PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 9, 2020

The information contained in this Preliminary Official Statement is deemed by the City to be final as of the date hereof; however, the pricing and underwriting information is subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

NEW ISSUE **S&P Rating: Requested**
NOT BANK QUALIFIED

In the opinion of Kennedy & Graven, Chartered, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions (which excludes any pending legislation which may have a retroactive effect) and, assuming compliance with certain covenants, interest to be paid on the Bonds is excluded from gross income of the recipient for federal income tax purposes and, to the same extent, is excluded from taxable net income of individuals, trusts, and estates for Minnesota income tax purposes, and is not a preference item for purposes of computing the federal alternative minimum tax or the Minnesota alternative minimum tax imposed on individuals, trusts, and estates. Such interest is subject to Minnesota franchise taxes on certain corporations (including financial institutions) measured by income. No opinion will be expressed by Bond Counsel regarding the other state or federal tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds. See "TAX EXEMPTION" herein.

$6,500,000*

City of Marshall, Minnesota

General Obligation Capital Improvement Plan Bonds, Series 2020A (the "Bonds")

(Book Entry Only)

Dated Date: Date of Delivery **Interest Due: Each February 1 and August 1, commencing August 1, 2020**

The Bonds will mature February 1 in the years and amounts* as follows:

2021	$ 75,000	2025	$285,000	2029	$325,000	2033	$350,000	2037	$390,000
2022	$260,000	2026	$295,000	2030	$330,000	2034	$360,000	2038	$400,000
2023	$270,000	2027	$305,000	2031	$335,000	2035	$370,000	2039	$410,000
2024	$280,000	2028	$315,000	2032	$345,000	2036	$380,000	2040	$420,000

Proposals for the Bonds may contain a maturity schedule providing for a combination of serial bonds and term bonds. All term bonds shall be subject to mandatory sinking fund redemption at a price of par plus accrued interest to the date of redemption scheduled to conform to the respective maturity schedule set forth above.

The City of Marshall, Minnesota (the "City") may elect on February 1, 2028, and on any day thereafter, to redeem Bonds due on or after February 1, 2029 at a price of par plus accrued interest.

The Bonds will be general obligations of the City for which the City will pledge its full faith and credit and power to levy direct general ad valorem taxes. The proceeds of the Bonds will be used to finance certain improvements related to the City Hall as identified in the City's 2019-2023 Capital Improvement Plan.

Proposals shall be for not less than $6,500,000 (Par) plus accrued interest, if any, on the total principal amount of the Bonds. Proposals shall specify rates in integral multiples of 1/100 or 1/8 of 1%. The initial price to the public as stated on the proposal for each maturity must be 98.0% or greater. Following receipt of proposals, a good faith deposit will be required to be delivered to the City by the lowest bidder as described in the "Terms of Proposal" herein. Award of the Bonds will be made on the basis of True Interest Cost (TIC).

The City will not designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

The Bonds will be issued as fully registered bonds without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the Bonds. Individual purchases may be made in book entry form only, in the principal amount of $5,000 and integral multiples thereof. Investors will not receive physical certificates representing their interest in the Bonds purchased. (See "Book Entry System" herein.) U.S. Bank National Association, Saint Paul, Minnesota, will serve as registrar (the "Registrar") for the Bonds. The Bonds will be available for delivery at DTC on or about February 27, 2020.

PROPOSALS RECEIVED: Tuesday, January 28, 2020 until 10:00 A.M., Central Time
CONSIDERATION OF AWARD: Council meeting commencing at 5:30 P.M., CT on Tuesday, January 28, 2020

bakertilly
MUNICIPAL ADVISORS
now joined with
Springsted and Umbaugh

Further information may be obtained from Baker Tilly Municipal Advisors, LLC, 380 Jackson Street, Suite 300, Saint Paul, Minnesota 55101-2887 (651) 223-3000.

* *Preliminary; subject to change.*

CITY OF MARSHALL, MINNESOTA

CITY COUNCIL

Robert J. Byrnes	Mayor
Glenn Bayerkohler	Council Member
John DeCramer	Council Member
Russ Labat	Council Member
James Lozinski	Council Member
Steven Meister	Council Member
Craig Schafer	Council Member

CITY ADMINISTRATOR

Sharon Hanson

DIRECTOR OF ADMINISTRATIVE SERVICES

Annette Storm

MUNICIPAL ADVISOR

Baker Tilly Municipal Advisors
Saint Paul, Minnesota

BOND COUNSEL

Kennedy & Graven, Chartered
Minneapolis, Minnesota

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or corrected by the City from time to time, may be treated as a Preliminary Official Statement with respect to the Bonds described herein that is deemed final as of the date hereof (or of any such supplement or correction) by the City.

By awarding the Bonds to any underwriter or underwriting syndicate submitting a Proposal therefor, the City agrees that, no more than seven business days after the date of such award, it shall provide without cost to the senior managing underwriter of the syndicate to which the Bonds are awarded copies of the Final Official Statement in the amount specified in the Terms of Proposal.

No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representations with respect to the Bonds, other than as contained in the Preliminary Official Statement or the Final Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City.

Certain information contained in the Preliminary Official Statement or the Final Official Statement may have been obtained from sources other than records of the City and, while believed to be reliable, is not guaranteed as to completeness or accuracy. THE INFORMATION AND EXPRESSIONS OF OPINION IN THE PRELIMINARY OFFICIAL STATEMENT AND THE FINAL OFFICIAL STATEMENT ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF THE PRELIMINARY OFFICIAL STATEMENT NOR THE FINAL OFFICIAL STATEMENT NOR ANY SALE MADE UNDER EITHER SUCH DOCUMENT SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CITY SINCE THE RESPECTIVE DATE THEREOF.

References herein to laws, rules, regulations, resolutions, agreements, reports and other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. Where full texts have not been included as appendices to the Preliminary Official Statement or the Final Official Statement, they will be furnished upon request.

Any CUSIP numbers for the Bonds included in the Final Official Statement are provided for convenience of the owners and prospective investors. The CUSIP numbers for the Bonds are assigned by an organization unaffiliated with the City. The City is not responsible for the selection of the CUSIP numbers and makes no representation as to the accuracy thereof as printed on the Bonds or as set forth in the Final Official Statement. No assurance can be given by the City that the CUSIP numbers for the Bonds will remain the same after the delivery of the Final Official Statement or the date of issuance and delivery of the Bonds.

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THE CITY HAS AUTHORIZED BAKER TILLY MUNICIPAL ADVISORS, LLC TO NEGOTIATE THIS ISSUE ON ITS BEHALF. PROPOSALS WILL BE RECEIVED ON THE FOLLOWING BASIS:

TERMS OF PROPOSAL

$6,500,000*

CITY OF MARSHALL, MINNESOTA

GENERAL OBLIGATION CAPITAL IMPROVEMENT PLAN BONDS, SERIES 2020A

(BOOK ENTRY ONLY)

Proposals for the above-referenced obligations (the "Bonds") will be received by the City of Marshall, Minnesota (the "City") on Tuesday, January 28, 2020 (the "Sale Date") until 10:00 A.M., Central Time at the offices of Baker Tilly Municipal Advisors, LLC ("Baker Tilly MA"), 380 Jackson Street, Suite 300, Saint Paul, Minnesota, 55101, after which time proposals will be opened and tabulated. Consideration for award of the Bonds will be by the City Council at its meeting commencing at 5:30 P.M., Central Time, of the same day.

SUBMISSION OF PROPOSALS

Baker Tilly MA will assume no liability for the inability of a bidder to reach Baker Tilly MA prior to the time of sale specified above. All bidders are advised that each proposal shall be deemed to constitute a contract between the bidder and the City to purchase the Bonds regardless of the manner in which the proposal is submitted.

(a) ***Sealed Bidding.*** Proposals may be submitted in a sealed envelope or by fax (651) 223-3046 to Baker Tilly MA. Signed proposals, without final price or coupons, may be submitted to Baker Tilly MA prior to the time of sale. The bidder shall be responsible for submitting to Baker Tilly MA the final proposal price and coupons, by telephone (651) 223-3000 or fax (651) 223-3046 for inclusion in the submitted proposal.

OR

(b) ***Electronic Bidding.*** Notice is hereby given that electronic proposals will be received via PARITY®. For purposes of the electronic bidding process, the time as maintained by PARITY® shall constitute the official time with respect to all proposals submitted to PARITY®. *Each bidder shall be solely responsible for making necessary arrangements to access PARITY® for purposes of submitting its electronic proposal in a timely manner and in compliance with the requirements of the Terms of Proposal*. Neither the City, its agents, nor PARITY® shall have any duty or obligation to undertake registration to bid for any prospective bidder or to provide or ensure electronic access to any qualified prospective bidder, and neither the City, its agents, nor PARITY® shall be responsible for a bidder's failure to register to bid or for any failure in the proper operation of, or have any liability for any delays or interruptions of or any damages caused by the services of PARITY®. The City is using the services of PARITY® solely as a communication mechanism to conduct the electronic bidding for the Bonds, and PARITY® is not an agent of the City.

If any provisions of this Terms of Proposal conflict with information provided by PARITY®, this Terms of Proposal shall control. Further information about PARITY®, including any fee charged, may be obtained from:

PARITY®, 1359 Broadway, 2nd Floor, New York, New York 10018
Customer Support: (212) 849-5000

* *Preliminary; subject to change.*

DETAILS OF THE BONDS

The Bonds will be dated as of the date of delivery and will bear interest payable on February 1 and August 1 of each year, commencing August 1, 2020. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

The Bonds will mature February 1 in the years and amounts* as follows:

2021	$ 75,000	2025	$285,000	2029	$325,000	2033	$350,000	2037	$390,000
2022	$260,000	2026	$295,000	2030	$330,000	2034	$360,000	2038	$400,000
2023	$270,000	2027	$305,000	2031	$335,000	2035	$370,000	2039	$410,000
2024	$280,000	2028	$315,000	2032	$345,000	2036	$380,000	2040	$420,000

* *The City reserves the right, after proposals are opened and prior to award, to reduce the principal amount of the Bonds and, in doing so, adjust the amount of any maturity or maturities in multiples of $5,000. In the event the amount of any maturity is modified, the aggregate purchase price will be adjusted to result in the same gross spread per $1,000 of Bonds as that of the original proposal. Gross spread for this purpose is the differential between the price paid to the City for the new issue and the prices at which the proposal indicates the securities will be initially offered to the investing public.*

Proposals for the Bonds may contain a maturity schedule providing for a combination of serial bonds and term bonds. All term bonds shall be subject to mandatory sinking fund redemption at a price of par plus accrued interest to the date of redemption scheduled to conform to the maturity schedule set forth above. In order to designate term bonds, the proposal must specify "Years of Term Maturities" in the spaces provided on the proposal form.

BOOK ENTRY SYSTEM

The Bonds will be issued by means of a book entry system with no physical distribution of Bonds made to the public. The Bonds will be issued in fully registered form and one Bond, representing the aggregate principal amount of the Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Bonds. Individual purchases of the Bonds may be made in the principal amount of $5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the registrar to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The lowest bidder (the "Purchaser"), as a condition of delivery of the Bonds, will be required to deposit the Bonds with DTC.

REGISTRAR

The City will name the registrar which shall be subject to applicable regulations of the Securities and Exchange Commission. The City will pay for the services of the registrar.

OPTIONAL REDEMPTION

The City may elect on February 1, 2028, and on any day thereafter, to redeem Bonds due on or after February 1, 2029. Redemption may be in whole or in part and if in part at the option of the City and in such manner as the City shall determine. If less than all Bonds of a maturity are called for redemption, the City will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. All redemptions shall be at a price of par plus accrued interest.

SECURITY AND PURPOSE

The Bonds will be general obligations of the City for which the City will pledge its full faith and credit and power to levy direct general ad valorem taxes. The proceeds of the Bonds will be used to finance certain improvements related to the City Hall as identified in the City's 2019-2023 Capital Improvement Plan.

BIDDING PARAMETERS

Proposals shall be for not less than $6,500,000 (Par) plus accrued interest, if any, on the total principal amount of the Bonds. No proposal can be withdrawn or amended after the time set for receiving proposals on the Sale Date unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made. Rates shall be in integral multiples of 1/100 or 1/8 of 1%. The initial price to the public for each maturity as stated on the proposal must be 98.0% or greater. Bonds of the same maturity shall bear a single rate from the date of the Bonds to the date of maturity. No conditional proposals will be accepted.

