,911	22,522	5,389	24,404
Supplies	2,100	2,100	1,394	706	587
Other services and charges	8,756	8,756	5,557	3,199	5,838
Total animal control	<u>38,767</u>	<u>38,767</u>	<u>29,473</u>	<u>9,294</u>	<u>30,829</u>
Total public safety	<u>3,682,929</u>	<u>3,682,929</u>	<u>3,691,773</u>	<u>(8,844)</u>	<u>3,501,282</u>
Public works					
Street maintenance					
Personal services	175	175	59,752	(59,577)	71,359
Supplies	18,750	18,750	15,626	3,124	11,626
Other services and charges	242,375	242,375	234,219	8,156	242,625
Total street maintenance	<u>261,300</u>	<u>261,300</u>	<u>309,597</u>	<u>(48,297)</u>	<u>325,610</u>

City of Marshall, Minnesota  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual (Continued)  
For the Year Ended December 31, 2018  
With Comparative Actual Amounts for the Year Ended December 31, 2017

	2018				2017
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public works (continued)					
Engineering					
Personal services	\$ 766,255	\$ 766,255	\$ 792,460	\$ (26,205)	\$ 689,736
Supplies	14,800	14,800	11,085	3,715	8,784
Other services and charges	57,865	57,865	33,234	24,631	37,664
Total engineering	<u>838,920</u>	<u>838,920</u>	<u>836,779</u>	<u>2,141</u>	<u>736,184</u>
Building inspection and zoning					
Personal services	372,454	372,454	379,008	(6,554)	366,358
Supplies	9,600	9,600	9,422	178	7,415
Other services and charges	28,200	28,200	30,339	(2,139)	27,522
Total building inspection and zoning	<u>410,254</u>	<u>410,254</u>	<u>418,769</u>	<u>(8,515)</u>	<u>401,295</u>
Street administration					
Personal services	888,040	888,040	841,430	46,610	758,536
Supplies	463,213	463,213	541,003	(77,790)	401,745
Other services and charges	65,633	65,633	105,994	(40,361)	61,592
Total street administration	<u>1,416,886</u>	<u>1,416,886</u>	<u>1,488,427</u>	<u>(71,541)</u>	<u>1,221,873</u>
Total public works	<u>2,927,360</u>	<u>2,927,360</u>	<u>3,053,572</u>	<u>(126,212)</u>	<u>2,684,962</u>
Culture and recreation					
Park maintenance and development					
Personal services	425,218	425,218	426,326	(1,108)	361,292
Supplies	287,225	287,225	249,622	37,603	180,390
Other services	92,163	92,163	74,316	17,847	89,148
Total parks and recreation	<u>804,606</u>	<u>804,606</u>	<u>750,264</u>	<u>54,342</u>	<u>630,830</u>
Aquatic center					
Personal services	116,329	116,329	100,607	15,722	92,587
Supplies	77,600	77,600	85,821	(8,221)	66,441
Other services and charges	89,564	89,564	44,413	45,151	58,926
Total aquatic center	<u>283,493</u>	<u>283,493</u>	<u>230,841</u>	<u>52,652</u>	<u>217,954</u>
Municipal band					
Personal services	10,815	10,815	9,285	1,530	10,494
Supplies	400	400	1,586	(1,186)	259
Other services and charges	208	208	201	7	202
Total municipal band	<u>11,423</u>	<u>11,423</u>	<u>11,072</u>	<u>351</u>	<u>10,955</u>

City of Marshall, Minnesota  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual (Continued)  
For the Year Ended December 31, 2018  
With Comparative Actual Amounts for the Year Ended December 31, 2017

	2018				2017
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Culture and recreation (continued)					
Community services administration					
Personal services	\$ 295,914	\$ 295,914	\$ 288,115	\$ 7,799	\$ 271,921
Supplies	17,995	17,995	7,382	10,613	18,842
Other services and charges	49,662	49,662	39,362	10,300	44,567
Total community services administration	363,571	363,571	334,859	28,712	335,330
Youth development					
Personal services	17,465	17,465	8,867	8,598	11,542
Supplies	2,400	2,400	1,300	1,100	1,166
Other services and charges	8,536	8,536	8,526	10	8,588
Total youth development	28,401	28,401	18,693	9,708	21,296
Community services - general					
Personal services	1,146	1,146	-	1,146	639
Supplies	15,400	15,400	14,068	1,332	13,692
Other services and charges	996	996	715	281	963
Total community services - general	17,542	17,542	14,783	2,759	15,294
Summer education					
Personal services	63,212	63,212	55,226	7,986	60,818
Supplies	3,200	3,200	1,072	2,128	2,054
Other services and charges	5,670	5,670	2,601	3,069	3,378
Total summer education	72,082	72,082	58,899	13,183	66,250
Fall education					
Personal services	49,286	49,286	36,074	13,212	43,038
Supplies	8,500	8,500	3,875	4,625	4,372
Other services and charges	5,370	5,370	5,838	(468)	7,273
Total fall education	63,156	63,156	45,787	17,369	54,683
Winter education					
Personal services	56,114	56,114	62,421	(6,307)	50,115
Supplies	3,200	3,200	3,268	(68)	4,133
Other services and charges	5,920	5,920	6,718	(798)	4,005
Total winter education	65,234	65,234	72,407	(7,173)	58,253
Summer recreation					
Personal services	64,965	64,965	56,358	8,607	60,853
Supplies	27,500	27,500	21,319	6,181	19,828
Other services and charges	9,895	9,895	18,440	(8,545)	10,220
Total summer recreation	102,360	102,360	96,117	6,243	90,901

