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CPAs | CONSULTANTS | WEALTH ADVISORS

City of Marshall, Minnesota

Audit Presentation - Exit Conference

Council Work Session

Year Ending December 31, 2025

Agenda

- Introduction
- Required Communications
- Audit Results
- Financial Results

Introduction

Audit Team

- Your audit team consisted of the following team of professionals with experience in governmental accounting and auditing
    - Doug Host – Principal (35 years)
    - Becca Nielsen – Manager (10 years)
    - Sam Cruz – Senior (5 years)
    - Brooke Fenton– Associate (2 years)
    - Jason Garcia– Associate (2 years)
    - Mary Watts – Associate (1 years)
    - Angelica Montague– Associate (less than 1 year)
    - Alexander Jones – Intern (less than 1 year)

Required Communications

Required Communications

- Our Responsibility Under Generally Accepted Auditing Standards
  - Primary responsibility is to provide our opinion on the fairness of presentation of the financial statements
  - Reviewed internal accounting controls
  - Risk based audit approach
  - Based on internal controls, determined scopes, and tests of transactions
- Planned Scope and Timing of the Audit
  - Communicated during the audit preliminary work and field work
- Significant Accounting Policies
  - Outlined in Note 1 to the financial statements
  - Unusual/Significant transactions – None noted
  - New standards – None noted

Required Communications

- Management Judgments and Accounting Estimates – Reasonable/Supported
  - Useful lives for depreciation
  - Collectability of receivables
  - Net pension liability (City and Fire Relief plan)
  - Compensated absences
  - Other Postemployment Benefits
  - Discount Rate (leases/SBITAs)
- Corrected and Uncorrected Misstatements
  - Corrected misstatements:
    - Total of 5 restatements.
  - Uncorrected misstatements:
    - Total of three.
- Disclosures are Adequate, Clear, and Complete
- Other information in Documents Containing Audited Financial Statements
  - Supplementary information – made inquiries and evaluated the content – opinion – management is responsible for this information and need to include our report if issued separately
  - Other information – reviewed for any errors – no opinion

Required Communications

- Disagreements with Management
  - There have been no disagreements with management about matters that could be significant to the financial statements
- Management Representations
  - We have requested certain representations from management included in the management representation letter dated June 23, 2026
- Consultations with Other Accountants
  - There were no consultations with other independent accountants
- Major Issues Discussed With Management Prior to Retention
  - No issues, other than normal planning issues, were discussed prior to our retention as auditors
- Difficulties Encountered in Performing the Audit
  - Management was most cooperative and helpful
  - Personnel and records were available

Audit Results

Findings

- Internal Control Findings:
  - Material Weakness:
    - Material Audit Adjustments
- Minnesota Legal Compliance Findings:
  - None noted