ESTABLISHMENT OF ISSUE PRICE

In order to provide the City with information necessary for compliance with Section 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder (collectively, the "Code"), the Purchaser will be required to assist the City in establishing the issue price of the Bonds and shall complete, execute, and deliver to the City prior to the closing date, a written certification in a form acceptable to the Purchaser, the City, and Bond Counsel (the "Issue Price Certificate") containing the following for each maturity of the Bonds (and, if different interest rates apply within a maturity, to each separate CUSIP number within that maturity): (i) the interest rate; (ii) the reasonably expected initial offering price to the "public" (as said term is defined in Treasury Regulation Section 1.148-1(f) (the "Regulation")) or the sale price; and (iii) pricing wires or equivalent communications supporting such offering or sale price. Any action to be taken or documentation to be received by the City pursuant hereto may be taken or received on behalf of the City by Baker Tilly MA.

The City intends that the sale of the Bonds pursuant to this Terms of Proposal shall constitute a "competitive sale" as defined in the Regulation based on the following:

(i) the City shall cause this Terms of Proposal to be disseminated to potential bidders in a manner that is reasonably designed to reach potential bidders;
(ii) all bidders shall have an equal opportunity to submit a bid;
(iii) the City reasonably expects that it will receive bids from at least three bidders that have established industry reputations for underwriting municipal bonds such as the Bonds; and
(iv) the City anticipates awarding the sale of the Bonds to the bidder who provides a proposal with the lowest true interest cost, as set forth in this Terms of Proposal (See "AWARD" herein).

Any bid submitted pursuant to this Terms of Proposal shall be considered a firm offer for the purchase of the Bonds, as specified in the proposal. The Purchaser shall constitute an "underwriter" as said term is defined in the Regulation. By submitting its proposal, the Purchaser confirms that it shall require any agreement among underwriters, a selling group agreement, or other agreement to which it is a party relating to the initial sale of the Bonds, to include provisions requiring compliance with the provisions of the Code and the Regulation regarding the initial sale of the Bonds.

If all of the requirements of a "competitive sale" are not satisfied, the City shall advise the Purchaser of such fact prior to the time of award of the sale of the Bonds to the Purchaser. **In such event, any proposal submitted will not be subject to cancellation or withdrawal.** Within twenty-four (24) hours of the notice of award of the sale of the Bonds, the Purchaser shall advise the City and Baker Tilly MA if

10% of any maturity of the Bonds (and, if different interest rates apply within a maturity, to each separate CUSIP number within that maturity) has been sold to the public and the price at which it was sold. The City will treat such sale price as the "issue price" for such maturity, applied on a maturity-by-maturity basis. The City will not require the Purchaser to comply with that portion of the Regulation commonly described as the "hold-the-offering-price" requirement for the remaining maturities, but the Purchaser may elect such option. If the Purchaser exercises such option, the City will apply the initial offering price to the public provided in the proposal as the issue price for such maturities. If the Purchaser does not exercise that option, it shall thereafter promptly provide the City and Baker Tilly MA the prices at which 10% of such maturities are sold to the public; provided such determination shall be made and the City and Baker Tilly MA notified of such prices whether or not the closing date has occurred, until the 10% test has been satisfied as to each maturity of the Bonds or until all of the Bonds of a maturity have been sold.

GOOD FAITH DEPOSIT

To have its proposal considered for award, the Purchaser is required to submit a good faith deposit to the City in the amount of $65,000 (the "Deposit") no later than 1:00 P.M., Central Time on the Sale Date. The Deposit may be delivered as described herein in the form of either (i) a certified or cashier's check payable to the City; or (ii) a wire transfer. The Purchaser shall be solely responsible for the timely delivery of its Deposit whether by check or wire transfer. Neither the City nor Baker Tilly MA have any liability for delays in the receipt of the Deposit. If the Deposit is not received by the specified time, the City may, at its sole discretion, reject the proposal of the lowest bidder, direct the second lowest bidder to submit a Deposit, and thereafter award the sale to such bidder.

Certified or Cashier's Check. A Deposit made by certified or cashier's check will be considered timely delivered to the City if it is made payable to the City and delivered to Baker Tilly Municipal Advisors, LLC, 380 Jackson Street, Suite 300, Saint Paul, Minnesota 55101 by the time specified above.

Wire Transfer. A Deposit made by wire will be considered timely delivered to the City upon submission of a federal wire reference number by the specified time. Wire transfer instructions will be available from Baker Tilly MA following the receipt and tabulation of proposals. The successful bidder must send an e-mail including the following information: (i) the federal reference number and time released; (ii) the amount of the wire transfer; and (iii) the issue to which it applies.

Once an award has been made, the Deposit received from the Purchaser will be retained by the City and no interest will accrue to the Purchaser. The amount of the Deposit will be deducted at settlement from the purchase price. In the event the Purchaser fails to comply with the accepted proposal, said amount will be retained by the City.

AWARD

The Bonds will be awarded on the basis of the lowest interest rate to be determined on a true interest cost (TIC) basis calculated on the proposal prior to any adjustment made by the City. The City's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling.

The City will reserve the right to: (i) waive non-substantive informalities of any proposal or of matters relating to the receipt of proposals and award of the Bonds, (ii) reject all proposals without cause, and (iii) reject any proposal that the City determines to have failed to comply with the terms herein.

BOND INSURANCE AT PURCHASER'S OPTION

The City has **not** applied for or pre-approved a commitment for any policy of municipal bond insurance with respect to the Bonds. If the Bonds qualify for municipal bond insurance and a bidder desires to purchase a policy, such indication, the maturities to be insured, and the name of the desired insurer must be set forth on the bidder's proposal. The City specifically reserves the right to reject any bid specifying municipal bond insurance, even though such bid may result in the lowest TIC to the City. All costs associated with the issuance and administration of such policy and associated ratings and expenses (other than any independent rating requested by the City) shall be paid by the successful bidder. Failure of the municipal bond insurer to issue the policy after the award of the Bonds shall not constitute cause for failure or refusal by the successful bidder to accept delivery of the Bonds.

CUSIP NUMBERS

If the Bonds qualify for the assignment of CUSIP numbers such numbers will be printed on the Bonds; however, neither the failure to print such numbers on any Bond nor any error with respect thereto will constitute cause for failure or refusal by the Purchaser to accept delivery of the Bonds. Baker Tilly MA will apply for CUSIP numbers pursuant to Rule G-34 implemented by the Municipal Securities Rulemaking Board. The CUSIP Service Bureau charge for the assignment of CUSIP identification numbers shall be paid by the Purchaser.

SETTLEMENT

On or about February 27, 2020, the Bonds will be delivered without cost to the Purchaser through DTC in New York, New York. Delivery will be subject to receipt by the Purchaser of an approving legal opinion of Kennedy & Graven, Chartered of Minneapolis, Minnesota, and of customary closing papers, including a no-litigation certificate. On the date of settlement, payment for the Bonds shall be made in federal, or equivalent, funds that shall be received at the offices of the City or its designee not later than 12:00 Noon, Central Time. Unless compliance with the terms of payment for the Bonds has been made impossible by action of the City, or its agents, the Purchaser shall be liable to the City for any loss suffered by the City by reason of the Purchaser's non-compliance with said terms for payment.

CONTINUING DISCLOSURE

In accordance with SEC Rule 15c2-12(b)(5), the City will undertake, pursuant to the resolution awarding sale of the Bonds, to provide annual reports and notices of certain events. A description of this undertaking is set forth in the Official Statement. The Purchaser's obligation to purchase the Bonds will be conditioned upon receiving evidence of this undertaking at or prior to delivery of the Bonds.

OFFICIAL STATEMENT

The City has authorized the preparation of a Preliminary Official Statement containing pertinent information relative to the Bonds, and said Preliminary Official Statement has been deemed final by the City as of the date thereof within the meaning of Rule 15c2-12 of the Securities and Exchange Commission. For copies of the Preliminary Official Statement or for any additional information prior to sale, any prospective purchaser is referred to the Municipal Advisor to the City, Baker Tilly Municipal Advisors, LLC, 380 Jackson Street, Suite 300, Saint Paul, Minnesota 55101, telephone (651) 223-3000.

A Final Official Statement (as that term is defined in Rule 15c2-12) will be prepared, specifying the maturity dates, principal amounts, and interest rates of the Bonds, together with any other information required by law. By awarding the Bonds to the Purchaser, the City agrees that, no more than seven business days after the date of such award, it shall provide without cost to the Purchaser up to 25 copies of the Final Official Statement. The City designates the Purchaser as its agent for purposes of distributing copies of the Final Official Statement to each syndicate member, if applicable. The Purchaser agrees that if its proposal is accepted by the City, (i) it shall accept designation and (ii) it shall enter into a contractual relationship with its syndicate members for purposes of assuring the receipt of the Final Official Statement by each such syndicate member.

Dated December 17, 2019 BY ORDER OF THE CITY COUNCIL

/s/ Sharon Hanson
City Administrator

OFFICIAL STATEMENT

$6,500,000*
CITY OF MARSHALL, MINNESOTA
GENERAL OBLIGATION CAPITAL IMPROVEMENT PLAN BONDS, SERIES 2020A

(BOOK ENTRY ONLY)

INTRODUCTORY STATEMENT

This Official Statement contains certain information relating to the City of Marshall, Minnesota (the "City") and its issuance of $6,500,000* General Obligation Capital Improvement Plan Bonds, Series 2020A (the "Bonds"). The Bonds are general obligations of the City for which it pledges its full faith and credit and power to levy direct general ad valorem taxes.

Inquiries regarding the Bonds may be directed to Ms. Annette Storm, Director of Administrative Services, City of Marshall, 344 West Main Street, Marshall, Minnesota 56258, by telephoning (507) 537-6160, or by emailing Annette.storm@ci.marshall.mn.us. Inquiries may also be made to Baker Tilly Municipal Advisors, LLC, 380 Jackson Street, Suite 300, Saint Paul, Minnesota 55101-2887, by telephoning (651) 223-3000, or by emailing bond_services@bakertilly.com.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934, as the same may be amended from time to time, and official interpretations thereof (the "Rule"), pursuant to the resolution awarding the sale of the Bonds (the "Resolution"), the City has entered into an undertaking (the "Undertaking") for the benefit of holders including beneficial owners of the Bonds to provide certain financial information and operating data relating to the City to the Electronic Municipal Market Access system ("EMMA") annually, and to provide notices of the occurrence of certain events enumerated in the Rule to EMMA or the Municipal Securities Rulemaking Board (the "MSRB"). The specific nature of the Undertaking, as well as the information to be contained in the annual report or the notices of material events, is set forth in the Continuing Disclosure Undertaking to be executed and delivered at the time the Bonds are delivered in substantially the form attached hereto as Appendix II.

The City believes it has complied for the past five years in accordance with the terms of its previous continuing disclosure undertakings entered into pursuant to the Rule, except to the extent the following are deemed to be material. In reviewing its past disclosure practices, the City notes the following:

- Prior continuing disclosure undertakings entered into by the City included language stating that the City's audited financial statements would be filed "as soon as available." Although the City did not always comply with this requirement, the audited financial statements were timely filed within the required twelve (12) month timeframe as provided for in each undertaking.

* *Preliminary; subject to change.*

A failure by the City to comply with the Undertaking will not constitute an event of default on the Bonds or under any provisions of the Resolution (although holders will have any other available remedy at law or in equity subject to certain limitations). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

THE BONDS

General Description

The Bonds are dated as of the date of delivery and will mature annually on February 1 as set forth on the front cover of this Official Statement. The Bonds are issued in book entry form. Interest on the Bonds is payable on February 1 and August 1 of each year, commencing August 1, 2020. Interest will be payable to the holder (initially Cede & Co.) registered on the books of the Registrar as of the fifteenth day of the calendar month next preceding such interest payment date. Interest will be computed on the basis of a 360-day year of twelve 30-day months. Principal of and interest on the Bonds will be paid as described in the section herein entitled "Book Entry System." U.S. Bank National Association, Saint Paul, Minnesota, will serve as Registrar for the Bonds, and the City will pay for registrar services.

Redemption Provisions

Thirty days' written notice of redemption shall be given to the registered owner(s) of the Bonds. Failure to give such written notice to any registered owner of the Bonds or any defect therein shall not affect the validity of any proceedings for the redemption of the Bonds. All Bonds or portions thereof called for redemption will cease to bear interest after the specified redemption date, provided funds for their redemption are on deposit at the place of payment.

Optional Redemption

The City may elect on February 1, 2028, and on any day thereafter, to redeem Bonds due on or after February 1, 2029. Redemption may be in whole or in part and if in part at the option of the City and in such manner as the City shall determine. If less than all the Bonds of a maturity are called for redemption, the City will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. All redemptions shall be at a price of par plus accrued interest.