City of Marshall, Minnesota  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual (Continued)  
For the Year Ended December 31, 2018  
With Comparative Actual Amounts for the Year Ended December 31, 2017

	2018				2017
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Culture and recreation (continued)					
Fall recreation					
Personal services	\$ 47,223	\$ 47,223	\$ 38,182	\$ 9,041	\$ 41,632
Supplies	7,500	7,500	8,568	(1,068)	9,914
Other services and charges	770	770	5,823	(5,053)	1,283
Total fall recreation	<u>55,493</u>	<u>55,493</u>	<u>52,573</u>	<u>2,920</u>	<u>52,829</u>
Winter recreation					
Personal services	49,588	49,588	62,467	(12,879)	54,845
Supplies	8,700	8,700	8,716	(16)	9,609
Other services and charges	11,570	11,570	7,724	3,846	9,730
Total winter recreation	<u>69,858</u>	<u>69,858</u>	<u>78,907</u>	<u>(9,049)</u>	<u>74,184</u>
Total culture and recreation	<u>1,937,219</u>	<u>1,937,219</u>	<u>1,765,202</u>	<u>172,017</u>	<u>1,628,759</u>
Airport					
Personal services	201,438	201,438	215,592	(14,154)	178,609
Supplies	69,830	69,830	86,215	(16,385)	58,280
Other services and charges	158,708	158,708	149,825	8,883	256,202
Total airport	<u>429,976</u>	<u>429,976</u>	<u>451,632</u>	<u>(21,656)</u>	<u>493,091</u>
Total current	<u>12,162,825</u>	<u>12,162,825</u>	<u>12,116,613</u>	<u>46,212</u>	<u>10,756,080</u>
Capital outlay					
Public safety	-	-	80,101	(80,101)	-
Culture and recreation	-	-	5,764	(5,764)	-
Total capital outlay	<u>-</u>	<u>-</u>	<u>85,865</u>	<u>(85,865)</u>	<u>-</u>
Total Expenditures	<u>12,162,825</u>	<u>12,162,825</u>	<u>12,202,478</u>	<u>(39,653)</u>	<u>10,756,080</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(427,115)</u>	<u>(427,115)</u>	<u>(99,803)</u>	<u>327,312</u>	<u>248,548</u>
Other Financing Sources (Uses)					
Sale of capital assets	30,000	30,000	5,160	(24,840)	29,945
Transfers in	327,105	327,105	327,105	-	252,105
Total Other Financing Sources (Uses)	<u>357,105</u>	<u>357,105</u>	<u>332,265</u>	<u>(24,840)</u>	<u>282,050</u>
Net Change in Fund Balances	(70,010)	(70,010)	232,462	302,472	530,598
Fund Balances, January 1	<u>7,396,711</u>	<u>7,396,711</u>	<u>7,396,711</u>	<u>-</u>	<u>6,866,113</u>
Fund Balances, December 31	<u>\$ 7,326,701</u>	<u>\$ 7,326,701</u>	<u>\$ 7,629,173</u>	<u>\$ 302,472</u>	<u>\$ 7,396,711</u>

City of Marshall, Minnesota  
Debt Service Funds  
Combining Balance Sheet (Continued on the Following Pages)  
December 31, 2018

	<b>317</b>	<b>322</b>	<b>325</b>	<b>359</b>	<b>360</b>	<b>361</b>	<b>362</b>
	2008 G.O. Equipment Certificates	2014B MERIT / SMASC	2015A Bond	2015 Public Improvement Bonds	2016B G.O. Various Purpose Bonds	2002A Revenue Tax Increment Bonds	2017A Public Improvement Bonds
<b>Assets</b>							
Cash and temporary investments	\$ -	\$ 14,795	\$ 50,702	\$ 88,206	\$ 526,439	\$ -	\$ 147,756
Receivables							
Taxes	-	-	1,408	1,215	5,503	-	1,575
Special assessments							
Delinquent	-	-	-	1,887	2,058	-	-
Noncurrent	-	-	-	379,874	422,887	-	-
Intergovernmental	-	-	361	490	4,669	-	945
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 14,795</b>	<b>\$ 52,471</b>	<b>\$ 471,672</b>	<b>\$ 961,556</b>	<b>\$ -</b>	<b>\$ 150,276</b>
<b>Liabilities</b>							
Accounts payable	\$ -	\$ -	\$ 500	\$ -	\$ -	\$ -	\$ -
<b>Deferred Inflows of Resources</b>							
Unavailable revenue - taxes	-	-	1,408	1,215	5,503	-	1,575
Unavailable revenue - special assessments	-	-	-	381,761	424,945	-	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>1,408</b>	<b>382,976</b>	<b>430,448</b>	<b>-</b>	<b>1,575</b>
<b>Fund Balances</b>							
Restricted for							
Debt service	-	14,795	50,563	88,696	531,108	-	148,701
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ -</b>	<b>\$ 14,795</b>	<b>\$ 52,471</b>	<b>\$ 471,672</b>	<b>\$ 961,556</b>	<b>\$ -</b>	<b>\$ 150,276</b>