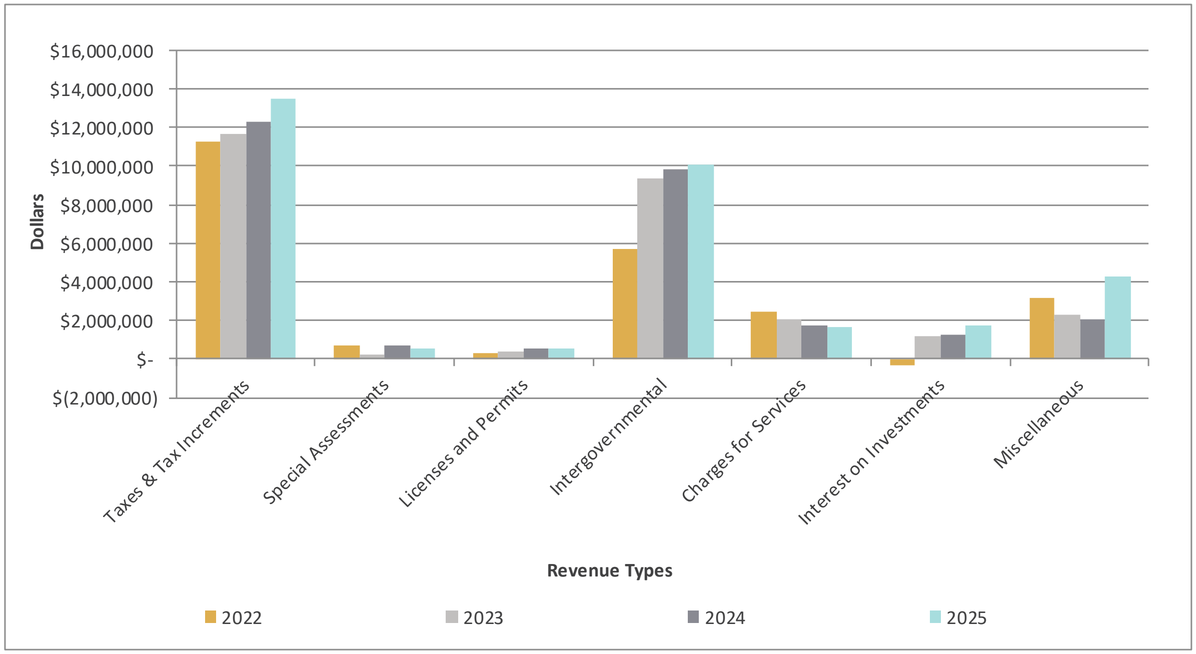
Financial Results

Governmental Funds

Major Funds	Other Governmental
General Fund	Marshall – Lyon County Library Fund
Debt Service Fund	Small Cities Development Program Fund
Capital Project Fund	Tax Increment Financing Fund
Sales/Lodging Tax Fund	Community Education Drivers Training Fund
	ASC Arena Fund
	Emergency Response and Industrial Training Center Fund
	Endowment – Avera/WMMC Fund

Financial Results

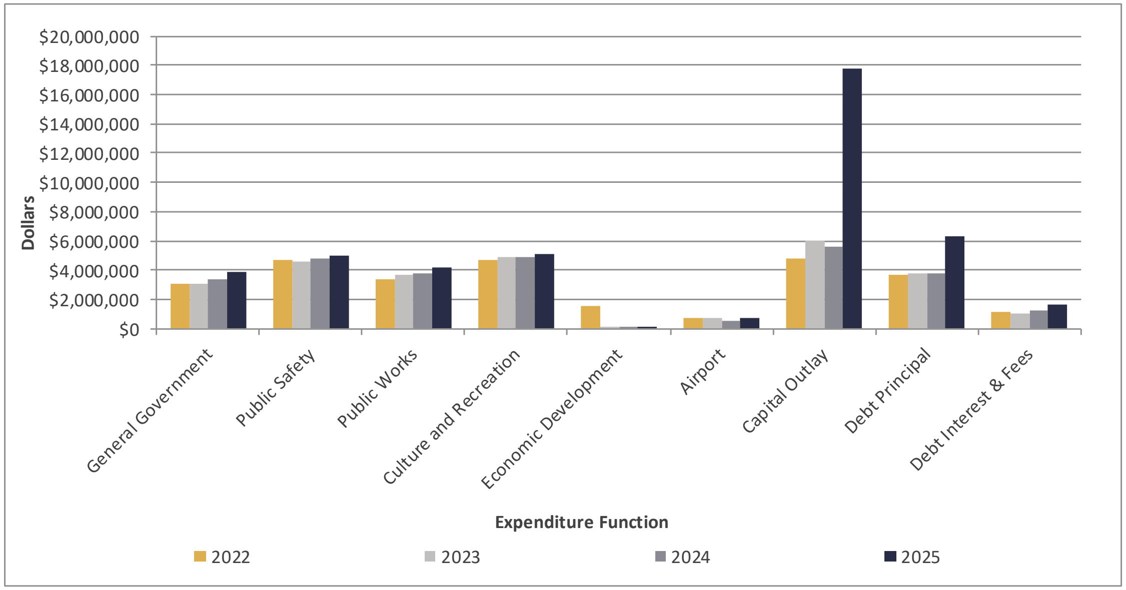
Revenue Components – All Governmental Funds



	2022	2023	2024	2025
Taxes & Tax Increments	$ 11,238,417	$ 11,637,303	$ 12,322,385	$ 13,513,965
Special Assessments	706,682	236,968	719,650	573,155
Licenses and Permits	327,801	393,543	580,169	521,104
Intergovernmental	5,734,304	9,379,499	9,826,724	10,095,493
Charges for Services	2,467,977	2,089,764	1,754,078	1,627,174
Interest on Investments	(366,042)	1,146,432	1,246,209	1,756,350
Miscellaneous	3,147,194	2,268,667	2,088,815	4,302,854
Total Revenues	$ 23,256,333	$ 27,152,176	$ 28,538,030	$ 32,390,095