Book Entry System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or its agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or its agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or its agent. Under such circumstances, in the event that a successor depository is not obtained, certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

AUTHORITY AND PURPOSE

The Bonds are being issued pursuant to the City's home rule charter and Minnesota Statutes, Chapter 475, as amended, including in particular, Section 475.521. The proceeds of the Bonds will be used to finance certain improvements related to the City Hall as identified in the City's 2019-2023 Capital Improvement Plan.

SOURCES AND USES OF FUNDS

The composition of the Bonds is estimated to be as follows:

Sources of Funds:	
Principal Amount	$6,500,000
Estimated Reoffering Premium	129,477
Total Sources of Funds	$6,629,477
Uses of Funds:	
Deposit to Project Fund	$6,511,127
Costs of Issuance	65,000
Estimated Underwriter's Compensation	53,350
Total Uses of Funds	$6,629,477

SECURITY AND FINANCING

The Bonds will be general obligations of the City for which the City will pledge its full faith and credit and power to levy direct general ad valorem taxes. The City made its first levy in 2019 for collection in 2020. Each year's collection of taxes, if collected in full, will be sufficient to pay 105% of the interest payment due August 1 of the collection year and the principal and interest payment due February 1 of the following year.

Minnesota Statutes, Section 475.521, limits the maximum amount of principal and interest to become due in any year on all outstanding capital improvement plan bonds to be not more than 0.16% of the estimated market value of property in the City for taxes payable in the year in which the bonds are issued or sold. The statutory maximum allowable for annual debt service on the City's capital improvement plan bonds is $1,544,838, based on the City's 2018/19 estimated market value of $965,523,600. The maximum annual debt service for the City's outstanding capital improvement plan bond issues, including an estimate for the Bonds, is approximately $596,051, which is within the statutory limit.

FUTURE FINANCING

The City anticipates the issuance in second quarter 2020 of a Minnesota Public Facilities Authority Loan and additional general obligation debt, both in amounts to be determined.

LITIGATION

The City is not aware of any threatened or pending litigation affecting the validity of the Bonds or the City's ability to meet its financial obligations.

LEGALITY

The Bonds are subject to approval as to certain matters by Kennedy & Graven, Chartered, of Minneapolis, Minnesota, as Bond Counsel. Bond Counsel has not participated in the preparation of this Official Statement and will not pass upon its accuracy, completeness, or sufficiency. Bond Counsel has not examined nor attempted to examine or verify any of the financial or statistical statements or data contained in this Official Statement and will express no opinion with respect to this Official Statement. A legal opinion of Kennedy & Graven, Chartered, in substantially the form in Appendix I to this Official Statement, will be delivered at closing.

TAX EXEMPTION

In the opinion of Kennedy & Graven, Chartered, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions (which excludes any pending legislation which may have a retroactive effect), and assuming compliance with certain covenants set forth in the Resolution, the interest on the Bonds is excluded from gross income of the recipient for federal income tax purposes and, to the same extent, from taxable net income of individuals, trusts, and estates for Minnesota income tax purposes, and is not a preference item for purposes of computing the federal alternative minimum tax or the Minnesota alternative minimum tax imposed on individuals, trusts, and estates. Such interest is subject to Minnesota franchise taxes on corporations (including financial institutions) measured by income.

Noncompliance following the issuance of the Bonds with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code") and covenants of the Resolution may result in the inclusion of interest on the Bonds in gross income for federal income tax purposes and in net taxable income for Minnesota income tax purposes retroactively to the date of issuance of the Bonds. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to federal or State of Minnesota income taxation.

The Code provides that in the case of an insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as "losses incurred" under Section 832(b)(5) shall be reduced by an amount equal to the applicable percentage of the interest on the Bonds that is received or accrued during the taxable year. For purposes hereof, the applicable percentage is 5.25% divided by the highest rate in effect under Section 11(b) of the Code.

Interest on the Bonds may be included in the income of a foreign corporation for purposes of the branch profits tax imposed by Section 884 of the Code. Under certain circumstances, interest on the Bonds may be subject to the tax on "excess net passive income" of Subchapter S corporations imposed by Section 1375 of the Code.

The above is not a comprehensive list of all federal tax consequences which may arise from the receipt of interest on the Bonds. The receipt of interest on the Bonds may otherwise affect the federal or Minnesota income tax liability of the recipient based on the particular taxes to which the recipient is subject and the particular tax status of other items or deductions. Bond Counsel expresses no opinion regarding any such consequences. All prospective purchasers of the Bonds are advised to consult their own tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Bonds.

Original Issue Premium

Certain maturities of the Bonds (the "Premium Obligations") may be sold to the public at an amount in excess of their stated redemption price at maturity. Such excess of the purchase price of the Bonds over its stated redemption price at maturity constitutes a premium with respect to such Premium Obligations. A purchaser of a Premium Obligation must amortize the premium over the term of the Premium Obligation using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the basis in the Premium Obligation is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or other disposition of such Premium Obligation prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed.

Purchasers of Premium Obligations, whether at the time of initial issuance or subsequent thereto, should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Premium Obligations.

Original Issue Discount

Certain maturities of the Bonds (the "Discount Obligations") may be sold at a discount from the principal amount payable on such Discount Obligations at maturity. The difference between the price at which a substantial amount of the Discount Obligations of a given maturity is first sold to the public (the "Issue Price") and the principal amount payable at maturity constitutes "original issue discount" under the Code. The amount of original issue discount that accrues to a holder of a Discount Obligation under section 1288 of the Code is excluded from federal gross income to the same extent that stated interest on such

Discount Obligation would be so excluded. The amount of the original issue discount that accrues with respect to a Discount Obligation under section 1288 is added to the owner's federal tax basis in determining gain or loss upon disposition of such Discount Obligation (whether by sale, exchange, redemption or payment at maturity).

Interest in the form of original issue discount accrues under section 1288 pursuant to a constant yield method that reflects semiannual compounding on dates that are determined by reference to the maturity date of the Discount Obligation. The amount of original issue discount that accrues for any particular semiannual accrual period generally is equal to the excess of (1) the product of (a) one-half of the yield on such Obligations (adjusted as necessary for an initial short period) and (b) the adjusted issue price of such Obligations, over (2) the amount of stated interest actually payable. For purposes of the preceding sentence, the adjusted issue price is determined by adding to the Issue Price for such Obligations the original issue discount that is treated as having accrued during all prior semiannual accrual periods. If a Discount Obligation is sold or otherwise disposed of between semiannual compounding dates, then the original issue discount that would have accrued for that semiannual accrual period for federal income tax purposes is allocated ratably to the days in such accrual period.

If a Discount Obligation is purchased at a price that exceeds the sum of the Issue Price plus accrued interest and accrued original issue discount, the amount of original issue discount that is deemed to accrue thereafter to the purchaser is reduced by an amount that reflects amortization of such excess over the remaining term of such Obligation.

No opinion is expressed as to state and local income tax treatment of original issue discount. It is possible under certain state and local income tax laws that original issue discount on a Discount Obligation may be taxable in the year of accrual, and may be deemed to accrue differently than under federal law.

Holders of Discount Obligations should consult their tax advisors with respect to the computation and accrual of original issue discount for federal income tax purposes and with respect to the state and local tax consequences of owning such Discount Obligations.

NOT BANK-QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will not designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code, as amended, relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

RATING

Application for a rating of the Bonds has been made to S&P Global Ratings ("S&P"), 55 Water Street, New York, New York. If a rating is assigned, it will reflect only the opinion of S&P. Any explanation of the significance of the rating may be obtained only from S&P.

There is no assurance that a rating, if assigned, will continue for any given period of time, or that such rating will not be revised or withdrawn if, in the judgment of S&P, circumstances so warrant. A revision or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

MUNICIPAL ADVISOR

The City has retained Baker Tilly Municipal Advisors, LLC, of Saint Paul, Minnesota as municipal advisor in connection with certain aspects of the issuance of the City. In preparing this Official Statement, Baker Tilly Municipal Advisors, LLC has relied upon governmental officials, and other sources, who have access to relevant data to provide accurate information for this Official Statement. Baker Tilly Municipal Advisors, LLC has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. Baker Tilly Municipal Advisors, LLC is an independent advisory firm, registered as a municipal advisor, and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

CERTIFICATION

The City has authorized the distribution of the Preliminary Official Statement for use in connection with the initial sale of the Bonds and a Final Official Statement following award of the Bonds. The Purchaser will be furnished with a certificate signed by the appropriate officers of the City stating that the City examined each document and that, as of the respective date of each and the date of such certificate, each document did not and does not contain any untrue statement of material fact or omit to state a material fact necessary, in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

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CITY PROPERTY VALUES

Trend of Values[(a)]

Assessment/ Collection Year	Assessor's Estimated Market Value	Sales Ratio[(a)]	Economic Market Value[(b)]	Market Value Homestead Exclusion	Taxable Market Value	Adjusted Taxable Net Tax Capacity
2018/19	$965,523,600	95.3%	$1,012,942,445	$64,305,116	$897,865,284	$11,980,971
2017/18	958,215,800	95.6	1,001,885,730	64,648,480	890,286,520	11,537,391
2016/17	946,547,100	97.4	993,695,047	64,944,382	878,552,618	11,399,112
2015/16	920,530,000	93.3	985,118,632	68,658,137	852,049,763	10,935,532
2014/15	895,377,900	93.7	954,403,519	65,669,900	825,924,400	10,556,108

(a) *For a description of the Minnesota property tax system, see Appendix III.*

(b) *Sales Ratio Study for the year of assessment as posted by the Minnesota Department of Revenue, https://www.revenue.state.mn.us/economic-market-values*

(c) *Economic market values for the year of assessment as posted by the Minnesota Department of Revenue, https://www.revenue.state.mn.us/economic-market-values.*

Source: Lyon County, Minnesota, October 2019, except as otherwise noted.

2018/19 Adjusted Taxable Net Tax Capacity: $11,980,971*

Real Estate:		
Commercial/Industrial, Railroad, and Public Utility	$ 6,362,397	52.0%
Residential Homestead	4,060,135	33.2
Residential Non-Homestead	1,620,517	13.2
Agricultural and Seasonal Recreational	70,470	0.6
Personal Property	123,099	1.0
2018/19 Net Tax Capacity	$12,236,618	100.0%
Less: Captured Tax Increment	(255,647)	
2018/19 Adjusted Taxable Net Tax Capacity	$11,980,971	

* *Excludes mobile home valuation of $6,318.*

Ten of the Largest Taxpayers in the City

Taxpayer	Type of Property	2018/19 Net Tax Capacity
CJ Foods/Schwan's[(a)]	Food products	$ 630,624
Archer Daniels Midland	Corn processing	449,060
Affiliated Community Medical Center/ Avera Marshall Regional Medical Center[(b)]	Medical center, hospital, and nursing home	299,544
Menards, Inc.	Retail store	173,374
Wal-Mart	Retail store	160,558
Runnings Supply Inc.	Commercial land/buildings	139,414
Magellan Pipeline Company LP	Utility	136,776
Flint Hills Resource Pine Bend	Industrial	111,170
		104,846
Worthington Real Estate LLC	Financial institution	101,124
Envisage Properties LLC	Commercial land/buildings	96,798
Total		$2,298,442[(c)]

(a) *Previously listed as The Schwan Food Company.*

(b) *As of January 2019, Affiliated Community Medical Center operates under Avera Marshall Regional Medical Center.*

(c) *CJ Food's/Schwan's and Archer Daniels Midland represent 9.0% of the City's 2018/19 adjusted taxable net tax capacity. The remaining eight taxpayers represent 10.2% of the City's 2018/19 adjusted taxable net tax capacity.*

CITY INDEBTEDNESS

Legal Debt Limit and Debt Margin*

Legal Debt Limit (3% of 2018/19 Estimated Market Value)	$ 28,965,708
Less: Outstanding Debt Subject to Limit	(12,010,000)
Legal Debt Margin as of February 27, 2020	$ 16,955,708

* *The legal debt margin is referred to statutorily as the "Net Debt Limit" and may be increased by debt service funds and current revenues which are applicable to the payment of debt in the current fiscal year.*

NOTES: Certain types of debt are not subject to the legal debt limit. See Appendix III – Debt Limitations.