<b>363</b>	<b>364</b>	<b>365</b>	<b>366</b>	<b>367</b>	<b>368</b>	<b>369</b>	<b>370</b>	<b>371</b>
2005A G.O. Various Purpose Bonds	2006B G.O. Utility and Improvement Bonds	2007 Public Improvement Bonds	2008 Public Improvement Bonds	2009 Public Improvement Bonds	2010 Public Improvement Bonds	2011 Public Improvement Bonds	2011A G.O. Tax Increment Bonds	2012A G.O. Tax Increment Bonds
\$ -	\$ -	\$ -	\$ 247,065	\$ -	\$ 1,244,654	\$ 144,625	\$ 677,879	\$ 639,011
-	-	-	256	-	991	2,525	22	3,009
-	-	-	476	-	90	1,084	-	3,172
-	-	-	315,324	-	539,864	66,062	26,917	667,460
-	-	-	287	-	6,439	650	9	2,513
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 563,408</u>	<u>\$ -</u>	<u>\$ 1,792,038</u>	<u>\$ 214,946</u>	<u>\$ 704,827</u>	<u>\$ 1,315,165</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
-	-	-	256	-	991	2,525	22	3,009
-	-	-	315,800	-	539,954	67,146	26,917	670,632
-	-	-	316,056	-	540,945	69,671	26,939	673,641
-	-	-	246,852	-	1,251,093	145,275	677,888	641,524
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 563,408</u>	<u>\$ -</u>	<u>\$ 1,792,038</u>	<u>\$ 214,946</u>	<u>\$ 704,827</u>	<u>\$ 1,315,165</u>

City of Marshall, Minnesota  
Debt Service Funds  
Combining Balance Sheet (Continued)  
December 31, 2018

	<b>372</b> 2013 Public Improvement Bonds	<b>373</b> 2014 Public Improvement Bonds	<b>374</b> 23 Pedestrian Bridge	<b>375</b> 2018A Improvement Bonds	<b>376</b> 2016 Tax Abatement Bonds	<b>377</b> 2017B Improvement Bonds
<b>Assets</b>						
Cash and temporary investments	\$ 698,047	\$ 125,820	\$ 80,131	\$ 471,433	\$ 118,146	\$ 535,982
Receivables						
Taxes	5,018	2,742	2,708	589	3,732	873
Special assessments						
Delinquent	2,006	537	-	-	-	-
Noncurrent	417,807	283,331	-	317,162	-	-
Intergovernmental	1,803	996	717	354	1,345	294
	<u>1,124,681</u>	<u>413,426</u>	<u>83,556</u>	<u>789,538</u>	<u>123,223</u>	<u>537,149</u>
<b>Total Assets</b>						
<b>Liabilities</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Deferred Inflows of Resources</b>						
Unavailable revenue - taxes	5,018	2,742	2,708	-	3,732	873
Unavailable revenue - special assessments	419,813	283,868	-	317,751	-	-
<b>Total Deferred Inflows of Resources</b>	<u>424,831</u>	<u>286,610</u>	<u>2,708</u>	<u>317,751</u>	<u>3,732</u>	<u>873</u>
<b>Fund Balances</b>						
Restricted for						
Debt service	699,850	126,816	80,848	471,787	119,491	536,276
	<u>699,850</u>	<u>126,816</u>	<u>80,848</u>	<u>471,787</u>	<u>119,491</u>	<u>536,276</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 1,124,681</u>	<u>\$ 413,426</u>	<u>\$ 83,556</u>	<u>\$ 789,538</u>	<u>\$ 123,223</u>	<u>\$ 537,149</u>

378	396	
2000B Improvement Bonds	2004C G.O. Tax Increment Refunding Bonds	Totals
\$ -	\$ -	\$ 5,810,691
-	-	32,166
-	-	11,310
-	-	3,436,688
-	-	21,872
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,312,727</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000</u>
-	-	31,577
-	-	3,448,587
-	-	3,480,164
-	-	5,831,563
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,312,727</u>

City of Marshall, Minnesota  
Debt Service Funds  
Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances (Continued on the Following Pages)  
For the Year Ended December 31, 2018