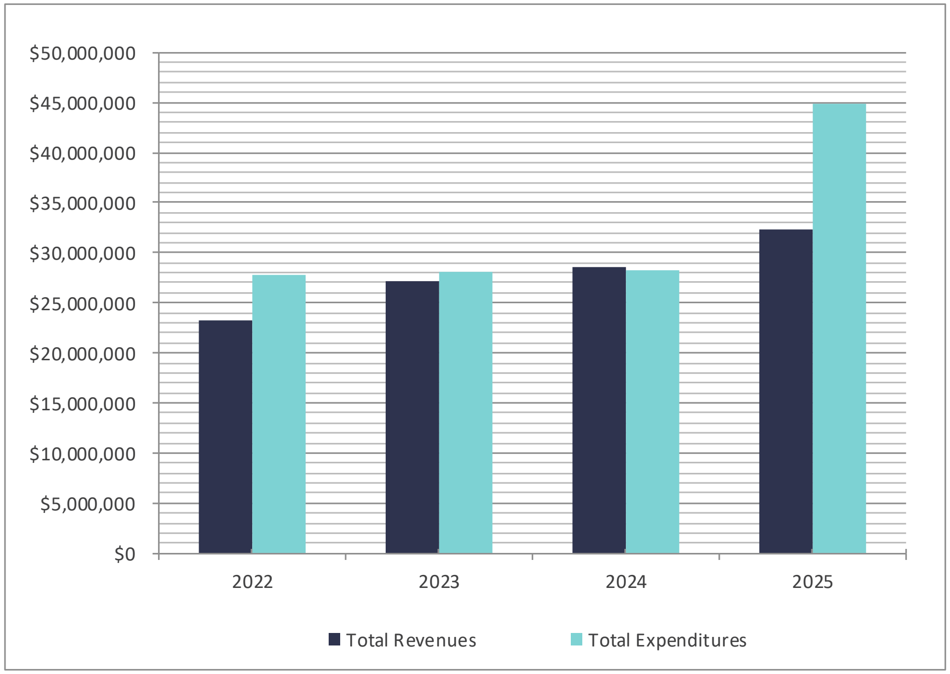
Financial Results

Expenditure Components – All Governmental Funds



	2022	2023	2024	2025
General Government	$ 3,041,304	$ 3,048,750	$ 3,372,122	$ 3,885,174
Public Safety	4,713,517	4,617,452	4,833,470	5,025,617
Public Works	3,372,263	3,644,307	3,768,886	4,175,524
Culture and Recreation	4,676,130	4,925,100	4,921,251	5,053,492
Economic Development	1,546,165	181,294	144,998	175,504
Airport	758,319	795,447	593,936	713,331
Capital Outlay	4,825,683	6,020,502	5,599,500	17,765,458
Debt Principal	3,731,872	3,827,818	3,799,166	6,328,566
Debt Interest & Fees	1,123,124	1,060,692	1,202,956	1,695,580
Total Expenditures	$ 27,788,377	$ 28,121,362	$ 28,236,285	$ 44,818,246

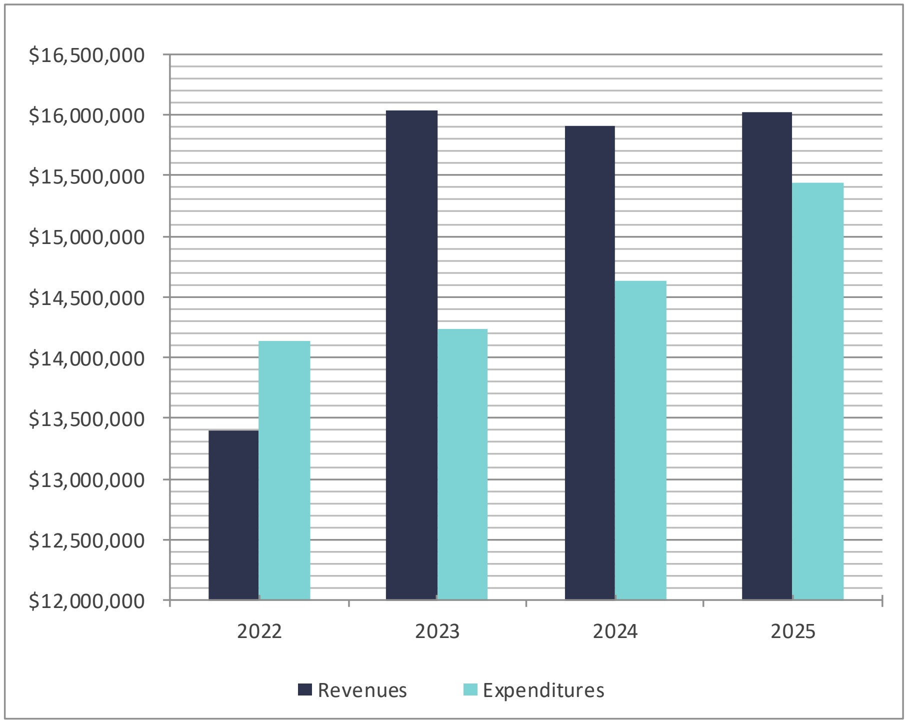
Financial Results – All Governmental Funds



