

**City of Marshall  
Lyon County, Minnesota  
Basic Financial Statements  
December 31, 2021**

## **City of Marshall Table of Contents**

<b>Elected Officials and Administration</b>	<b>1</b>
<b>Independent Auditor's Report</b>	<b>2</b>
<b>Management's Discussion and Analysis</b>	<b>5</b>
<b>Basic Financial Statements</b>	
Government-Wide Financial Statement	
Statement of Net Position	20
Statement of Activities	22
Fund Financial Statements	
Balance Sheet – Governmental Funds	24
Reconciliation of the Balance Sheet to the Statement of Net Position	
– Governmental Funds	27
Statement of Revenues, Expenditures, and Changes in Fund Balances	
– Governmental Funds	28
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund	
Balances to the Statement of Activities – Governmental Funds	30
Statement of Revenues, Expenditures, and Changes in Fund Balance	
– Budget and Actual – General Fund	31
Statement of Revenues, Expenditures, and Changes in Fund Balance	
– Budget and Actual – Sales/Lodging Tax Fund	32
Statement of Net Position – Proprietary Funds	33
Statement of Revenues, Expenses, and Changes in Fund Net Position	
– Proprietary Funds	34
Statement of Cash Flows – Proprietary Funds	35
Statement of Fiduciary Net Position	36
Statement of Changes in Fiduciary Net Position	36
Notes to Basic Financial Statements	37
<b>Required Supplementary Information</b>	
Schedule of Changes in Total OPEB Liability and Related Ratios	93
Schedule of City's Proportionate Share of Net Pension Liability General Employees	
Retirement Fund	94
Schedule of City's Proportionate Share of Net Pension Liability Police and Fire Plan	
Retirement Fund	94
Schedule of City Contributions General Employees Plan Retirement Fund	95
Schedule of City Contributions Police and Fire Plan Retirement Fund	95
Schedule of Changes in the Net Pension Liability and Related Ratios	
– Fire Relief Association	96
Schedule of Employee Contributions and Non Employer Contributing Entities	
– Fire Relief Association	98
Notes to Required Supplementary Information	100

## **City of Marshall Table of Contents**

### **Supplementary Information**

Schedule of Revenues, Expenditures, and Changes in Fund Balances	
– Budget and Actual – General Fund	108
Combining Balance Sheet – Nonmajor Governmental Funds	114
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	
– Nonmajor Governmental Funds	115
Combining Balance Sheet – Nonmajor Special Revenue Funds	116
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	
– Nonmajor Special Revenue Funds	118
Schedule of Revenues, Expenditures, and Changes in Fund Balances	
– Budget and Actual	
Marshall - Lyon County Library	120
Tax Increment Financing	121
Community Education Drivers Training	122
ASC Arena	123
Emergency Response and Industrial Training Center	124
Endowment Avera / WMMC	125
Combining Balance Sheet – Nonmajor Capital Projects Funds	126
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	
– Nonmajor Capital Projects Funds	128
Schedule of Revenues, Expenditures, and Changes in Fund Balances	
– Budget and Actual – Capital Equipment	131
Combining Balance Sheet – Debt Service Funds	132
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances	
– Debt Service Funds	138
Combining Balance Sheet/Net Position – Component Unit – Economic Development Authority Funds	142
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances/Net Position – Component Unit – Economic Development Authority Funds	143
Statement of Revenues, Expenditures, and Changes in Fund Balance	
– Component Unit – Budget and Actual - Economic Development Authority	144
Schedule of Expenditures of Federal Awards	145
Notes to the Schedule of Expenditures of Federal Awards	146

<b>Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b>	147
--	-----

<b>Report on Compliance for each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance</b>	149
---	-----

<b>Schedule of Findings and Questioned Costs</b>	152
--	-----

<b>Minnesota Legal Compliance</b>	155
-----------------------------------	-----

**City of Marshall**  
**Elected Officials and Administration**  
**December 31, 2021**

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Robert Byrnes	Mayor	January 14, 2025
John DeCramer	Council Member, Ward 1	January 10, 2023
Donald Edblom	Council Member, Ward 1	January 14, 2025
Steven Meister	Council Member, Ward 2	January 14, 2025
Russ Labat	Council Member, Ward 2	January 10, 2023
Craig Schafer	Council Member, Ward 3	January 10, 2023
James Lozinski	Council Member, Ward 3	January 14, 2025
<u>Administration</u>	<u>Position</u>	
Sharon Hanson	City Administrator	Appointed
Karla Drown	Finance Director	Appointed

## Independent Auditor's Report

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

### **Report on the Audit of the Financial Statements**

#### **Opinions**

We have audited 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, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

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

#### **Basis for Opinions**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following discretely presented component units: Marshall Municipal Utilities and Marshall Housing Authority. Those financial statements were audited by other auditors whose reports thereon have been furnished to us and our opinion insofar, as it relates to the amounts presented for the discretely presented component units mentioned above, is based on the reports of the other auditors.

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

#### **Responsibilities of Management for the Financial Statements**

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

## **Responsibilities of Management for the Financial Statements (Continued)**

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following discretely presented component units: Marshall Municipal Utilities and Marshall Housing Authority. Those financial statements were audited by other auditors whose reports thereon have been furnished to us and our opinion insofar, as it relates to the amounts presented for the discretely presented component units mentioned above, is based on the reports of the other auditors.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and Required Supplementary information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

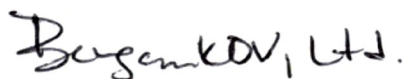
### **Supplementary Information**

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

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

### **Other Information**

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



St. Cloud, Minnesota  
May 31, 2022

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

As management of the City of Marshall, Minnesota, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2021.

### **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 \$117,875,362 (net position). Of this amount, \$13,131,580 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position decreased by \$1,275,949, compared to a decrease of \$1,016,607 in the previous year. Business-type activities (enterprise funds) had an increase of \$57,147 and governmental activities had a decrease of \$1,333,096.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$25,541,775, a decrease of \$1,349,905 in comparison with the prior year. Approximately 38 percent of this total amount, \$9,579,121, is available for spending at the City's discretion between assigned and unassigned fund balance. The fund balances are classified in accordance with GASB Statement No. 54 as follows: 1) nonspendable - \$198,175; 2) restricted - \$15,764,479; 3) assigned - \$5,528,210; and 4) unassigned \$4,050,911.

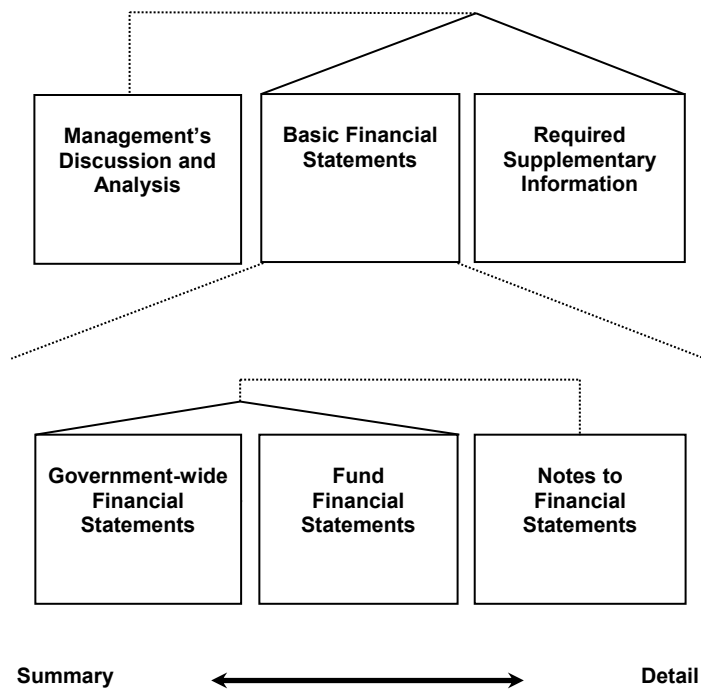
### **Overview of the Financial Statements**

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

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

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

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



## City of Marshall Management's Discussion and Analysis

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

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

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

## City of Marshall Management's Discussion and Analysis

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, culture and recreation, economic development, airport and interest on long-term debt. The business-type activities of the City include wastewater treatment, surface water management, and a municipal liquor store operation.

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

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

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

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

## City of Marshall Management's Discussion and Analysis

**Governmental Funds. (Continued)** 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 Debt Service fund, the Sales/Lodging Tax fund, the 2020 Public Improvement fund, and the 2021 Public Improvements 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 Sales/Lodging Tax special revenue fund to demonstrate compliance with these budgets.

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

**Proprietary Funds.** The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its electric, water, wastewater treatment, surface water, and liquor store operations. The electric and water operations are accounted for in the Public Utilities Commission (PUC).

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the enterprise funds which are considered to be major funds of the City.

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

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

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

**Notes to Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 37 of this report.

## City of Marshall Management's Discussion and Analysis

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

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

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$117,875,362 at the close of the most recent fiscal year.

A large portion of the City's net position (71.4%) 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		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
<b>Assets</b>						
Current and other assets	\$ 33,395,120	\$ 35,593,795	\$ (2,198,675)	\$ 14,657,822	\$ 15,782,655	\$ (1,124,833)
Capital assets	97,975,230	98,168,941	(193,711)	46,224,340	44,605,739	1,618,601
Total assets	<u>131,370,350</u>	<u>133,762,736</u>	<u>(2,392,386)</u>	<u>60,882,162</u>	<u>60,388,394</u>	<u>493,768</u>
<b>Deferred Outflows of Resources</b>						
Deferred OPEB resources	68,164	62,796	5,368	12,448	11,173	1,275
Deferred pension resources	4,166,411	1,443,812	2,722,599	510,074	86,737	423,337
Total deferred outflows of resources	<u>4,234,575</u>	<u>1,506,608</u>	<u>2,727,967</u>	<u>522,522</u>	<u>97,910</u>	<u>424,612</u>
<b>Liabilities</b>						
Other liabilities	6,183,009	1,816,152	4,366,857	3,216,989	1,510,308	1,706,681
Noncurrent liabilities	36,386,643	42,220,349	(5,833,706)	23,768,756	25,238,018	(1,469,262)
Total liabilities	<u>42,569,652</u>	<u>44,036,501</u>	<u>(1,466,849)</u>	<u>26,985,745</u>	<u>26,748,326</u>	<u>237,419</u>
<b>Deferred Inflows of Resources</b>						
Grants for subsequent years	2,915,531	3,674,883	(759,352)	-	-	-
Deferred OPEB resources	99,428	49,774	49,654	18,157	8,856	9,301
Deferred pension resources	5,892,550	2,047,326	3,845,224	653,184	38,671	614,513
Total deferred inflows of resources	<u>8,907,509</u>	<u>5,771,983</u>	<u>3,135,526</u>	<u>671,341</u>	<u>47,527</u>	<u>623,814</u>
<b>Net Position</b>						
Net investment in capital assets	63,106,593	65,622,642	(2,516,049)	21,053,632	21,253,512	(199,880)
Restricted	16,739,213	17,657,080	(917,867)	3,844,344	3,997,574	(153,230)
Unrestricted	4,281,958	2,181,138	2,100,820	8,849,622	8,439,365	410,257
Total net position	<u>\$ 84,127,764</u>	<u>\$ 85,460,860</u>	<u>\$ (1,333,096)</u>	<u>\$ 33,747,598</u>	<u>\$ 33,690,451</u>	<u>\$ 57,147</u>

## City of Marshall Management's Discussion and Analysis

### Government-wide Financial Analysis (Continued)

An additional portion of the City's net position ( 17.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* ( 11.1%) 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 \$57,147 in net position reported in connection with the City's business-type activities. This increase was a result of the following funds change in net position: Municipal Liquor Store \$49,862, Surface Water Management \$107,409, and Wastewater Treatment \$(100,124). The Municipal Liquor fund's gross profit percentage is currently at 27.9%, lower than 28.2% in 2020.

**Governmental Activities.** Governmental activities decreased the City's net position by \$1,333,096. Key elements of this decrease are described above and summarized in the following table:

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

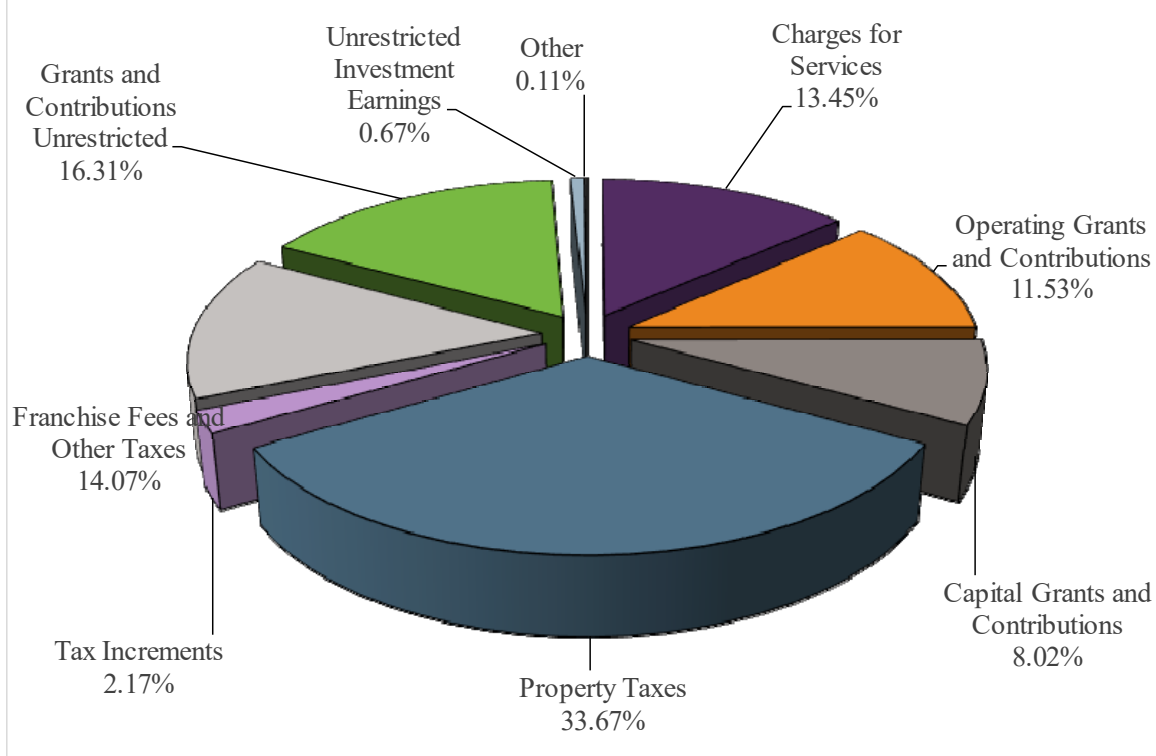
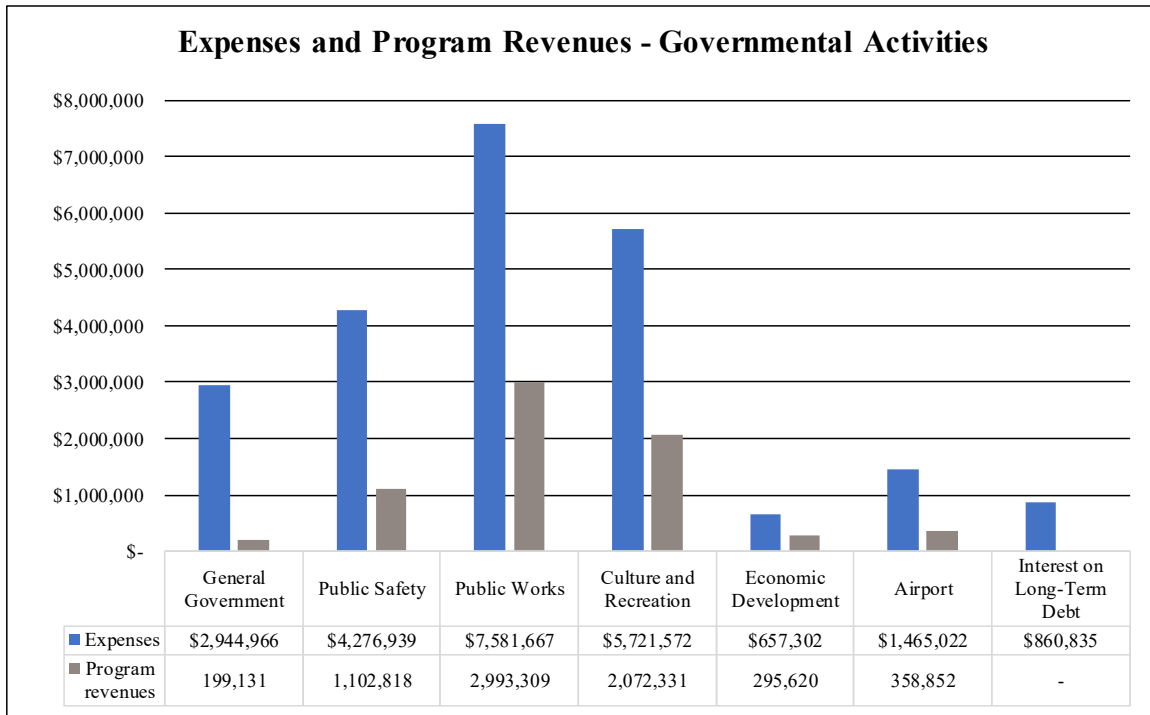
	Governmental Activities			Business-Type Activities		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 2,861,284	\$ 2,474,241	\$ 387,043	\$ 13,544,777	\$ 13,543,466	\$ 1,311
Operating grants and contributions	2,454,150	1,901,000	553,150	1,752	24,711	(22,959)
Capital grants and contributions	1,706,627	2,346,362	(639,735)	3,849	2,987	862
General revenues						
Property taxes	7,165,965	6,927,558	238,407	-	-	-
Tax increments	461,780	361,523	100,257	-	-	-
Franchise fees and other taxes	2,994,481	2,519,101	475,380	-	-	-
State grants and contributions not restricted to specific programs	3,470,390	4,050,827	(580,437)	-	-	-
Unrestricted investment earnings	143,362	329,552	(186,190)	62,181	169,191	(107,010)
Other	22,725	103,137	(80,412)	-	9,300	(9,300)
<b>Total revenues</b>	<b>21,280,764</b>	<b>21,013,301</b>	<b>267,463</b>	<b>13,612,559</b>	<b>13,749,655</b>	<b>(137,096)</b>
<b>Expenses</b>						
General government	2,944,966	2,958,823	(13,857)	-	-	-
Public safety	4,276,939	4,497,484	(220,545)	-	-	-
Public works	7,581,667	7,140,017	441,650	-	-	-
Culture and recreation	5,721,572	5,310,558	411,014	-	-	-
Economic development	657,302	1,140,874	(483,572)	-	-	-
Airport	1,465,022	1,462,211	2,811	-	-	-
Interest on long-term debt	860,835	1,004,296	(143,461)	-	-	-
Wastewater treatment	-	-	-	5,506,837	5,324,255	182,582
Surface water management	-	-	-	1,330,824	1,093,555	237,269
Municipal liquor store	-	-	-	5,823,308	5,847,490	(24,182)
Parkway townhomes	-	-	-	-	-	-
<b>Total expenses</b>	<b>23,508,303</b>	<b>23,514,263</b>	<b>(5,960)</b>	<b>12,660,969</b>	<b>12,265,300</b>	<b>395,669</b>
<b>Increase in Net Position before Transfers</b>	<b>(2,227,539)</b>	<b>(2,500,962)</b>	<b>273,423</b>	<b>951,590</b>	<b>1,484,355</b>	<b>(532,765)</b>
<b>Transfers</b>	<b>894,443</b>	<b>300,000</b>	<b>594,443</b>	<b>(894,443)</b>	<b>(300,000)</b>	<b>(594,443)</b>
<b>Change in Net Position</b>	<b>(1,333,096)</b>	<b>(2,200,962)</b>	<b>867,866</b>	<b>57,147</b>	<b>1,184,355</b>	<b>(1,127,208)</b>
<b>Net position, January 1</b>	<b>85,460,860</b>	<b>87,661,822</b>	<b>(2,200,962)</b>	<b>33,690,451</b>	<b>32,506,096</b>	<b>1,184,355</b>
<b>Net position, December 31</b>	<b>\$ 84,127,764</b>	<b>\$ 85,460,860</b>	<b>\$ (1,333,096)</b>	<b>\$ 33,747,598</b>	<b>\$ 33,690,451</b>	<b>\$ 57,147</b>

\*State grants & contributions not restricted to specific programs

# City of Marshall Management's Discussion and Analysis

## Government-wide Financial Analysis (Continued)

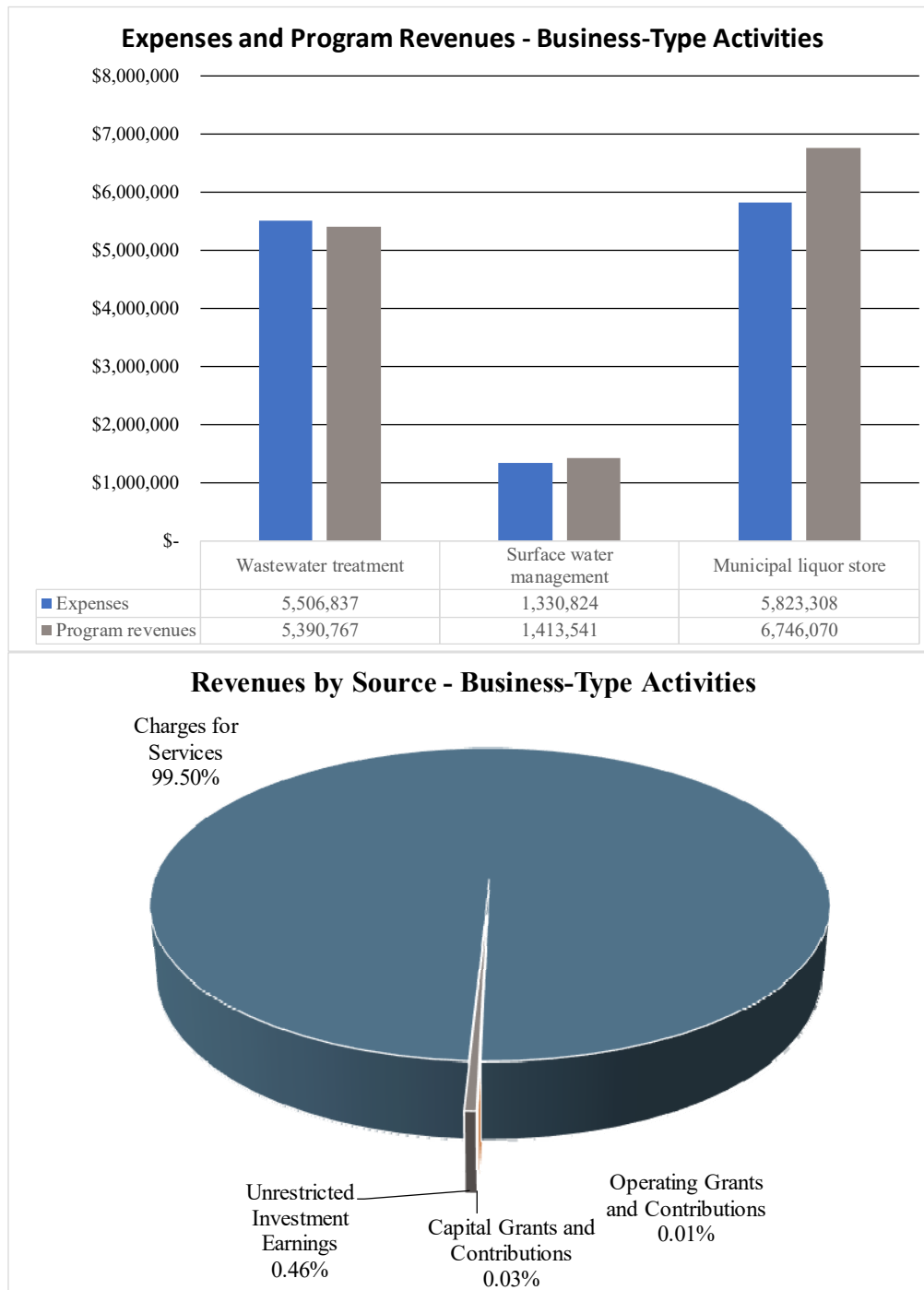
**Governmental Activities (Continued)** The following graphs depict various governmental activities and show the revenues and expenses directly related to those activities.