	317	322	325	359	360	361	362
	2008 G.O. Equipment Certificates	2014B MERIT / SMASC	2015A Bond	2015 Public Improvement Bonds	2016B G.O. Various Purpose Bonds	2002A Revenue Tax Increment Bonds	2017A Public Improvement Bonds
Revenues							
Taxes							
Property taxes	\$ 233	\$ -	\$ 50,372	\$ 51,967	\$ 264,249	\$ 23	\$ 132,122
Special assessments	-	-	-	67,050	89,912	-	-
Investment earnings	-	68	-	396	58	263	-
Contributions and donations	-	-	-	-	-	-	-
Total Revenues	<u>233</u>	<u>68</u>	<u>50,372</u>	<u>119,413</u>	<u>354,219</u>	<u>286</u>	<u>132,122</u>
Expenditures							
Debt service							
Principal	85,000	915,000	40,000	110,000	325,000	-	-
Interest and other	3,242	542,869	9,979	24,389	41,314	-	35,966
Total Expenditures	<u>88,242</u>	<u>1,457,869</u>	<u>49,979</u>	<u>134,389</u>	<u>366,314</u>	<u>-</u>	<u>35,966</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(88,009)</u>	<u>(1,457,801)</u>	<u>393</u>	<u>(14,976)</u>	<u>(12,095)</u>	<u>286</u>	<u>96,156</u>
Other Financing Sources							
Transfers in	-	1,457,969	-	-	136,191	-	3,781
Transfers out	(2,640)	-	-	-	-	(118,965)	-
Total Other Financing Sources (Uses)	<u>(2,640)</u>	<u>1,457,969</u>	<u>-</u>	<u>-</u>	<u>136,191</u>	<u>(118,965)</u>	<u>3,781</u>
Net Change in Fund Balances	(90,649)	168	393	(14,976)	124,096	(118,679)	99,937
Fund Balances, January 1	<u>90,649</u>	<u>14,627</u>	<u>50,170</u>	<u>103,672</u>	<u>407,012</u>	<u>118,679</u>	<u>48,764</u>
Fund Balances, December 31	<u>\$ -</u>	<u>\$ 14,795</u>	<u>\$ 50,563</u>	<u>\$ 88,696</u>	<u>\$ 531,108</u>	<u>\$ -</u>	<u>\$ 148,701</u>

<b>363</b>	<b>364</b>	<b>365</b>	<b>366</b>	<b>367</b>	<b>368</b>	<b>369</b>	<b>370</b>	<b>371</b>
2005A G.O. Various Purpose Bonds	2006B G.O. Utility and Improvement Bonds	2007 Public Improvement Bonds	2008 Public Improvement Bonds	2009 Public Improvement Bonds	2010 Public Improvement Bonds	2011 Public Improvement Bonds	2011A G.O. Tax Increment Bonds	2012A G.O. Tax Increment Bonds
\$ 15	\$ 8	\$ 25	\$ 14	\$ (1)	\$ 39,327	\$ 88,505	\$ 81	\$ 84,285
-	-	320	99,192	82,754	205,783	29,775	8,075	178,632
1,013	80	-	750	1,386	2,424	31	2,781	1,113
-	-	-	-	-	-	-	-	-
<u>1,028</u>	<u>88</u>	<u>345</u>	<u>99,956</u>	<u>84,139</u>	<u>247,534</u>	<u>118,311</u>	<u>10,937</u>	<u>264,030</u>
-	-	-	180,000	-	315,000	115,000	155,000	265,000
-	-	-	12,390	-	27,784	26,048	21,057	31,114
-	-	-	<u>192,390</u>	-	<u>342,784</u>	<u>141,048</u>	<u>176,057</u>	<u>296,114</u>
<u>1,028</u>	<u>88</u>	<u>345</u>	<u>(92,434)</u>	<u>84,139</u>	<u>(95,250)</u>	<u>(22,737)</u>	<u>(165,120)</u>	<u>(32,084)</u>
-	-	-	39,800	-	920,864	67,791	386,916	222,197
<u>(521,604)</u>	<u>(32,145)</u>	<u>(332,387)</u>	-	<u>(446,978)</u>	-	-	-	-
<u>(521,604)</u>	<u>(32,145)</u>	<u>(332,387)</u>	<u>39,800</u>	<u>(446,978)</u>	<u>920,864</u>	<u>67,791</u>	<u>386,916</u>	<u>222,197</u>
(520,576)	(32,057)	(332,042)	(52,634)	(362,839)	825,614	45,054	221,796	190,113
<u>520,576</u>	<u>32,057</u>	<u>332,042</u>	<u>299,486</u>	<u>362,839</u>	<u>425,479</u>	<u>100,221</u>	<u>456,092</u>	<u>451,411</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 246,852</u>	<u>\$ -</u>	<u>\$ 1,251,093</u>	<u>\$ 145,275</u>	<u>\$ 677,888</u>	<u>\$ 641,524</u>

City of Marshall, Minnesota  
Debt Service Funds  
Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances (Continued)  
For the Year Ended December 31, 2018

	<b>372</b> 2013 Public Improvement Bonds	<b>373</b> 2014 Public Improvement Bonds	<b>374</b> 23 Pedestrian Bridge	<b>375</b> 2018A Improvement Bonds	<b>376</b> 2016 Tax Abatement Bonds	<b>377</b> 2017B Improvement Bonds
<b>Revenues</b>						
Taxes						
Property taxes	\$ 192,113	\$ 36,850	\$ 99,500	\$ 49,438	\$ 188,870	\$ 41,021
Special assessments	93,663	63,720	-	422,404	-	-
Investment earnings	2,138	488	-	141	-	1,509
Contributions and donations	-	-	-	-	-	500,000
<b>Total Revenues</b>	<u>287,914</u>	<u>101,058</u>	<u>99,500</u>	<u>471,983</u>	<u>188,870</u>	<u>542,530</u>
<b>Expenditures</b>						
Debt service						
Principal	365,000	235,000	60,000	-	115,000	-
Interest and other	68,850	37,657	31,770	196	68,700	61,349
<b>Total Expenditures</b>	<u>433,850</u>	<u>272,657</u>	<u>91,770</u>	<u>196</u>	<u>183,700</u>	<u>61,349</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(145,936)</u>	<u>(171,599)</u>	<u>7,730</u>	<u>471,787</u>	<u>5,170</u>	<u>481,181</u>
<b>Other Financing Sources</b>						
Transfers in	205,249	18,786	-	-	-	55,095
Transfers out	-	-	-	-	-	-
<b>Total Other Financing     Sources (Uses)</b>	<u>205,249</u>	<u>18,786</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,095</u>
<b>Net Change in Fund Balances</b>	59,313	(152,813)	7,730	471,787	5,170	536,276
<b>Fund Balances, January 1</b>	<u>640,537</u>	<u>279,629</u>	<u>73,118</u>	<u>-</u>	<u>114,321</u>	<u>-</u>
<b>Fund Balances, December 31</b>	<u>\$ 699,850</u>	<u>\$ 126,816</u>	<u>\$ 80,848</u>	<u>\$ 471,787</u>	<u>\$ 119,491</u>	<u>\$ 536,276</u>