	2022	2023	2024	2025
Total Revenues	$ 23,256,333	$ 27,152,176	$ 28,538,030	$ 32,390,095
Total Expenditures	27,788,377	28,121,362	28,236,285	44,818,246
Net Change	(4,532,044)	(969,186)	301,745	(12,428,151)

Financial Results

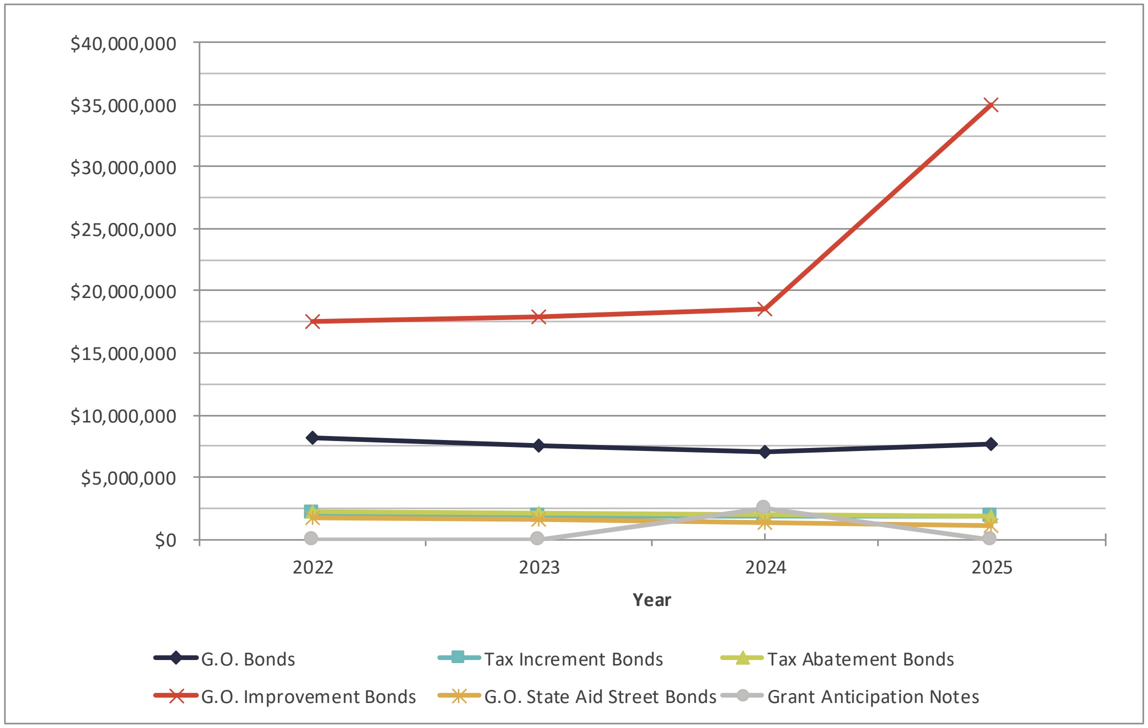
General Fund Revenues & Expenditures



- Expenditures exceed revenues in each of the past 3 years.
- As of 12/31, the City has 7.97 months of expenditures in unassigned fund balance
- State Auditor's office recommends minimum of 3-5 months

	2022	2023	2024	2025
Revenues	$ 13,393,144	$ 16,041,977	$ 15,909,111	$ 16,022,160
Expenditures	14,131,338	14,234,592	14,628,888	15,440,226
Months Expenditures in Fund Balance	5.42	6.67	7.66	7.97

Financial Results – Governmental Debt



	2022	2023	2024	2025
G.O. Bonds	$ 8,165,000	$ 7,505,000	$ 6,970,000	$ 7,695,000
Tax Increment Bonds	2,060,000	1,885,000	1,885,000	1,785,000
Tax Abatement Bonds	2,215,000	2,090,000	1,960,000	1,830,000
G.O. Improvement Bonds	17,492,282	17,902,264	18,583,098	34,958,720
G.O. State Aid Street Bonds	1,770,000	1,545,000	1,310,000	1,070,000
G.O. Grant Anticipation Notes	-	-	2,415,000	-
Total	$ 31,702,282	$ 30,927,264	$ 33,123,098	$ 47,338,720