## City of Marshall Management's Discussion and Analysis

**Business-type Activities.** Business-type activities increased the City's net position by \$57,147. Key elements of this increase are as follows:

- Overall gross profit decreased by \$61,689 in the business-type funds while operating expenses increased by \$454,777.
- Transfers out increased by \$594,765 in the current year.
- 



## City of Marshall Management's Discussion and Analysis

### Financial Analysis of the City's Funds

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

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

The *General fund* is the chief operating fund of the City. At the end of the current year, the fund balance of the General fund was \$6,998,803. 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 45.5% of fund expenditures, while total fund balance represents 53.7% of that same amount.

The fund balance of the City's *General fund* decreased by \$413,172 during the current fiscal year. The key factor in this decrease was the CARES funding received in 2020.

The *Debt Service fund* has a total fund balance of \$7,704,734, 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 \$51,802. The major factor in this increase was transfers into the debt service in the amount of \$1,899,983.

The *Sales/Lodging Tax fund* has a total fund balance of \$1,494,428. The net increase in the fund was \$206,589.

The 2020 *Public Improvement fund* has a total fund balance of negative \$979,217. The fund is currently negative due to deferred grant revenue of \$1,837,507 of Municipal State Aid Funds not yet earned.

The 2021 *Public Improvement fund* has a total fund balance of \$14,928.

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$8,849,622. The total increase in net position for the funds was \$57,147. 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 \$166,998. Actual revenues were under budget by \$242,670 and the expenditure budget was underspent by \$246,496. Other financing sources (uses) were under budget \$250,000. The net result was a decrease to the General fund balance of \$413,172 in 2021.

## City of Marshall Management's Discussion and Analysis

### 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, 2021, amounts to \$144,199,570 (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 1.0% (a 0.2% decrease for governmental activities and a 3.6% increase for business-type activities).

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

#### *Governmental Activities*

- City Hall completion costs of \$1,676,445
- N 1<sup>st</sup> Street Reconstruction costs of \$828,588
- James/Camden Street Reconstruction cost of \$675,674
- Purchase of property on highway 59 cost of \$328,275

#### *Business-Type Activities*

Wastewater Plant Upgrade completion costs of \$2,416,308

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

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

	Governmental Activities			Business-Type Activities		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
Land	\$ 7,428,128	\$ 7,320,348	\$ 107,780	\$ 512,872	\$ 512,872	\$ -
Construction in progress	2,362,351	6,242,138	(3,879,787)	619,431	14,310,306	(13,690,875)
Buildings	38,147,644	32,498,364	5,649,280	2,059,520	2,126,819	(67,299)
Improvements other than buildings	11,134,942	12,180,993	(1,046,051)	20,381,128	6,394,518	13,986,610
Systems and infrastructure	34,237,729	35,527,628	(1,289,899)	21,632,333	20,224,457	1,407,876
Equipment and machinery	4,610,873	4,371,409	239,464	1,019,056	1,036,767	(17,711)
Library books	7,090	28,061	(20,971)	-	-	-
Leased vehicles	46,473	-	46,473	-	-	-
Total	<u>\$ 97,975,230</u>	<u>\$ 98,168,941</u>	<u>\$ (193,711)</u>	<u>\$ 46,224,340</u>	<u>\$ 44,605,739</u>	<u>\$ 1,618,601</u>

## City of Marshall Management's Discussion and Analysis

### Capital Asset and Debt Administration (Continued)

**Long-term Debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$57,407,547. Of this amount, \$8,900,000 is general obligation debt, \$2,230,000 is tax increment debt, \$2,340,000 is tax abatement debt, \$17,139,154 is general obligation assessment and sales tax debt, \$2,000,000 is general obligation State aid street debt and \$24,798,393 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		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
General Obligation Bonds	\$ 8,900,000	\$ 8,965,000	\$ (65,000)	\$ -	\$ -	\$ -
G.O. Tax Increment Bonds	2,230,000	2,635,000	(405,000)	-	-	-
G.O. Tax Abatement Bonds	2,340,000	2,460,000	(120,000)	-	-	-
G.O. Improvement Bonds	17,139,154	18,739,653	(1,600,499)	-	-	-
G.O. State Aid Street Bonds	2,000,000	-	2,000,000	-	-	-
G.O. Revenue Bonds	-	-	-	9,360,847	10,285,348	(924,501)
Revenue Bonds	-	-	-	1,930,000	2,145,000	(215,000)
PFA Notes	-	-	-	13,507,546	11,191,701	2,315,845
Total	<u>\$ 32,609,154</u>	<u>\$ 32,799,653</u>	<u>\$ (190,499)</u>	<u>\$ 24,798,393</u>	<u>\$ 23,622,049</u>	<u>\$ 1,176,344</u>

The City's total debt increased \$985,845, or 1.7 percent during the current fiscal year. Long-term debt of \$7,007,845 was issued during the year and \$6,022,000 was retired during the year.

Minnesota statutes limit the amount of net general obligation debt a City may issue up to 3 percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The current debt limitation for the City is \$31,324,155, which is significantly in excess of the City's outstanding debt subject to the limit of \$12,270,000.

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

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

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

- The unemployment rate for Lyon County in 2021 was 2.7%, which was a decrease from the rate of 4.5% in 2020. This is comparable to the State's average unemployment rate in 2021, where the unemployment rate in Minnesota was 3.4 percent. This is a decrease from the previous year, when the unemployment rate in Minnesota stood at 6.3 percent due largely to the impacts of the COVID-19 Pandemic.
- The increase in Net Tax Capacity from pay 2021 to pay 2022 was \$431,687 or 3.43% (percent). The total estimated market value for all taxable property in 2016 (pay 2017) was \$937,252,100 and in 2021 (pay 2022) was \$1,032,653,700. This represents a 5-year average increase of 2.02% (percent) per year.

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

**Economic Factors and Next Year's Budgets and Rates (Continued)**

- All of these factors were considered in preparing the City's budget for the 2022 fiscal year.
- Inflationary trends in the region compared to national indices, however concerns over rising inflation will impact budgeting in 2022 for the 2023 budget and levy.

**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.

(THIS PAGE LEFT BLANK INTENTIONALLY)

## **BASIC FINANCIAL STATEMENTS**

**City of Marshall**  
**Statement of Net Position**  
**December 31, 2021**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and temporary investments	\$ 28,297,524	\$ 8,886,790	\$ 37,184,314
Restricted assets	-	3,844,344	3,844,344
Receivables			
Interest	42,939	19,439	62,378
Delinquent taxes	58,206	-	58,206
Accounts	310,498	146,099	456,597
Notes	10,292	-	10,292
Special assessments	2,408,558	28,193	2,436,751
Intergovernmental	593,799	146,094	739,893
Due from component units/primary government	473,252	764,772	1,238,024
Inventories	-	760,724	760,724
Prepaid items	198,175	61,367	259,542
Land held for resale	-	-	-
Net pension asset	1,001,877	-	1,001,877
Capital assets			
Nondepreciable	9,790,479	1,132,303	10,922,782
Depreciable, net of accumulated depreciation	88,184,751	45,092,037	133,276,788
Total Assets	<u>131,370,350</u>	<u>60,882,162</u>	<u>192,252,512</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflows related to OPEB	68,164	12,448	80,612
Deferred outflows related to pensions	4,166,411	510,074	4,676,485
Deferred outflows related to refunding of debt	-	-	-
Total deferred outflows of resources	<u>4,234,575</u>	<u>522,522</u>	<u>4,757,097</u>
<b>Liabilities</b>			
Accounts payable	179,369	194,920	374,289
Contracts payable	162,579	146,094	308,673
Other payable	-	-	-
Due to other governments	51,275	75,233	126,508
Due to component units/primary government	275,570	115,692	391,262
Accrued interest payable	457,998	158,265	616,263
Accrued salaries payable	349,020	134,066	483,086
Accrued liabilities - other	-	-	-
Deposits payable	-	-	-
Unearned revenue	771,736	13,976	785,712
Noncurrent liabilities			
Due within one year	3,935,462	2,378,743	6,314,205
Due in more than one year	32,106,367	22,969,742	55,076,109
Net pension liability, due in more than one year	3,797,279	710,808	4,508,087
Total OPEB liability, due in more than one year	482,997	88,206	571,203
Total liabilities	<u>42,569,652</u>	<u>26,985,745</u>	<u>69,555,397</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows related to OPEB	99,428	18,157	117,585
Deferred inflows related to pensions	5,892,550	653,184	6,545,734
Advanced appropriations – State shared taxes	2,915,531	-	2,915,531
Deferred inflows related to water treatment plant upgrades	-	-	-
Total deferred inflows of resources	<u>8,907,509</u>	<u>671,341</u>	<u>9,578,850</u>
<b>Net Position</b>			
Net investment in capital assets	63,106,593	21,053,632	84,160,225
Restricted for			
Debt service	9,337,236	3,844,344	13,181,580
Economic development	2,116,428	-	2,116,428
Tax increment financing	4,132,637	-	4,132,637
Capital projects	204,531	-	204,531
Operations - Arena and MERIT	851,924	-	851,924
Library	96,457	-	96,457
Unrestricted	4,281,958	8,849,622	13,131,580
Total net position	<u>\$ 84,127,764</u>	<u>\$ 33,747,598</u>	<u>\$ 117,875,362</u>

See notes to basic financial statements.

Component Units		
Marshall Municipal Utilities	Marshall Housing Commission	Economic Development Authority
\$ 23,577,495	\$ 526,822	\$ 1,612,119
3,540,530	11,537	-
127,090	2,385	3,166
-	-	1,109
4,376,510	27,299	5,000
-	-	294,881
-	-	-
-	-	218
391,280	-	-
833,224	1,100	-
221,854	15,721	241
-	-	836,915
-	-	-
1,124,855	514,965	-
72,962,733	2,622,138	4,360
107,155,571	3,721,967	2,758,009
49,887	-	-
1,324,072	-	-
67,026	-	-
1,440,985	-	-
3,067,579	25,879	18,202
-	-	-
-	-	19,769
-	8,711	-
1,070,950	-	167,092
170,742	-	-
302,583	5,657	4,018
-	7,471	-
75,878	23,875	-
-	11,537	-
2,790,000	12,265	-
11,467,493	46,289	-
1,896,079	-	-
256,367	-	-
21,097,671	141,684	209,081
99,361	-	-
1,770,078	-	-
-	-	-
9,424,080	-	-
11,293,519	-	-
52,688,508	3,137,103	4,360
3,540,530	-	-
-	-	49,057
-	-	-
-	-	-
-	-	-
-	-	-
19,976,328	443,180	2,495,511
\$ 76,205,366	\$ 3,580,283	\$ 2,548,928

**City of Marshall**  
**Statement of Activities**  
**Year Ended December 31, 2021**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 2,944,966	\$ 181,326	\$ 7,397	\$ 10,408
Public safety	4,276,939	426,304	656,244	20,270
Public works	7,581,667	1,354,413	49,506	1,589,390
Culture and recreation	5,721,572	704,221	1,306,631	61,479
Economic development	657,302	27,818	267,802	-
Airport	1,465,022	167,202	166,570	25,080
Interest on long-term debt	860,835	-	-	-
Total governmental activities	<u>23,508,303</u>	<u>2,861,284</u>	<u>2,454,150</u>	<u>1,706,627</u>
Business-type activities				
Wastewater treatment	5,506,837	5,389,520	1,247	-
Surface water management	1,330,824	1,409,692	-	3,849
Municipal liquor store	5,823,308	6,745,565	505	-
Total business-type activities	<u>12,660,969</u>	<u>13,544,777</u>	<u>1,752</u>	<u>3,849</u>
Total primary government	<u>\$ 36,169,272</u>	<u>\$ 16,406,061</u>	<u>\$ 2,455,902</u>	<u>\$ 1,710,476</u>
Component Units				
Marshall Municipal Utilities - Water	\$ 5,275,014	\$ 7,281,076	\$ -	\$ -
Marshall Municipal Utilities - Electric	37,502,822	38,092,332	-	-
Marshall Housing Commission	1,039,936	424,590	475,182	334,221
Economic Development Authority	217,901	198,808	-	-
Total component units	<u>\$ 44,035,673</u>	<u>\$ 45,996,806</u>	<u>\$ 475,182</u>	<u>\$ 334,221</u>

General revenues

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

Transfers

Total general revenues and transfers

Change in net position

Net position - January 1

Net position, December 31

Net (Expense) Revenues and Changes in Net Position					
Primary Government			Component Units		
Governmental Activities	Business-Type Activities	Total	Marshall Municipal Utilities	Marshall Housing Commission	Economic Development Authority
\$ (2,745,835)	\$ -	\$ (2,745,835)	\$ -	\$ -	\$ -
(3,174,121)	-	(3,174,121)	-	-	-
(4,588,358)	-	(4,588,358)	-	-	-
(3,649,241)	-	(3,649,241)	-	-	-
(361,682)	-	(361,682)	-	-	-
(1,106,170)	-	(1,106,170)	-	-	-
(860,835)	-	(860,835)	-	-	-
<u>(16,486,242)</u>	<u>-</u>	<u>(16,486,242)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	(116,070)	(116,070)	-	-	-
-	82,717	82,717	-	-	-
-	922,762	922,762	-	-	-
<u>-</u>	<u>889,409</u>	<u>889,409</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ (16,486,242)</u>	<u>\$ 889,409</u>	<u>\$ (15,596,833)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 2,006,062	\$ -	\$ -
-	-	-	589,510	-	-
-	-	-	-	194,057	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,093)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,595,572</u>	<u>\$ 194,057</u>	<u>\$ (19,093)</u>
\$ 5,675,030	\$ -	\$ 5,675,030	\$ -	\$ -	\$ -
-	-	-	-	-	135,379
1,490,935	-	1,490,935	-	-	-
461,780	-	461,780	-	-	-
2,343,922	-	2,343,922	-	-	-
233,952	-	233,952	-	-	-
416,607	-	416,607	-	-	-
3,470,390	-	3,470,390	-	-	-
143,362	62,181	205,543	(230,206)	2,296	12,475
22,725	-	22,725	-	-	75
894,443	(894,443)	-	-	-	-
<u>15,153,146</u>	<u>(832,262)</u>	<u>14,320,884</u>	<u>(230,206)</u>	<u>2,296</u>	<u>147,929</u>
(1,333,096)	57,147	(1,275,949)	2,365,366	196,353	128,836
<u>85,460,860</u>	<u>33,690,451</u>	<u>119,151,311</u>	<u>73,840,000</u>	<u>3,383,930</u>	<u>2,420,092</u>
<u>\$ 84,127,764</u>	<u>\$ 33,747,598</u>	<u>\$ 117,875,362</u>	<u>\$ 76,205,366</u>	<u>\$ 3,580,283</u>	<u>\$ 2,548,928</u>

**City of Marshall**  
**Balance Sheet - Governmental Funds**  
**December 31, 2021**

	General Fund (101/106)	Debt Service (300s)	Sales / Lodging Tax (256)
<b>Assets</b>			
Cash and temporary investments	\$ 8,188,385	\$ 7,271,559	\$ 1,059,345
Receivables			
Interest receivable	7,709	10,784	4,382
Delinquent taxes	40,535	12,491	-
Accounts	119,783	-	6,546
Notes	-	-	-
Special assessments	3,798	1,855,192	-
Intergovernmental	156,361	2,368	424,155
Due from other funds	-	-	-
Due from component units	36,421	-	-
Prepaid items	160,018	-	-
	<u>\$ 8,713,010</u>	<u>\$ 9,152,394</u>	<u>\$ 1,494,428</u>
<b>Liabilities</b>			
Accounts payable	\$ 120,252	\$ -	\$ -
Contracts payable	37,200	-	-
Due to other funds	153,601	-	-
Due to component units	263,497	-	-
Due to other governments	41,100	-	-
Accrued salaries payable	307,673	-	-
Unearned revenue	747,601	-	-
Total liabilities	<u>1,670,924</u>	<u>-</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - taxes	40,535	12,491	-
Unavailable revenue - special assessments	2,748	1,435,169	-
Advanced appropriations – State shared taxes	-	-	-
Total deferred inflows of resources	<u>43,283</u>	<u>1,447,660</u>	<u>-</u>
<b>Fund Balances (Deficits)</b>			
Nonspendable			
Prepaid items	160,018	-	-
Restricted			
Debt service	-	7,705,070	642,504
Economic development	-	-	-
Tax increment financing	-	-	-
Capital projects	-	-	-
Operations - Arena and MERIT	-	-	851,924
Library	-	-	-
Assigned			
Insurance reserve	145,588	-	-
OPEB liability	482,997	-	-
DARE - police department	192,270	-	-
Forfeiture program - police department	73,600	-	-
Unallocated health insurance premium	11,105	-	-
Staff separation	-	-	-
Library operations	-	-	-
Economic development	-	-	-
Capital projects	-	-	-
Drivers education	-	-	-
ASC Arena	-	-	-
Park improvements	-	-	-
Emergency response and industrial training center	-	-	-
Unassigned	5,933,225	(336)	-
Total fund balances (deficits)	<u>6,998,803</u>	<u>7,704,734</u>	<u>1,494,428</u>
	<u>\$ 8,713,010</u>	<u>\$ 9,152,394</u>	<u>\$ 1,494,428</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 8,713,010</u>	<u>\$ 9,152,394</u>	<u>\$ 1,494,428</u>

See notes to basic financial statements.

2020 Public Improvements (476)	2021 Public Improvements (479)	Other Governmental Funds	Totals
\$ 856,546	\$ -	\$ 10,739,986	\$ 28,115,821
1,744	-	18,320	42,939
-	-	5,180	58,206
-	-	184,169	310,498
-	-	10,292	10,292
-	-	549,568	2,408,558
-	-	10,915	593,799
-	-	725,219	725,219
-	106,860	329,971	473,252
-	-	38,157	198,175
<u>\$ 858,290</u>	<u>\$ 106,860</u>	<u>\$ 12,611,777</u>	<u>\$ 32,936,759</u>
\$ -	\$ -	\$ 59,117	\$ 179,369
-	41,009	84,370	162,579
-	50,923	520,695	725,219
-	-	12,073	275,570
-	-	10,175	51,275
-	-	41,347	349,020
-	-	24,135	771,736
-	91,932	751,912	2,514,768
-	-	5,180	58,206
-	-	468,562	1,906,479
1,837,507	-	1,078,024	2,915,531
<u>1,837,507</u>	<u>-</u>	<u>1,551,766</u>	<u>4,880,216</u>
-	-	38,157	198,175
-	-	-	8,347,574
-	-	2,116,428	2,116,428
-	-	4,132,637	4,132,637
-	-	219,459	219,459
-	-	-	851,924
-	-	96,457	96,457
-	-	-	-
-	-	-	145,588
-	-	-	482,997
-	-	-	192,270
-	-	-	73,600
-	-	-	11,105
-	-	94,863	94,863
-	-	106,779	106,779
-	-	83,834	83,834
-	14,928	3,796,595	3,811,523
-	-	59,350	59,350
-	-	207,218	207,218
-	-	43,155	43,155
-	-	215,928	215,928
(979,217)	-	(902,761)	4,050,911
<u>(979,217)</u>	<u>14,928</u>	<u>10,308,099</u>	<u>25,541,775</u>
<u>\$ 858,290</u>	<u>\$ 106,860</u>	<u>\$ 12,611,777</u>	<u>\$ 32,936,759</u>

(THIS PAGE LEFT BLANK INTENTIONALLY)

**City of Marshall**  
**Reconciliation of the Balance Sheet to**  
**the Statement of Net Position - Governmental Funds**  
**December 31, 2021**

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

Total fund balances - governmental funds	25,541,775
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	97,928,757
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of:	
Compensated absences payable	(1,158,264)
Other postemployment benefits obligation	(482,997)
Pension liability	(3,797,279)
Bonds payable	(32,609,154)
Unamortized bond premiums	(2,227,977)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes	58,206
Special assessments receivable	1,906,479
Long-term assets from pensions reported in governmental activities are not financial resources therefore are not reported as assets in the funds.	1,001,877
Governmental funds do not report long-term amounts related to pensions and other post-employment benefits.	
Deferred outflows of pension resources	4,166,411
Deferred inflows of pension resources	(5,892,550)
Deferred outflows of other postemployment benefits	68,164
Deferred inflows of other postemployment benefits	(99,428)
Governmental funds do not report a liability for accrued interest until due and payable.	(457,998)
An internal service fund is used by management to charge the costs of fleet activity to individual funds. The assets and liabilities of the Central Fleet Internal Service Fund are included in governmental activities in the Statement of Net Position.	181,742
Total net position - governmental activities	<u>\$ 84,127,764</u>

**City of Marshall**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Governmental Funds**  
**Year Ended December 31, 2021**

	General Fund (101/106)	Debt Service (300s)	Sales / Lodging Tax (256)
<b>Revenues</b>			
Taxes	\$ 5,647,827	\$ 1,648,802	\$ 2,421,906
Special assessments	2,420	1,025,126	-
Licenses and permits	398,207	-	-
Intergovernmental	3,439,496	-	-
Charges for services	1,723,984	-	-
Fines and forfeitures	73,248	-	-
Investment earnings	18,127	40,461	15,277
Miscellaneous	1,267,640	293	-
Total revenues	<u>12,570,949</u>	<u>2,714,682</u>	<u>2,437,183</u>
<b>Expenditures</b>			
Current			
General government	2,570,769	-	-
Public safety	4,185,451	-	-
Public works	2,949,491	-	-
Culture and recreation	2,432,995	-	-
Economic development	-	-	-
Airport	567,140	-	-
Capital outlay			
General government	328,275	-	-
Public safety	-	-	-
Public works	-	-	-
Culture and recreation	-	-	-
Debt service			
Principal	-	3,530,099	-
Interest and other	-	1,032,764	-
Total expenditures	<u>13,034,121</u>	<u>4,562,863</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(463,172)</u>	<u>(1,848,181)</u>	<u>2,437,183</u>
<b>Other Financing Sources (Uses)</b>			
Sale of capital assets	-	-	-
Transfers in	300,000	1,899,983	-
Bonds issued	-	-	-
Premium on bonds issued	-	-	-
Transfers out	(250,000)	-	(2,230,594)
Total other financing sources (uses)	<u>50,000</u>	<u>1,899,983</u>	<u>(2,230,594)</u>
Net change in fund balances	(413,172)	51,802	206,589
Fund Balances, January 1	<u>7,411,975</u>	<u>7,652,932</u>	<u>1,287,839</u>
Fund Balances, December 31	<u>\$ 6,998,803</u>	<u>\$ 7,704,734</u>	<u>\$ 1,494,428</u>

2020 Public Improvements (476)	2021 Public Improvements (479)	Other Governmental Funds	Totals
\$ -	\$ -	\$ 1,053,425	\$ 10,771,960
-	-	252,494	1,280,040
-	-	-	398,207
-	-	2,061,055	5,500,551
-	-	309,600	2,033,584
-	-	6,589	79,837
7,450	872	61,175	143,362
2,542	341,029	360,803	1,972,307
<u>9,992</u>	<u>341,901</u>	<u>4,105,141</u>	<u>22,179,848</u>
-	-	46,606	2,617,375
-	2,260	188,805	4,376,516
5,084	341,029	168,454	3,464,058
-	7,250	1,840,878	4,281,123
-	-	665,122	665,122
-	-	-	567,140
-	-	12,598	340,873
-	105,000	131,069	236,069
25,013	2,829,654	3,332,418	6,187,085
-	220,919	379,566	600,485
-	-	-	3,530,099
-	70,095	13,599	1,116,458
<u>30,097</u>	<u>3,576,207</u>	<u>6,779,115</u>	<u>27,982,403</u>
<u>(20,105)</u>	<u>(3,234,306)</u>	<u>(2,673,974)</u>	<u>(5,802,555)</u>
-	-	22,725	22,725
-	-	1,419,443	3,619,426
-	2,899,600	440,000	3,339,600
-	352,637	28,245	380,882
-	-	(427,389)	(2,907,983)
<u>-</u>	<u>3,252,237</u>	<u>1,483,024</u>	<u>4,454,650</u>
(20,105)	17,931	(1,190,950)	(1,347,905)
<u>(959,112)</u>	<u>(3,003)</u>	<u>11,499,049</u>	<u>26,889,680</u>
<u>\$ (979,217)</u>	<u>\$ 14,928</u>	<u>\$ 10,308,099</u>	<u>\$ 25,541,775</u>

**City of Marshall**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances to**  
**the Statement of Activities - Governmental Funds**  
**Year Ended December 31, 2021**

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

Net change in fund balances - governmental funds \$ (1,347,905)

Governmental funds report capital outlay as expenditures. However, in the Statement of a Activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.