378		396		
2000B		2004C G.O.		
Improvement		Tax Increment		Totals
Bonds		Refunding		
Bonds		Bonds		
\$	3	\$	-	\$ 1,319,020
	-		-	1,341,280
	1		49	14,689
	-		-	500,000
	<u>4</u>		<u>49</u>	<u>3,174,989</u>
	-		-	3,280,000
	-		-	1,044,674
	-		-	<u>4,324,674</u>
	4		49	(1,149,685)
	-		-	3,514,639
	(570)		(19,105)	(1,474,394)
	(570)		(19,105)	2,040,245
	(566)		(19,056)	890,560
	566		19,056	4,941,003
<u>\$</u>	<u>-</u>	<u>\$</u>	<u>-</u>	<u>\$ 5,831,563</u>

City of Marshall, Minnesota  
Economic Development Authority Funds  
Combining Balance Sheet/Net Position  
December 31, 2018

	<b>204/208</b> Economic Development Authority	<b>205/206/207/209</b> EDA Parkway Housing Fund	<b>212</b> State EDA CRIF
<b>Assets</b>			
Cash and temporary investments	\$ 611,359	\$ 342,224	\$ -
Receivables			
Interest	1,932	-	-
Delinquent taxes	3,370	-	-
Notes/leases	-	233,714	-
Intergovernmental	904	-	-
Prepaid items	124	-	-
Land held for resale	-	1,110,455	-
	<u>617,689</u>	<u>1,686,393</u>	<u>-</u>
Total Assets	<u>\$ 617,689</u>	<u>\$ 1,686,393</u>	<u>\$ -</u>
<b>Liabilities</b>			
Accounts payable	\$ 1,410	\$ 43,120	\$ -
Due to primary government	-	317,090	-
Total Liabilities	<u>1,410</u>	<u>360,210</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - taxes	3,370	-	-
	<u>3,370</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>			
Nonspendable			
Prepaid items	124	-	-
Land held for resale	-	1,110,455	-
Restricted for			
Economic development	-	-	-
Assigned for			
Economic development	612,785	215,728	-
Total Fund Balances	<u>612,909</u>	<u>1,326,183</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 617,689</u>	<u>\$ 1,686,393</u>	<u>\$ -</u>

Amounts reported for EDA activities in the statement of net position are different because

Total Fund Balances - EDA Funds

Capital assets used in EDA activities are not financial resources and therefore are not reported as assets in the funds.

Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.

Delinquent property taxes receivable

Total Net Position - EDA Activities



<b>213</b>	<b>214</b>	
Federal EDA CRIF	EDA Revolving	Total
\$ 29,828	\$ 255,260	\$ 1,238,671
-	-	1,932
-	-	3,370
143,424	-	377,138
-	-	904
-	-	124
-	-	1,110,455
<u>\$ 173,252</u>	<u>\$ 255,260</u>	<u>\$ 2,732,594</u>
\$ -	\$ -	\$ 44,530
-	-	317,090
-	-	361,620
-	-	3,370
-	-	124
-	-	1,110,455
173,252	255,260	428,512
-	-	828,513
<u>173,252</u>	<u>255,260</u>	<u>2,367,604</u>
<u>\$ 173,252</u>	<u>\$ 255,260</u>	<u>\$ 2,732,594</u>
		\$ 2,367,604
		6,299
		<u>3,370</u>
		<u>\$ 2,377,273</u>

City of Marshall, Minnesota  
Economic Development Authority Funds  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances/Net Position  
For the Year Ended December 31, 2018

	<b>204/208</b>	<b>205/206/207/209</b>	<b>212</b>
	Economic Development Authority	EDA Parkway Housing	State EDA CRIF
Revenues			
Taxes			
Property taxes	\$ 118,771	\$ -	\$ -
Intergovernmental	-	21,746	-
Investment earnings	13,315	-	28
Miscellaneous			
Rents	-	10,051	-
Refunds and reimbursements	2,758	-	-
Total Revenues	<u>134,844</u>	<u>31,797</u>	<u>28</u>
Expenditures			
Current			
Economic development	<u>147,092</u>	<u>24,067</u>	<u>63,260</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(12,248)	7,730	(63,232)
Other Financing Sources			
Transfers in	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>(253,039)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(253,039)</u>
Net Change in Fund Balances	(12,248)	7,730	(316,271)
Fund Balances, January 1	<u>625,157</u>	<u>1,318,453</u>	<u>316,271</u>
Fund Balances, December 31	<u>\$ 612,909</u>	<u>\$ 1,326,183</u>	<u>\$ -</u>