General Obligation Debt Supported Solely by Taxes[(a)]

Date of Issue	Original Amount	Purpose	Final Maturity	Est. Principal Outstanding As of 2-27-20
9-15-10	$1,150,000	Capital Improvements	2-1-2026	$ 435,000
9-15-11	230,000	Improvements	2-1-2027	115,000
6-1-12	1,065,000	Improvements	2-1-2028	605,000
8-1-13	1,695,000	Airport Improvements	2-1-2025	885,000
8-1-13	860,000	Equipment Certificates	2-1-2023	305,000
1-1-15	1,710,000	Capital Improvement Plan and Street Reconstruction	2-1-2031	1,300,000
6-23-16	705,000	Equipment Certificates	2-1-2022	290,000
7-13-17	645,000	Street Improvements	2-1-2028	525,000
7-13-17	170,000	Equipment Certificates	2-1-2023	105,000
10-26-17	360,000	Street Improvements	2-1-2028	295,000
7-25-18	35,000	Airport Improvements	2-1-2024	30,000
7-25-18	360,000	Street Improvements	2-1-2034	340,000
7-25-18	310,000	Capital Improvements	2-1-2029	280,000
2-27-20	6,500,000[(b)]	Capital Improvements (the Bonds)	2-1-2040	6,500,000[(b)]
Total				$12,010,000[(b)]

(a) *These issues are subject to the legal debt limit.*

(b) *Preliminary; subject to change.*

General Obligation Special Assessment Debt

Date of Issue	Original Amount	Purpose	Final Maturity	Est. Principal Outstanding As of 2-27-20
9-15-11	$ 505,000	Local Improvements	2-1-2022	$ 90,000
6-1-12	1,485,000	Local Improvements	2-1-2021	160,000
8-1-13	1,090,000	Local Improvements	2-1-2024	420,000
7-15-14	1,955,000	Local Improvements	2-1-2026	920,000
7-22-15	895,000	Local Improvements	2-1-2024	445,000
6-23-16	1,500,000	Local Improvements	2-1-2025	940,000
7-13-17	85,000	Local Improvements	2-1-2024	65,000
7-25-18	2,670,000	Local Improvements	2-1-2034	2,485,000
Total				$5,525,000

General Obligation Tax Increment Debt

Date of Issue	Original Amount	Purpose	Final Maturity	Est. Principal Outstanding As of 2-27-20
9-15-11	$1,265,000	Tax Increment	2-1-2023	$ 510,000
10-26-17	2,930,000	Tax Increment	2-1-2033	2,125,000
Total				$2,635,000

General Obligation Tax Abatement Debt

Date of Issue	Original Amount	Purpose	Final Maturity	Est. Principal Outstanding As of 2-27-20
9-15-11	$ 775,000	Tax Abatement	2-1-2027	$ 400,000
6-23-16	2,810,000	Tax Abatement	2-1-2037	2,460,000
7-13-17	390,000	Tax Abatement	2-1-2028	320,000
7-25-18	130,000	Tax Abatement	2-1-2024	105,000
Total				$3,285,000

General Obligation Utility Revenue Debt

Date of Issue	Original Amount	Purpose	Final Maturity	Est. Principal Outstanding As of 2-27-20
9-15-11	$ 1,885,000	Wastewater and Surface Water Systems	2-1-2027	$ 980,000
9-15-11	540,000	Wastewater and Stormwater Systems	2-1-2027	285,000
6-1-12	1,775,000	Wastewater and Surface Water Systems	2-1-2028	1,010,000
7-15-14	1,420,000	Wastewater and Surface Water Systems	2-1-2028	750,000
7-22-15	860,000	Wastewater Systems	2-1-2024	455,000
6-23-16	1,355,000	Wastewater and Surface Water Systems	2-1-2025	870,000
6-23-16	3,630,000	Wastewater and Surface Water Systems Refunding	2-1-2027	2,635,000
10-26-17	1,140,000	Wastewater Refunding	2-1-2021	395,000
7-25-18	75,000	Wastewater and Surface Water Systems	2-1-2024	60,000
7-1-19	15,678,015	Wastewater Revenue Note	8-20-2039	15,678,015
Total				$23,118,015

General Obligation Sales Tax Debt

Date of Issue	Original Amount	Purpose	Final Maturity	Est. Principal Outstanding As of 2-27-20
7-15-14	$15,735,000	MERIT Center and SW Regional Amateur Sports Center	2-1-2028	$10,050,000

Utility Revenue Debt

Date of Issue	Original Amount	Purpose	Final Maturity	Est. Principal Outstanding As of 2-27-20
4-28-09	$6,925,000	Utility Revenue	7-1-2024	$ 1,980,000
11-18-10	6,635,000	Taxable Utility Revenue (BABs)	7-1-2025	3,010,000
11-1-11	4,290,000	Utility Revenue	7-1-2026	2,230,000
6-1-12	5,500,000	Utility Revenue	7-1-2027	3,145,000
12-1-13	6,355,000	Utility Revenue	7-1-2028	4,080,000
4-15-14	4,025,000	Utility Revenue	7-1-2029	2,885,000
4-21-16	7,310,000	Utility Revenue Refunding	7-1-2023	4,475,000
Total				$21,805,000

Lease Obligations*

Date of Issue	Original Amount	Purpose	Final Maturity	Est. Principal Outstanding As of 2-27-20
2-10-15	$3,240,000	Liquor Store	12-1-2029	$2,355,000

* *This debt was issued by the Economic Development Authority of the City of Marshall, Minnesota (the "Authority") and is payable from annual appropriation lease payments made by the City to the Authority pursuant to a lease agreement. This issue is not subject to the legal debt limit.*

Estimated Calendar Year Debt Service Payments Including the Bonds

	G.O. Debt Supported Solely by Taxes		G.O. Special Assessment Debt	
Year	Principal	Principal & Interest[(a)]	Principal	Principal & Interest
2020 (at 2-27)	(Paid)	$ 150,049	(Paid)	$ 82,536
2021	$ 930,000	1,243,925	$1,015,000	1,167,343
2022	1,135,000	1,422,820	850,000	977,181
2023	1,015,000	1,273,354	820,000	921,975
2024	895,000	1,126,024	745,000	822,525
2025	905,000	1,109,604	420,000	479,625
2026	750,000	929,670	235,000	283,975
2027	690,000	848,175	180,000	221,850
2028	690,000	827,975	180,000	216,450
2029	510,000	631,880	180,000	211,050
2030	485,000	595,148	180,000	205,650
2031	495,000	593,256	180,000	200,138
2032	370,000	457,541	180,000	194,513
2033	380,000	458,235	180,000	188,775
2034	390,000	458,473	180,000	182,925
2035	370,000	428,768		
2036	380,000	429,110		
2037	390,000	429,003		
2038	400,000	428,435		
2039	410,000	427,398		
2040	420,000	425,880		
Total	$12,010,000[(b)]	$14,694,723	$5,525,000[(c)]	$6,356,511

(a) *Includes the Bonds at an assumed average annual interest rate of 2.61%*

(b) *66.7% of this debt will be retired within ten years.*

(c) *87.0% of this debt will be retired within ten years.*

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Estimated Calendar Year Debt Service Payments Including the Bonds (Continued)

Year	G.O. Tax Increment Debt Principal	G.O. Tax Increment Debt Principal & Interest	G.O. Tax Abatement Debt Principal	G.O. Tax Abatement Debt Principal & Interest
2020 (at 2-27)	(Paid)	$ 34,398	(Paid)	$ 44,505
2021	$ 405,000	469,498	$ 235,000	321,335
2022	170,000	228,075	245,000	325,623
2023	175,000	228,588	245,000	319,493
2024	0	51,225	255,000	322,800
2025	100,000	150,100	230,000	291,100
2026	115,000	162,538	235,000	289,850
2027	220,000	263,350	240,000	288,450
2028	225,000	262,788	180,000	223,200
2029	235,000	267,038	140,000	179,800
2030	240,000	265,800	145,000	181,225
2031	245,000	263,825	150,000	181,800
2032	250,000	261,400	155,000	182,225
2033	255,000	258,825	160,000	182,500
2034			160,000	177,700
2035			165,000	177,825
2036			170,000	177,800
2037			175,000	177,625
Total	$2,635,000(a)	$3,167,448	$3,285,000(b)	$4,044,856

Year	G.O. Utility Revenue Debt Principal	G.O. Utility Revenue Debt Principal & Interest	G.O. Sales Tax Debt Principal	G.O. Sales Tax Debt Principal & Interest
2020 (at 2-27)	$ 546,000	$ 817,351	(Paid)	$ 210,297
2021	2,182,000	2,504,285	$ 1,060,000	1,454,094
2022	1,819,000	2,105,818	1,115,000	1,454,718
2023	1,857,000	2,108,140	1,170,000	1,452,594
2024	1,904,000	2,116,545	1,230,000	1,452,594
2025	1,792,000	1,968,393	1,290,000	1,449,594
2026	1,479,000	1,625,453	1,355,000	1,462,019
2027	1,512,000	1,631,864	1,395,000	1,460,769
2028	920,000	1,020,655	1,435,000	1,457,422
2029	787,000	878,070		
2030	795,000	878,200		
2031	803,000	878,250		
2032	811,000	878,220		
2033	819,000	878,110		
2034	828,000	878,920		
2035	836,000	878,640		
2036	844,000	878,280		
2037	853,000	878,840		
2038	861,000	878,310		
2039	870,015	878,715		
Total	$23,118,015(c)	$25,561,059	$10,050,000	$11,854,101

(a) *71.5% of this debt will be retired within ten years.*

(b) *65.4% of this debt will be retired within ten years.*

(c) *64.0% of this debt will be retired within ten years.*

Estimated Calendar Year Debt Service Payments Including the Bonds (Continued)

	Utility Revenue Debt		Lease Obligations	
Year	Principal	Principal & Interest	Principal	Principal & Interest
2020 (at 2-27)	$ 3,535,000	$ 3,885,439	$ 210,000	$ 276,548
2021	3,645,000	4,247,613	215,000	276,823
2022	3,245,000	3,744,743	220,000	276,555
2023	2,915,000	3,316,010	225,000	275,835
2024	2,420,000	2,723,765	230,000	274,873
2025	2,060,000	2,272,198	235,000	273,318
2026	1,565,000	1,700,005	245,000	276,620
2027	1,245,000	1,328,455	250,000	274,025
2028	845,000	887,300	260,000	276,275
2029	330,000	341,550	265,000	273,215
Total	$21,805,000	$24,447,078	$2,355,000	$2,754,087

Overlapping Debt

			Debt Applicable to Tax Capacity in City	
Taxing Unit[(a)]	2018/19 Adjusted Taxable Net Tax Capacity	Est. G.O. Debt As of 2-27-20[(b)]	Percent	Amount
Lyon County	$39,522,388	$12,960,000	30.3%	$ 3,926,880
I.S.D. No. 413 (Marshall)	18,717,620	47,148,000	64.0	30,174,720
Total				$34,101,600

(a) *Only those units with outstanding general obligation debt are shown here.*

(b) *Excludes general obligation tax and aid anticipation certificates and revenue-supported debt.*

Debt Ratios*

	G.O. Direct Debt	G.O. Overlapping & Direct Debt
To 2018/19 Estimated Market Value ($965,523,600)	2.43%	5.96%
Per Capita – (13,783 – 2018 MN State Demographer Estimate)	$1,702	$4,176

* *Excludes general obligation sales tax debt, general obligation utility revenue debt, utility revenue debt, and lease obligations.*

CITY TAX RATES, LEVIES AND COLLECTIONS

Tax Capacity Rates for a Resident of the City of Marshall

	2014/15	2015/16	2016/17	2017/18	2018/19
Lyon County	31.233%	34.247%	34.983%	36.200%	36.446%
City of Marshall	51.052	51.759	54.051	55.391	56.765
I.S.D. No. 413 (Marshall)*	24.701	26.367	27.013	27.852	27.674
Region 8 Development	0.120	0.127	0.139	0.146	0.147
Total	107.106%	112.500%	116.186%	119.589%	121.032%

* *Independent School District No. 413 (Marshall) also has a 2018/19 tax rate of 0.14053% spread on the market value of property in support of an excess operating levy.*

NOTE: *This table includes only net tax capacity-based rates. Certain other tax rates are based on market value. See Appendix III.*

Tax Levies and Collections

		Collected During Collection Year		Collected and/or Abated As of 12-31-18	
Levy/Collect	Net Levy*	Amount	Percent	Amount	Percent
2018/19	$6,784,768	(Not Yet Available)			
2017/18	6,361,982	$6,289,587	98.9%	$6,289,587	98.9%
2016/17	6,135,797	6,070,297	98.9	6,089,300	99.2
2015/16	5,655,070	5,583,320	98.7	5,611,126	99.2
2014/15	5,381,200	5,342,166	99.3	5,378,798	99.9

* *The net levy excludes state aid for property tax relief and fiscal disparities, if applicable. The net levy is the basis for computing tax capacity rates. See Appendix III.*

FUNDS ON HAND
As of November 30, 2019

General	$ 5,865,753
Special Revenue	10,641,638
Municipal State-Aid	519,673
Liquor	1,833,050
Parkway Townhomes	50,399
Wastewater	8,843,624
Municipal Utilities	28,479,239
Capital Projects	5,747,291
Debt Service	6,222,917
Insurance Account	106,546
Storm Water Management	1,530,987
Marshall Fire Department Scholarship Fund	16,592
Total	$69,857,709

INVESTMENTS

All of the City's investments are currently placed in money market accounts or with the trust department at a local bank.