Capital outlay	6,389,452
Depreciation expense	(6,610,416)
Disposal of capital assets	(19,220)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Bonds issued	(3,339,600)
Premium on bonds issued	(380,882)
Principal repayments	3,530,099
Bond premiums amortization	243,332

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

12,357

Long-term pension activity is not reported in governmental funds.

Pension expense	1,015,806
-----------------	-----------

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.

Property taxes	(149,734)
Special assessments	(801,793)

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.

Compensated absences	(13,635)
Other postemployment benefits costs	(42,699)

An internal service fund is used by management to charge the costs of fleet activity to individual funds. The change in net position of the Central Fleet Internal Service Fund is included in governmental activities in the Statement of Activities.

181,742

Change in net position - governmental activities	<u><u>\$ (1,333,096)</u></u>
--	------------------------------

**City of Marshall**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**Year Ended December 31, 2021**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Over (Under)
<b>Revenues</b>				
Taxes	\$ 5,569,630	\$ 5,569,630	\$ 5,647,827	\$ 78,197
Licenses and permits	361,340	361,340	398,207	36,867
Special assessments	-	-	2,420	2,420
Intergovernmental	3,197,350	3,197,350	3,439,496	242,146
Charges for services	2,267,076	2,267,076	1,723,984	(543,092)
Fines and forfeitures	112,450	112,450	73,248	(39,202)
Investment earnings	147,000	147,000	18,127	(128,873)
Miscellaneous	1,158,773	1,158,773	1,267,640	108,867
Total revenues	<u>12,813,619</u>	<u>12,813,619</u>	<u>12,570,949</u>	<u>(242,670)</u>
<b>Expenditures</b>				
Current				
General government	2,769,358	2,769,358	2,570,769	(198,589)
Public safety	4,183,959	4,183,959	4,185,451	1,492
Public works	3,154,719	3,154,719	2,949,491	(205,228)
Culture and recreation	2,625,633	2,625,633	2,432,995	(192,638)
Airport	546,948	546,948	567,140	20,192
Capital outlay				
General government	-	-	328,275	328,275
Total expenditures	<u>13,280,617</u>	<u>13,280,617</u>	<u>13,034,121</u>	<u>(246,496)</u>
Excess of revenues over (under) expenditures	(466,998)	(466,998)	(463,172)	3,826
<b>Other Financing Sources</b>				
Transfers in	300,000	300,000	300,000	-
Transfers out	-	-	(250,000)	(250,000)
Total other financing sources (uses)	<u>300,000</u>	<u>300,000</u>	<u>50,000</u>	<u>(250,000)</u>
Net change in fund balances	<u>\$ (166,998)</u>	<u>\$ (166,998)</u>	(413,172)	<u>\$ (246,174)</u>
<b>Fund Balance</b>				
Beginning of year			<u>7,411,975</u>	
End of year			<u>\$ 6,998,803</u>	

**City of Marshall**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - Sales / Lodging Tax**  
**Year Ended December 31, 2021**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Over (Under)
<b>Revenues</b>				
Taxes	\$ 2,037,594	\$ 2,037,594	\$ 2,421,906	\$ 384,312
Investment earnings	22,250	22,250	15,277	(6,973)
Total revenues	2,059,844	2,059,844	2,437,183	377,339
<b>Other Financing Sources</b>				
Transfers out	(2,230,594)	(2,230,594)	(2,230,594)	-
Net change in fund balances	\$ (170,750)	\$ (170,750)	206,589	\$ 377,339
<b>Fund Balance</b>				
Beginning of year			1,287,839	
End of year			\$ 1,494,428	

**City of Marshall**  
**Statement of Net Position - Proprietary Funds**  
**December 31, 2021**

	Wastewater Treatment (602)	Municipal Liquor Store (609)	Surface Water Management (630)	Totals	Governmental Activities - Internal Service Fund
<b>Assets</b>					
Current assets					
Cash and temporary investments	\$ 5,592,076	\$ 839,415	\$ 2,455,299	\$ 8,886,790	\$ 181,703
Restricted assets					
Debt service	1,621,801	1,742,215	480,328	3,844,344	-
Receivables					
Interest	7,337	5,285	6,817	19,439	-
Accounts	145,121	629	349	146,099	-
Special assessments	-	-	28,193	28,193	-
Intergovernmental	146,094	-	-	146,094	-
Due from component units	554,207	-	210,565	764,772	-
Inventories	-	760,724	-	760,724	-
Prepaid items	43,071	14,044	4,252	61,367	-
Total current assets	<u>8,109,707</u>	<u>3,362,312</u>	<u>3,185,803</u>	<u>14,657,822</u>	<u>181,703</u>
Noncurrent assets					
Capital assets					
Land	199,134	48,603	265,135	512,872	-
Construction in progress	64,188	-	555,243	619,431	-
Buildings	168,472	2,359,862	-	2,528,334	-
Improvements other than buildings	42,921,503	123,122	-	43,044,625	-
Systems and infrastructure	22,467,126	-	18,927,980	41,395,106	-
Equipment and machinery	3,223,074	177,894	596,473	3,997,441	-
Leased vehicles	-	-	-	-	47,665
Total capital assets	69,043,497	2,709,481	20,344,831	92,097,809	47,665
Less accumulated depreciation	(36,855,683)	(560,769)	(8,457,017)	(45,873,469)	(1,192)
Total noncurrent assets	<u>32,187,814</u>	<u>2,148,712</u>	<u>11,887,814</u>	<u>46,224,340</u>	<u>46,473</u>
Total assets	<u>40,297,521</u>	<u>5,511,024</u>	<u>15,073,617</u>	<u>60,882,162</u>	<u>228,176</u>
<b>Deferred Outflows of Resources</b>					
Deferred inflows related to pensions	363,121	146,953	-	510,074	-
Deferred inflows related to OPEB	10,423	2,025	-	12,448	-
Total deferred outflows of resources	<u>373,544</u>	<u>148,978</u>	<u>-</u>	<u>522,522</u>	<u>-</u>
<b>Liabilities</b>					
Current liabilities					
Accounts payable	30,643	163,757	520	194,920	-
Contracts payable	146,094	-	-	146,094	-
Due to component unit	112,672	2,076	944	115,692	-
Due to other governments	360	74,601	272	75,233	-
Accrued interest payable	110,811	4,713	42,741	158,265	-
Accrued salaries payable	128,338	5,728	-	134,066	-
Unearned revenue	-	13,976	-	13,976	-
Compensated absences payable	46,009	10,605	-	56,614	-
Notes from direct borrowings - current portion	734,000	-	-	734,000	-
Bonds payable - current portion	887,801	220,000	480,328	1,588,129	-
Leases payable - current portion	-	-	-	-	8,873
Total current liabilities	<u>2,196,728</u>	<u>495,456</u>	<u>524,805</u>	<u>3,216,989</u>	<u>8,873</u>
Noncurrent liabilities					
Compensated absences payable	88,666	32,497	-	121,163	-
Total OPEB liability	73,854	14,352	-	88,206	-
Pension liability	506,024	204,784	-	710,808	-
Notes from direct borrowings - noncurrent portion	12,773,546	-	-	12,773,546	-
Bonds payable - noncurrent portion	4,468,613	1,710,000	3,524,105	9,702,718	-
Premium or discount on bonds payable	168,387	-	203,928	372,315	-
Leases payable - noncurrent portion	-	-	-	-	37,561
Total noncurrent liabilities	<u>18,079,090</u>	<u>1,961,633</u>	<u>3,728,033</u>	<u>23,768,756</u>	<u>37,561</u>
Total liabilities	<u>20,275,818</u>	<u>2,457,089</u>	<u>4,252,838</u>	<u>26,985,745</u>	<u>46,434</u>
<b>Deferred inflows of resources related to pension activity</b>					
Deferred inflows related to OPEB	15,203	2,954	-	18,157	-
Deferred inflows related to pensions	465,001	188,183	-	653,184	-
Total deferred inflows of resources	<u>480,204</u>	<u>191,137</u>	<u>-</u>	<u>671,341</u>	<u>-</u>
<b>Net Position</b>					
Net investment in capital assets	13,155,467	218,712	7,679,453	21,053,632	39
Restricted for debt service	1,621,801	1,742,215	480,328	3,844,344	-
Unrestricted	<u>5,137,775</u>	<u>1,050,849</u>	<u>2,660,998</u>	<u>8,849,622</u>	<u>181,703</u>
Total net position	<u>\$ 19,915,043</u>	<u>\$ 3,011,776</u>	<u>\$ 10,820,779</u>	<u>\$ 33,747,598</u>	<u>\$ 181,742</u>

See notes to basic financial statements.

**City of Marshall**  
**Statement of Revenues, Expenses, and Changes**  
**in Fund Net Position - Proprietary Funds**  
**Year Ended December 31, 2021**

	Wastewater Treatment (602)	Municipal Liquor Store (609)	Surface Water Management (630)	Totals	Governmental Activities - Internal Service Fund
Operating revenues					
Charges for services	\$ 5,301,123	\$ -	\$ 1,260,382	\$ 6,561,505	\$ -
Sales	-	6,725,679	-	6,725,679	-
Cost of sales	-	(4,849,781)	-	(4,849,781)	-
Total operating revenues/gross profit	<u>5,301,123</u>	<u>1,875,898</u>	<u>1,260,382</u>	<u>8,437,403</u>	<u>-</u>
Operating expenses					
Salaries and benefits	1,280,646	479,387	-	1,760,033	-
Supplies	312,176	25,853	3,316	341,345	-
Repairs and maintenance	176,712	11,167	44,184	232,063	-
Other services and charges	1,393,865	260,187	503,611	2,157,663	-
Insurance	47,076	17,147	4,964	69,187	-
Utilities	222,653	32,715	16,805	272,173	-
Depreciation	1,801,793	85,687	642,486	2,529,966	1,192
Total operating expenses	<u>5,234,921</u>	<u>912,143</u>	<u>1,215,366</u>	<u>7,362,430</u>	<u>1,192</u>
Operating income (loss)	66,202	963,755	45,016	1,074,973	(1,192)
Nonoperating revenues (expenses)					
Special assessments	-	-	3,849	3,849	-
Other income	-	2,401	-	2,401	-
Grants and contributions	1,247	505	-	1,752	-
Investment earnings (loss)	15,946	21,543	24,692	62,181	-
Refunds and reimbursements	29,972	17,485	135,186	182,643	-
Rents	14,809	-	-	14,809	-
Bond (discount) premium amortization	43,616	-	14,124	57,740	-
Bond issuance costs	-	-	(19,329)	(19,329)	-
Interest and other expense	(271,916)	(61,384)	(96,129)	(429,429)	(66)
Total nonoperating revenues (expenses)	<u>(166,326)</u>	<u>(19,450)</u>	<u>62,393</u>	<u>(123,383)</u>	<u>(66)</u>
Income before capital contributions and transfers	(100,124)	944,305	107,409	951,590	(1,258)
Transfers in	-	-	-	-	183,000
Transfers out	<u>-</u>	<u>(894,443)</u>	<u>-</u>	<u>(894,443)</u>	<u>-</u>
Change in net position	(100,124)	49,862	107,409	57,147	181,742
Net position, January 1	<u>20,015,167</u>	<u>2,961,914</u>	<u>10,713,370</u>	<u>33,690,451</u>	<u>-</u>
Net position, December 31	<u>\$ 19,915,043</u>	<u>\$ 3,011,776</u>	<u>\$ 10,820,779</u>	<u>\$ 33,747,598</u>	<u>\$ 181,742</u>

See notes to basic financial statements.

**City of Marshall**  
**Statement of Cash Flows - Proprietary Funds**  
**Year Ended December 31, 2021**

	Wastewater Treatment (602)	Municipal Liquor Store (609)	Surface Water Management (630)	Totals	Internal Service Fund
<b>Cash Flows - Operating Activities</b>					
Receipts from customers and users	\$ 5,454,551	\$ 6,727,580	\$ 1,264,297	\$ 13,446,428	\$ -
Payments to suppliers and vendors	(2,240,446)	(5,122,770)	(581,107)	(7,944,323)	-
Payments to and on behalf of employees	(1,246,679)	(486,945)	-	(1,733,624)	-
Other receipts	44,781	19,886	135,186	199,853	-
Net cash provided (used) by operating activities	<u>2,012,207</u>	<u>1,137,751</u>	<u>818,376</u>	<u>3,968,334</u>	<u>-</u>
<b>Cash Flows - Noncapital Financing Activities</b>					
Transfer from other funds	-	-	-	-	183,000
Transfer to other funds	-	(894,443)	-	(894,443)	-
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>(894,443)</u>	<u>-</u>	<u>(894,443)</u>	<u>183,000</u>
<b>Cash Flows - Capital and Related Financing Activities</b>					
Acquisition of capital assets	(3,668,898)	-	(1,172,327)	(4,841,225)	(47,665)
Proceeds from sales of capital assets	6,286	-	-	6,286	-
Proceeds from bonds, leases, and notes issued, net of discounts/premiums issued	3,042,845	-	665,703	3,708,548	47,665
Principal paid on long-term debt	(1,993,674)	(215,000)	(283,227)	(2,491,901)	(1,231)
Interest paid on long-term debt	(271,364)	(61,823)	(93,848)	(427,035)	(66)
Bond issuance costs	-	-	(19,329)	(19,329)	-
Special assessments received	-	-	8,809	8,809	-
Net cash provided (used) by capital and related financing activities	<u>(2,884,805)</u>	<u>(276,823)</u>	<u>(894,219)</u>	<u>(4,055,847)</u>	<u>(1,297)</u>
<b>Cash Flows - Investing Activities</b>					
Interest received on cash and investments	<u>15,160</u>	<u>19,424</u>	<u>22,678</u>	<u>57,262</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(857,438)	(14,091)	(53,165)	(924,694)	181,703
<b>Cash and Cash Equivalents</b>					
January 1	<u>8,071,315</u>	<u>2,595,721</u>	<u>2,988,792</u>	<u>13,655,828</u>	<u>-</u>
December 31	<u>\$ 7,213,877</u>	<u>\$ 2,581,630</u>	<u>\$ 2,935,627</u>	<u>\$ 12,731,134</u>	<u>\$ 181,703</u>
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Position</b>					
Cash and temporary investments					
Unrestricted	\$ 5,592,076	\$ 839,415	\$ 2,455,299	\$ 8,886,790	\$ 181,703
Restricted - debt service	<u>1,621,801</u>	<u>1,742,215</u>	<u>480,328</u>	<u>3,844,344</u>	<u>-</u>
Total Cash and Cash Equivalents	<u>\$ 7,213,877</u>	<u>\$ 2,581,630</u>	<u>\$ 2,935,627</u>	<u>\$ 12,731,134</u>	<u>\$ 181,703</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>					
Operating income (loss)	\$ 66,202	\$ 963,755	\$ 45,016	\$ 1,074,973	\$ -
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Other income related to operations	44,781	19,886	135,186	199,853	-
Depreciation	1,801,793	85,687	642,486	2,529,966	-
(Increase) decrease in assets					
Accounts receivable	(23,550)	(364)	3,876	(20,038)	-
Due from component units	53,839	-	39	53,878	-
Due from other governments	123,139	-	-	123,139	-
Inventories	-	55,863	-	55,863	-
Prepaid items	(10,461)	(1,579)	(704)	(12,744)	-
Increase (decrease) in liabilities					
Accounts payable	(53,925)	23,471	(4,898)	(35,352)	-
Contracts payable	-	-	(2,603)	(2,603)	-
Due to other governments	(68)	(3,683)	160	(3,591)	-
Due to component unit	(23,510)	8	(182)	(23,684)	-
Accrued salaries payable	82,852	(7,971)	-	74,881	-
Compensated absences payable	(78,827)	(364)	-	(79,191)	-
Unearned revenue	-	2,265	-	2,265	-
Pension related activity	23,755	(3,053)	-	20,702	-
Other postemployment benefit activity	<u>6,187</u>	<u>3,830</u>	<u>-</u>	<u>10,017</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>\$ 2,012,207</u>	<u>\$ 1,137,751</u>	<u>\$ 818,376</u>	<u>\$ 3,968,334</u>	<u>\$ -</u>
<b>Noncash Investing, Capital and Financing Activities</b>					
Book value of disposed/traded of capital assets	\$ 6,286	\$ -	\$ -	6,286	\$ -
Amortization of bond (premium) discount	(43,616)	-	(14,124)	(57,740)	-

See notes to basic financial statements.

**City of Marshall**  
**Statement of Fiduciary Net Position**  
**December 31, 2021**

	Private Purpose Trust Fund (802)
<b>Assets</b>	
Current:	
Cash and investments	\$ 15,982
Interest receivable	<u>33</u>
Total assets	<u><u>\$ 16,015</u></u>
<b>Net Position</b>	
Held in trust	<u><u>\$ 16,015</u></u>

**Statement of Changes in Fiduciary Net Position**  
**Year Ended December 31, 2021**

	Private Purpose Trust Fund (802)
<b>Additions</b>	
Investment income	<u>\$ 134</u>
<b>Deductions</b>	
Program expenditures	<u>550</u>
Change in net position	(416)
<b>Net Position</b>	
Beginning of year	<u>16,431</u>
End of year	<u><u>\$ 16,015</u></u>

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

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

**A. Reporting Entity**

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

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

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

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

**1. Blended Component Units**

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

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

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

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

**A. Reporting Entity (Continued)**

**2. Discretely Presented Component Units**

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

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

The Marshall Housing Commission (the Commission) meets the criteria to be included as a discrete presentation. The members of the governing board of the Utilities are appointed by the Mayor and approved by the City Council. Although the City does not have the authority to approve or modify the Commission's operational and capital budgets, the tax rates established by the Commission and bonded debt must be approved by the City Council. The Commission has a September 30 reporting date, therefore, the information presented within the government-wide financial statements is from its September 30, 2020, separately issued financial statements. Complete financial statements for the Commission may be obtained from the Marshall Housing Commission at 202 North First Street, Marshall, Minnesota.

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

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

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

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

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

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

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

**Description of Funds:**

**Major Governmental Funds:**

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

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

Sales/Lodging Tax Special Revenue Fund – This fund is used to account for sales and lodging tax received by the City to be used for future capital projects.

2020 Public Improvement Capital Project Fund – This fund is used to account for street and utility improvements made to the City's infrastructure system.

2021 Public Improvement Capital Project Fund – This fund is used to account for street and utility improvements made to the City's infrastructure system.

**Proprietary Funds:**

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

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

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

**Fiduciary Fund:**

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

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

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

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

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

**Description of Funds: (Continued)**

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

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

**Component Units**

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

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

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

**1. Deposits and Investments**

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

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

*Minnesota Statutes* 118A outlines authorized investments, including obligations of the U.S. Treasury, agencies, and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days and in the Minnesota Municipal Investment Pool.

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

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

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

**1. Deposits and Investments (Continued)**

Certain investments for the City are reported at fair value as disclosed in Note 3. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**2. Receivables and Payables**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**4. Capital Assets**

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

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

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

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

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

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

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

**4. Capital Assets (Continued)**

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

The Marshall Municipal Utilities uses the straight-line composite group method for depreciation based on estimated useful lives of the various classes of property. The provision is 3.36% of the average balance of depreciable property in service at December 31, 2021.

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

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

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

**6. Compensated Absences**

*City of Marshall*

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

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

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

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

**6. Compensated Absences (Continued)**

*City of Marshall (Continued)*

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  $\frac{3}{4}$  time employees. Sick leave is a privilege, not a right. Employees are to use this paid leave only when they are unable to work for medical reasons and/or under the conditions explained below. Employees are required to exhaust their sick leave balance prior to approval of an unpaid medical leave absence. Sick leave does not accrue during unpaid leave absence.

Full-time employees will earn sick leave at the rate of one (1) day or 8 hours for each month of service and can be accumulated up to 120 days or 960 hours at this rate. Beyond 120 days or 960 hours, sick leave will continue to accumulate at a rate of  $\frac{1}{2}$  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 accumulated one (1) day or 6 hours for each month of service up to 120 days or 960 hours and then continue to accumulate  $\frac{1}{2}$  day or 4 hours for each month of service.