Amounts reported for EDA activities in the statement of activities are different because

Net Change in Fund Balances - EDA Funds

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

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

Property taxes

Change in Net Position - EDA Activities

<b>213</b>	<b>214</b>	
Federal EDA CRIF	EDA Revolving	Total
\$ -	\$ -	\$ 118,771
-	-	21,746
6,044	2,229	21,616
-	-	10,051
-	-	2,758
<u>6,044</u>	<u>2,229</u>	<u>174,942</u>
 <u>789,976</u>	 <u>8</u>	 <u>1,024,403</u>
 (783,932)	 2,221	 (849,461)
-	253,039	253,039
-	-	(253,039)
<u>-</u>	<u>253,039</u>	<u>-</u>
 (783,932)	 255,260	 (849,461)
<u>957,184</u>	<u>-</u>	<u>3,217,065</u>
<u>\$ 173,252</u>	<u>\$ 255,260</u>	<u>\$ 2,367,604</u>
		 \$ (849,461)
		 (646)
		 <u>2,008</u>
		<u><u>\$ (848,099)</u></u>

City of Marshall, Minnesota  
 Economic Development Authority Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Budget and Actual  
 For the Year Ended December 31, 2018  
 With Comparative Actual Amounts for the Year Ended December 31, 2017

	2018			Variance with Final Budget	2017
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			Amounts
Revenues					
Taxes					
Property taxes	\$ 120,000	\$ 120,000	\$ 118,771	\$ (1,229)	\$ 118,143
Investment Earnings	2,500	2,500	13,315	10,815	5,582
Miscellaneous					
Refunds and reimbursements	3,500	3,500	2,758	(742)	4,050
Total Revenues	<u>126,000</u>	<u>126,000</u>	<u>134,844</u>	<u>8,844</u>	<u>127,775</u>
Expenditures					
Current					
Economic development					
Supplies	4,800	4,800	3,898	902	-
Other services and charges	131,977	131,977	143,194	(11,217)	198,838
Total Expenditures	<u>136,777</u>	<u>136,777</u>	<u>147,092</u>	<u>(10,315)</u>	<u>198,838</u>
Net Change in Fund Balances	(10,777)	(10,777)	(12,248)	(1,471)	(71,063)
Fund Balances, January 1	<u>625,157</u>	<u>625,157</u>	<u>625,157</u>	<u>-</u>	<u>696,220</u>
Fund Balances, December 31	<u>\$ 614,380</u>	<u>\$ 614,380</u>	<u>\$ 612,909</u>	<u>\$ (1,471)</u>	<u>\$ 625,157</u>

City of Marshall, Minnesota  
 EDA Parkway Housing Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Budget and Actual  
 For the Year Ended December 31, 2018  
 With Comparative Actual Amounts for the Year Ended December 31, 2017

	2018				2017
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Intergovernmental	\$ -	\$ -	\$ 21,746	\$ 21,746	\$ -
Miscellaneous					
Rents	10,051	10,051	10,051	-	12,564
Total Revenues	10,051	10,051	31,797	21,746	12,564
Expenditures					
Current					
Economic development					
Other services and charges	256	256	24,067	(23,811)	3,838
Excess (Deficiency) of Revenues Over (Under) Expenditures	9,795	9,795	7,730	(2,065)	8,726
Other Financing Sources					
Sale of capital assets	-	-	-	-	10,769
Net Change in Fund Balances	9,795	9,795	7,730	(2,065)	19,495
Fund Balances, January 1	1,318,453	1,318,453	1,318,453	-	1,298,958
Fund Balances, December 31	<u>\$ 1,328,248</u>	<u>\$ 1,328,248</u>	<u>\$ 1,326,183</u>	<u>\$ (2,065)</u>	<u>\$ 1,318,453</u>

City of Marshall, Minnesota  
Marshall-Lyon County Library Funds  
Combining Balance Sheet  
December 31, 2018

	211	321	
	Marshall - Lyon County Library	Marshall - Lyon County Library Debt	Totals
<b>Assets</b>			
Cash and temporary investments	\$ 330,148	\$ 116,582	\$ 446,730
Prepaid item	4,667	-	4,667
Receivables			
Interest	60	-	60
Delinquent taxes	-	1,232	1,232
Intergovernmental	-	311	311
Due from component unit	<u>5,936</u>	<u>-</u>	<u>5,936</u>
 Total Assets	 <u>\$ 340,811</u>	 <u>\$ 118,125</u>	 <u>\$ 458,936</u>
<b>Liabilities</b>			
Accounts payable	\$ 23,129	\$ -	\$ 23,129
Accrued salaries payable	10,341	-	10,341
Due to primary government	3,426	-	3,426
Due to other governments	547	-	547
Total Liabilities	<u>37,443</u>	<u>-</u>	<u>37,443</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - taxes	<u>-</u>	<u>1,232</u>	<u>1,232</u>
<b>Fund Balances</b>			
Restricted for			
Debt service	-	116,893	116,893
Assigned for			
Unearned revenue	24,494	-	24,494
Staff separation	76,051	-	76,051
Library materials	8,899	-	8,899
Emergency/unanticipated	86,955	-	86,955
Unassigned	<u>106,969</u>	<u>-</u>	<u>106,969</u>
Total Fund Balances	<u>303,368</u>	<u>116,893</u>	<u>420,261</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 <u>\$ 340,811</u>	 <u>\$ 118,125</u>	 <u>\$ 458,936</u>