The investments of Marshall Municipal Utilities (MMU) are limited by Minnesota State statutes, along with policies of the Marshall Municipal Utilities Commission (the "Commission") and generally consist of U.S. government securities. These investments are carried at fair value, and are held by agents of MMU in MMU's name.

GENERAL INFORMATION CONCERNING THE CITY

General Information

The City of Marshall, the county seat of Lyon County, is located approximately 150 miles southwest of the cities of Minneapolis and Saint Paul, and 90 miles northeast of the City of Sioux Falls, South Dakota. The City covers an area of approximately 10.21 square miles (6,537 acres).

Population

The City's population trend is shown below:

Year	Population	Percent Change
2018 MN State Demographer Estimate	13,783	0.8%
2010 U.S. Census	13,680	7.4
2000 U.S. Census	12,735	5.9
1990 U.S. Census	12,023	7.7
1980 U.S. Census	11,161	--

Sources: Minnesota State Demographic Center, http://mn.gov/admin/demography and United States Census Bureau, http://www.census.gov/.

The City's approximate population by age group for the past five years is as follows:

Data Year/ Report Year	0-17	18-34	35-64	65 and Over
2019/20	3,502	3,684	4,736	1,909
2018/19	3,507	3,869	4,740	1,890
2017/18	3,442	3,897	4,704	1,842
2016/17	3,384	4,042	4,647	1,768
2015/16	3,320	4,072	4,615	1,735

Sources: Environics Analytics, Claritas, Inc. and The Nielsen Company.

Transportation

Highways in or adjacent to the City include U.S. Highway 59 and State Highways 19, 23 and 68. Interstate Highway 90 (east and west) is 67 miles south of the City and Interstate Highway 29 (north and south) is 50 miles west of the City. Highway 23 is a designated interregional corridor by the State of Minnesota. The City has been leading a coalition to promote the expansion of safety and efficiency improvements that ultimately is pursuing 4-lane undivided highway construction that would be complete from the City of St. Cloud to Interstate 90.

The Southwest Regional Airport-Marshall/Ryan Field is located on the west side of the City along State Highway 19, and has two paved lighted runways; one measuring 7,200 feet in length, which is the third longest runway in the State of Minnesota excluding the MSP International Airport, and the other measuring 4,000 feet in length. Charter flights are available direct from the City to anywhere in North America. Rail service is provided by Burlington Northern Santa Fe Railway.

Major Employers

The City is a southwestern Minnesota center for agriculture, commerce and industry, education and medicine. Major employers in the area are listed below.

Employer	Product/Service	Approximate Number of Employees
Schwan's/Cygnus Home Service, LLC[a]	Food products	1,050
Avera Marshall Regional Medical Center[b]	Medical center, hospital, and nursing home	706
U.S. Bancorp Business Equipment Finance Group	Financial services	550
City of Marshall	Government	527[c]
Turkey Valley Farms	Poultry processing	450
Independent School District No. 413 (Marshall)	Education	435[d]
Hy-Vee Foods	Grocery store	400[d]
Southwest Minnesota State University	Higher education	348
Archer Daniels Midland	Corn processing	250
Wal-Mart	Retail store	229
Runnings	Farm and fleet supplies	199[d]
REM Southwest Services, Inc.	Residential mental health facility	160
Vishay HiRel Systems LLC	Manufacturing	142
Ralco Nutrition	Agriculture technology/animal nutrition	140
Menards, Inc.	Retail store	125[d]
Reinhart Food Service	Food service	123
Cliff Viessman, Inc.	Trucking service	110
BH Electronics	Device design and manufacturing	90
United Community Action Partnership	Public services	86

(a) *Previously listed as The Schwan Food Company.*

(b) *As of January 2019, Affiliated Community Medical Center operates under Avera Marshall Regional Medical Center.*

(c) *Includes part-time, seasonal/temporary employees and elected officials.*

(d) *Includes full- and part-time employees.*

Source: The City.

Labor Force Data

	Annual Average				November
	2015	2016	2017	2018	2019
Labor Force:					
City of Marshall	8,209	8,159	8,202	8,096	8,149
Lyon County	15,283	15229	14,967	14,818	15,069
State of Minnesota	2,997,748	3,033,406	3,057,014	3,070,223	3,129,485
Unemployment Rate:					
City of Marshall	3.0%	3.2%	3.0%	2.7%	2.3%
Lyon County	3.2	3.6	3.2	2.9	2.4
State of Minnesota	3.7	3.9	3.4	2.9	2.9

Source: Minnesota Department of Employment and Economic Development, http://apps.deed.state.mn/lmi/laus/. 2019 data are preliminary.

Retail Sales and Effective Buying Income (EBI)

City of Marshall

Data Year/ Report Year	Total Retail Sales ($000)	Total EBI ($000)	Median Household EBI
2019/20	N/A	$341,302	$44,356
2018/19	$458,490	310,662	41,954
2017/18	378,362	318,258	43,978
2016/17	445,251	309,881	42,395
2015/16	348,228	300,138	41,479

Lyon County

Data Year/ Report Year	Total Retail Sales ($000)	Total EBI ($000)	Median Household EBI
2019/20	N/A	$664,497	$49,777
2018/19	$624,533	619,407	47,227
2017/18	494,828	639,233	48,789
2016/17	556,245	599,866	45,419
2015/16	502,603	595,393	45,455

The 2019/20 Median Household EBI for the State of Minnesota was $60,916. The 2019/20 Median Household EBI for the United States was $54,686.

Sources: Environics Analytics, Claritas, Inc. and The Nielsen Company.

Sales Tax Revenues

In November of 2012, the City voters passed a 0.5% general sales and use tax and 1.5% lodging and prepared food and beverage tax to fund new amateur sports facilities in the City. These public funds will provide for capital development as well as a dedicated source of operating funding to supplement user fees. The use tax increased 15% for 2018 compared to 2017. The lodging and prepared food and beverage taxes increased 6% for 2018 compared to 2017.

Building Permits

	Total Permits	
	Number	Value
2019 (to 11-30)	634	$29,953,000
2018	484	17,254,000
2017	521	8,971,000
2016	467	21,638,000
2015	469	35,630,143
2014	410	32,178,938
2013	583	25,756,974
2012	1,378	43,850,110
2011	1,739	34,242,700
2010	968	21,583,650

Recent Values

	2016	2017	2018	2019 (to 11-30)
Residential				
New Construction	$ 1,609,000	$1,750,000	$ 5,734,000	$ 4,508,000
Remodel	2,159,000	2,057,000	1,885,000	4,725,000
Commercial*				
New Construction	4,332,000	1,545,000	2,148,000	7,861,000
Remodel	13,538,000	3,481,000	7,404,000	12,642,000
Miscellaneous	______	138,000	83,000	217,000
Total	$21,638,000	$8,971,000	$17,254,000	$29,953,000

* *Public Buildings values are included with Commercial Construction.*

Source: City of Marshall.

Recent Development

The City is a regional center for medical care, retail, trade, education, employment and business. The diverse economic base and strong foundation in agriculture has provided stability to the local economy over recent years. Recent studies illustrate a common labor and retail draw from approximately 40 miles from the City.

Menards

In the summer of 2018, the Menards saw several changes to its receiving yard, with an additional lumber storage building, and new guard shack. The Menards also invested on the interior of the building with additional mezzanines for the storage and display of more retail products. The total cost of this project was $1,700,000.

Aldi Grocery Store

In the summer of 2018, the City saw the addition of newly constructed Aldi grocery store at a cost of $2,000,000. The building is located near a prime retail area, which includes a Wal-Mart and a Menards.

Holy Redeemer School

In 2018, Holy Redeemer School completed a summer-long renovation project. This $2,700,000 project consisted of a new HVAC system, new windows, doors and an exterior remodel.

Former K-Mart

In 2019, the former K-Mart underwent a major renovation and was redeveloped into a space for multi-tenant use, which brought a 47,800 square-foot Hobby Lobby store and 38,718 square-foot Ashley Furniture store to the City. In addition, there is 4,000 square feet of space remaining for another tenant. The improvements totaled approximately $1,827,283.

Southwest Coaches

In early 2018, Southwest Coaches expanded their storage with a $245,000 expansion that provides room for eight more buses. In November of 2018, the original portion of the building burnt down. In 2019, Southwest Coaches opened a new facility adding an investment of $1,400,000 for the new 28,000 square-foot building.

Westman Freightliner

In the fall of 2019, construction began on a 12,000 square-foot, $3,000,000 service bay for Westman Freightliner. Once complete, it is anticipated that Westman Freightliner will be adding additional jobs to the City.

Mustang Trailers

Mustang Trailers purchased a 14,400 square-foot building from Schwan's and remodeled the building to include a new office space, parts room and service stalls for a total cost of $270,000.

Former Family Video

Renovation of this vacant space will soon be complete after $270,000 of improvements and an optometrist's office will soon be opening.

Marshall Mini Storage

Marshall Mini Storage has added two new mini storage buildings to its existing space. This $139,300 project will add 5,400 square feet of storage space to its location within the City.

Marshall Machine Shop

Marshall Machine Shop has been fabricating in the City since 1998, and they have outgrown their existing space. In 2019, Marshall Machine Shop began construction on a 75,000 square-foot addition. This $310,000 expansion is anticipated to add jobs and give Marshall Machine space to grow.

Mikes Café

Mikes Café completed a $78,000 project which included a new entrance, bathrooms and a refurbished seating area.

Canoga Park Daycare

A $188,000 expansion at Canoga Park Daycare will add approximately 1,700 square feet of space for child care services.

Marshall Municipal Water

Marshall Municipal Water has plans for a plant to help to pre-soften water prior to residence usage, reducing chlorides discharged from homes. This project is anticipated to cost $2,800,000 with completion of the project expected in 2020 or 2021.

Waste Water Treatment Plant

Phase 1 of upgrades began in fall of 2019 and will continue. The current $843,000 project consists of a new sludge tank.

Liberty Park

A new build, this $78,000 project will provide a new restroom facility for Liberty Park visitors.

UCAPP Head Start

UCAPP has begun construction on a new head start facility with completion scheduled for 2020 and a total project cost of $1,894,000.

Public Improvement Projects

Commerce Industrial Park Project

Commerce Industrial Park Project is new a $4 million development project to make land available for industrial development in the City. The project includes site grading over 160 acres of land, the extension of Michigan Road, and all utilities. The extension of Michigan Road will create approximately 70 acres of immediately developable industrial land. The site will be graded and ready to accommodate future utility and road extensions, providing access to an additional 62 acres of land. The City received a $2 million dollar DEED BDPI grant for this project, and the project was completed during fall of 2019.

Industrial Park Street Reconstructions Phase 1 &2

During spring of 2018, phase 1 of 2 began for street reconstruction in the industrial park on Superior and Michigan Roads and was completed fall of 2018. In spring of 2019, phase 2 began for street reconstruction of Superior and Huron Road, which was completed during fall of 2019. The reconstruction projects replaced aging utilities and a deteriorated roadway surface.

Marguerite & South Bend Street Reconstruction

In summer of 2019, a street reconstruction of Marguerite and South Bend Street replaced aging utilities and deteriorated roadway surfaces in the residential area for a total project cost of $763,440.

Merit Center

During spring of 2019, construction began to add an additional 1.5 miles of driving track at the MERIT Center, which also included a concrete skid pad. Total project cost is estimated to be $3.1 million and paid fully by a state grant.

Financial Institutions*

The City is served by branches of the following banks located in the City: Bank of the West; Bremer Bank, National Association; First Independent Bank; Great Western Bank; Minnwest Bank; U.S. Bank National Association; United Southwest Bank; and Wells Fargo Bank, National Association.

* *This does not purport to be a comprehensive list.*

Source: Federal Deposit Insurance Corporation, https://www.fdic.gov/.

Health Care Facilities

The following is a summary of health care facilities located in the City:

Facility	Location	No. of Beds
Avera Marshall Regional Medical Center	City of Marshall	49 Hospital Beds 76 Nursing Home Beds 8 Infant Bassinets
Minneota Manor HCC	City of Marshall	55 Nursing Home Beds
Project Turnabout – Marshall Campus	City of Marshall	24 Supervised Living Facility Beds
Brentwood Home	City of Marshall	10 Supervised Living Facility Beds
REM Southwest Services	City of Marshall	6 Supervised Living Facility Beds
Prairie Home Hospice	City of Marshall	N/A

Sources: Minnesota Department of Health, http://www.health.state.mn.us/ and https://www.marshall-mn.org.