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

*Marshall Municipal Utilities*

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

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

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

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

**6. Compensated Absences (Continued)**

*Marshall Municipal Utilities (Continued)*

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

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

**7. Severance Plan**

Employees hired prior to January 1, 2016, 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% annual salary each year in excess of twenty years to a maximum of 150% of the monthly salary. As of December 31, 2021, the City has recorded estimated future costs under this plan of \$131,942.

**8. Postemployment Benefits Other Than Pensions**

Under *Minnesota Statute* § 471.61, subdivision 2b, public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees may obtain dependent coverage immediately before retirements. All premiums are funded on a pay-as-you-go basis. The liability was actuarially determined, in accordance with GASB Statement No. 75, at December 31, 2021. The General Fund is typically used to liquidate the governmental total OPEB liability.

**9. Long-Term Obligations**

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

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

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

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

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

**9. Long-Term Obligations (Continued)**

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

**10. Pensions**

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

**11. Restricted and Designated Assets**

The Wastewater Treatment Fund, Surface Water Management fund and the Marshall Municipal Utilities fund (component unit) have classified resources consisting of cash and investments and delinquent taxes receivable as designated and restricted assets on the statements of net position. These amounts have been set aside for debt service payments and capital improvements. Amounts restricted for debt service are \$7,384,874 and amounts designated for capital reserves are \$3,460,017.

**12. Fund Balance**

**a. Classification**

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

- Nonspendable Fund Balance – These are amounts that cannot be spent because they are not in spendable form, such as prepaid items.
- Restricted Fund Balance – These are amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through enabling legislation.

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

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

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

**12. Fund Balance (Continued)**

**a. Classification (Continued)**

- Committed Fund Balance – These are amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council (highest level of decision making authority) through resolution. Committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action used to commit these amounts.
- Assigned Fund Balance – These are amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by the City's Finance Director based on the City Council's direction.

**b. Minimum Fund Balance**

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

**13. Net Position**

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

**E. Use of Estimates**

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

**F. Budgetary Information**

1. Prior to September 1 of each year, City Administrator submits to the City Council, a proposed operating budget for the year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. The final budget is legally enacted through passage of a resolution on or before December 28 and the property tax levy is certified to the County Auditor.

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

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

**F. Budgetary Information (Continued)**

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

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

**Deficit Fund Balance**

The following funds had a deficit fund balance at December 31, 2021:

Debt Service	
2021B G.O. State Aid Street Bonds	\$ (200)
2021A G.O. Bonds	(136)
Capital Projects	
2018 Public Improvements	(901,762)
2020 Public Improvements	(979,217)
2022 Public Improvements	(999)
	<hr/>
Total	<u><u>\$(1,882,314)</u></u>

**NOTE 3 – DEPOSITS AND INVESTMENTS**

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

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

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

**A. Deposits**

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

**Custodial Credit Risk – Deposits:** The City has an investment policy in place to address custodial credit risk for deposits, stating all deposits and investments must be in compliance with *Minnesota Statutes* 118A; protected by federal depository insurance and corporate surety bonds or collateral equal to 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance, National Credit Union Administration (NCUA) or corporate surety bonds. As of December 31, 2021, the City's bank balance was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the City's name. As of December 31, 2021, the City's deposits consisted of the following:

Checking	\$ 9,000,373
Certificates of deposit	3,194,050
Money market	<u>14,314,826</u>
Total Deposits	<u><u>\$ 26,509,249</u></u>

**B. Investments**

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

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

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

**Concentration of Credit Risk:** The concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment policy places no limit on the amount the City may invest in any one issuer; however, it does state diversification strategies shall be determined and revised periodically by the investment officer for all funds. The City was exposed to concentration of credit risk as each of these investments exceeded 5% of total investments FHLMC (7.27%) and FNMA (8.86%).

**Custodial Credit Risk – Investments:** For an investment, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City typically limits its exposure by purchasing securities that are insured or registered, or securities held by the City or its agent in the City's name.

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

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

**B. Investments (Continued)**

As of December 31, 2021, the City had the following investments:

		Primary Government					
Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using			
				Level 1	Level 2	Level 3	
Investments at Amortized Cost							
Broker Money Market Funds	N/A	less than 1 year	\$ 1,921,591	\$ -	\$ -	\$ -	
Real Estate	N/A	less than 1 year	-	-	-	-	
Investments at Fair Value							
Federal Agency Bonds and Notes	N/A	less than 1 year	606,860	-	606,860	-	
Federal Agency Bonds and Notes	N/A	1 to 5 years	5,693,491	-	5,693,491	-	
Federal Agency Bonds and Notes	N/A	more than 5 years	958,595	-	958,595	-	
Municipal Bonds	Baa1 to Aaa	less than 1 year	3,815,385	-	3,815,385	-	
	Aa1 to Aaa, A+						
Municipal Bonds	to AAA	1 to 5 years	5,049,469	-	5,049,469	-	
Municipal Bonds	Aa1 to Aaa	more than 5 years	1,176,515	-	1,176,515	-	
Certificate of Deposit	N/A	less than 1 year	738,081	-	738,081	-	
Certificate of Deposit	N/A	1 to 5 years	487,413	-	487,413	-	
Total Primary Government			\$ 20,447,400	\$ -	\$ 18,525,809	\$ -	

Types of Investments	Component Units					
	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
<i>Component Unit - Marshall Municipal Utilities</i>						
Investments at Amortized Cost						
Broker Money Market Funds	N/A	less than 1 year	\$ 2,367,255	\$ -	\$ -	\$ -
Investments at Fair Value						
U.S Treasury Notes	N/A	1 to 5 years	895,495	-	895,495	-
U.S Treasury Notes	N/A	more than 5 years	279,595	-	279,595	-
Federal Agency Bonds and Notes	N/A	1 to 5 years	1,028,309	-	1,028,309	-
Federal Agency Bonds and Notes	N/A	more than 5 years	1,744,256	-	1,744,256	-
Federal Agency Mortgage Pools	N/A	1 to 5 years	136,324	-	136,324	-
Federal Agency Mortgage Pools	N/A	more than 5 years	474,380	-	474,380	-
Municipal Bonds	A+ to AAA	less than 1 year	2,113,832	-	2,113,832	-
Municipal Bonds	A+ to AAA	1 to 5 years	9,491,353	-	9,491,353	-
Municipal Bonds	A+ to AAA	more than 5 years	4,820,853	-	4,820,853	-
Total Marshall Municipal Utilities Investments			23,351,652	-	20,984,397	-
Total Investments			\$ 43,799,052	\$ -	\$ 39,510,206	\$ -

- (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.

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

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

**B. Investments (Continued)**

The City has the following recurring fair value measurements as of December 31, 2021:

- Investments of \$39,510,206 are valued using a matrix pricing model (Level 2 inputs)

**C. Cash and Investment Summary**

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

	Component Units			
	Primary Government	Municipal Utilities	Housing Commission	Economic Development Authority
Deposits (Note 3 A.)	\$ 20,578,016	\$ 3,764,773	\$ 538,359	\$ 1,612,119
Cash on Hand	3,242	1,600	-	-
Investments (Note 3 B.)	20,447,400	23,351,652	-	-
Total	<u>41,028,658</u>	<u>27,118,025</u>	<u>538,359</u>	<u>1,612,119</u>
Cash and Temporary Investments	37,184,314	23,577,495	526,822	1,612,119
Restricted Assets	3,844,344	3,540,530	11,537	-
Total	<u>\$ 41,028,658</u>	<u>\$ 27,118,025</u>	<u>\$ 538,359</u>	<u>\$ 1,612,119</u>

	Fiduciary Funds	Total
Deposits (Note 3 A.)	\$ 15,982	\$ 26,509,249
Cash on Hand	-	4,842
Investments (Note 3 B.)	-	43,799,052
Total	<u>15,982</u>	<u>70,313,143</u>
Cash and Temporary Investments	15,982	62,916,732
Restricted Assets	-	7,396,411
Total	<u>\$ 15,982</u>	<u>\$ 70,313,143</u>

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

**NOTE 4 – INTERFUND ACTIVITY**

**A. Transfers**

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

Fund	Transfers In				Total
	General	Debt Service	Nonmajor Governmental	Internal Service Fund	
Transfers out					
General Fund	\$ -	\$ -	\$ 250,000	\$ -	\$ 250,000
Sales/Lodging Tax	-	1,455,594	775,000	-	2,230,594
Nonmajor governmental	-	244,389	-	183,000	427,389
Municipal liquor store	300,000	200,000	394,443	-	894,443
Total transfers out	<u>\$ 300,000</u>	<u>\$ 1,899,983</u>	<u>\$ 1,419,443</u>	<u>\$ 183,000</u>	<u>\$ 3,802,426</u>

**B. Interfund Receivables/Payables**

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

*Due From/To Other Funds*

Fund	Due from Other Funds	Due to Other Funds
General	\$ -	\$ 153,601
2021 Public Improvements	-	50,923
Nonmajor governmental	725,219	520,695
Total	<u>\$ 725,219</u>	<u>\$ 725,219</u>

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

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

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

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

*Due to Primary Government from Component Unit*

<u>Receivable Entity/Fund</u>	<u>Payable Entity/Fund</u>	<u>Amount</u>
Primary Government	Component unit	
General	Marshall Municipal Utilities	\$ 36,421
2021 Public Improvements	Marshall Municipal Utilities	106,860
Nonmajor governmental	Marshall Municipal Utilities	162,897
Nonmajor governmental	Economic Development Authority	167,074
Enterprise		
Wastewater Treatment	Marshall Municipal Utilities	554,207
Surface Water Management	Marshall Municipal Utilities	210,565
		<u>1,238,024</u>
Total		<u>\$ 1,238,024</u>

*Due to Component Unit from Primary Government*

<u>Receivable Fund/Entity</u>	<u>Payable Fund/Entity</u>	<u>Amount</u>
Component Unit	Primary Government	
Marshall Municipal Utilities	General	\$ 263,497
Marshall Municipal Utilities	Nonmajor governmental	12,073
Marshall Municipal Utilities	Wastewater Treatment enterprise	112,672
Marshall Municipal Utilities	Municipal Liquor Store enterprise	2,076
Marshall Municipal Utilities	Surface Water Management enterprise	944
		<u>391,262</u>
Total		<u>\$ 391,262</u>

*Due to Component Unit from other Component Unit*

<u>Receivable Fund/Entity</u>	<u>Payable Fund/Entity</u>	<u>Amount</u>
Component Unit	Component Unit	
Marshall Municipal Utilities	Economic Development Authority	\$ 18

**NOTE 5 – NOTES RECEIVABLE**

Loans were made by the Economic Development Authority, EDA Parkway Housing Fund and EDA Revolving Fund, the balances of which are \$80,000, \$210,575, and \$4,306, respectively, as of December 31, 2021. 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 \$8,292 as of December 31, 2021, net of an allowance of \$877,351.

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

**NOTE 6 – CAPITAL ASSETS**

*Primary Government*

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 7,320,348	\$ 127,000	\$ 19,220	\$ 7,428,128
Construction in progress	6,242,138	4,567,997	8,447,784	2,362,351
Total capital assets not being depreciated	<u>13,562,486</u>	<u>4,694,997</u>	<u>8,467,004</u>	<u>9,790,479</u>
Capital assets being depreciated				
Buildings	45,465,182	7,164,563	856,615	51,773,130
Improvements other than buildings	29,568,430	45,585	-	29,614,015
Infrastructure	69,567,786	1,810,415	-	71,378,201
Equipment and machinery	12,145,942	1,121,676	487,423	12,780,195
Library books	923,228	-	-	923,228
Leased vehicles	-	47,665	-	47,665
Total capital assets being depreciated	<u>157,670,568</u>	<u>10,189,904</u>	<u>1,344,038</u>	<u>166,516,434</u>
Less accumulated depreciated for				
Buildings	12,966,818	1,515,283	856,615	13,625,486
Improvements other than buildings	17,387,437	1,091,636	-	18,479,073
Infrastructure	34,040,158	3,100,314	-	37,140,472
Equipment and machinery	7,774,533	882,212	487,423	8,169,322
Library books	895,167	20,971	-	916,138
Leased vehicles	-	1,192	-	1,192
Total accumulated depreciation	<u>73,064,113</u>	<u>6,611,608</u>	<u>1,344,038</u>	<u>78,331,683</u>
Total capital assets being depreciated, net	<u>84,606,455</u>	<u>3,578,296</u>	<u>-</u>	<u>88,184,751</u>
Governmental activities capital assets, net	<u>\$ 98,168,941</u>	<u>\$ 8,273,293</u>	<u>\$ 8,467,004</u>	<u>\$ 97,975,230</u>

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

General Government	\$ 381,913
Public Safety	528,987
Public Works	3,500,902
Culture and Recreation	1,306,631
Airport	<u>893,175</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 6,611,608</u>

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

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

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital assets not being depreciated				
Land	\$ 512,872	\$ -	\$ -	\$ 512,872
Construction in progress	14,310,306	3,751,159	17,442,034	619,431
Total capital assets not being depreciated	14,823,178	3,751,159	17,442,034	1,132,303
Capital assets being depreciated				
Buildings	2,528,334	-	-	2,528,334
Improvements other than buildings	28,124,552	14,920,073	-	43,044,625
Infrastructure	38,791,684	2,677,361	73,939	41,395,106
Equipment and machinery	3,757,004	248,294	7,857	3,997,441
Total capital assets being depreciated	73,201,574	17,845,728	81,796	90,965,506
Less accumulated depreciated for				
Buildings	401,515	67,299	-	468,814
Improvements other than buildings	21,730,034	933,463	-	22,663,497
Infrastructure	18,567,227	1,269,485	73,939	19,762,773
Equipment and machinery	2,720,237	259,719	1,571	2,978,385
Total accumulated depreciation	43,419,013	2,529,966	75,510	45,873,469
Total capital assets being depreciated, net	29,782,561	15,315,762	6,286	45,092,037
Business-type activities capital assets, net	<u>\$ 44,605,739</u>	<u>\$ 19,066,921</u>	<u>\$ 17,448,320</u>	<u>\$ 46,224,340</u>

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

Wastewater Treatment	\$ 1,801,793
Municipal Liquor Store	85,687
Surface Water Management	642,486
Total Depreciation Expense - Business-type Activities	<u>\$ 2,529,966</u>

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

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

*Discretely Presented Component Units*

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

	Beginning Balance	Increases	Decreases	Ending Balance
Marshall Municipal Utilities				
Capital assets not being depreciated				
Construction in progress	\$ 11,494,919	\$ 2,746,904	\$ 13,116,968	\$ 1,124,855
Capital assets being depreciated				
Electric production plant	3,324,745	-	-	3,324,745
Electric transmission line	16,440,150	30,117	-	16,470,267
Electric distribution system	58,936,406	692,721	8,180	59,620,947
Transportation and general	9,925,986	495,894	12,299	10,409,581
Water utility	58,906,474	13,593,519	176,725	72,323,268
Total capital assets being depreciated	147,533,761	14,812,251	197,204	162,148,808
Less accumulated depreciated for				
Electric production plant	2,786,402	66,470	-	2,852,872
Electric transmission line	11,056,980	523,859	-	11,580,839
Electric distribution system	30,155,218	2,440,227	8,180	32,587,265
Transportation and general	7,821,091	589,875	12,299	8,398,667
Water utility	32,430,547	1,512,610	176,725	33,766,432
Total accumulated depreciation	84,250,238	5,133,041	197,204	89,186,075
Total capital assets being depreciated, net	63,283,523	9,679,210	-	72,962,733
Capital assets, net	\$ 74,778,442	\$ 12,426,114	\$ 13,116,968	\$ 74,087,588

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

Business-type Activities	
Marshall Municipal Utilities - Water	\$ 1,605,038
Marshall Municipal Utilities - Electric	3,528,003
Total	\$ 5,133,041

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

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

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

	Beginning Balance	Increases	Decreases	Ending Balance
Marshall Housing Commission				
Capital assets not being depreciated				
Land	\$ 514,965	\$ -	\$ -	\$ 514,965
Capital assets being depreciated				
Buildings	8,607,745	494,960	-	9,102,705
Equipment and machinery	194,426	700	-	195,126
Total capital assets being depreciated	8,802,171	495,660	-	9,297,831
Less accumulated depreciated	6,394,642	281,051	-	6,675,693
Total capital assets being depreciated, net	2,407,529	214,609	-	2,622,138
Capital assets, net	<u>\$ 2,922,494</u>	<u>\$ 214,609</u>	<u>\$ -</u>	<u>\$ 3,137,103</u>

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

Business-type Activities	
Marshall Housing Commission	<u>\$ 281,051</u>

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Economic Development Authority</b>				
Capital assets not being depreciated				
Land improvements	\$ 12,920	\$ -	\$ -	\$ 12,920
Less accumulated depreciated for Land improvements	7,914	646	-	8,560
Total capital assets being depreciated, net	5,006	(646)	-	4,360
Capital assets, net	<u>\$ 5,006</u>	<u>\$ (646)</u>	<u>\$ -</u>	<u>\$ 4,360</u>

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

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

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

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

**NOTE 7 – LONG-TERM DEBT**

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

*Governmental Activity Debt*

General Obligation Bonds

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

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

General obligation bonds currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Capital Improvement of 2010A	\$ 1,150,000	2.00 - 3.30 %	09/15/10	02/01/26	\$ 370,000
G.O. Equipment Certificates of 2013A	860,000	2.00 - 3.00	08/01/13	02/01/23	205,000
G.O. Bonds of 2015A	1,710,000	2.00 - 3.00	01/01/15	02/01/31	1,195,000
G.O. Bonds of 2016B	705,000	2.00	06/23/16	02/01/25	145,000
G.O. Bonds of 2017A	170,000	2.00 - 3.00	07/13/17	02/01/23	70,000
G.O. Bonds of 2020A	6,170,000	2.00 - 5.00	02/27/20	02/01/40	6,115,000
G.O. Equipment Certificates of 2020B	360,000	2.00	07/09/20	02/01/28	360,000
G.O. Equipment Certificates of 2021A	440,000	2.00	06/10/21	02/01/30	440,000
Total General Obligation Bonds					<u>\$ 8,900,000</u>

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

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

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

*Governmental Activity Debt (Continued)*

General Obligation Bonds (Continued)

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

Year Ending December 31,	General Obligation Bonds Governmental Activities		
	Principal	Interest	Total
2022	\$ 735,000	\$ 254,310	\$ 989,310
2023	660,000	230,196	890,196
2024	535,000	209,309	744,309
2025	555,000	189,259	744,259
2026	570,000	169,289	739,289
2027 - 2031	2,495,000	584,044	3,079,044
2032 - 2036	1,780,000	277,503	2,057,503
2037 - 2040	1,570,000	74,556	1,644,556
Total	<u>\$ 8,900,000</u>	<u>\$ 1,988,466</u>	<u>\$ 10,888,466</u>

General Obligation Tax Increment Bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Tax Increment Revenues Bonds					
Revenues Bonds of 2011A	\$ 1,265,000	0.70 - 2.70 %	09/15/11	02/01/23	\$ 345,000
G.O. Tax Increment Revenues Bonds of 2017B	2,930,000	0.70 - 2.70	10/26/17	02/01/33	<u>1,885,000</u>
Total G.O. Tax Increment Bonds					<u>\$ 2,230,000</u>

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

**NOTE 7 – LONG-TERM DEBT**

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

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

Year Ending December 31,	G.O. Tax Increment Bonds Governmental Activities		
	Principal	Interest	Total
2022	\$ 170,000	\$ 58,075	\$ 228,075
2023	175,000	53,588	228,588
2024	-	51,225	51,225
2025	100,000	50,100	150,100
2026	115,000	47,537	162,537
2027 - 2031	1,165,000	157,800	1,322,800
2032 - 2033	505,000	15,225	520,225
Total	<u>\$ 2,230,000</u>	<u>\$ 433,550</u>	<u>\$ 2,663,550</u>

General Obligation Tax Abatement Bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Tax Abatement Bonds of 2016C	\$ 2,810,000	2.00 - 3.00 %	06/23/16	02/01/37	\$ 2,340,000

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

Year Ending December 31,	G.O. Tax Abatement Bonds Governmental Activities		
	Principal	Interest	Total
2022	\$ 125,000	\$ 58,350	\$ 183,350
2023	125,000	55,850	180,850
2024	130,000	53,300	183,300
2025	130,000	50,700	180,700
2026	135,000	48,050	183,050
2027 - 2031	710,000	195,775	905,775
2032 - 2036	810,000	88,050	898,050
2037 - 2038	175,000	2,625	177,625
Total	<u>\$ 2,340,000</u>	<u>\$ 552,700</u>	<u>\$ 2,892,700</u>

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

**NOTE 7 – LONG-TERM DEBT**

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

General Obligation Improvement 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 or through sales tax. Some issuances, however, are partly financed by ad valorem tax levies.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement Bonds of 2011B	\$ 1,510,000	0.50 - 4.00 %	10/01/11	02/01/27	\$ 495,000
G.O. Improvement Bonds of 2012A	2,550,000	2.00 - 2.55	06/01/12	02/01/28	535,000
G.O. Improvement Bonds of 2013A	2,785,000	2.00 - 3.00	08/01/13	02/01/25	1,030,000
G.O. Improvement Bonds of 2014B	15,735,000	3.13 - 5.00	07/23/14	02/01/28	8,990,000
G.O. Improvement Bonds of 2014C	1,955,000	2.00 - 3.00	07/23/14	02/01/26	700,000
G.O. Improvement Bonds of 2015B	895,000	3.00 - 4.00	07/22/15	02/01/24	335,000
G.O. Improvement Bonds of 2016B	1,500,000	2.00	06/23/16	02/01/25	755,000
G.O. Improvement Bonds of 2017A	1,035,000	2.00 - 3.00	07/13/17	02/01/28	745,000
G.O. Improvement Bonds of 2017B	360,000	1.65 - 3.00	10/26/17	02/01/28	260,000
G.O. Improvement Bonds of 2018A	2,328,608	3.13 - 4.00	07/25/18	02/01/34	1,970,019
G.O. Improvement Bonds of 2020B	424,535	2.00	07/09/20	02/01/28	424,535
G.O. Improvement Bonds of 2021A	899,600	2.00	06/10/21	02/01/30	899,600
Total G.O. Improvement Bonds					<u>\$ 17,139,154</u>

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

Year Ending December 31,	G.O. Improvement Bonds Governmental Activities		
	Principal	Interest	Total
2022	\$ 2,471,872	\$ 554,192	\$ 3,026,064
2023	2,642,818	454,857	3,097,675
2024	2,644,166	353,444	2,997,610
2025	2,369,166	255,008	2,624,174
2026	2,078,310	176,908	2,255,218
2027 - 2031	4,545,743	230,936	4,776,679
2032 - 2034	387,079	18,954	406,033
Total	<u>\$ 17,139,154</u>	<u>\$ 2,044,299</u>	<u>\$ 19,183,453</u>