Financial Results – Governmental Debt

- Issued bonds of $74,369,731
- Principal paid off in 2025: $6,328,566

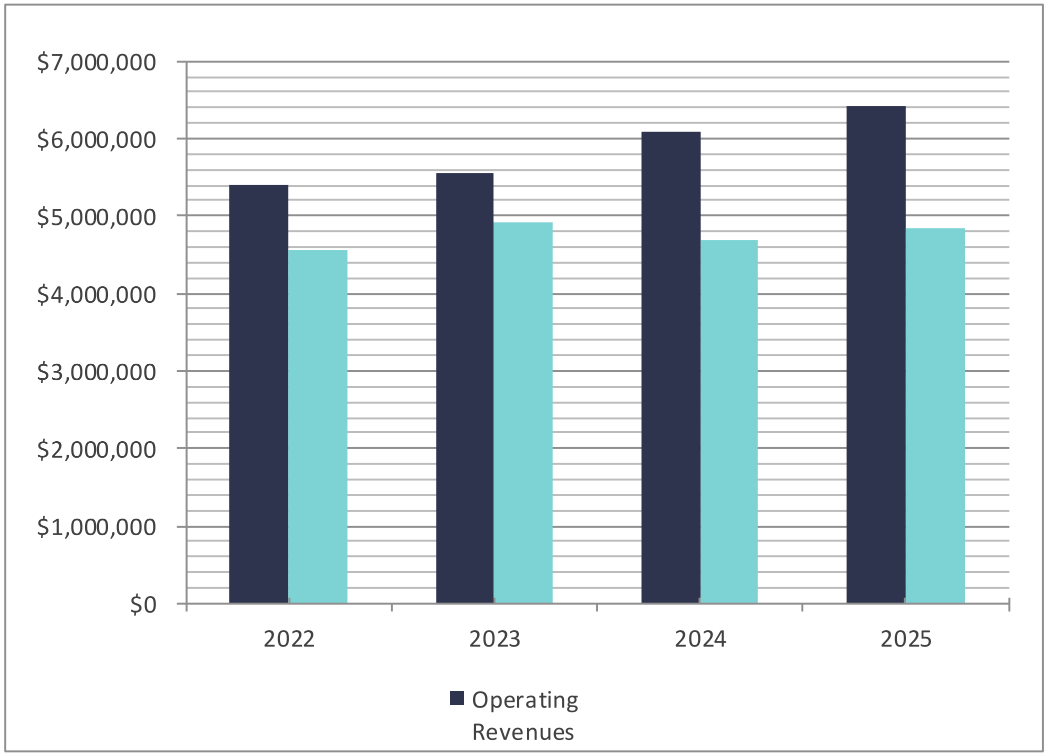
	Governmental Activities		
	Bonded Debt		
Year Ending December 31,	Principal	Interest	Totals
2026	$ 3,918,887	$ 2,038,568	$ 5,957,455
2027	4,132,124	1,676,427	5,808,551
2028	4,631,044	1,518,962	6,150,006
2029	2,963,984	1,371,773	4,335,757
2030	2,761,211	1,254,366	4,015,577
2031-2035	12,621,470	4,613,048	17,234,518
2036-2040	7,780,000	2,570,963	10,350,963
2041-2045	6,915,000	1,143,769	8,058,769
2046	1,615,000	36,338	1,651,338
Totals	$ 47,338,720	$ 16,224,214	$ 63,562,934

Enterprise Funds

- Wastewater Treatment
- Municipal Liquor Store
- Surface Water Management

Financial Results

Wastewater Treatment Revenues & Expenditures

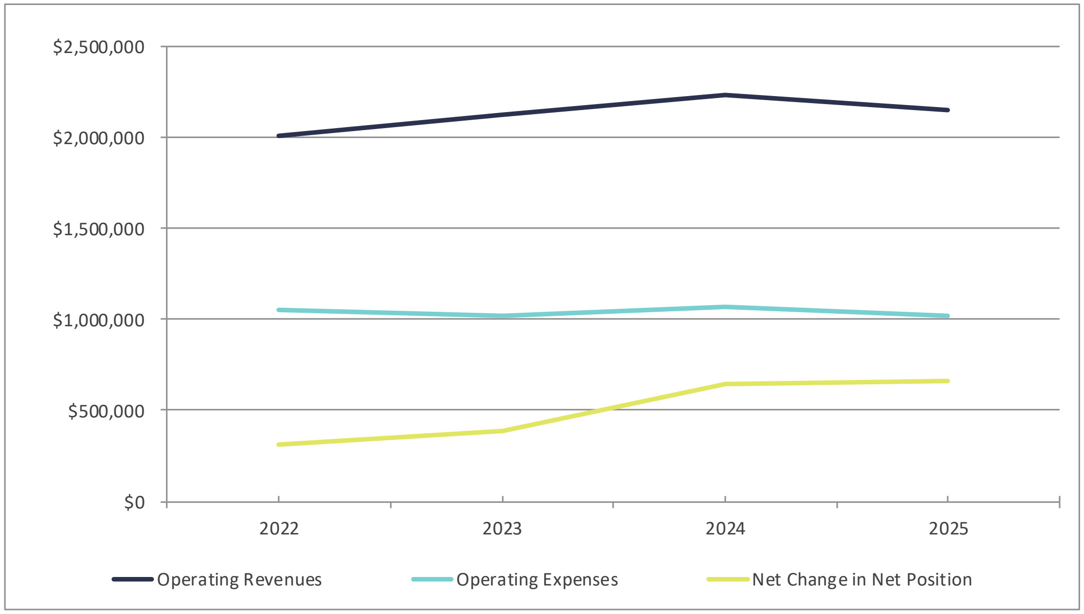


- Revenues exceed expenditures in each of the past 4 years
- Current year fund balance increased $1,834,905 due to the increase in charges for services