Education

Public Education

The following district serves the residents of the City:

School	Location	Grades	2019/20 Enrollment
I.S.D. No. 413 (Marshall)	City of Marshall	K-12	2,625

Source: Minnesota Department of Education, www.education.state.mn.us.

Non-Public Education

City residents are also served by the following private schools:

School	Location	Grades	2019/20 Enrollment
Holy Redeemer	City of Marshall	K-8	238
True Light Christian School	City of Marshall	K-8	97
Samuel Lutheran	City of Marshall	K-8	58

Source: Minnesota Department of Education, www.education.state.mn.us.

Post-Secondary Education

Southwest Minnesota State University, located in the City, is a four-year public state university offering 56 undergraduate programs, 53 minors, five associate degree majors and five master's degree programs. The University has an approximate full-time enrollment of over 3,643 in its undergraduate and graduate programs with over 7,000 total students served. The University employs approximately 348 full-time individuals.

Minnesota West Community and Technical College-Marshall Center is located in the MERIT Center at 1001 Erie Road. The Center offers short-term courses and specialized training, including computer courses, workshops, and seminars to meet the needs of area business and industry.

GOVERNMENTAL ORGANIZATION AND SERVICES

Organization

The City has been a municipal corporation since 1901 and is governed under a Home Rule Charter, adopted in 1969. The Charter provides for a Mayor and a six-member Council. Council members serve overlapping four-year terms and the Mayor serves a four-year term.

The present Mayor and Council are as follows:

		Expiration of Term
Robert J. Byrnes	Mayor	January 12, 2021
Glenn Bayerkohler	Council Member	January 12, 2021
John DeCramer	Council Member	January 10, 2023
Russ Labat	Council Member	January 10, 2023
James Lozinski	Council Member	January 12, 2021
Steven Meister	Council Member	January 12, 2021
Craig Schafer	Council Member	January 10, 2023

Daily administration of City business is the responsibility of the City Administrator. Ms. Sharon Hanson serves as the City Administrator. Ms. Annette Storm is the Director of Administrative Services and has been employed by the City since 2016.

The City employs a compliment of 177 full-time, part-time, and paid-on-call employees and over 350 temporary/seasonal employees in its various departments.

Services

Police protection is provided by a department consisting of 22 full-time and two part-time officers; one full-time and two part-time community service officers; and two support personnel. The City's Fire Department is authorized for 45 paid-on-call employees. The City has a class 4 insurance rating.

The City has its own Wastewater Treatment Facility ("WWTF"). The WWTF is currently permitted to treat 4.5 million gallons per day (mgd) with a carbonaceous biochemical oxygen demand ("CBOD") load of 11,972 pounds per day. The WWTF currently treats an average of 3 MGD and approximately 8,000 CBOD/day. A Wastewater Treatment Capacity Evaluation completed in early 2009 indicates a potential capacity of 5.65 mgd and a CBOD load of 23,270 pounds per day, allowing significant expansion of the City's industrial development.

The Commission provides electrical and water service to the City residents and businesses. MMU purchases approximately 22% of its power from Western Area Power Administration and 78% from Missouri River Energy Services (City of Sioux Falls, South Dakota). MMU has a diesel fuel generating plant for emergency use. The Water Utility is supplied by 17 wells and 6.0 million gallons of storage capacity. The pumping capacity is 5,200 gallons per minute with a peak plant capacity of 8.0 mgd.

The City operates a municipal off-sale liquor store, which had $5,104,513 in gross sales for 2018. The liquor store provided transfers in 2018 of $300,000 to the City's General Fund.

The City, through a Joint Powers Agreement with Marshall Public Schools, delivers a comprehensive Community Services program for its residents. The program includes eight municipal parks totaling over 150 acres and includes trails, fishing ponds, picnic shelters, Rolle Bolle courts, basketball and volleyball courts, an Aquatic Center, Red Baron Arena & Expo, Amateur Sports Complex, horseshoe pit, skateboard complex, band shell with summer weekly concerts, and the national award-winning American Legion Field.

Labor Contracts

The status of labor contracts in the City is as follows:

Bargaining Unit	No. of Employees	Expiration Date of Current Contract
AFSCME	32	December 31, 2021
LELS – Officers	18	December 31, 2021
LELS – Sergeants	2	December 31, 2021
Subtotal	52	
Non-unionized employees	41	
Total full-time employees	93*	

* *Excludes 84 part-time employees and approximately 350 temporary/seasonal employees.*

Employee Pension Plans

All full-time and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). The PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF), which are cost-sharing multiple-employer public employee retirement plans. GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security and Basic members are not. All new members must participate in the Coordinated Plan. All police officers, fire fighters and peace officers who qualify for membership by statute are covered by the PEPFF.

Elected officials of the City are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by PERA. The PEDCP is a tax-qualified plan under section 401(a) of the Internal Revenue Code. All contributions by or on behalf of employees are tax deferred until the time of withdrawal. Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Contribution rates are specified by Minnesota statutes. Eligible elected officials participating in the plan contribute 5% of their salary, which is matched by the elected official's employer.

The City's contributions to the GERF, PEPFF, and PEDCP for the past five years are as follows:

	GERF	PEPFF	PEDCP
2018	$346,802	$260,368	$1,991
2017	325,243	254,704	1,943
2016	303,513	229,508	1,599
2015	304,612	240,560	1,552
2014	308,035	210,126	1,695

Marshall Housing Commission

Qualified employees of the Marshall Housing Commission, a component unit of the City, belong to the Housing Renewal and Local Agency Retirement Plan, which is a defined contribution retirement plan. This is a national plan with local or regional housing authorities and commissions, urban renewal agencies and other organizations eligible to participate. Required contributions are made by the Commission to the Housing Renewal and Local Agency Retirement Plan.

Marshall Fire Department

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

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

For more information regarding the liability of the City with respect to its employees, please reference "Note 4. Defined Benefit Pension Plan – Statewide," "Note 5. Defined Contribution Plan," "Note 6. Defined Benefit Pension Plan – Fire Relief Association," and "Note 7. Retirement Plan – Housing Commission (Component Unit)" of the City's Annual Financial Report for fiscal year ended December 31, 2018, an excerpt of which is included as Appendix IV of this Official Statement. (The City's Annual Financial Report for fiscal year ended December 31, 2019 is not yet available).

GASB 68

The Government Accounting Standards Board (GASB) has issued Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68) and related GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment to GASB 68, which revised existing standards for measuring and reporting pension liabilities for pension plans provided to City employees and require recognition of a liability equal to the City's proportionate share of net pension liability, which is measured as the total pension liability less the amount of the pension plan's fiduciary net position.

The City's proportionate shares of the pension costs and the City's net pension liability for the GERF and PEPFF for the past four years are as follows:

	GERF		PEPFF	
	Proportionate Share of Pension Costs	Net Pension Liability	Proportionate Share of Pension Costs	Net Pension Liability
2018	0.0747%	$4,144,050	0.1481%	$1,578,593
2017	0.0757	4,832,638	0.1530	2,065,682
2016	0.0708	5,748,609	0.1490	5,979,629
2015	0.0730	3,783,239	0.1540	1,749,800

For more information regarding GASB 68 with respect to the City, please reference "Note 4. Defined Benefit Pension Plan – Statewide" and "Required Supplementary Information" of the of the City's Annual Financial Report for fiscal year ended December 31, 2018, an excerpt of which is included as Appendix IV of this Official Statement. (The City's Annual Financial Report for fiscal year ended December 31, 2018 is not yet available).

Additional and detailed information about GERF's net position is available in a separately-issued PERA financial report, which may be obtained at www.mnpera.org; by writing to PERA at 60 Empire Drive #200, Saint Paul, Minnesota, 55103-2088; or by calling 1-800-652-9026.

Sources: City's Annual Financial Reports.

Other Postemployment Benefits

The Government Accounting Standards Board (GASB) has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB 75), establishing new accounting and financial reporting requirements related to post-employment healthcare and other non-pension benefits (referred to as Other Postemployment Benefits or "OPEB"). The implementation of GASB 75 required the restatement of the City's beginning net position for the fiscal year ended December 31, 2017. Please see "Note 11 – Prior Period Restatement" in the City's Annual Financial Statements for the fiscal year ended December 31, 2018 for this calculation.

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

The following employees were covered by the benefit terms as of December 31, 2018:

Inactive employees/beneficiaries currently receiving benefit payments	13
Active employees	92
Total	105

The City's net OPEB liability was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Update procedures were used to roll forward the total OPEB liability to the measurement date. The discount rate used to measure the total OPEB liability was 3.31%. Components of the City's OPEB liability and related ratios for the fiscal year ended December 31, 2018 are as follows:

Service cost	46,291
Interest	17,579
Changes in assumptions or other inputs	17,186
Benefit payments	(15,171)
Net change in total OPEB liability	$ 65,885
Total OPEB liability – beginning of year	$422,674
Total OPEB liability – end of year	$488,559
City's total OPEB liability as a percentage of covered employee payroll	6.80%

For more information regarding GASB 75 with respect to the City, please reference "Note 8, Postemployment Benefits Other Than Pensions" and "Required Supplementary Information" of the City's Annual Financial Statements for fiscal year ended December 31, 2018, an excerpt of which is included as Appendix IV of this Official Statement. (The City's Annual Financial Statements for the fiscal year ended December 31, 2019 are not yet available.)

Sources: City's Annual Financial Statements.

General Fund Budget Summary

	2018 Budget	2018 Actual	2019 Budget
Revenues:			
Taxes	$ 5,025,491	$ 5,094,405	$ 5,080,788
Licenses and Permits	274,678	262,748	261,851
Special Assessments	0	4,521	0
Intergovernmental	3,135,955	3,233,991	3,094,857
Charges for Services	2,064,624	2,180,174	2,297,738
Fines and Forfeitures	216,555	95,764	101,400
Investment Earnings	0	85,294	30,000
Miscellaneous	189,738	1,145,778	140,399
Other Financing Sources	1,185,774	332,265	1,074,195
Total Revenues	$12,092,815	$12,434,940	$12,081,228
Expenditures:			
General Government	$ 3,184,793	$ 3,154,434	$ 3,227,163
Public Safety	3,679,937	3,771,874	3,742,562
Public Works	2,917,396	3,053,572	2,861,300
Airport	424,685	451,632	459,362
Culture and Recreation	1,931,014	1,770,966	1,912,574
Total Expenditures	$12,137,825	$12,202,478	$12,202,961
Excess (Deficiency) of Revenues Over (Under) Expenditures	(45,101)*	232,462	(121,733)
Fund Balance, January 1	$ 7,319,839	$ 7,319,839	$ 7,629,173
Fund Balance, December 31	$ 7,274,829	$ 7,629,173	$ 7,507,440

* *The City's 2019 Budget is not a balanced budget as the City Council approved spending reserves for certain one-time expenses.*

Sources: City's Annual Financial Reports and the City.

Major General Fund Revenue Sources

Revenue	2014	2015	2016	2017	2018
Taxes	$3,965,723	$4,352,126	$4,173,354	$4,263,661	$5,094,405
Intergovernmental	3,021,308	3,129,946	3,127,653	3,183,908	3,233,991
Charges for Services	1,273,188	1,725,975	1,827,557	2,121,421	2,180,174
Miscellaneous	1,085,646	1,144,723	1,043,845	1,050,539	1,145,778
Transfers In	736,068	355,027	302,022	252,105	327,105
Licenses and permits	308,401	385,455	335,339	248,761	262,748

Sources: City's Annual Financial Reports.

PROPOSED FORM OF LEGAL OPINION

Kennedy & Graven
CHARTERED

Offices in
Minneapolis
Saint Paul
St. Cloud

470 U.S. Bank Plaza
200 South Sixth Street
Minneapolis MN 55402-1458
(612) 337-9300 telephone
(612) 337-9310 fax
www.kennedy-graven.com
Affirmative Action, Equal Opportunity Employer

$__________
City of Marshall, Minnesota
General Obligation Capital Improvement Plan Bonds
Series 2020A

We have acted as bond counsel to the City of Marshall, Lyon County, Minnesota (the "Issuer") in connection with the issuance by the Issuer of its General Obligation Capital Improvement Plan Bonds, Series 2020A (the "Bonds"), originally dated February __, 2020, and issued in the original aggregate principal amount of $__________. In such capacity and for the purpose of rendering this opinion we have examined certified copies of certain proceedings, certifications and other documents, and applicable laws as we have deemed necessary. Regarding questions of fact material to this opinion, we have relied on certified proceedings and other certifications of public officials and other documents furnished to us without undertaking to verify the same by independent investigation. Under existing laws, regulations, rulings and decisions in effect on the date hereof, and based on the foregoing we are of the opinion that:

1. The Bonds have been duly authorized and executed, and are valid and binding general obligations of the Issuer, enforceable in accordance with their terms.