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

**NOTE 7 – LONG-TERM DEBT**

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

General Obligation State Aid Street Bonds

These bonds were issued to finance construction, reconstruction, and improvement of municipal state-aid streets. They will be retired from State Aid revenues.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. State Aid Street Bonds of 2021B	\$ 2,000,000	4.00 %	06/10/21	04/01/29	\$ 2,000,000

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

Year Ending December 31,	G.O. State Aid Street Bonds Governmental Activities		
	Principal	Interest	Total
2022	\$ 230,000	\$ 100,067	\$ 330,067
2023	225,000	66,300	291,300
2024	235,000	57,100	292,100
2025	240,000	47,600	287,600
2026	250,000	37,800	287,800
2027 - 2029	820,000	50,200	870,200
Total	<u>\$ 2,000,000</u>	<u>\$ 359,067</u>	<u>\$ 2,359,067</u>

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

**NOTE 7 – LONG-TERM DEBT**

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

*Business-Type Activity Debt*

General Obligation Revenue Bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Utility and Improvement Bonds of 2011A - Storm	\$ 925,000	0.50 - 4.00 %	09/15/11	02/01/27	\$ 420,000
G.O. Utility and Improvement Bonds of 2011A - Wastewater	960,000	0.50 - 4.00	09/15/11	02/01/27	435,000
G.O. Utility and Improvement Bonds of 2011B - Storm	335,000	0.50 - 4.00	10/01/11	02/01/27	155,000
G.O. Utility and Improvement Bonds of 2011B - Wastewater	205,000	0.50 - 4.00	10/01/11	02/01/27	90,000
G.O. Utility and Improvement Bonds of 2012A - Wastewater	1,775,000	2.00 - 2.55	06/01/12	02/01/28	895,000
G.O. Utility and Improvement Bonds of 2014C - Wastewater	1,420,000	2.00 - 3.00	07/23/14	02/01/25	610,000
G.O. Utility and Improvement Bonds of 2015B - Wastewater	860,000	3.00 - 4.00	07/22/15	02/01/24	345,000
G.O. Utility and Improvement Bonds of 2016B - Wastewater	305,553	2.00	06/23/16	02/01/25	158,978
G.O. Utility and Improvement Bonds of 2016B - Storm	1,049,447	2.00	06/23/16	02/01/25	546,023
G.O. Utility and Improvement Bonds of 2016D - Wastewater	3,630,000	2.00	06/23/16	02/01/27	2,285,000
G.O. Utility and Improvement Bonds of 2017A - Storm	85,000	2.00 - 3.00	07/13/17	02/01/23	45,000
G.O. Utility and Improvement Bonds of 2018A - Wastewater	619,850	3.13 - 4.00	07/25/18	02/01/34	537,436
G.O. Utility and Improvement Bonds of 2018A - Storm	631,542	3.13 - 4.00	07/25/18	02/01/34	527,545
G.O. Utility and Improvement Bonds of 2020B - Storm	1,685,465	2.00	07/09/20	02/01/31	1,685,465
G.O. Utility and Improvement Bonds of 2021A - Wastewater	625,400	2.00	06/10/21	02/01/30	625,400
Total G.O. Revenue Bonds					<u>\$ 9,360,847</u>

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

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

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

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

Year Ending December 31,	G.O. Revenue Bonds Business-type Activities		
	Principal	Interest	Total
2022	\$ 1,368,129	\$ 222,851	\$ 1,590,980
2023	1,477,181	184,431	1,661,612
2024	1,520,834	144,121	1,664,955
2025	1,385,834	106,675	1,492,509
2026	1,076,691	76,615	1,153,306
2027 - 2031	2,294,256	124,413	2,418,669
2032 - 2034	237,922	11,549	249,471
Total	<u>\$ 9,360,847</u>	<u>\$ 870,655</u>	<u>\$ 10,231,502</u>

**Revenue Bonds**

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

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	\$ 1,930,000

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

Year Ending December 31,	Revenue Bonds Business-type Activities		
	Principal	Interest	Total
2022	\$ 220,000	\$ 56,555	\$ 276,555
2023	225,000	50,835	275,835
2024	230,000	44,872	274,872
2025	235,000	38,318	273,318
2026	245,000	31,620	276,620
2027 - 2029	775,000	48,515	823,515
Total	<u>\$ 1,930,000</u>	<u>\$ 270,715</u>	<u>\$ 2,200,715</u>

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

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

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

Notes from Direct Borrowings

On July 10, 2019, the City issued a \$15,678,015 G.O. Wastewater Revenue Utility and Improvement Note 2019A through the Minnesota Public Facilities Authority. As of December 31, 2021, the City had drawn \$14,780,546 on this note and have made \$1,273,000 in principal payments. The amortization schedule below represents the entire liability once the project is complete and all draws have been made. The remaining balance is expected to be drawn in 2022.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Wastewater Revenue Utility and Improvement Note 2019A	\$ 15,678,015	1.00 %	07/10/2019	08/20/2039	\$ 13,507,546

The annual debt service requirements to maturity for Notes from Direct Borrowings are as follows:

Year Ending December 31,	Notes from Direct Borrowings Business-type Activities		
	Principal	Interest	Total
2022	\$ 734,000	\$ 138,916	\$ 872,916
2023	742,000	136,710	878,710
2024	749,000	129,290	878,290
2025	757,000	121,800	878,800
2026	764,000	114,230	878,230
2027 - 2031	3,937,000	454,981	4,391,981
2032 - 2036	4,138,000	254,171	4,392,171
2037 - 2038	1,686,546	17,310	1,703,856
Total	<u>\$ 13,507,546</u>	<u>\$ 1,367,408</u>	<u>\$ 14,874,954</u>

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

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

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

*Component Unit Debt*

Revenue Bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Utility Revenue Bonds					
Series 2012B	\$ 5,500,000	2.31 %	06/01/12	07/01/27	\$ 2,415,000
Series 2014A	4,025,000	3.04 %	04/24/14	07/01/29	2,375,000
Series 2016A	7,310,000	1.51 %	04/21/16	07/01/23	1,585,000
Series 2021C	3,420,000	0.44 %	08/18/21	07/01/25	3,085,000
Series 2021D	2,515,000	0.99 %	08/18/21	07/01/25	<u>2,515,000</u>
Total Revenue Bonds					<u>\$ 11,975,000</u>

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

Year Ending December 31,	Revenue Bonds Marshall Municipal Utilities Component Unit Activities		
	Principal	Interest	Total
2022	\$ 2,790,000	\$ 480,835	\$ 3,270,835
2023	2,425,000	311,050	2,736,050
2024	1,920,000	227,300	2,147,300
2025	1,580,000	151,800	1,731,800
2026	1,090,000	94,000	1,184,000
2027 - 2030	<u>2,170,000</u>	<u>102,725</u>	<u>2,272,725</u>
Total	<u>\$ 11,975,000</u>	<u>\$ 1,367,710</u>	<u>\$ 13,342,710</u>

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

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

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

Long-term liability activity for the year ended December 31, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
General obligation bonds	\$ 8,965,000	\$ 440,000	\$ 505,000	\$ 8,900,000	\$ 735,000
General obligation tax increment bonds	2,635,000	-	405,000	2,230,000	170,000
General obligation tax abatement bonds	2,460,000	-	120,000	2,340,000	125,000
General obligation improvement bonds	18,739,653	899,600	2,500,099	17,139,154	2,471,872
General obligation State Aid street bonds	-	2,000,000	-	2,000,000	230,000
Unamortized bond premium	2,090,427	380,882	243,332	2,227,977	-
Total bonds payable	34,890,080	3,720,482	3,773,431	34,837,131	3,731,872
Compensated absences payable	1,144,629	326,041	312,406	1,158,264	194,717
Governmental activity long-term liabilities	<u>\$ 36,034,709</u>	<u>\$ 4,046,523</u>	<u>\$ 4,085,837</u>	<u>\$ 35,995,395</u>	<u>\$ 3,926,589</u>
	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Business-type activities					
Bonds payable					
General obligation revenue bonds	\$ 10,285,348	\$ 625,400	\$ 1,549,901	\$ 9,360,847	\$ 1,368,129
Revenue bonds	2,145,000	-	215,000	1,930,000	220,000
PFA notes	11,191,701	3,042,845	727,000	13,507,546	734,000
Unamortized bond premium	389,752	40,302	57,739	372,315	-
Total bonds payable	24,011,801	3,708,547	2,549,640	25,170,708	2,322,129
Compensated absences payable	256,968	24,712	103,903	177,777	56,614
Business-type activity long-term liabilities	<u>\$ 24,268,769</u>	<u>\$ 3,733,259</u>	<u>\$ 2,653,543</u>	<u>\$ 25,348,485</u>	<u>\$ 2,378,743</u>

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

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

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Component Unit Activities					
Marshall Municipal Utilities					
Revenue bonds	\$ 18,270,000	\$ 5,600,000	\$ 11,895,000	\$ 11,975,000	\$ 2,790,000
Accrued transmission reserve	1,180,025	-	-	1,180,025	-
Deferred water area charges	-	198,588	-	198,588	-
Compensated absences payable	639,312	-	38,166	601,146	-
Unamortized bond discount	(8,574)	(17,008)	9,374	(16,208)	-
Component Unit Long-term liabilities	<u>\$ 20,080,763</u>	<u>\$ 5,781,580</u>	<u>\$ 11,942,540</u>	<u>\$ 13,938,551</u>	<u>\$ 2,790,000</u>
Marshall Housing Commission					
Compensated absences payable	<u>\$ 52,528</u>	<u>\$ -</u>	<u>\$ 6,026</u>	<u>\$ 58,554</u>	<u>\$ 12,265</u>

**NOTE 8 – CONDUIT DEBT**

Conduit debt obligations are certain limited-obligation revenue bonds or similar debt instruments issued for the express purpose of providing capital financing for a specific third party. The City has issued conduit debt to provide funding to private-sector entities for projects deemed to be in the public interest. Although these bonds bear the name of the City, the City has no obligation for such debt beyond the resources provided by related leases or loans. Accordingly, the bonds are not reported as liabilities in the financial statements of the City. As of December 31, 2021, the following issues were outstanding:

Name	Date of Issue	Original Amount of Issue	Balance Outstanding as of 12/31/21
SMSU - Student Housing Revenue Note	2005	\$ 5,600,000	\$ 2,529,940

**NOTE 9 – RISK MANAGEMENT**

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

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

**NOTE 9 – RISK MANAGEMENT (CONTINUED)**

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

The City's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment for 2021 was estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2021, there were no other claims liabilities reported in the fund based on the requirements of GASB Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

**NOTE 10 – PENSION PLANS**

The City participates in various pension plans, total pension expense for the year ended December 31, 2021 was (\$110,828). The components of pension expense are noted in the following plan summaries.

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

**Public Employees' Retirement Association**

**A. Plan Description**

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

**General Employees Retirement Plan**

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

**Public Employees Police and Fire Plan**

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

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

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

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

**B. Benefits Provided**

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

**General Employees Plan Benefits**

General Employees Plan benefits are based on a member's highest average salary for any 5 successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for a Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% 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. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

**Police and Fire Plan Benefits**

Benefits for the Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after 10 years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50% after 10 years up to 100% after 20 years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1%. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

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

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

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

**C. Contributions**

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

**General Employees Fund Contributions**

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2021 and the City was required to contribute 7.5% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2021, were \$437,879. The City's contributions were equal to the required contributions as set by state statute.

**Police and Fire Fund Contributions**

Police and Fire Plan members were required to contribute 11.8% of their annual covered salary in fiscal year 2021 and the City was required to contribute 17.7% for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2021, were \$327,828. The City's contributions were equal to the required contributions as set by state statute.

**General Employees Fund Pension Costs**

At December 31, 2021, the City reported a liability of \$3,352,302 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. 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 \$102,376.

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

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

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

**D. Pension Costs**

General Employees Fund Pension Costs

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0785% at the end of the measurement period and 0.0770% for the beginning of the period.

City's proportionate share of the net pension liability	\$ 3,352,303
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>102,376</u>
Total	<u><u>\$ 3,454,679</u></u>

For the year ended December 31, 2021, the City recognized pension expense of \$108,163 for its proportionate share of General Employees Plan's pension expense. Included in the amount, the City recognized \$8,260 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

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

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

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

**D. Pension Costs (Continued)**

General Employees Fund Pension Costs (Continued)

At December 31, 2021, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 19,808	\$ 102,364
Changes in actuarial assumptions	2,046,846	72,286
Net collective difference between projected and actual investment earnings	-	2,905,887
Changes in proportion	120,010	-
Contributions paid to PERA subsequent to the measurement date	218,940	-
	<u>218,940</u>	<u>-</u>
Total	<u><u>\$ 2,405,604</u></u>	<u><u>\$ 3,080,537</u></u>

The \$218,940 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2022	\$ (87,238)
2023	(8,970)
2024	(5,801)
2025	<u>(791,864)</u>
Total	<u><u>\$ (893,873)</u></u>

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

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

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

**D. Pension Costs (Continued)**

**Police and Fire Fund Pension Costs**

At December 31, 2021, the City reported a liability of \$1,155,784 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.1515% at the end of the measurement period and 0.1503% for the beginning of the period.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2021. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state aid was paid on October 1, 2020. Thereafter, by October 1 of each year, the State will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later. Strong asset returns for the fiscal year ended 2021 will accelerate the phasing out of these state contributions, although it is not anticipated that they will be phased out during the fiscal year ended 2022.

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2021, the City recognized pension expense of (\$96,797) for its proportionate share of the Police and Fire Plan's pension expense. Included in this amount, the City recognized \$9,574 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City also recognized \$13,635 for the year ended December 31, 2021, as revenue and an offsetting reduction of the net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

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

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

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

**D. Pension Costs (Continued)**

Police and Fire Plan Pension Costs (Continued)

At December 31, 2021, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 224,238	\$ -
Changes in actuarial assumptions	1,718,740	647,627
Net collective difference between projected and actual investment earnings	-	2,234,930
Changes in proportion	60,187	33,408
Contributions paid to PERA subsequent to the measurement date	163,914	-
	<u>163,914</u>	<u>-</u>
Total	<u><u>\$ 2,167,079</u></u>	<u><u>\$ 2,915,965</u></u>

The \$163,914 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2022	\$ (769,222)
2023	(151,030)
2024	(140,141)
2025	(231,302)
2026	378,895
	<u>378,895</u>
Total	<u><u>\$ (912,800)</u></u>

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

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

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

**E. Long-Term Expected Return on Investment**

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term</u>
Domestic equity	33.5 %	5.10 %
International equity	16.5	5.30
Fixed income	25.0	0.75
Private markets	25.0	5.90
Total	<u>100.0 %</u>	

**F. Actuarial Methods and Assumptions**

The total pension liability in the June 30, 2021, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5% was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25% for the General Employees Plan and 2.25% for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees. The Police and Fire Plan benefit increase is fixed at 1% per year and that increase was used in the valuation. Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 29 years of service and 6.0% per year thereafter. In the Police and Fire Plan, salary growth assumptions range from 11.75% after one year of service to 3.0% after 24 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience

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

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

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

**F. Actuarial Methods and Assumptions (Continued)**

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020, actuarial valuation. The most recent four-year experience study for the Police and Fire Plan was completed in 2020 and was adopted by the Board and became effective with the July 1, 2021, actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2021:

**General Employees Fund**

**Changes in Actuarial Assumptions**

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The mortality improvement scale was changed from scale MP-2019 to scale MP-2020.

**Changes in Plan Provisions**

- There have been no changes since the previous valuation.

**Police and Fire Fund**

**Changes in Actuarial Assumptions**

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The inflation assumption was changed from 2.5% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.0%.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety mortality table. The mortality improvement scale was changed from MP-2019 to MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020, experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020, experience study. The changes resulted in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes resulted in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates resulted in more projected disabilities.

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

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

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

**F. Actuarial Methods and Assumptions (Continued)**

Police and Fire Fund (Continued)

Changes in Actuarial Assumptions (Continued)

- Assumed percent married for active female members was changed from 60% to 70%. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions:

- There have been no changes since the previous valuation.

**G. Discount Rate**

The discount rate used to measure the total pension liability in 2021 was 6.5%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**H. Pension Liability Sensitivity**

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

	1% Decrease in Discount Rate (5.5%)	Current Discount Rate (6.5%)	1% Increase in Discount Rate (7.5%)
City's proportionate share of the General Employees Fund net pension liability	\$ 6,836,984	\$ 3,352,302	\$ 492,907
	1% Decrease in Discount Rate (5.5%)	Current Discount Rate (6.5%)	1% Increase in Discount Rate (7.5%)
City's proportionate share of the Police and Fire Fund net pension liability	\$ 3,699,074	\$ 1,155,784	\$ (929,083)

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

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

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

**I. 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).

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

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

The defined contribution plan consists of individual accounts paying a lump-sum benefit. Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses; therefore, there is no future liability to the City. *Minnesota Statutes*, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2% of employer contributions and twenty-five hundredths of 1% (.25%) of the assets in each member's account annually.

Pension expense for the year is equal to the contributions made. Total contributions made by the City during fiscal year 2021 were:

Contribution Amount		Percentage of Covered Payroll		Required Rate
Employee	Employer	Employee	Employer	
\$ 2,226	\$ 2,226	5%	5%	5%

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

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

**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 commission, urban renewal agencies, and other organizations eligible to participate. Required contributions were made by the Commission to the Housing Renewal and Local Agency Retirement Plan. The Commission's pension contributions for the year ending December 31, 2021, were \$41,730.

Detailed information concerning the Commission's pension plan is presented in its publicly available annual report for the year ended September 30, 2021. That report may be obtained by contacting the Commission.

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

**A. Plan Description**

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

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

**B. Benefits Provided**

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

**C. Members Covered by Benefit Terms**

At December 31, 2020, the following members were covered by the benefit terms:

Inactive members entitled to but not yet receiving benefits	11
Active members	<u>46</u>
Total	<u><u>57</u></u>

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

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

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

**D. Contributions.**

*Minnesota Statutes* Chapter 424A.092 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from State aids are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a ten year period. The City's obligation is the financial requirement for the year less state aids. Any additional payments by the City shall be used to amortize the unfunded liability of the relief association. The Association is comprised of volunteers; therefore, there are no payroll expenditures (i.e. there are no covered payroll percentage calculations). During the year, the City recognized as revenue and as an expenditure an on behalf payment of \$107,585 made by the State of Minnesota for the Relief Association.

**E. Net Pension Liability**

The City's net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020.

*Actuarial Assumptions*

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

Inflation	2.25 %
Investment rate of return	5.25 %, net of pensions plan investment expenses: including inflation

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

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

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

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

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

**E. Net Pension Liability (Continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	45.00 %	4.42 %
International equity	15.00	4.91
Fixed income	30.00	1.00
Real estate and alternatives	0.00	3.98
Cash and equivalents	<u>10.00</u>	-0.33
 Total	 <u><u>100.00 %</u></u>	

*Discount Rate:*

The discount rate used to measure the total pension liability was 5.25%. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments by year were discounted using the expected asset return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the municipal bond rate. The equivalent single rate is the discount rate.

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

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

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

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at January 1, 2021	\$ 2,680,795	\$ 3,448,018	\$ (767,223)
Changes for the year			
Service cost	119,404	-	119,404
Interest cost	153,954	-	153,954
Differences between expected and actual experience	(114,170)	-	(114,170)
Changes of assumptions	67,464	-	67,464
Contributions - State and local	-	111,585	(111,585)
Net investment income	-	361,217	(361,217)
Benefit payments	(468,609)	(468,609)	-
Administrative expense	-	(11,496)	11,496
Net changes	(241,957)	(7,303)	(234,654)
Balances at December 31, 2021	\$ 2,438,838	\$ 3,440,715	\$ (1,001,877)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 5.25%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.25%) or 1-percentage-point higher (6.25%) than the current rate:

	1% Decrease in Discount Rate 4.25%	Current Discount Rate Rate 5.25%	1% Increase in Discount Rate 6.25%
City's net pension liability (asset)	\$ (926,208)	\$ (1,001,877)	\$ (1,074,812)

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

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

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

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

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

For the year ended December 31, 2021, the City recognized pension expense of (\$99,462). At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 279,263
Changes of assumptions	103,802	154
Net difference between projected and actual earnings on pension plan investments	-	269,815
Total	<u>\$ 103,802</u>	<u>\$ 549,232</u>

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

Year Ending	Total
2022	\$ (128,594)
2023	(187,604)
2024	(68,350)
2025	(39,267)
2026	(5,794)
Thereafter	<u>(15,821)</u>
Total	<u>\$ (445,430)</u>

**H. Payable to the Pension Plan**

At December 31, 2021, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2021

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

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

**A. Plan Description**

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

**B. Benefits Provided**

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

**C. Contributions**

Retirees contribute to the health care plan at the same rate as City employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the City, based on the contract terms with union representatives. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2021, the City had implicit contributions of \$22,830 to the plan.

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

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

**D. Members**

As of December 31, 2020, the following were covered by the benefit terms:

Retirees electing coverage	23
Actives waiving coverage	9
Active employees electing coverage	<u>91</u>
Total	<u><u>123</u></u>

**E. Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of December 31, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

**Key Methods and Assumptions Used in Valuation of Total OPEB Liability**

---

Discount rate	2.00%
Inflation	2.25%
Healthcare cost trend increases	6.30% initially, gradually decreasing to an ultimate rate of 3.80% in 2075 and later years
Mortality assumption	Pub-2010 (General) and RP-2014 (Police & Fire) mortality tables with projected mortality improvements based on scale MP-2019, and other adjustments.

**E. Actuarial Assumptions (Continued)**

The actuarial assumptions used in the December 31, 2020, valuation were based on the results of an actuarial experience study for the period January 1, 2020 – December 31, 2020.

The discount rate used to measure the total OPEB liability was 2.25% which is equal to the 20 Year Municipal Bond Yield.

**F. Total OPEB Liability**

The City's total OPEB liability of \$571,203 was measured as of December 31, 2020, and was determined by an actuarial valuation as of December 31, 2020.

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

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

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

	Total OPEB Liability
	<hr/>
Balance at January 1, 2021	\$ 570,799
	<hr/>
Changes for the year	
Service cost	67,767
Interest	17,247
Differences between expected and actual economic experience	(74,789)
Changes of assumptions	13,009
Benefit payments	(22,830)
	<hr/>
Net changes	404
	<hr/>
Balance at December 31, 2021	\$ 571,203
	<hr/>

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

- The discount rate was changed from 2.75% to 2.00% based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience and new plan offerings, including an adjustment to reflect age/gender based risk scores published by the Society of Actuaries.
- Withdrawal, retirement, mortality and salary increase rates were updated from the rates used in the 7/1/2018 PERA General Employees Plan and 7/1/2018 Police & Fire Plan valuations to the rates used in the 7/1/2020 valuations.
- The percent of future non Medicare eligible retirees electing each medical plan changed to reflect recent plan experience and new plan offerings.
- The inflation assumption was changed from 2.50% to 2.25% based on an updated historical analysis of inflation rates and forward-looking market expectations.