	2022	2023	2024	2025
Operating Revenues	$ 5,394,818	$ 5,558,950	$ 6,095,429	$ 6,425,498
Operating Expenses	4,562,663	4,911,999	4,691,983	4,836,248
Operating Revenue/(Lc	832,155	646,951	1,403,446	1,589,250
Net Change in Net Pos	446,909	850,680	1,585,361	1,834,905
Months Expenses in Net Position	13.38	13.56	17.37	17.38

Financial Results

Liquor Fund Operations

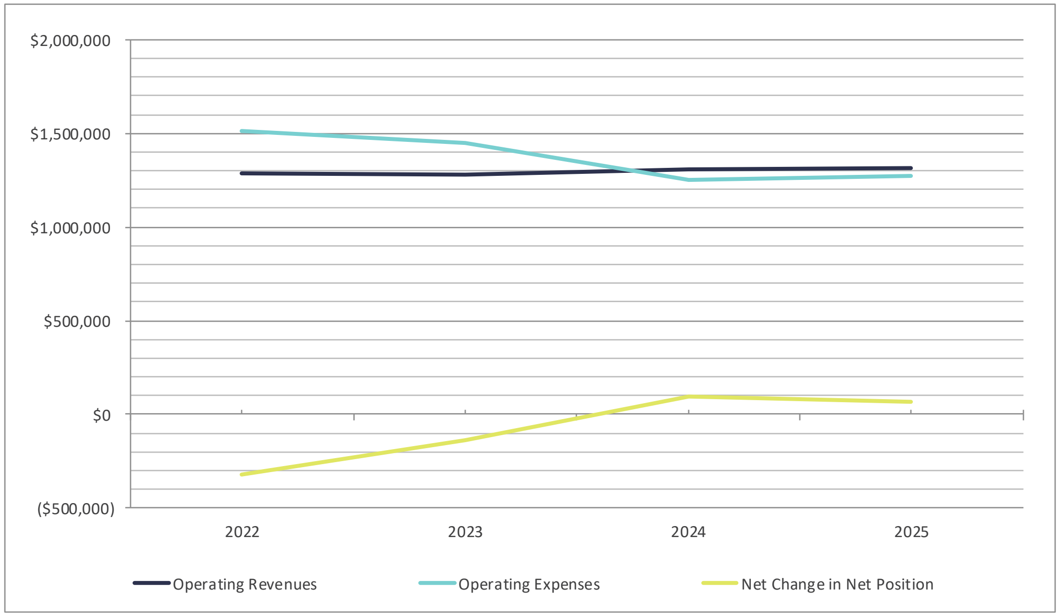


- Revenues exceed expenses in each of the past 4 years
- 35.91 months of expenses in net position

	2022	2023	2024	2025
Operating Revenues	$ 2,007,778	$ 2,119,448	$ 2,229,469	$ 2,148,814
Operating Expenses	1,054,632	1,020,799	1,068,508	1,016,497
Operating Revenue/(Loss)	953,146	1,098,649	1,160,961	1,132,317
Net Change in Net Position	314,414	384,182	644,634	658,532
Months Expenses in Net Position	13.27	18.74	25.59	35.91