2. The principal of and interest on the Bonds are payable primarily from ad valorem taxes levied by the Issuer, but if necessary for the payment thereof additional ad valorem taxes are required by law to be levied on all taxable property of the Issuer, which taxes are not subject to any limitation as to rate or amount.

3. Interest on the Bonds is excludable from gross income of the recipient for federal income tax purposes and, to the same extent, is excludable from taxable net income of individuals, trusts, and estates for Minnesota income tax purposes, and is not a preference item for purposes of the computation of the federal alternative minimum tax, or the computation of the Minnesota alternative minimum tax imposed on individuals, trusts and estates. However, such interest is subject to Minnesota franchise taxes on corporations (including financial institutions) measured by income. The opinion set forth in this paragraph is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes and from taxable net income for Minnesota income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes and taxable net income for Minnesota income tax purposes retroactively to the date of issuance of the Bonds. We express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

4. The rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditor's rights generally and by equitable principles, whether considered at law or in equity.

We have not been asked and have not undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds, and accordingly we express no opinion with respect thereto.

This opinion is given as of the date hereof and we assume no obligation to update, revise, or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Dated February __, 2020 at Minneapolis, Minnesota.

CONTINUING DISCLOSURE CERTIFICATE

$__________
City of Marshall, Minnesota
General Obligation Capital Improvement Plan Bonds
Series 2020A

February __, 2020

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Marshall, Minnesota (the "Issuer") in connection with the issuance of its General Obligation Capital Improvement Plan Bonds, Series 2020A (the "Bonds") in the original aggregate principal amount of $__________. The Bonds are being issued pursuant to resolutions adopted by the City Council of the Issuer (the "Resolutions"). The Bonds are being delivered to _________________ (the "Purchaser") on the date hereof. Pursuant to the Resolutions, the Issuer has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. The Issuer hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Holders (as defined herein) of the Bonds in order to provide for the public availability of such information and assist the Participating Underwriter(s) (as defined herein) in complying with the Rule (as defined herein). This Disclosure Certificate, together with the Resolutions, constitutes the written agreement or contract for the benefit of the Holders of the Bonds that is required by the Rule.

Section 2. Definitions. In addition to the defined terms set forth in the Resolutions, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" means any annual report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Audited Financial Statements" means annual financial statements of the Issuer, prepared in accordance with GAAP as prescribed by GASB.

"Bonds" means the General Obligation Capital Improvement Plan Bonds, Series 2020A, issued by the Issuer in the original aggregate principal amount of $__________.

"Disclosure Certificate" means this Continuing Disclosure Certificate.

"EMMA" means the Electronic Municipal Market Access system operated by the MSRB and designated as a nationally recognized municipal securities information repository and the exclusive portal for complying with the continuing disclosure requirements of the Rule.

"Final Official Statement" means the Preliminary Official Statement, dated January 7, 2020, and the Final Official Statement, dated __________, 2020, which together constitute the final official statement delivered in connection with the Bonds, which is available from the MSRB.

"Financial Obligation" means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation;

or (c) guarantee of a Financial Obligation as described in clause (a) or (b). The term "Financial Obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Fiscal Year" means the fiscal year of the Issuer.

"GAAP" means generally accepted accounting principles for governmental units as prescribed by GASB.

"GASB" means the Governmental Accounting Standards Board.

"Holder" means the person in whose name a Bond is registered or a beneficial owner of such a Bond.

"Issuer" means the City of Marshall, Minnesota, which is the obligated person with respect to the Bonds.

"Material Event" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board located at 1300 I Street NW, Suite 1000, Washington, DC 20005.

"Participating Underwriter" means any of the original underwriter(s) of the Bonds (including the Purchaser) required to comply with the Rule in connection with the offering of the Bonds.

"Purchaser" means __________________.

"Repository" means EMMA, or any successor thereto designated by the SEC.

"Rule" means SEC Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time, and including written interpretations thereof by the SEC.

"SEC" means Securities and Exchange Commission, and any successor thereto.

Section 3. Provision of Annual Financial Information and Audited Financial Statements.

(a) The Issuer shall provide to the Repository not later than twelve (12) months after the end of the Fiscal Year commencing with the year that ends December 31, 2019, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report.

(b) If the Issuer is unable or fails to provide to the Repository an Annual Report by the date required in subsection (a), the Issuer shall send a notice of that fact to the Repository and the MSRB.

(c) The Issuer shall determine each year prior to the date for providing the Annual Report the name and address of each Repository.

Section 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following sections of the Final Official Statement:

1. City Property Values
2. City Indebtedness
3. City Tax Rates, Levies and Collections

In addition to the items listed above, the Annual Report shall include Audited Financial Statements submitted in accordance with Section 3 of this Disclosure Certificate.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to the Repository or the SEC. If the document incorporated by reference is a final official statement, it must also be available from the MSRB. The Issuer shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Material Events.

(a) This Section 5 shall govern the giving of notice of the occurrence of any of the following events ("Material Events") with respect to the Bonds:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701–TEB), or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

7. Modifications to rights of security holders, if material;

8. Bond calls, if material, and tender offers;

9. Defeasances;

10. Release, substitution, or sale of property securing repayment of the securities, if material;

11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the obligated person;

13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;

15. Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(b) The Issuer shall file a notice of such occurrence with the Repository or with the MSRB within ten (10) business days of the occurrence of the Material Event.

(c) Unless otherwise required by law and subject to technical and economic feasibility, the Issuer shall employ such methods of information transmission as shall be requested or recommended by the designated recipients of the Issuer's information.

Section 6. EMMA. The SEC has designated EMMA as a nationally recognized municipal securities information repository and the exclusive portal for complying with the continuing disclosure requirements of the Rule. Until the EMMA system is amended or altered by the MSRB and the SEC, the Issuer shall make all filings required under this Disclosure Certificate solely with EMMA.

Section 7. Termination of Reporting Obligation. The Issuer's obligations under the Resolutions and this Disclosure Certificate shall terminate upon the redemption in full of all Bonds or payment in full of all Bonds.

Section 8. Agent. The Issuer may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the Resolutions and this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor dissemination agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision of the Resolutions or this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of nationally recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause a violation of the Rule. The provisions of the Resolutions requiring continuing disclosure pursuant to the Rule and this Disclosure Certificate, or any provision hereof, shall be null and void in the event that the Issuer delivers to the Repository an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which impose the continuing disclosure requirements of the Resolutions and the execution and delivery of this Disclosure Certificate are invalid, have been repealed retroactively or otherwise do not apply to the Bonds. The provisions of the Resolutions requiring continuing disclosure pursuant to the Rule and this Disclosure Certificate may be amended without the consent of the Holders of the Bonds, but only upon the delivery by the Issuer to the Repository of the proposed amendment and an opinion of nationally recognized bond counsel to the effect that such amendment, and giving effect thereto, will not adversely affect the compliance with the Rule.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this

Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 11. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Holder of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under the Resolutions and this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Bonds and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Participating Underwriters, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

(The remainder of this page is intentionally left blank.)

IN WITNESS WHEREOF, we have executed this Disclosure Certificate in our official capacities effective as of the date and year first written above.

CITY OF MARSHALL, MINNESOTA

____
Mayor

(SEAL)

____
City Administrator

SUMMARY OF TAX LEVIES, PAYMENT PROVISIONS, AND MINNESOTA REAL PROPERTY VALUATION

Following is a summary of certain statutory provisions relative to tax levy procedures, tax payment and credit procedures, and the mechanics of real property valuation. The summary does not purport to be inclusive of all such provisions or of the specific provisions discussed, and is qualified by reference to the complete text of applicable statutes, rules and regulations of the State of Minnesota.

Property Valuations (Chapter 273, Minnesota Statutes)

Assessor's Estimated Market Value. Each parcel of real property subject to taxation must, by statute, be appraised at least once every five years as of January 2 of the year of appraisal. With certain exceptions, all property is valued at its market value, which is the value the assessor determines to be the price the property to be fairly worth, and which is referred to as the "Estimated Market Value." The 2013 Minnesota Legislature established the Estimated Market Value as the value used to calculate a municipality's legal debt limit.

Economic Market Value. The Economic Market Value is the value of locally assessed real property (Assessor's Estimated Market Value) divided by the sales ratio as provided by the State of Minnesota Department of Revenue plus the estimated market value of personal property, utilities, railroad, and minerals.

Taxable Market Value. The Taxable Market Value is the value that Net Tax Capacity is based on, after all reductions, limitations, exemptions and deferrals.

Net Tax Capacity. The Net Tax Capacity is the value upon which net taxes are levied, extended and collected. The Net Tax Capacity is computed by applying the class rate percentages specific to each type of property classification against the Taxable Market Value. Class rate percentages vary depending on the type of property as shown on the last page of this Appendix. The formulas and class rates for converting Taxable Market Value to Net Tax Capacity represent a basic element of the State's property tax relief system and are subject to annual revisions by the State Legislature. Property taxes are the sum of the amounts determined by (i) multiplying the Net Tax Capacity by the tax capacity rate, and (ii) multiplying the referendum market value by the market value rate.

Market Value Homestead Exclusion. In 2011, the Market Value Homestead Exclusion Program (MVHE) was implemented to offset the elimination of the Market Value Homestead Credit Program that provided relief to certain homesteads. The MVHE reduces the taxable market value of a homestead with an Assessor's Estimated Market Value up to $413,800 in an attempt to result in a property tax similar to the effective property tax prior to the elimination of the homestead credit. The MVHE applies to property classified as Class 1a or 1b and Class 2a, and causes a decrease in the City's aggregate Taxable Market Value, even if the Assessor's Estimated Market Value on the same properties did not decline.

Property Tax Payments and Delinquencies (Chapters 275, 276, 277, 279-282 and 549, Minnesota Statutes)

Ad valorem property taxes levied by local governments in Minnesota are extended and collected by the various counties within the State. Each taxing jurisdiction is required to certify the annual tax levy to the county auditor within five (5) working days after December 20 of the year preceding the collection year. A listing of property taxes due is prepared by the county auditor and turned over to the county treasurer on or before the first business day in March.

The county treasurer is responsible for collecting all property taxes within the county. Real estate and personal property tax statements are mailed out by March 31. One-half (1/2) of the taxes on real property is due on or before May 15. The remainder is due on or before October 15. Real property taxes not paid by their due date are assessed a penalty on homestead property of 2% until May 31 and increased to 4% on June 1. The penalty on nonhomestead property is assessed at a rate of 4% until May 31 and increased to 8% on June 1. Thereafter, an additional 1% penalty shall accrue each month through October 1 of the collection year for unpaid real property taxes. In the case of the second installment of real property taxes due October 15, a penalty of 2% on homestead property and 4% on nonhomestead property is assessed. The penalty for homestead property increases to 6% on November 1 and again to 8% on December 1. The penalty for nonhomestead property increases to 8% on November 1 and again to 12% on December 1. Personal property taxes remaining unpaid on May 16 are deemed to be delinquent and a penalty of 8% attaches to the unpaid tax. However, personal property that is owned by a tax-exempt entity, but is treated as taxable by virtue of a lease agreement, is subject to the same delinquent property tax penalties as real property.

On the first business day of January of the year following collection all delinquencies are subject to an additional 2% penalty, and those delinquencies outstanding as of February 15 are filed for a tax lien judgment with the district court. By March 20 the county auditor files a publication of legal action and a mailing of notice of action to delinquent parties. Those property interests not responding to this notice have judgment entered for the amount of the delinquency and associated penalties. The amount of the judgment is subject to a variable interest determined annually by the Department of Revenue, and equal to the adjusted prime rate charged by banks but in no event is the rate less than 10% or more than 14%.

Property owners subject to a tax lien judgment generally have three years (3) to redeem the property. After expiration of the redemption period, unredeemed properties are declared tax forfeit with title held in trust by the State of Minnesota for the respective taxing districts. The county auditor, or equivalent thereof, then sells those properties not claimed for a public purpose at auction. The net proceeds of the sale are first dedicated to the satisfaction of outstanding special assessments on the parcel, with any remaining balance in most cases being divided on the following basis: county - 40%; town or city - 20%; and school district - 40%.

Property Tax Credits (Chapter 273, Minnesota Statutes)

In addition to adjusting the taxable value for various property types, primary elements of Minnesota's property tax relief system are: property tax levy reduction aids; the homestead credit refund and the renter’s property tax refund, which relate property taxes to income and provide relief on a sliding income scale; and targeted tax relief, which is aimed primarily at easing the effect of significant tax increases. The homestead credit refund, the renter’s property tax refund, and targeted credits are reimbursed to the taxpayer upon application by the taxpayer. Property tax levy reduction aid includes educational aids, local governmental aid, equalization aid, county program aid and disparity reduction aid.