The General Fund typically liquidates the liability related to OPEB.

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

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

**G. OPEB Liability Sensitivity**

The following presents the City's total OPEB liability calculated using the discount rate of 2.00% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

Total OPEB Liability		
1% decrease (1.00%)	Current (2.00%)	1% increase (3.00%)
\$ 616,261	\$ 571,203	\$ 529,294

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

Total OPEB Liability		
1% decrease (5.3% decreasing to 2.8%)	Current (6.3% decreasing to 3.8%)	1% increase (7.3% decreasing to 4.8%)
\$ 510,778	\$ 571,203	\$ 644,028

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

For the year ended December 31, 2021, the City recognized OPEB expense of \$77,806. At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ -
Differences between expected and actual economic experience	-	117,585
Changes of assumptions	57,782	-
Contributions subsequent to the measurement date	22,830	-
Total	\$ 80,612	\$ 117,585

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

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

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

The \$22,830 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as follows:

<u>Year Ending December 31,</u>	
2022	\$ (7,208)
2023	(7,208)
2024	(7,208)
2025	(7,208)
2026	(7,208)
Thereafter	<u>(23,763)</u>
Total	<u><u>\$ (59,803)</u></u>

**NOTE 12 – SUBSEQUENT EVENTS**

Pursuant to a resolution adopted by the City Council on April 26, 2022, the City authorized the sale of its General Obligation Bonds, Series 2022A, in the amount of \$2,825,000 to finance street reconstruction and certain public improvements within the City, including parking lots, improvement projects, and improvements to the Southwest Minnesota Regional Airport. The City also authorized the sale of its General Obligation Refunding Bonds, Series 2022B, to refund certain obligations of the City including General Obligation Tax Increment Bonds, Series 2011A and General Obligation Bonds, Series 2011B.

**NOTE 13 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED**

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

## **REQUIRED SUPPLEMENTARY INFORMATION**

(THIS PAGE LEFT BLANK INTENTIONALLY)

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

	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018
Total OPEB Liability				
Service cost	\$ 67,767	\$ 59,020	\$ 53,044	\$ 46,291
Interest	17,247	20,045	17,550	17,579
Differences between expected and actual experience	(74,789)	-	(74,431)	-
Changes of assumptions	13,009	20,751	29,640	17,186
Benefit payments	(22,830)	(20,572)	(22,807)	(15,171)
Net change in total OPEB liability	404	79,244	2,996	65,885
Beginning of year	570,799	491,555	488,559	422,674
End of year	\$ 571,203	\$ 570,799	\$ 491,555	\$ 488,559
Covered-employee payroll	\$ 6,917,827	\$ 5,045,093	\$ 6,221,055	\$ 7,183,783
Total OPEB liability as a percentage of covered-employee	8.29%	11.31%	7.90%	6.80%

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

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

For Fiscal Year Ended June 30,	City's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.0785%	\$ 3,352,303	\$ 102,376	\$ 3,454,679	\$ 5,653,000	59.3%	87.0%
2020	0.0770%	4,616,502	142,402	4,758,904	5,491,880	84.1%	79.1%
2019	0.0755%	4,174,226	129,661	4,303,887	5,340,853	78.2%	80.2%
2018	0.0747%	4,144,050	135,844	4,279,894	5,015,656	85.3%	79.5%
2017	0.0757%	4,832,638	60,786	4,893,424	4,879,197	100.3%	75.9%
2016	0.0708%	5,748,609	75,053	5,823,662	4,394,194	132.5%	68.9%
2015	0.0730%	3,783,239	-	3,783,239	4,221,213	89.6%	78.2%

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

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

For Fiscal Year Ended June 30,	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.1515%	\$ 1,155,784	\$ 52,570	\$ 1,208,354	\$ 1,955,765	61.8%	93.7%
2020	0.1503%	1,967,588	46,689	2,014,277	1,814,074	111.0%	87.2%
2019	0.1519%	1,596,623	-	1,596,623	1,639,377	97.4%	89.3%
2018	0.1481%	1,578,593	-	1,578,593	1,561,333	101.1%	88.8%
2017	0.1530%	2,065,682	-	2,065,682	1,566,649	131.9%	85.4%
2016	0.1490%	5,979,629	-	5,979,629	1,433,849	417.0%	63.9%
2015	0.1540%	1,749,800	-	1,749,800	1,367,414	128.0%	86.6%

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

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

<u>Fiscal Year Ending December 31,</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>City's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2021	\$ 437,879	\$ 437,879	\$ -	\$ 5,838,387	7.5%
2020	479,230	479,230	-	6,389,733	7.5%
2019	406,453	406,453	-	5,419,373	7.5%
2018	388,137	388,137	-	5,175,154	7.5%
2017	364,044	364,044	-	4,853,924	7.5%
2016	339,038	339,038	-	4,520,504	7.5%
2015	337,463	337,463	-	4,499,507	7.5%

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

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

<u>Fiscal Year Ending December 31,</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>City's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2021	\$ 327,828	\$ 327,828	\$ -	\$ 1,852,136	17.70%
2020	270,285	270,285	-	1,527,034	17.70%
2019	277,118	277,118	-	1,634,914	16.95%
2018	260,368	260,368	-	1,607,210	16.20%
2017	254,704	254,704	-	1,572,247	16.20%
2016	229,508	229,508	-	1,416,716	16.20%
2015	240,460	240,460	-	1,484,321	16.20%

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

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

	2021	2020	2019	2018
Total Pension Liability (TPL)				
Service cost	\$ 119,404	\$ 116,491	\$ 134,662	\$ 131,058
Interest	153,954	157,417	165,189	173,655
Differences between expected and actual experience	(114,170)	-	(69,133)	-
Changes of assumptions	67,464	-	64,058	-
Changes of benefit terms	-	-	-	-
Benefit payments, including refunds or member contributions	(468,609)	(200,478)	-	(867,453)
Net change in total pension liability	(241,957)	73,430	294,776	(562,740)
Beginning of year	2,680,795	2,607,365	2,312,589	2,875,329
End of year	<u>\$ 2,438,838</u>	<u>\$ 2,680,795</u>	<u>\$ 2,607,365</u>	<u>\$ 2,312,589</u>
Plan Fiduciary Net Position (FNP)				
Contributions - State and local	\$ 111,585	\$ 106,308	\$ 100,826	\$ 108,906
Contributions - donations and other income	-	223	-	8,454
Net investment income	361,217	330,106	482,227	(147,725)
Benefit payments, including refunds of member contributions	(468,609)	(200,478)	-	(867,453)
Administrative expense	(11,496)	(9,750)	(9,925)	(9,975)
Other	-	-	-	-
Net change in plan fiduciary net position	(7,303)	226,409	573,128	(907,793)
Beginning of year	3,448,018	3,221,609	2,648,481	3,556,274
End of year	<u>\$ 3,440,715</u>	<u>\$ 3,448,018</u>	<u>\$ 3,221,609</u>	<u>\$ 2,648,481</u>
Net Pension Liability (NPL)	<u>\$ (1,001,877)</u>	<u>\$ (767,223)</u>	<u>\$ (614,244)</u>	<u>\$ (335,892)</u>
Plan fiduciary net position as a percentage of the total pension liability	141.1%	128.6%	123.6%	114.5%
Covered employee payroll	N/A	N/A	N/A	N/A
Net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A

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

2017	2016	2015
\$ 138,841	\$ 151,873	\$ 128,480
234,533	206,225	203,955
(504,956)	-	-
(579)	(44,795)	34,723
-	88,384	59,012
<u>(656,455)</u>	<u>(45,890)</u>	<u>(254,609)</u>
<u>(788,616)</u>	<u>355,797</u>	<u>171,561</u>
<u>3,663,945</u>	<u>3,308,148</u>	<u>3,136,587</u>
<u>\$ 2,875,329</u>	<u>\$ 3,663,945</u>	<u>\$ 3,308,148</u>
\$ 156,757	\$ 124,166	\$ 103,127
-	-	-
514,498	269,176	(45,718)
(656,455)	(45,890)	(254,609)
(9,152)	(8,530)	(11,275)
-	-	-
<u>5,648</u>	<u>338,922</u>	<u>(208,475)</u>
<u>3,550,626</u>	<u>3,211,704</u>	<u>3,420,179</u>
<u>\$ 3,556,274</u>	<u>\$ 3,550,626</u>	<u>\$ 3,211,704</u>
<u>\$ (680,945)</u>	<u>\$ 113,319</u>	<u>\$ 96,444</u>
123.7%	96.9%	97.1%
N/A	N/A	N/A
N/A	N/A	N/A

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

	2021	2020	2019	2018
Employer				
Statutorily determined contribution (SDC)	\$ -	\$ -	\$ -	\$ 1,654
Contribution made	-	-	-	(1,654)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Non-employer				
2% aid	\$ 107,585	\$ 104,308	\$ 100,826	\$ 100,252

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

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 48,227	\$ 21,501	\$ -	\$ 74,423
<u>(48,227)</u>	<u>(21,501)</u>	<u>-</u>	<u>(74,507)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (84)</u>
 \$ 101,530	 \$ 100,664	 \$ 101,127	 \$ 95,892

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

**General Employees Fund**

**2021 Changes**

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The mortality improvement scale was changed from scale MP-2019 to scale MP-2020.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2020 Changes**

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023, and 0.0% thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

**2019 Changes**

Changes in Actuarial Assumptions

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

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

**General Employees Fund (Continued)**

**2019 Changes (Continued)**

Changes in Plan Provisions

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

**2018 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**2017 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The State's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

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

**General Employees Fund (Continued)**

**2016 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2015 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

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

**Police and Fire Fund**

**2021 Changes**

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The inflation assumption was changed from 2.5% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.0%.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety mortality table. The mortality improvement scale was changed from MP-2019 to MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020, experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020, experience study. The changes resulted in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes resulted in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates resulted in more projected disabilities.
- Assumed percent married for active female members was changed from 60% to 70%. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2020 Changes**

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2018 to MP-2019.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2019 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2018 Changes**

Changes in Actuarial Assumptions

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

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

**Police and Fire Fund (Continued)**

**2018 Changes (Continued)**

Changes in Plan Provisions

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

**2017 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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

**Police and Fire Fund (Continued)**

**2016 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2015 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

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

**Post Employment Health Care Plan**

**2021 Changes**

Changes in Actuarial Assumptions

- The discount rate was changed from 2.75% to 2.00% based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience and new plan offerings, including an adjustment to reflect age/gender based risk scores published by the Society of Actuaries.
- Withdrawal, retirement, mortality and salary increase rates were updated from the rates used in the 7/1/2018 PERA General Employees Plan and 7/1/2018 Police and Fire Plan valuations to the rates used in the 7/1/2020 valuations.
- The percent of future non Medicare eligible retirees electing each medical plan changed to reflect recent plan experience and new plan offerings.
- The inflation assumption was changed from 2.50% to 2.25% based on an updated historical analysis of inflation rates and forward-looking market expectations.

**2020 Changes**

Changes in Actuarial Assumptions

- The discount rate was changed from 3.71% to 2.75% based on updated 20-year municipal bond rates.

**2019 Changes**

Changes in Actuarial Assumptions

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

**2018 Changes**

Changes in Actuarial Assumptions

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

## **SUPPLEMENTARY INFORMATION**

**City of Marshall**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**Year Ended December 31, 2021**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Over (Under)
<b>Revenues</b>				
Taxes				
Property taxes	\$ 4,962,530	\$ 4,962,530	\$ 5,104,017	\$ 141,487
Lodging tax	175,000	175,000	155,968	(19,032)
Franchise fees	432,100	432,100	387,842	(44,258)
Total taxes	5,569,630	5,569,630	5,647,827	78,197
Special assessments	-	-	2,420	2,420
Licenses and permits				
Business	56,040	56,040	65,990	9,950
Nonbusiness	305,300	305,300	332,217	26,917
Total licenses and permits	361,340	361,340	398,207	36,867
Intergovernmental				
Federal				
Other Federal aid	2,080	2,080	42,510	40,430
State				
Local government aid	2,646,488	2,646,488	2,646,488	-
Property tax credits and aids	-	-	129	129
Airport grants	91,027	91,027	166,570	75,543
Other State aids	386,711	386,711	490,664	103,953
Total State	3,124,226	3,124,226	3,303,851	179,625
Local				
Other local grants	71,044	71,044	93,135	22,091
Total intergovernmental	3,197,350	3,197,350	3,439,496	242,146
Charges for services				
General government	56,933	56,933	52,390	(4,543)
Public safety	178,162	178,162	167,364	(10,798)
Public works	1,433,981	1,433,981	1,003,130	(430,851)
Culture and recreation	478,000	478,000	374,975	(103,025)
Miscellaneous	120,000	120,000	126,125	6,125
Total charges for services	2,267,076	2,267,076	1,723,984	(543,092)
Fines and forfeitures	112,450	112,450	73,248	(39,202)
Investment earnings	147,000	147,000	18,127	(128,873)
Miscellaneous				
Contributions and donations	991,273	991,273	1,026,623	35,350
Refunds and reimbursements	167,500	167,500	241,017	73,517
Total miscellaneous	1,158,773	1,158,773	1,267,640	108,867
Total revenues	12,813,619	12,813,619	12,570,949	(242,670)

**City of Marshall**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**Year Ended December 31, 2021**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Over (Under)
<b>Expenditures</b>				
Current				
General government				
Adult community center				
Personnel services	\$ 149,435	\$ 149,435	\$ 134,493	\$ (14,942)
Supplies	14,300	14,300	6,967	(7,333)
Other services and charges	17,290	17,290	13,616	(3,674)
Total adult community center	<u>181,025</u>	<u>181,025</u>	<u>155,076</u>	<u>(25,949)</u>
Appraising and assessing				
Personnel services	331,190	331,190	335,171	3,981
Supplies	1,750	1,750	593	(1,157)
Other services and charges	32,473	32,473	13,969	(18,504)
Total appraising and assessing	<u>365,413</u>	<u>365,413</u>	<u>349,733</u>	<u>(15,680)</u>
Cable commission				
Personnel services	177,672	177,672	178,576	904
Supplies	6,800	6,800	7,863	1,063
Other services and charges	11,361	11,361	6,946	(4,415)
Total cable commission	<u>195,833</u>	<u>195,833</u>	<u>193,385</u>	<u>(2,448)</u>
City administration				
Personnel services	497,671	497,671	495,392	(2,279)
Supplies	3,900	3,900	1,698	(2,202)
Other services and charges	59,397	59,397	58,204	(1,193)
Total City administration	<u>560,968</u>	<u>560,968</u>	<u>555,294</u>	<u>(5,674)</u>
Finance				
Personnel services	383,925	383,925	390,723	6,798
Supplies	2,500	2,500	1,317	(1,183)
Other services and charges	54,672	54,672	51,153	(3,519)
Total finance	<u>441,097</u>	<u>441,097</u>	<u>443,193</u>	<u>2,096</u>
General community development				
Supplies	168,880	168,880	152,245	(16,635)
Other services and charges	129,811	129,811	98,646	(31,165)
Total general community development	<u>298,691</u>	<u>298,691</u>	<u>250,891</u>	<u>(47,800)</u>
Information technology				
Supplies	24,222	24,222	19,379	(4,843)
Other services and charges	98,060	98,060	104,244	6,184
Total information technology	<u>122,282</u>	<u>122,282</u>	<u>123,623</u>	<u>1,341</u>
Legal				
Supplies	500	500	28	(472)
Other services and charges	134,214	134,214	131,113	(3,101)
Total legal	<u>134,714</u>	<u>134,714</u>	<u>131,141</u>	<u>(3,573)</u>

**City of Marshall**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**Year Ended December 31, 2021**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Over (Under)
<b>Expenditures (continued)</b>				
Current (continued)				
General government (continued)				
Mayor and Council				
Personnel services	\$ 59,196	\$ 59,196	\$ 58,405	\$ (791)
Supplies	20,700	20,700	8,215	(12,485)
Other services and charges	115,426	115,426	75,291	(40,135)
Total Mayor and Council	195,322	195,322	141,911	(53,411)
Municipal building maintenance				
Personnel services	193,905	193,905	188,873	(5,032)
Supplies	18,400	18,400	15,331	(3,069)
Other services and charges	61,708	61,708	22,318	(39,390)
Total building maintenance	274,013	274,013	226,522	(47,491)
Total general government	2,769,358	2,769,358	2,570,769	(198,589)
Public safety				
Animal impoundment				
Personnel services	30,173	30,173	30,267	94
Supplies	4,997	4,997	455	(4,542)
Other services and charges	7,654	7,654	4,125	(3,529)
Total animal impoundment	42,824	42,824	34,847	(7,977)
Chemical assessment team				
Personnel services	25,789	25,789	40,443	14,654
Supplies	20,262	20,262	12,400	(7,862)
Other services and charges	13,906	13,906	39,490	25,584
Total chemical assessment team	59,957	59,957	92,333	32,376
Emergency management services				
Supplies	11,000	11,000	1,939	(9,061)
Other services and charges	8,754	8,754	6,381	(2,373)
Total emergency management services	19,754	19,754	8,320	(11,434)
Fire services				
Personnel services	224,205	224,205	230,477	6,272
Supplies	113,800	113,800	115,977	2,177
Other services and charges	338,737	338,737	334,464	(4,273)
Total fire services	676,742	676,742	680,918	4,176
Police administration				
Personnel services	2,933,014	2,933,014	2,947,950	14,936
Supplies	115,469	115,469	93,492	(21,977)
Other services and charges	336,199	336,199	327,591	(8,608)
Total police administration	3,384,682	3,384,682	3,369,033	(15,649)
Total public safety	4,183,959	4,183,959	4,185,451	1,492

**City of Marshall**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**Year Ended December 31, 2021**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Over (Under)
<b>Expenditures (continued)</b>				
Current (continued)				
Public works				
Community planning				
Personnel services	\$ 466,541	\$ 466,541	\$ 463,752	\$ (2,789)
Supplies	18,300	18,300	8,663	(9,637)
Other services and charges	30,534	30,534	30,543	9
Total community planning	515,375	515,375	502,958	(12,417)
Engineering				
Personnel services	796,695	796,695	764,150	(32,545)
Supplies	33,850	33,850	32,271	(1,579)
Other services and charges	56,717	56,717	42,817	(13,900)
Total engineering	887,262	887,262	839,238	(48,024)
Street administration				
Personnel services	871,312	871,312	851,901	(19,411)
Supplies	492,790	492,790	421,514	(71,276)
Other services and charges	110,664	110,664	56,564	(54,100)
Total street administration	1,474,766	1,474,766	1,329,979	(144,787)
Street lighting				
Other services and charges	277,316	277,316	277,316	-
Total street lighting	277,316	277,316	277,316	-
Total public works	3,154,719	3,154,719	2,949,491	(205,228)
Culture and recreation				
Aquatic center				
Personnel services	118,412	118,412	88,368	(30,044)
Supplies	88,000	88,000	76,045	(11,955)
Other services and charges	60,447	60,447	55,742	(4,705)
Total aquatic center	266,859	266,859	220,155	(46,704)
Community education				
Personnel services	142,000	142,000	89,633	(52,367)
Supplies	25,000	25,000	19,235	(5,765)
Other services and charges	17,450	17,450	5,020	(12,430)
Total community education	184,450	184,450	113,888	(70,562)
Community services administration				
Personnel services	342,520	342,520	330,717	(11,803)
Supplies	13,100	13,100	13,060	(40)
Other services and charges	41,553	41,553	24,668	(16,885)
Total community services administration	397,173	397,173	368,445	(28,728)

**City of Marshall**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**Year Ended December 31, 2021**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Over (Under)
<b>Expenditures (continued)</b>				
Current (continued)				
Culture and recreation (continued)				
Library				
Other services and charges	\$ 669,799	\$ 669,799	\$ 669,799	\$ -
Community services youth activities				
Personnel services	15,337	15,337	4,960	(10,377)
Supplies	1,500	1,500	2,498	998
Other services and charges	8,500	8,500	17,000	8,500
Total community services youth activities	<u>25,337</u>	<u>25,337</u>	<u>24,458</u>	<u>(879)</u>
Municipal band				
Personnel services	11,636	11,636	(4)	(11,640)
Other services and charges	196	196	16	(180)
Total municipal band	<u>12,232</u>	<u>12,232</u>	<u>12</u>	<u>(12,220)</u>
Park maintenance and development				
Personnel services	468,782	468,782	443,990	(24,792)
Supplies	267,700	267,700	243,581	(24,119)
Other services and charges	98,251	98,251	134,778	36,527
Total park maintenance and development	<u>834,733</u>	<u>834,733</u>	<u>822,349</u>	<u>(12,384)</u>
Recreation				
Personnel services	166,150	166,150	148,614	(17,536)
Supplies	44,000	44,000	33,940	(10,060)
Other services and charges	24,900	24,900	31,335	6,435
Total recreation	<u>235,050</u>	<u>235,050</u>	<u>213,889</u>	<u>(21,161)</u>
Total culture and recreation	<u>2,625,633</u>	<u>2,625,633</u>	<u>2,432,995</u>	<u>(192,638)</u>
Airport				
Personnel services	265,387	265,387	289,851	24,464
Supplies	109,875	109,875	124,612	14,737
Other services and charges	171,686	171,686	152,677	(19,009)
Total airport	<u>546,948</u>	<u>546,948</u>	<u>567,140</u>	<u>20,192</u>
Total current	<u>13,280,617</u>	<u>13,280,617</u>	<u>12,705,846</u>	<u>(574,771)</u>
Capital outlay				
General government	-	-	328,275	328,275
Total expenditures	<u>13,280,617</u>	<u>13,280,617</u>	<u>13,034,121</u>	<u>(246,496)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(466,998)</u>	<u>(466,998)</u>	<u>(463,172)</u>	<u>3,826</u>

**City of Marshall**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**Year Ended December 31, 2021**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Over (Under)
<b>Other Financing Sources</b>				
Transfers in	\$ 300,000	\$ 300,000	\$ 300,000	\$ -
Transfers out	-	-	(250,000)	(250,000)
Total other financing sources (uses)	<u>300,000</u>	<u>300,000</u>	<u>50,000</u>	<u>(250,000)</u>
Net change in fund balances	<u>\$ (166,998)</u>	<u>\$ (166,998)</u>	(413,172)	<u>\$ (246,174)</u>
<b>Fund Balance</b>				
Beginning of year			<u>7,411,975</u>	
End of year			<u>\$ 6,998,803</u>	