Financial Results

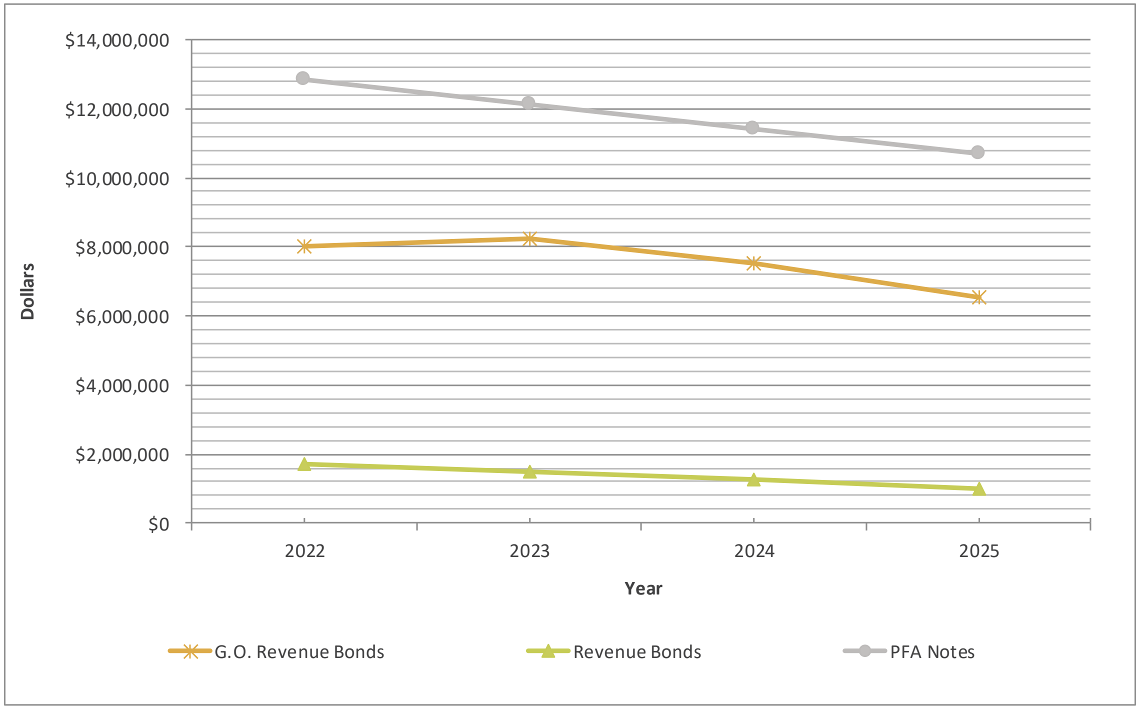
Surface Water Fund Operations



- Operating revenues exceed expenses by $45,759 for 2025
- 28.81 months of expenses in net position

	2022	2023	2024	2025
Operating Revenues	$ 1,283,128	$ 1,281,033	$ 1,308,819	$ 1,315,834
Operating Expenses	1,514,321	1,447,527	1,249,203	1,270,075
Operating Revenue/(Loss)	(231,193)	(166,494)	59,616	45,759
Net Change in Net Position	(322,944)	(135,260)	97,986	67,753
Months Expenses in Net Position	14.50	18.84	23.23	28.81

Financial Results –Enterprise Debt



	2022	2023	2024	2025
G.O. Revenue Bonds	$ 7,992,718	$ 8,252,737	$ 7,537,714	$ 6,536,280
Revenue Bonds	1,710,000	1,485,000	1,255,000	1,020,000
PFA Notes	12,823,890	12,128,000	11,425,000	10,715,000
Total	$ 22,526,608	$ 21,865,737	$ 20,217,714	$ 18,271,280