City of Marshall, Minnesota  
 Marshall-Lyon County Library Funds  
 Reconciliation of the Balance Sheet to the Statement of Net Position  
 December 31, 2018

Amounts reported for governmental activities in the statement of net position are different because

Total Fund Balances from Above	\$ 420,261
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	5,935,694
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	
Other postemployment benefits obligation	(22,899)
Bonds payable	(565,000)
Unamortized bond premiums	(7,498)
Compensated absences payable	(91,255)
Pension liability	(440,624)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	1,232
Governmental funds to not report long-term amounts related to pensions and other postemployment benefits.	
Deferred outflows of pension resources	90,495
Deferred inflows of pension resources	(117,121)
Deferred outflows of other postemployment benefits	1,877
Governmental funds to not report a liability for accrued interest until due and payable.	(6,724)
Total Net Position	\$ 5,198,438

City of Marshall, Minnesota  
 Marshall-Lyon County Library Funds  
 Combining Schedule of Revenues, Expenditures and  
 Changes in Fund Balances/Net Position  
 For the Year Ended December 31, 2018

	<b>211</b>	<b>321</b>	
	Marshall - Lyon	Marshall - Lyon	
	County Library	County Library	Totals
		Debt	
Revenues			
Taxes			
Property taxes	\$ 6,497	\$ 40,510	\$ 47,007
Intergovernmental			
City of Marshall	612,109	31,806	643,915
Lyon County	318,328	-	318,328
Fines and fees	13,723	-	13,723
Investment earnings	1,154	229	1,383
Miscellaneous			
Contributions and donations	23,439	-	23,439
Refunds and reimbursements	271	-	271
Total Revenues	<u>975,521</u>	<u>72,545</u>	<u>1,048,066</u>
Expenditures			
Current			
Culture and recreation	962,673	-	962,673
Debt service			
Principal	-	60,000	60,000
Interest and other	-	17,638	17,638
Total Expenditures	<u>962,673</u>	<u>77,638</u>	<u>1,040,311</u>
Net Change in Fund Balances	12,848	(5,093)	7,755
Fund Balances, January 1	<u>290,520</u>	<u>121,986</u>	<u>412,506</u>
Fund Balances, December 31	<u>\$ 303,368</u>	<u>\$ 116,893</u>	<u>\$ 420,261</u>



City of Marshall, Minnesota  
 Marshall - Lyon County Library Funds  
 Reconciliation of the Statement of Revenues, Expenditures  
 and Changes in Fund Balances to the Statement of Activities  
 For the Year Ended December 31, 2018

Amounts reported for governmental activities in the statement of activities are different because

Net Change in Fund Balances from Previous Page	\$ 7,755
<p>Governmental 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.</p>	
Depreciation	(262,682)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>	
Principal repayments	60,000
Premium amortization	937
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the 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>	
	500
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	39,800
Direct aid contributions	3,368
<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	(5,791)
<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>	
Other postemployment benefits cost	(499)
Compensated absences	(8,464)
	(8,464)
Change in Net Position - Governmental Activities	\$ (165,076)

City of Marshall, Minnesota  
Marshall - Lyon County Library Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual  
For the Year Ended December 31, 2018  
With Comparative Actual Amounts for the Year Ended December 31, 2017

	2018				2017
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Taxes					
Property taxes	\$ -	\$ -	\$ 6,497	\$ 6,497	\$ 589,606
Intergovernmental					
City of Marshall	590,886	590,886	612,109	21,223	-
Lyon County	318,328	318,328	318,328	-	264,382
Fines and fees	12,800	12,800	13,723	923	14,491
Investment earnings	200	200	1,154	954	904
Miscellaneous					
Contributions and donations	7,000	7,000	23,439	16,439	30,761
Refunds and reimbursements	-	-	271	271	624
Total Revenues	<u>929,214</u>	<u>929,214</u>	<u>975,521</u>	<u>46,307</u>	<u>900,768</u>
Expenditures					
Current					
Culture and recreation					
Salaries	578,910	578,910	573,245	5,665	536,661
Insurance and pension	170,695	170,695	152,084	18,611	148,461
Supplies	7,500	7,500	22,985	(15,485)	16,878
Telephone	2,225	2,225	2,110	115	1,984
Postage	100	100	1,090	(990)	406
Travel, conferences, and workshops	1,500	1,500	1,025	475	1,102
Professional services	1,000	1,000	2,158	(1,158)	6,139
Repairs and maintenance	30,581	30,581	33,923	(3,342)	29,042
Books and periodicals	58,000	58,000	65,448	(7,448)	64,258
AV materials and circulation supplies	6,000	6,000	6,278	(278)	6,634
Utilities and refuse hauling	41,325	41,325	35,825	5,500	35,299
Vehicle maintenance	500	500	661	(161)	394
Insurance and bonds	6,120	6,120	5,817	303	1,420
Other services and charges	43,454	43,454	37,760	5,694	39,438
Expenditures of donations	-	-	22,264	(22,264)	15,251
Total Expenditures	<u>947,910</u>	<u>947,910</u>	<u>962,673</u>	<u>(14,763)</u>	<u>903,367</u>
Net Change in Fund Balances	(18,696)	(18,696)	12,848	31,544	(2,599)
Fund Balances, January 1	<u>290,520</u>	<u>290,520</u>	<u>290,520</u>	<u>-</u>	<u>293,119</u>
Fund Balances, December 31	<u>\$ 271,824</u>	<u>\$ 271,824</u>	<u>\$ 303,368</u>	<u>\$ 31,544</u>	<u>\$ 290,520</u>