**City of Marshall**  
**Combining Balance Sheet -**  
**Nonmajor Governmental Funds**  
**December 31, 2021**

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total
<b>Assets</b>			
Cash and temporary investments	\$ 6,325,252	\$ 4,414,734	\$ 10,739,986
Receivables			
Interest	8,538	9,782	18,320
Delinquent taxes	-	5,180	5,180
Accounts	27,704	156,465	184,169
Notes	10,292	-	10,292
Special assessments	-	549,568	549,568
Intergovernmental	6,250	4,665	10,915
Due from other funds	673,946	51,273	725,219
Due from component units	167,074	162,897	329,971
Prepaid items	38,157	-	38,157
	<u>\$ 7,257,213</u>	<u>\$ 5,354,564</u>	<u>\$ 12,611,777</u>
<b>Liabilities</b>			
Accounts payable	\$ 42,116	\$ 17,001	\$ 59,117
Contracts payable	-	84,370	84,370
Due to other funds	-	520,695	520,695
Due to component unit	11,924	149	12,073
Due to other governments	10,175	-	10,175
Accrued salaries payable	41,347	-	41,347
Unearned revenue	-	24,135	24,135
Total liabilities	<u>105,562</u>	<u>646,350</u>	<u>751,912</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - taxes	-	5,180	5,180
Unavailable revenue - special assessments	-	468,562	468,562
Total deferred inflows of resources	<u>-</u>	<u>1,551,766</u>	<u>1,551,766</u>
<b>Fund Balances</b>			
Nonspendable			
Prepaid items	38,157	-	38,157
Restricted for			
Debt service	-	-	-
Economic development	2,116,428	-	2,116,428
Tax increment financing	4,132,637	-	4,132,637
Capital projects	-	219,459	219,459
Operations - Arena and MERIT	-	-	-
Library	96,457	-	96,457
Assigned for			
Staff separation	94,863	-	94,863
Library operations	106,779	-	106,779
Economic development	83,834	-	83,834
Capital projects	-	3,796,595	3,796,595
Driver education	59,350	-	59,350
ASC Arena	207,218	-	207,218
Park improvements	-	43,155	43,155
Emergency response and industrial training center	215,928	-	215,928
Unassigned	-	(902,761)	(902,761)
Total fund balances	<u>7,151,651</u>	<u>3,156,448</u>	<u>10,308,099</u>
	<u>\$ 7,257,213</u>	<u>\$ 5,354,564</u>	<u>\$ 12,611,777</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,257,213</u>	<u>\$ 5,354,564</u>	<u>\$ 12,611,777</u>

**City of Marshall**  
**Combining Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances - Nonmajor Governmental Funds**  
**Year Ended December 31, 2021**

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total
<b>Revenues</b>			
Taxes	\$ 336,891	\$ 716,534	\$ 1,053,425
Intergovernmental	1,273,405	787,650	2,061,055
Charges for services	300,745	8,855	309,600
Fines and forfeitures	6,589	-	6,589
Special assessments	-	252,494	252,494
Investment earnings	20,584	40,591	61,175
Other revenues	143,497	217,306	360,803
Total revenues	<u>2,081,711</u>	<u>2,023,430</u>	<u>4,105,141</u>
<b>Expenditures</b>			
Current			
General government	18,451	28,155	46,606
Public safety	188,805	-	188,805
Public works	-	168,454	168,454
Culture and recreation	1,787,488	53,390	1,840,878
Economic development	665,122	-	665,122
Capital outlay			
General government	-	12,598	12,598
Public safety	-	131,069	131,069
Public works	-	3,332,418	3,332,418
Culture and recreation	-	379,566	379,566
Debt service			
Interest and other	-	13,599	13,599
Total expenditures	<u>2,659,866</u>	<u>4,119,249</u>	<u>6,779,115</u>
Excess (Deficiency) of revenues under expenditures	(578,155)	(2,095,819)	(2,673,974)
<b>Other Financing Sources (Uses)</b>			
Sale of capital assets	-	22,725	22,725
Transfers in	775,000	644,443	1,419,443
Bonds issued	-	440,000	440,000
Premium on bonds issued	-	28,245	28,245
Transfers out	(244,389)	(183,000)	(427,389)
Total other financing sources (uses)	<u>530,611</u>	<u>952,413</u>	<u>1,483,024</u>
Net change in fund balances	(47,544)	(1,143,406)	(1,190,950)
Fund Balances January 1, restated	<u>7,199,195</u>	<u>4,299,854</u>	<u>11,499,049</u>
Fund Balances, December 31	<u>\$ 7,151,651</u>	<u>\$ 3,156,448</u>	<u>\$ 10,308,099</u>

**City of Marshall**  
**Combining Balance Sheet -**  
**Nonmajor Special Revenue Funds**  
**December 31, 2021**

	Marshall - Lyon County Library (211)	Marshall Celebrations (215)	Small Cities Development Program (220)	2018 Small Cities Development Program (221)
<b>Assets</b>				
Cash and temporary investments	\$ 344,975	\$ -	\$ 82,991	\$ 77,354
Receivables				
Interest	678	-	165	189
Accounts	-	-	149	2,909
Notes	2,000	-	529	7,763
Intergovernmental	-	-	-	-
Due from other funds	-	-	-	-
Due from component units	-	-	-	-
Prepaid items	6,021	-	-	-
	<u>6,021</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 353,674</u>	<u>\$ -</u>	<u>\$ 83,834</u>	<u>\$ 88,215</u>
<b>Liabilities</b>				
Accounts payable	\$ 21,990	\$ -	\$ -	\$ 59
Due to component unit	3,187	-	-	-
Due to other governments	54	-	-	-
Accrued salaries payable	24,323	-	-	-
Total liabilities	<u>49,554</u>	<u>-</u>	<u>-</u>	<u>59</u>
<b>Fund Balances</b>				
Nonspendable				
Prepaid items	6,021	-	-	-
Restricted				
Economic development	-	-	-	88,156
Tax increment financing	-	-	-	-
Operations - Arena and MERIT	-	-	-	-
Library	96,457	-	-	-
Assigned				
Staff separation	94,863	-	-	-
Library operations	106,779	-	-	-
Economic development	-	-	83,834	-
Driver education	-	-	-	-
ASC Arena	-	-	-	-
Emergency response and industrial training center	-	-	-	-
Total fund balances	<u>304,120</u>	<u>-</u>	<u>83,834</u>	<u>88,156</u>
Total liabilities and fund balances	<u>\$ 353,674</u>	<u>\$ -</u>	<u>\$ 83,834</u>	<u>\$ 88,215</u>

Tax Increment Financing (230)	Community Education Drivers Training (240)	ASC Arena (258)	Emergency Response and Industrial Training Center (270)	Endowment - Avera / WMMC (280)	Total
\$ 3,285,354	\$ 69,280	\$ 221,466	\$ 215,560	\$ 2,028,272	\$ 6,325,252
6,572	154	319	461	-	8,538
-	-	24,196	450	-	27,704
-	-	-	-	-	10,292
-	-	-	6,250	-	6,250
673,946	-	-	-	-	673,946
167,074	-	-	-	-	167,074
-	-	22,392	9,744	-	38,157
<u>\$ 4,132,946</u>	<u>\$ 69,434</u>	<u>\$ 268,373</u>	<u>\$ 232,465</u>	<u>\$ 2,028,272</u>	<u>\$ 7,257,213</u>
\$ 60	\$ -	\$ 18,001	\$ 2,006	\$ -	\$ 42,116
249	-	7,599	889	-	11,924
-	10,084	-	37	-	10,175
-	-	13,163	3,861	-	41,347
<u>309</u>	<u>10,084</u>	<u>38,763</u>	<u>6,793</u>	<u>-</u>	<u>105,562</u>
-	-	22,392	9,744	-	38,157
-	-	-	-	2,028,272	2,116,428
4,132,637	-	-	-	-	4,132,637
-	-	-	-	-	-
-	-	-	-	-	96,457
-	-	-	-	-	94,863
-	-	-	-	-	106,779
-	-	-	-	-	83,834
-	59,350	-	-	-	59,350
-	-	207,218	-	-	207,218
-	-	-	215,928	-	215,928
<u>4,132,637</u>	<u>59,350</u>	<u>229,610</u>	<u>225,672</u>	<u>2,028,272</u>	<u>7,151,651</u>
<u>\$ 4,132,946</u>	<u>\$ 69,434</u>	<u>\$ 268,373</u>	<u>\$ 232,465</u>	<u>\$ 2,028,272</u>	<u>\$ 7,257,213</u>

**City of Marshall**  
**Combining Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances - Special Revenue Funds**  
**December 31, 2021**

	Marshall - Lyon County Library (211)	Marshall Celebrations (215)	Small Cities Development Program (220)	2018 Small Cities Development Program (221)
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	1,004,853	-	-	267,802
Charges for services	2,812	-	-	-
Fines and forfeitures	6,589	-	-	-
Investment earnings	2,724	26	695	924
Other revenues	38,926	-	-	19,318
Total Revenues	<u>1,055,904</u>	<u>26</u>	<u>695</u>	<u>288,044</u>
<b>Expenditures</b>				
Current				
General government	-	18,451	-	-
Public safety	-	-	-	-
Culture and recreation	1,043,081	-	-	-
Economic development	-	-	97	270,222
Total Expenditures	<u>1,043,081</u>	<u>18,451</u>	<u>97</u>	<u>270,222</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>12,823</u>	<u>(18,425)</u>	<u>598</u>	<u>17,822</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	12,823	(18,425)	598	17,822
Fund Balances, January 1	<u>291,297</u>	<u>18,425</u>	<u>83,236</u>	<u>70,334</u>
Fund Balances, December 31	<u>\$ 304,120</u>	<u>\$ -</u>	<u>\$ 83,834</u>	<u>\$ 88,156</u>

Tax Increment Financing (230)	Community Education Drivers Training (240)	ASC Arena (258)	Emergency Response and Industrial Training Center (270)	Endowment - Avera / WMMC (280)	Totals
\$ 336,891	\$ -	\$ -	\$ -	\$ -	\$ 336,891
-	-	-	750	-	1,273,405
-	62,280	177,794	57,859	-	300,745
-	-	-	-	-	6,589
25,890	650	1,226	1,855	(13,406)	20,584
8,500	-	72,031	4,722	-	143,497
<u>371,281</u>	<u>62,930</u>	<u>251,051</u>	<u>65,186</u>	<u>(13,406)</u>	<u>2,081,711</u>
-	-	-	-	-	18,451
-	-	-	188,805	-	188,805
-	65,514	678,893	-	-	1,787,488
394,803	-	-	-	-	665,122
<u>394,803</u>	<u>65,514</u>	<u>678,893</u>	<u>188,805</u>	<u>-</u>	<u>2,659,866</u>
<u>(23,522)</u>	<u>(2,584)</u>	<u>(427,842)</u>	<u>(123,619)</u>	<u>(13,406)</u>	<u>(578,155)</u>
-	-	605,000	170,000	-	775,000
<u>(205,026)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(39,363)</u>	<u>(244,389)</u>
(205,026)	-	605,000	170,000	(39,363)	530,611
(228,548)	(2,584)	177,158	46,381	(52,769)	(47,544)
<u>4,361,185</u>	<u>61,934</u>	<u>52,452</u>	<u>179,291</u>	<u>2,081,041</u>	<u>7,199,195</u>
<u>\$ 4,132,637</u>	<u>\$ 59,350</u>	<u>\$ 229,610</u>	<u>\$ 225,672</u>	<u>\$ 2,028,272</u>	<u>\$ 7,151,651</u>

**City of Marshall**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - Marshall - Lyon County Library**  
**Year Ended December 31, 2021**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Over (Under)
<b>Revenues</b>				
Intergovernmental	\$ 1,004,653	\$ 1,004,653	\$ 1,004,853	\$ 200
Charges for services	1,500	1,500	2,812	1,312
Fines and forfeitures	7,500	7,500	6,589	(911)
Investment earnings	750	750	2,724	1,974
Miscellaneous	20,800	20,800	38,926	18,126
Total revenues	1,035,203	1,035,203	1,055,904	20,701
<b>Expenditures</b>				
Current				
Culture and recreation	1,054,630	1,054,630	1,043,081	(11,549)
Excess of revenues over (under) expenditures	\$ (19,427)	\$ (19,427)	12,823	\$ 32,250
<b>Fund Balance</b>				
Beginning of year			291,297	
End of year			\$ 304,120	

**City of Marshall**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - Tax Increment Financing**  
**Year Ended December 31, 2021**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Over (Under)
<b>Revenues</b>				
Taxes	\$ 316,242	\$ 316,242	\$ 336,891	\$ 20,649
Investment earnings	58,500	58,500	25,890	(32,610)
Other revenues	-	-	8,500	8,500
Total revenues	<u>374,742</u>	<u>374,742</u>	<u>371,281</u>	<u>(3,461)</u>
<b>Expenditures</b>				
Current				
Economic development	<u>65,870</u>	<u>65,870</u>	<u>394,803</u>	<u>328,933</u>
Excess of revenues over (under) expenditures	<u>308,872</u>	<u>308,872</u>	<u>(23,522)</u>	<u>(332,394)</u>
<b>Other Financing Uses</b>				
Transfers out	<u>(205,026)</u>	<u>(205,026)</u>	<u>(205,026)</u>	<u>-</u>
Net change in fund balances	<u>\$ 103,846</u>	<u>\$ 103,846</u>	<u>(228,548)</u>	<u>\$ (332,394)</u>
<b>Fund Balance</b>				
Beginning of year			<u>4,361,185</u>	
End of year			<u>\$ 4,132,637</u>	

**City of Marshall**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - Community Education Drivers Training**  
**Year Ended December 31, 2021**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Over (Under)
<b>Revenues</b>				
Charges for services	\$ 46,800	\$ 46,800	\$ 62,280	\$ 15,480
Investment earnings	1,200	1,200	650	(550)
Total revenues	48,000	48,000	62,930	14,930
<b>Expenditures</b>				
Current				
Culture and recreation	62,000	62,000	65,514	3,514
Excess of revenues Over (under) expenditures	<u>\$ (14,000)</u>	<u>\$ (14,000)</u>	(2,584)	<u>\$ 11,416</u>
<b>Fund Balance</b>				
Beginning of year			61,934	
End of year			<u>\$ 59,350</u>	

**City of Marshall**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - ASC Arena**  
**Year Ended December 31, 2021**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Over (Under)
<b>Revenues</b>				
Charges for services	\$ 160,000	\$ 160,000	\$ 177,794	\$ 17,794
Investment earnings	2,200	2,200	1,226	(974)
Miscellaneous	-	-	72,031	72,031
Total revenues	162,200	162,200	251,051	88,851
<b>Expenditures</b>				
Current				
Culture and recreation	754,037	754,037	678,893	(75,144)
Excess of revenues over (under) expenditures	(591,837)	(591,837)	(427,842)	163,995
<b>Other Financing Sources</b>				
Transfers in	605,000	605,000	605,000	-
Net change in fund balances	<u>\$ 13,163</u>	<u>\$ 13,163</u>	177,158	<u>\$ 163,995</u>
<b>Fund Balance</b>				
Beginning of year			52,452	
End of year			<u>\$ 229,610</u>	

**City of Marshall**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - Emergency Response and Industrial Training Center**  
**Year Ended December 31, 2021**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Over (Under)
<b>Revenues</b>				
Intergovernmental	\$ -	\$ -	\$ 750	\$ 750
Charges for services	40,000	40,000	57,859	17,859
Investment earnings	1,700	1,700	1,855	155
Miscellaneous	-	-	4,722	4,722
Total revenues	41,700	41,700	65,186	23,486
<b>Expenditures</b>				
Current				
Public safety	206,255	206,255	188,805	(17,450)
Excess of revenues over (under) expenditures	(164,555)	(164,555)	(123,619)	40,936
<b>Other Financing Sources</b>				
Transfers in	170,000	170,000	170,000	-
Net change in fund balances	\$ 5,445	\$ 5,445	46,381	\$ 40,936
<b>Fund Balance</b>				
Beginning of year			179,291	
End of year			\$ 225,672	

**City of Marshall**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - Endowment Avera / WMMC**  
**Year Ended December 31, 2021**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Over (Under)
<b>Revenues</b>				
Investment earnings	\$ 45,000	\$ 45,000	\$ (13,406)	\$ (58,406)
<b>Other Financing Sources (Uses)</b>				
Transfers out	(78,500)	(78,500)	(39,363)	39,137
Net change in fund balances	<u>\$ (33,500)</u>	<u>\$ (33,500)</u>	(52,769)	<u>\$ (19,269)</u>
<b>Fund Balance</b>				
Beginning of year			<u>2,081,041</u>	
End of year			<u>\$ 2,028,272</u>	

**City of Marshall**  
**Combining Balance Sheet -**  
**Nonmajor Capital Project Funds**  
**December 31, 2021**

	Municipal State Aid (103)	Marshall Industrial Park (260)	Capital Equipment (401)	Park Improvements (423)
<b>Assets</b>				
Cash and temporary investments	\$ 504,959	\$ 940,847	\$ 1,367,500	\$ 43,047
Receivables				
Interest	1,066	2,335	3,059	108
Delinquent taxes	-	-	3,327	-
Accounts	-	156,465	-	-
Special assessments	-	40,788	-	-
Intergovernmental	-	-	4,233	-
Due from other funds	-	-	-	-
Due from component units	-	162,897	-	-
	<u>-</u>	<u>162,897</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 506,025</u>	<u>\$ 1,303,332</u>	<u>\$ 1,378,119</u>	<u>\$ 43,155</u>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ 10,521	\$ -
Contracts payable	-	-	5,754	-
Due to other funds	-	-	135,000	-
Due to component unit	-	85	-	-
Unearned revenue	-	-	-	-
Total liabilities	<u>-</u>	<u>85</u>	<u>151,275</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - property taxes	-	-	3,327	-
Unavailable revenue - special assessments	-	33,990	-	-
Advanced appropriations - State shared taxes	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>33,990</u>	<u>3,327</u>	<u>-</u>
<b>Fund Balances</b>				
Restricted				
Capital projects	103,071	-	116,388	-
Assigned				
Capital projects	402,954	1,269,257	1,107,129	-
Park improvements	-	-	-	43,155
Unassigned	-	-	-	-
Total fund balances	<u>506,025</u>	<u>1,269,257</u>	<u>1,223,517</u>	<u>43,155</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 506,025</u>	<u>\$ 1,303,332</u>	<u>\$ 1,378,119</u>	<u>\$ 43,155</u>

2018 Public Improvements (475)	2022 Public Improvements (480)	Aquatic Center (492)	City Hall Building (494)	Public Improvement Revolving (495)	Totals
\$ 175,901	\$ -	\$ 90,284	\$ 137,247	\$ 1,154,949	\$ 4,414,734
361	-	-	721	2,132	9,782
-	-	-	-	1,853	5,180
-	-	-	-	-	156,465
-	-	-	-	508,780	549,568
-	-	-	-	432	4,665
-	-	-	-	51,273	51,273
-	-	-	-	-	162,897
<u>\$ 176,262</u>	<u>\$ -</u>	<u>\$ 90,284</u>	<u>\$ 137,968</u>	<u>\$ 1,719,419</u>	<u>\$ 5,354,564</u>
\$ -	\$ 649	\$ -	\$ 4,901	\$ 930	\$ 17,001
-	-	-	78,616	-	84,370
-	350	-	-	385,345	520,695
-	-	-	-	64	149
-	-	-	-	24,135	24,135
-	999	-	83,517	410,474	646,350
-	-	-	-	1,853	5,180
-	-	-	-	434,572	468,562
1,078,024	-	-	-	-	1,078,024
1,078,024	-	-	-	436,425	1,551,766
-	-	-	-	-	219,459
-	-	90,284	54,451	872,520	3,796,595
-	-	-	-	-	43,155
(901,762)	(999)	-	-	-	(902,761)
<u>(901,762)</u>	<u>(999)</u>	<u>90,284</u>	<u>54,451</u>	<u>872,520</u>	<u>3,156,448</u>
<u>\$ 176,262</u>	<u>\$ -</u>	<u>\$ 90,284</u>	<u>\$ 137,968</u>	<u>\$ 1,719,419</u>	<u>\$ 5,354,564</u>

**City of Marshall**  
**Combining Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances - Capital Project Funds**  
**December 31, 2021**

	Municipal State Aid (103)	Marshall Industrial Park (260)	Capital Equipment (401)	Park Improvements (423)
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ 438,954	\$ -
Special assessments	-	14,786	-	-
Intergovernmental	-	-	-	-
Charges for services	-	8,855	-	-
Investment earnings	4,332	9,525	11,693	359
Other revenues	-	120,774	15,340	54,681
Total Revenues	<u>4,332</u>	<u>153,940</u>	<u>465,987</u>	<u>55,040</u>
<b>Expenditures</b>				
Current				
General government	-	12,756	15,399	-
Public safety	-	-	-	-
Public works	23,737	-	(1,514)	-
Culture and recreation	-	-	31,040	850
Capital outlay				
General government	-	-	12,598	-
Public safety	-	-	131,069	-
Public works	-	-	496,406	-
Culture and recreation	-	-	194,328	46,889
Debt service				
Interest and other	-	-	13,599	-
Total Expenditures	<u>23,737</u>	<u>12,756</u>	<u>892,925</u>	<u>47,739</u>
Excess (Deficiency) of revenues over (under) expenditures	(19,405)	141,184	(426,938)	7,301
<b>Other Financing Sources (Uses)</b>				
Sale of capital assets	-	-	22,725	-
Transfers in	-	-	394,443	-
Bonds issued	-	-	440,000	-
Premium on bonds issued	-	-	28,245	-
Transfers out	-	-	(183,000)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>702,413</u>	<u>-</u>
Net change in fund balances	(19,405)	141,184	275,475	7,301
Fund Balances, January 1	<u>525,430</u>	<u>1,128,073</u>	<u>948,042</u>	<u>35,854</u>
Fund Balances, December 31	<u>\$ 506,025</u>	<u>\$ 1,269,257</u>	<u>\$ 1,223,517</u>	<u>\$ 43,155</u>

2018 Public Improvements (475)	2022 Public Improvements (480)	Aquatic Center (492)	City Hall Building (494)	Public Improvement Revolving (495)	Totals
\$ -	\$ -	\$ -	\$ -	\$ 277,580	\$ 716,534
-	-	-	-	237,708	252,494
759,352	-	-	-	28,298	787,650
-	-	-	-	-	8,855
1,463	-	133	3,525	9,561	40,591
-	-	-	4,228	22,283	217,306
<u>760,815</u>	<u>-</u>	<u>133</u>	<u>7,753</u>	<u>575,430</u>	<u>2,023,430</u>
-	-	-	-	-	28,155
-	-	-	-	-	-
-	999	-	102,394	42,838	168,454
-	-	21,500	-	-	53,390
-	-	-	-	-	12,598
-	-	-	-	-	131,069
-	-	-	2,194,689	641,323	3,332,418
-	-	138,349	-	-	379,566
-	-	-	-	-	13,599
<u>-</u>	<u>999</u>	<u>159,849</u>	<u>2,297,083</u>	<u>684,161</u>	<u>4,119,249</u>
760,815	(999)	(159,716)	(2,289,330)	(108,731)	(2,095,819)
-	-	-	-	-	22,725
-	-	250,000	-	-	644,443
-	-	-	-	-	440,000
-	-	-	-	-	28,245
-	-	-	-	-	(183,000)
<u>-</u>	<u>-</u>	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>952,413</u>
760,815	(999)	90,284	(2,289,330)	(108,731)	(1,143,406)
<u>(1,662,577)</u>	<u>-</u>	<u>-</u>	<u>2,343,781</u>	<u>981,251</u>	<u>4,299,854</u>
<u>\$ (901,762)</u>	<u>\$ (999)</u>	<u>\$ 90,284</u>	<u>\$ 54,451</u>	<u>\$ 872,520</u>	<u>\$ 3,156,448</u>