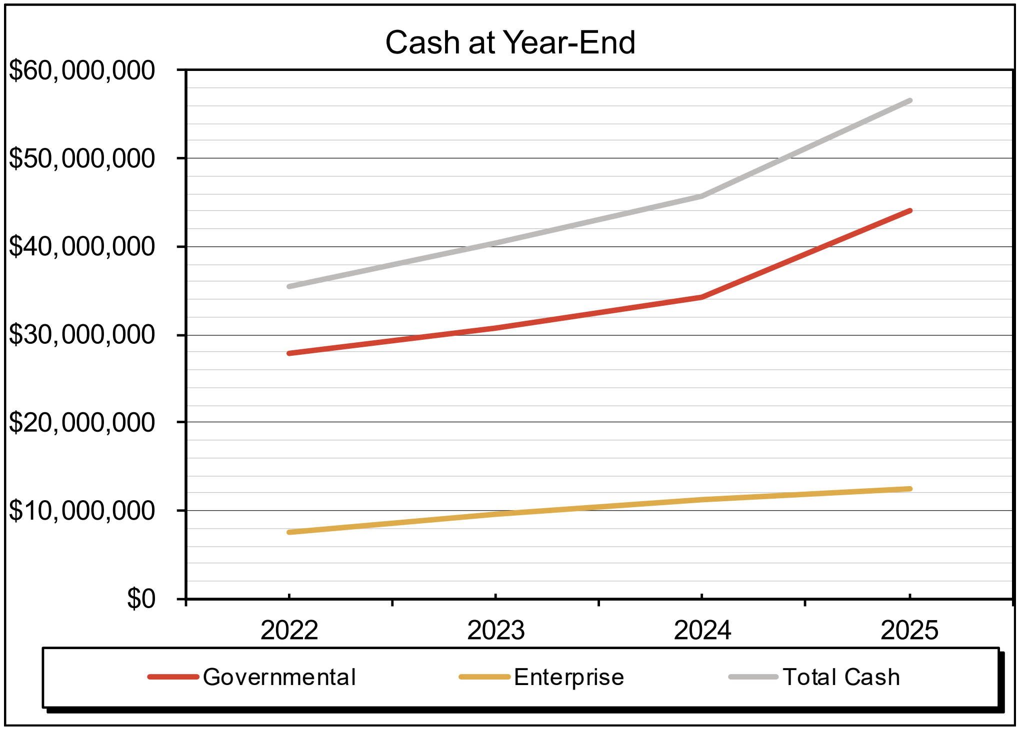
Financial Results –Enterprise Debt

- Issued bonds totaling $33,378,284
- Principal paid off in 2025: $2,471,434

	Business-Type Activities		
	Bonded Debt		
Year Ending December 31,	Principal	Interest	Totals
2026	$ 2,248,113	$ 367,458	$ 2,615,571
2027	2,341,876	304,221	2,646,097
2028	1,779,956	256,173	2,036,129
2029	1,540,016	218,016	1,758,032
2030	1,299,789	181,930	1,481,719
2031-2035	5,780,530	501,535	6,282,065
2036-2040	3,281,000	82,425	3,363,425
Total	$ 18,271,280	$ 1,911,758	$ 20,183,038

Financial Results

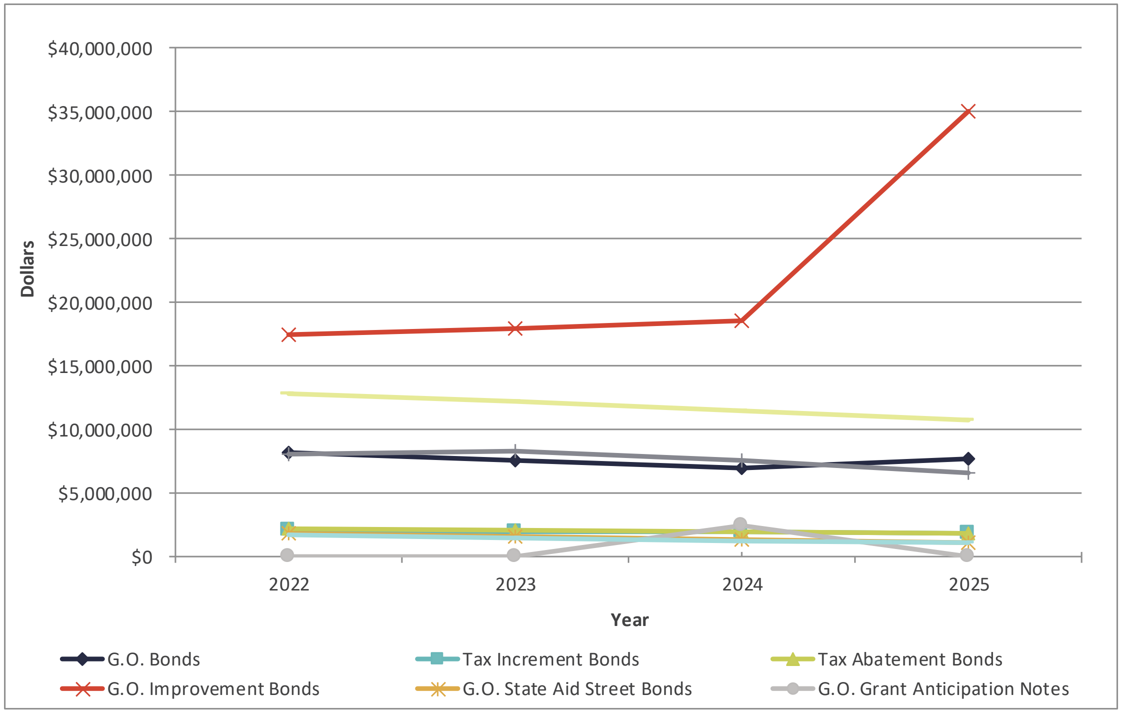
City-Wide Cash Balances at Year-End



	Governmental	Enterprise	Total Cash
2022	27,813,205	7,667,391	35,480,596
2023	30,849,577	9,581,558	40,431,135
2024	34,298,800	11,332,698	45,631,498
2025	44,141,212	12,489,303	56,630,515

Financial Results

City-Wide Bonded Debt



	2022	2023	2024	2025
G.O. Bonds	$ 8,165,000	$ 7,505,000	$ 6,970,000	$ 7,695,000
Tax Increment Bonds	2,060,000	1,885,000	1,885,000	1,785,000
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Thank you
for allowing us to serve you!

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