City of Marshall, Minnesota  
 Summary Financial Report  
 Revenues and Expenditures For General Operations  
 Governmental Funds  
 For the Years Ended December 31, 2018 and 2017

	Total		Percent Increase (Decrease)
	2018	2017	
<b>Revenues</b>			
Taxes	\$ 9,583,840	\$ 8,473,004	13.11 %
Special assessments	1,605,702	1,095,853	46.53
Licenses and permits	262,748	248,761	5.62
Intergovernmental	6,714,137	5,368,128	25.07
Charges for services	2,435,549	2,314,705	5.22
Fines and forfeits	95,764	108,878	(12.04)
Investment earnings	241,317	117,729	104.98
Miscellaneous	3,097,424	2,135,436	45.05
<b>Total Revenues</b>	<u>\$ 24,036,481</u>	<u>\$ 19,862,494</u>	21.01 %
Per Capita	\$ 1,734	\$ 1,439	20.48 %
<b>Expenditures</b>			
Current			
General government	\$ 3,162,993	\$ 2,518,100	25.61 %
Public safety	3,858,374	3,605,947	7.00
Public works	3,059,119	2,694,235	13.54
Culture and recreation	2,456,546	2,271,750	8.13
Economic development	138,506	92,556	49.65
Airport	451,632	493,091	(8.41)
Capital outlay			
General government	131,243	489,868	(73.21)
Public safety	225,738	492,379	(54.15)
Public works	6,548,117	5,960,188	9.86
Culture and recreation	484,392	1,129,700	(57.12)
Economic development	-	47,089	N/A
Airport	683,548	63,129	982.78
Debt service			
Principal	3,375,404	3,942,605	(14.39)
Interest and other charges	1,045,499	1,092,985	(4.34)
Bond issuance costs	79,181	138,228	(42.72)
<b>Total Expenditures</b>	<u>\$ 25,700,292</u>	<u>\$ 25,031,850</u>	2.67 %
Per Capita	\$ 1,854	\$ 1,814	2.22 %
<b>Total Long-Term Indebtedness</b>	\$ 33,333,608	\$ 34,380,404	(3.04) %
Per Capita	2,405	2,492	(3.47)
<b>General Fund Balance - December 31</b>	\$ 7,629,173	\$ 7,396,711	3.14
Per Capita	550	536	2.69

The purpose of this report is to provide a summary of financial information concerning the City of Marshall to interested citizens. The complete financial statements may be examined at City Hall, 344 West Main Street. Questions about this report should be directed to Karla Drown, Finance Director at (507) 537-6763.

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OTHER REQUIRED REPORTS

CITY OF MARSHALL  
MARSHALL, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT ON  
MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council  
City of Marshall, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, 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 (the City) as of and for the year ended December 31, 2018, and the related notes to the financial statements, and have issued our report thereon dated June 17, 2019.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota Statute §6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*. 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.

ABDO, EICK & MEYERS, LLP  
Mankato, Minnesota  
June 17, 2019



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

Honorable Mayor and City Council  
City of 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 (the City), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 17, 2019.

**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.

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 were not identified. However, as described in the accompanying Schedule of Finding and Response, we identified a certain deficiency that we consider to be a significant deficiency.

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

*A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Finding and Response as item 2018-001 to be a significant deficiency.



## Compliance and Other Matters

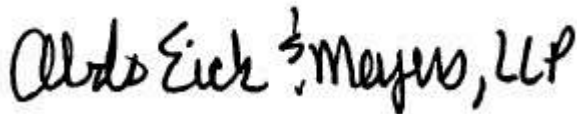
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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*.

## The City's Response to the Finding

The City's response to the finding identified in our audit are described in the accompanying Schedule of Finding and Response. 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 results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



ABDO, EICK & MEYERS, LLP  
Mankato, Minnesota  
June 17, 2019

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City of Marshall, Minnesota  
Schedule of Finding and Response  
For the Year Ended December 31, 2018

<u>Finding</u>	<u>Description</u>
<b>2018-001</b>	<b>Financial Report Preparation</b>
<i>Condition:</i>	As in prior years, the auditor was requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Auditing standards require auditors to communicate this situation to the Council as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organizations of your size. However, based on auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
<i>Criteria:</i>	Internal controls should be in place to provide reasonable assurance over financial reporting.
<i>Cause:</i>	From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organization of your size.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting.
<i>Recommendation:</i>	It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. As in prior years, the auditor has instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the City is reviewing the financial statements we recommend a disclosure checklist is utilized to ensure all required disclosures are presented and the City should agree its financial software to the numbers reported in the financial statements.
<i>Management Response:</i>	
	For now, the City's management accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.
<i>Updated Progress From Prior Year:</i>	
	There is no change in this finding.