(THIS PAGE LEFT BLANK INTENTIONALLY)

**City of Marshall**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - Capital Equipment**  
**Year Ended December 31, 2021**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Over (Under)
<b>Revenues</b>				
Taxes	\$ 450,000	\$ 450,000	\$ 438,954	\$ (11,046)
Intergovernmental	52,500	52,500	-	(52,500)
Investment earnings	8,500	8,500	11,693	3,193
Miscellaneous	-	-	15,340	15,340
Total revenues	511,000	511,000	465,987	(45,013)
<b>Expenditures</b>				
Current				
General government	-	-	15,399	15,399
Public works	-	-	(1,514)	(1,514)
Culture and recreation	-	-	31,040	31,040
Capital outlay				
General government	-	-	12,598	12,598
Public safety	119,066	119,066	131,069	12,003
Public works	241,000	241,000	496,406	255,406
Culture and recreation	158,800	158,800	194,328	35,528
Debt service				
Interest and other charges	-	-	13,599	13,599
Total expenditures	518,866	518,866	892,925	374,059
Excess of revenues over (under) expenditures	<u>\$ (7,866)</u>	<u>\$ (7,866)</u>	(426,938)	<u>\$ (419,072)</u>
<b>Other Financing Sources</b>				
Sale of capital assets	13,000	13,000	22,725	9,725
Bonds issued	-	-	440,000	440,000
Premium on bonds issued	-	-	28,245	28,245
Transfers in	-	-	394,443	394,443
Transfers out	-	-	(183,000)	(183,000)
Total other financing sources	13,000	13,000	702,413	689,413
Net change in fund balances	<u>\$ 5,134</u>	<u>\$ 5,134</u>	275,475	<u>\$ 270,341</u>
<b>Fund Balance</b>				
Beginning of year			948,042	
End of year			<u>\$ 1,223,517</u>	

**City of Marshall**  
**Combining Balance Sheet -**  
**Debt Service Funds**  
**December 31, 2021**

	Marshall - Lyon County Library Debt (321)	2014B MERIT / SMASC (322)	2015A Bond (325)	2021B G.O. State Aid Street Bonds (356)
<b>Assets</b>				
Cash and temporary investments	\$ 146,032	\$ 1,252,625	\$ 59,555	\$ -
Receivables				
Interest	203	-	79	-
Delinquent taxes	402	-	448	-
Special assessments				
Current	-	-	-	-
Delinquent	-	-	-	-
Deferred	-	-	-	-
Intergovernmental	86	-	86	-
Due from other funds	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 146,723</u>	<u>\$ 1,252,625</u>	<u>\$ 60,168</u>	<u>\$ -</u>
<b>Liabilities</b>				
Due to other funds	\$ -	\$ -	\$ -	\$ 200
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - property taxes	402	-	448	-
Unavailable revenue - special assessments	-	-	-	-
Total deferred inflows of resources	<u>402</u>	<u>-</u>	<u>448</u>	<u>-</u>
<b>Fund Balances</b>				
Restricted for				
Debt service	146,321	1,252,625	59,720	-
Unassigned	-	-	-	(200)
Total fund balances	<u>146,321</u>	<u>1,252,625</u>	<u>59,720</u>	<u>(200)</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 146,723</u>	<u>\$ 1,252,625</u>	<u>\$ 60,168</u>	<u>\$ -</u>

2015 Public Improvement Bonds (359)	2016B G.O. Various Purpose Bonds (360)	2017A Public Improvement Bonds (362)	2011 Public Improvement Bonds (369)	2011A G.O. Tax Increment Bonds (370)
\$ 57,008	\$ 483,822	\$ 171,860	\$ 79,055	\$ 504,326
88	735	222	76	1,032
424	2,169	1,325	750	-
41,154	46,585	-	-	6,729
3,479	5,324	-	1,510	-
177,818	192,333	-	-	-
80	410	253	146	-
-	-	-	-	-
<u>\$ 280,051</u>	<u>\$ 731,378</u>	<u>\$ 173,660</u>	<u>\$ 81,537</u>	<u>\$ 512,087</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
424	2,169	1,325	750	-
181,297	197,657	-	1,510	-
<u>181,721</u>	<u>199,826</u>	<u>1,325</u>	<u>2,260</u>	<u>-</u>
98,330	531,552	172,335	79,277	512,087
-	-	-	-	-
<u>98,330</u>	<u>531,552</u>	<u>172,335</u>	<u>79,277</u>	<u>512,087</u>
<u>\$ 280,051</u>	<u>\$ 731,378</u>	<u>\$ 173,660</u>	<u>\$ 81,537</u>	<u>\$ 512,087</u>

**City of Marshall**  
**Combining Balance Sheet -**  
**Debt Service Funds**  
**December 31, 2021**

	2012A G.O. Tax Increment Bonds (371)	2013 Public Improvement Bonds (372)	2014 Public Improvement Bonds (373)	23 Pedestrian Bridge (374)
<b>Assets</b>				
Cash and temporary investments	\$ 484,631	\$ 515,120	\$ 579,452	\$ 718,119
Receivables				
Interest	932	1,066	1,141	1,396
Taxes	141	289	295	802
Special assessments				
Current	133,824	66,404	69,493	-
Delinquent	2,705	523	1,319	-
Noncurrent	98,243	125,743	563,627	-
Intergovernmental	7	10	12	156
Due from other funds	-	-	-	-
	<u>\$ 720,483</u>	<u>\$ 709,155</u>	<u>\$ 1,215,339</u>	<u>\$ 720,473</u>
<b>Liabilities</b>				
Due to other funds	\$ -	\$ -	\$ -	\$ -
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - property taxes	141	289	295	802
Unavailable revenue - special assessments	100,948	126,266	564,946	-
Total deferred inflows of resources	<u>101,089</u>	<u>126,555</u>	<u>565,241</u>	<u>802</u>
<b>Fund Balances</b>				
Restricted for				
Debt service	619,394	582,600	650,098	719,671
Unassigned	-	-	-	-
Total fund balances	<u>619,394</u>	<u>582,600</u>	<u>650,098</u>	<u>719,671</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 720,483</u>	<u>\$ 709,155</u>	<u>\$ 1,215,339</u>	<u>\$ 720,473</u>

2018A Improvement Bonds (375)	2016C Tax Abatement Bonds (376)	2017B Improvement Bonds (377)	2000B Improvement Bonds (378)	2021A G.O. Bonds (379)	2020A City Hall CIP Bond (394)	Debt Revolving Fund (399)
\$ 742,957	\$ 152,042	\$ 517,364	\$ 186,369	\$ -	\$ 353,646	\$ 267,576
1,377	158	1,028	254	-	447	550
996	1,595	356	737	-	1,396	366
46,557	-	-	9,277	-	-	-
506	-	-	-	-	-	-
197,098	-	-	64,941	-	-	-
195	303	67	184	-	373	-
-	-	-	-	-	-	336
<u>\$ 989,686</u>	<u>\$ 154,098</u>	<u>\$ 518,815</u>	<u>\$ 261,762</u>	<u>\$ -</u>	<u>\$ 355,862</u>	<u>\$ 268,828</u>
\$ -	\$ -	\$ -	\$ -	\$ 136	\$ -	\$ -
996	1,595	356	737	-	1,396	366
197,604	-	-	64,941	-	-	-
<u>198,600</u>	<u>1,595</u>	<u>356</u>	<u>65,678</u>	<u>-</u>	<u>1,396</u>	<u>366</u>
791,086	152,503	518,459	196,084	-	354,466	268,462
-	-	-	-	(136)	-	-
<u>791,086</u>	<u>152,503</u>	<u>518,459</u>	<u>196,084</u>	<u>(136)</u>	<u>354,466</u>	<u>268,462</u>
<u>\$ 989,686</u>	<u>\$ 154,098</u>	<u>\$ 518,815</u>	<u>\$ 261,762</u>	<u>\$ -</u>	<u>\$ 355,862</u>	<u>\$ 268,828</u>

(THIS PAGE LEFT BLANK INTENTIONALLY)

**City of Marshall**  
**Combining Balance Sheet -**  
**Debt Service Funds**  
**December 31, 2021**

	<u>Totals</u>
<b>Assets</b>	
Cash and temporary investments	\$ 7,271,559
Receivables	
Interest	10,784
Taxes	12,491
Special assessments	
Current	420,023
Delinquent	15,366
Noncurrent	1,419,803
Intergovernmental	2,368
Due from other funds	<u>336</u>
Total assets	<u><u>\$ 9,152,730</u></u>
<b>Liabilities</b>	
Due to other funds	<u>\$ 336</u>
<b>Deferred Inflows of Resources</b>	
Unavailable revenue - property taxes	12,491
Unavailable revenue - special assessments	<u>1,435,169</u>
Total deferred inflows of resources	<u>1,447,660</u>
<b>Fund Balances</b>	
Restricted for	
Debt service	7,705,070
Unassigned	<u>(336)</u>
Total fund balances	<u>7,704,734</u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 9,152,730</u></u>

**City of Marshall**  
**Combining Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances - Debt Service Funds**  
**December 31, 2021**

	Marshall - Lyon County Library Debt (321)	2014B MERIT / SMASC (322)	2015A Bond (325)	2021B G.O. State Aid Street Bonds (356)
<b>Revenues</b>				
Taxes	\$ 54,684	\$ -	\$ 54,952	\$ -
Special assessments	-	-	-	-
Investment earnings	711	-	239	-
Total revenues	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>55,395</u>	<u>-</u>	<u>55,191</u>	<u>-</u>
<b>Expenditures</b>				
Debt service				
Principal	65,000	1,060,000	45,000	-
Interest and other	13,170	395,731	6,981	200
Total expenditures	<u>78,170</u>	<u>1,455,731</u>	<u>51,981</u>	<u>200</u>
Excess (Deficiency) of revenues over (under) expenditures	(22,775)	(1,455,731)	3,210	(200)
<b>Other Financing Sources (Uses)</b>				
Transfers in	<u>39,363</u>	<u>1,455,594</u>	<u>-</u>	<u>-</u>
Net change in fund balances	16,588	(137)	3,210	(200)
Fund Balances, January 1	<u>129,733</u>	<u>1,252,762</u>	<u>56,510</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 146,321</u>	<u>\$ 1,252,625</u>	<u>\$ 59,720</u>	<u>\$ (200)</u>

2015 Public Improvement Bonds (359)	2016B G.O. Various Purpose Bonds (360)	2017A Public Improvement Bonds (362)	2011 Public Improvement Bonds (369)	2011A G.O. Tax Increment Bonds (370)	2012A G.O. Tax Increment Bonds (371)	2013 Public Improvement Bonds (372)
\$ 52,255	\$ 268,004	\$ 165,491	\$ 92,825	\$ -	\$ 1,471	\$ 2,527
108,284	110,942	-	21,407	13,997	295,085	151,030
436	2,618	661	181	4,165	4,118	3,156
-	-	-	-	-	-	-
<u>160,975</u>	<u>381,564</u>	<u>166,152</u>	<u>114,413</u>	<u>18,162</u>	<u>300,674</u>	<u>156,713</u>
110,000	330,000	135,000	110,000	165,000	230,000	375,000
14,489	23,252	26,591	21,352	12,473	14,805	41,688
<u>124,489</u>	<u>353,252</u>	<u>161,591</u>	<u>131,352</u>	<u>177,473</u>	<u>244,805</u>	<u>416,688</u>
36,486	28,312	4,561	(16,939)	(159,311)	55,869	(259,975)
-	-	-	-	-	-	205,026
36,486	28,312	4,561	(16,939)	(159,311)	55,869	(54,949)
61,844	503,240	167,774	96,216	671,398	563,525	637,549
<u>\$ 98,330</u>	<u>\$ 531,552</u>	<u>\$ 172,335</u>	<u>\$ 79,277</u>	<u>\$ 512,087</u>	<u>\$ 619,394</u>	<u>\$ 582,600</u>

**City of Marshall**  
**Combining Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances - Debt Service Funds**  
**December 31, 2021**

	2014 Public Improvement Bonds (373)	23 Pedestrian Bridge (374)	2018A Improvement Bonds (375)	2016C Tax Abatement Bonds (376)
<b>Revenues</b>				
Taxes	\$ 2,712	\$ 99,301	\$ 126,834	\$ 198,950
Special assessments	172,693	-	107,601	-
Investment earnings	4,552	5,537	5,332	421
Total revenues				
Contributions and donations	-	-	-	-
Total revenues	<u>179,957</u>	<u>104,838</u>	<u>239,767</u>	<u>199,371</u>
<b>Expenditures</b>				
Debt service				
Principal	220,000	60,000	175,099	120,000
Interest and other	23,707	28,071	73,223	64,551
Total expenditures	<u>243,707</u>	<u>88,071</u>	<u>248,322</u>	<u>184,551</u>
(under) expenditures				
(under) expenditures	(63,750)	16,767	(8,555)	14,820
<b>Other Financing Sources (Uses)</b>				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(63,750)	16,767	(8,555)	14,820
Fund Balances, January 1	<u>713,848</u>	<u>702,904</u>	<u>799,641</u>	<u>137,683</u>
Fund Balances, December 31	<u>\$ 650,098</u>	<u>\$ 719,671</u>	<u>\$ 791,086</u>	<u>\$ 152,503</u>

2017B Improvement Bonds (377)	2000B Improvement Bonds (378)	2021A G.O. Bonds (379)	2020A City Hall CIP Bond (394)	Debt Revolving Fund (399)	Totals
\$ 43,435	\$ 118,485	\$ -	\$ 238,605	\$ 128,271	\$ 1,648,802
-	44,087	-	-	-	1,025,126
3,816	905	-	1,581	2,032	40,461
-	-	-	293	-	293
<u>47,251</u>	<u>163,477</u>	<u>-</u>	<u>240,479</u>	<u>130,303</u>	<u>2,714,682</u>
275,000	-	-	55,000	-	3,530,099
60,003	16,873	136	195,468	-	1,032,764
<u>335,003</u>	<u>16,873</u>	<u>136</u>	<u>250,468</u>	<u>-</u>	<u>4,562,863</u>
(287,752)	146,604	(136)	(9,989)	130,303	(1,848,181)
-	-	-	200,000	-	1,899,983
(287,752)	146,604	(136)	190,011	130,303	51,802
806,211	49,480	-	164,455	138,159	7,652,932
<u>\$ 518,459</u>	<u>\$ 196,084</u>	<u>\$ (136)</u>	<u>\$ 354,466</u>	<u>\$ 268,462</u>	<u>\$ 7,704,734</u>

**City of Marshall**  
**Combining Balance Sheet**  
**Economic Development Authority Funds**  
**December 31, 2021**

	Economic Development Authority (204/208)	EDA Parkway Housing Fund (205/206/207)	Federal EDA CRIF (213)	EDA Revolving (214)	Totals
<b>Assets</b>					
Cash and temporary investments	\$ 596,706	\$ 498,252	\$ 48,956	\$ 468,205	\$ 1,612,119
Receivables					
Interest	1,163	1,025	101	877	3,166
Delinquent taxes	1,109	-	-	-	1,109
Accounts	5,000	-	-	-	5,000
Notes	80,000	210,575	-	4,306	294,881
Intergovernmental	218	-	-	-	218
Prepaid items	241	-	-	-	241
Land held for resale	-	836,915	-	-	836,915
Total assets	<u>\$ 684,437</u>	<u>\$ 1,546,767</u>	<u>\$ 49,057</u>	<u>\$ 473,388</u>	<u>\$ 2,753,649</u>
<b>Liabilities</b>					
Accounts payable	18,114	88	-	-	18,202
Other payable	-	19,769	-	-	19,769
Accrued salaries payable	4,018	-	-	-	4,018
Due to primary government	-	167,074	-	-	167,074
Due to other component units	-	18	-	-	18
Total liabilities	<u>22,132</u>	<u>186,949</u>	<u>-</u>	<u>-</u>	<u>209,081</u>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - taxes	<u>1,109</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,109</u>
<b>Fund Balances</b>					
Nonspendable					
Prepaid items	241	-	-	-	241
Land held for resale	-	836,915	-	-	836,915
Restricted					
Economic development	-	-	49,057	-	49,057
Assigned					
Economic development	<u>660,955</u>	<u>522,903</u>	<u>-</u>	<u>473,388</u>	<u>1,657,246</u>
Total Fund Balances	<u>661,196</u>	<u>1,359,818</u>	<u>49,057</u>	<u>473,388</u>	<u>2,543,459</u>
Total liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 684,437</u>	<u>\$ 1,546,767</u>	<u>\$ 49,057</u>	<u>\$ 473,388</u>	<u>\$ 2,753,649</u>

Reconciliation of balance sheet to the Statement of Net Position

Total fund balances	\$ 2,543,459
Capital assets used in EDA activities are not financial resources and therefore are not reported as assets in the fund	4,360
Long-term assets are not available to pay current period expenditures and, therefore are unavailable in the funds.	
Delinquent property taxes receivable	<u>1,109</u>
Total net position	<u>\$ 2,548,928</u>

**City of Marshall**  
**Combining Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances - Economic Development Authority Funds**  
**December 31, 2021**

	Economic Development Authority (204/208)	EDA Parkway Housing Fund (205/206 /207)	Federal EDA CRIF (213)	EDA Revolving (214)	Totals
<b>Revenues</b>					
Taxes	\$ 138,312	\$ -	\$ -	\$ -	\$ 138,312
Charges for services	2,750	6,918	-	-	9,668
Investment earnings	4,897	3,790	407	3,381	12,475
Miscellaneous	5,062	-	-	184,078	189,140
Total Revenues	<u>151,021</u>	<u>10,708</u>	<u>407</u>	<u>187,459</u>	<u>349,595</u>
<b>Expenditures</b>					
Current					
Economic development	<u>149,013</u>	<u>14,434</u>	<u>-</u>	<u>53,808</u>	<u>217,255</u>
Excess (Deficiency) of revenues over (under) expenditures	2,008	(3,726)	407	133,651	132,340
<b>Other Financing Sources (Uses)</b>					
Sale of capital assets	<u>-</u>	<u>75</u>	<u>-</u>	<u>-</u>	<u>75</u>
Net change in fund balances	2,008	(3,651)	407	133,651	132,415
Fund Balances, January 1	<u>659,188</u>	<u>1,363,469</u>	<u>48,650</u>	<u>339,737</u>	<u>2,411,044</u>
Fund Balances, December 31	<u>\$ 661,196</u>	<u>\$ 1,359,818</u>	<u>\$ 49,057</u>	<u>\$ 473,388</u>	<u>\$ 2,543,459</u>
Reconciliation of the statement of revenues, expenditures and changes in the fund balance to the statement of activities					
Net Change in Fund Balances					\$ 132,415
EDA funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.					
Depreciation expense					(646)
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.					
Property taxes					<u>(2,933)</u>
Change in Net Position					<u>\$ 128,836</u>

**City of Marshall**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - Economic Development Authority**  
**Year Ended December 31, 2021**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Over (Under)
<b>Revenues</b>				
Taxes	\$ 135,000	\$ 135,000	\$ 138,312	\$ 3,312
Charges for services	-	-	2,750	2,750
Investment earnings	8,100	8,100	4,897	(3,203)
Miscellaneous	3,500	3,500	5,062	1,562
Total revenues	146,600	146,600	151,021	4,421
<b>Expenditures</b>				
Current				
Economic development	164,862	164,862	149,013	(15,849)
Excess of revenues over (under) expenditures	\$ (18,262)	\$ (18,262)	2,008	\$ 20,270
<b>Fund Balance</b>				
Beginning of year			659,188	
End of year			\$ 661,196	

**City of Marshall**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2021**

<u>Federal Agency/Pass Through Agency/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<b>U.S. Department of Housing and Urban Development</b>		
Passed through the State of Minnesota		
Community Development Block Grants	14.228	\$ 267,802
<b>U.S. Department of Justice</b>		
Passed through the State of Minnesota		
Missing Children's Assistance	16.543	5,283
<b>U.S. Department of Transportation</b>		
Passed through the State of Minnesota		
Airport Improvement Program	20.106	23,000
State and Community Highway Safety	20.600	1,293
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	4,107
National Priority Safety Programs	20.616	6,747
Total U.S. Department of Transportation		35,147
<b>U.S. Department of Environmental Protection Agency (EPA)</b>		
Passed through State of Minnesota		
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034	2,080
Capitalization Grants for Clean Water State Revolving Funds	66.458	3,042,844
Total U.S. Department of Environment Protection Agency		3,044,924
<b>U.S. Department of Homeland Security</b>		
Passed through State of Minnesota		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	750
Total federal expenditures		\$ 3,353,906

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

**NOTE 1 – BASIS OF PRESENTATION**

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

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

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

**NOTE 3 – INDIRECT COST RATE**

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

**Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance With  
*Government Auditing Standards***

**Independent Auditor's Report**

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

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

**Internal Control over Financial Reporting**

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

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

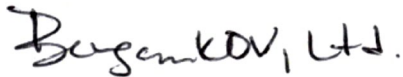
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "BergankDV, Ltd." with a stylized flourish at the end.

St. Cloud, Minnesota  
May 31, 2022

**Report on Compliance for each Major Federal Program  
and Report on Internal Control over Compliance Required by  
the Uniform Guidance**

**Independent Auditor's Report**

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

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

**Opinion on Each Major Federal Program**

We have audited the City's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended December 31, 2021. The City's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City complied in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2021.

**Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

## **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on Internal Control over Compliance**

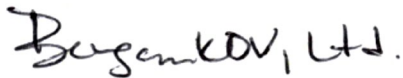
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

**Report on Internal Control over Compliance (Continued)**

Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



St. Cloud, Minnesota  
May 31, 2022

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

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

**Financial Statements**

Type of auditor’s report issued:

We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? No

Noncompliance material to financial statements noted? No

**Federal Awards**

Type of auditor’s report issued on compliance for major programs:

Unmodified

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? No

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

**Identification of Major Program**

CFDA No.: 66.458

Name of Federal Program or Cluster:

Capitalization Grants for Clean Water  
State Revolving Funds

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low risk auditee?

Yes

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

**SECTION II – FINANCIAL STATEMENT FINDINGS**

There were no financial statement findings.

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

There were no Federal award findings and questioned costs.

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

There were no prior year findings and questioned costs.

(THIS PAGE LEFT BLANK INTENTIONALLY)

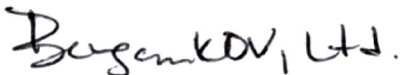
**Minnesota Legal Compliance****Independent Auditor's Report**

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

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

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 contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to *Minnesota Statute* § 6.65, insofar as they relate to accounting matters. 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, insofar as they relate to accounting matters.

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.



St. Cloud, Minnesota  
May 31, 2022