Debt Limitations

All Minnesota municipalities (counties, cities, towns and school districts) are subject to statutory “net debt” limitations under the provisions of Minnesota Statutes, Section 475.53. Net debt is defined as the amount remaining after deducting from gross debt the amount of current revenues that are applicable within the current fiscal year to the payment of any debt and the aggregate of the principal of the following:

1. Obligations issued for improvements which are payable wholly or partly from the proceeds of special assessments levied upon property specially benefited thereby, including those which are general obligations of the municipality issuing them, if the municipality is entitled to reimbursement in whole or in part from the proceeds of the special assessments.

2. Warrants or orders having no definite or fixed maturity.

3. Obligations payable wholly from the income from revenue producing conveniences.

4. Obligations issued to create or maintain a permanent improvement revolving fund.

5. Obligations issued for the acquisition, and betterment of public waterworks systems, and public lighting, heating or power systems, and of any combination thereof or for any other public convenience from which a revenue is or may be derived.

6. Debt service loans and capital loans made to a school district under the provisions of Minnesota Statutes, Sections 126C.68 and 126C.69.

7. Amount of all money and the face value of all securities held as a debt service fund for the extinguishment of obligations other than those deductible under this subdivision.

8. Obligations to repay loans made under Minnesota Statutes, Section 216C.37.

9. Obligations to repay loans made from money received from litigation or settlement of alleged violations of federal petroleum pricing regulations.

10. Obligations issued to pay pension fund or other postemployment benefit liabilities under Minnesota Statutes, Section 475.52, subdivision 6, or any charter authority.

11. Obligations issued to pay judgments against the municipality under Minnesota Statutes, Section 475.52, subdivision 6, or any charter authority.

12. All other obligations which under the provisions of law authorizing their issuance are not to be included in computing the net debt of the municipality.

Levies for General Obligation Debt
(Sections 475.61 and 475.74, Minnesota Statutes)

Any municipality that issues general obligation debt must, at the time of issuance, certify levies to the county auditor of the county(ies) within which the municipality is situated. Such levies shall be in an amount that if collected in full will, together with estimates of other revenues pledged for payment of the obligations, produce at least five percent in excess of the amount needed to pay principal and interest when due. Notwithstanding any other limitations upon the ability of a taxing unit to levy taxes, its ability to levy taxes for a deficiency in prior levies for payment of general obligation indebtedness is without limitation as to rate or amount.

STATUTORY FORMULAE: CONVERSION OF TAXABLE MARKET VALUE (TMV) TO NET TAX CAPACITY FOR MAJOR PROPERTY CLASSIFICATIONS

Property Type	Local Tax Payable 2015-2019
Residential Homestead (1a)	
Up to $500,000	1.00%
Over $500,000	1.25%
Residential Non-homestead	
Single Unit (4bb)	
Up to $500,000	1.00%
Over $500,000	1.25%
1-3 unit and undeveloped land (4b1)	1.25%
Market Rate Apartments	
Regular (4a)	1.25%
Low-Income (4d)	
Up to $139,000[c]	0.75%
Over $139,000[c]	0.25%
Commercial/Industrial/Public Utility (3a)	
Up to $150,000	1.50%[a]
Over $150,000	2.00%[a]
Electric Generation Machinery	2.00%
Commercial Seasonal Residential	
Homestead Resorts (1c)	
Up to $600,000	0.50%
$600,000 - $2,300,000	1.00%
Over $2,300,000	1.25%[a]
Seasonal Resorts (4c)	
Up to $500,000	1.00%[a]
Over $500,000	1.25%[a]
Non-Commercial (4c12)	
Up to $500,000	1.00%[a][b]
Over $500,000	1.25%[a][b]
Disabled Homestead (1b)	
Up to $50,000	0.45%
Agricultural Land & Buildings	
Homestead (2a)	
Up to $500,000	1.00%
Over $500,000	1.25%
Remainder of Farm	
Up to $1,900,000[d]	0.50%[b]
Over $1,900,000[d]	1.00%[b]
Non-homestead (2b)	1.00%[b]

[a] *State tax is applicable to these classifications.*

[b] *Exempt from referendum market value based taxes.*

[c] *Legislative increases, payable 2019. Historical valuations are: Payable 2018 - $121,000; Payable 2017 - $115,000; Payable 2016 - $106,000; and Payable 2015 - $100,000.*

[d] *Legislative increases, payable 2019. Historical valuations are: Payable 2018 - $1,940,000; Payable 2017 - $2,050,000; Payable 2016 - $2,140,000; and Payable 2015 - $1,900,000.*

NOTE: For purposes of the State general property tax only, the net tax capacity of non-commercial class 4c(1) seasonal residential recreational property has the following class rate structure: First $76,000 – 0.40%; $76,000 to $500,000 – 1.00%; and over $500,000 – 1.25%. In addition to the State tax base exemptions referenced by property classification, airport property exempt from city and school district property taxes under M.S. 473.625 is exempt from the State general property tax (MSP International Airport and Holman Field in Saint Paul are exempt under this provision).

APPENDIX IV

EXCERPT OF 2018 ANNUAL FINANCIAL REPORT

Data on the following pages was extracted from the City's Annual Financial Report for fiscal year ended December 31, 2018. The reader should be aware that the complete financial statements may contain additional information which may interpret, explain or modify the data presented here. (The City's Annual Financial Report for fiscal year ended December 31, 2019 is not yet available).

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Marshall, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Marshall, Minnesota (the City), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Change in Accounting Principles

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

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

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

Abdo Eick & Meyers, LLP

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

Management's Discussion and Analysis

As management of the City of Marshall, Minnesota, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2018.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $113,193,566 (net position). Of this amount, $19,714,477 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.

- The City's total net position increased by $5,000,180, compared to an increase of $3,655,874 in the previous year. Of this increase, business-type activities (enterprise funds) had an increase of $647,387 and governmental activities had an increase of $4,352,793. The major factors in the governmental activity change was due to a one-time transfer of CRIF Grant Funds from the Economic Development Authority (discretely presented component unit) to the Small Cities Development Program Fund ($539,290), changing the Library to an appropriation instead of a tax levy ($612,109), and airport construction grant proceeds ($608,685).

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $30,731,187, an increase of $1,245,768 in comparison with the prior year. Approximately 41.4 percent of this total amount, $12,710,662, is available for spending at the City's discretion between assigned and unassigned fund balance. The fund balances are classified in accordance with GASB statements No. 54 as follows: 1) nonspendable - $150,941; 2) restricted - $16,969,711; committed - $899,873; 4) assigned - $6,945,772; 5) unassigned $5,764,890.

Overview of the Financial Statements

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

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

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

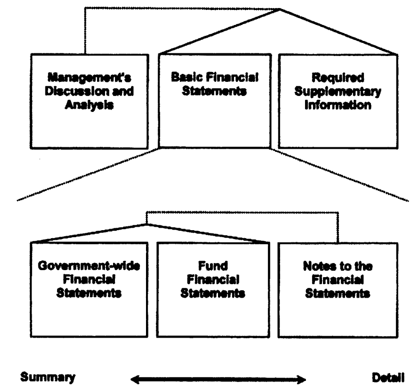


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the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

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

		Fund Financial Statements	
	Government-wide Statements	**Governmental Funds**	**Proprietary Funds**
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances	• Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of inflow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

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

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

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

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

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

The government-wide financial statements can be found starting on page 30 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains numerous individual governmental funds, many of which are Debt Service funds, which are considered one fund for reporting purposes. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, the Tax Increment Financing fund, the Sales/Lodging Tax fund, the Debt Service fund, the 2017 Public Improvement fund and the 2018 Public Improvement fund, all of which are considered to be major funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

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

The basic governmental fund financial statements can be found starting on page 36 of this report.

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

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

The basic proprietary fund financial statements can be found starting on page 46 of this report.

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

The basic fiduciary fund financial statements can be found starting on page 52 of this report.

Notes to Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 55 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Marshall's share of net pension liabilities for defined benefit plans and schedules of contributions and other postemployment benefits. The required supplementary information can be found on page 108 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to financial statements. Combining and individual fund financial statements and schedules can be found starting on page 118 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $113,193,566 at the close of the most recent fiscal year.

A large portion of the City's net position (64.9 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Marshall's Summary of Net Position

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

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

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

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

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

City of Marshall's Changes in Net Position

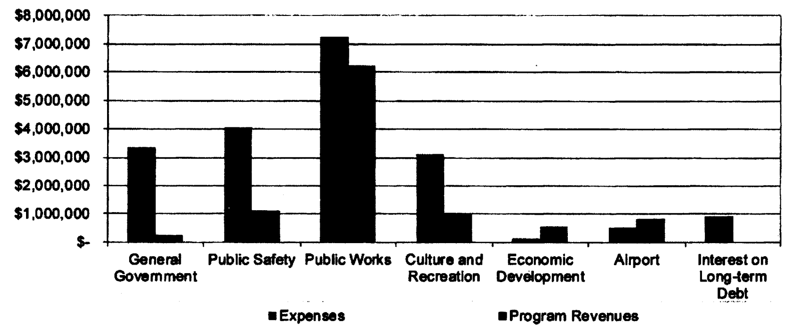
	Governmental Activities			Business-type Activities		
	2018	2017	Increase (Decrease)	2018	2017	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	$ 3,215,326	$ 2,993,994	$ 221,332	$ 11,774,791	$ 11,727,560	$ 47,231
Operating grants and contributions	1,363,290	644,746	718,544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

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

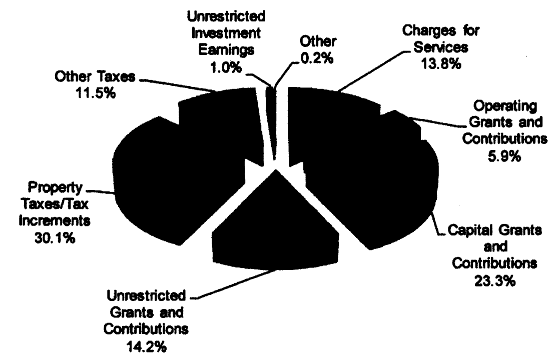
Property tax levies increased by $232,856 or (3.8 percent) during the year.

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

Expenses and Program Revenues - Governmental Activities



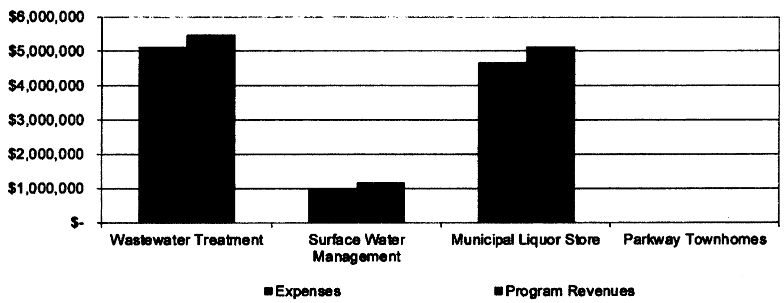
Revenues by Source - Governmental Activities



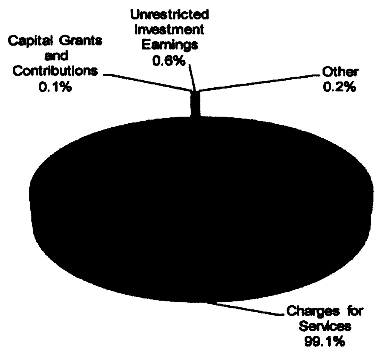
Business-type Activities. Business-type activities increased the City's net position by $647,387. Key elements of this increase are as follows:

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

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the City's Funds

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

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

The *General fund* is the chief operating fund of the City. At the end of the current year, the fund balance of the General fund was $7,629,173. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 50.3 percent of fund expenditures, while total fund balance also represents 62.5 percent of that same amount.

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

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

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

The *Debt Service fund* has a total fund balance of $5,831,563, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year in the Debt Service fund was $890,560. Major factors in this increase were due primarily to transfers in of $3,514,639 that were mainly offset by transfers out of $1,474,685.

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

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

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

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

General Fund Budgetary Highlights

The City's General fund budget had no amendments during the year. The budget called for a decrease in fund balance of $70,010. Actual revenues exceeded budgeted revenues by $366,965 and the expenditure budget was overspent by $39,653. Other financing sources (uses) were under expectations by $24,840. The net result was an increase to the General fund balance of $232,462 in 2018.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business type activities as of December 31, 2018 amounts to $124,099,154 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges. The total increase in the City's investment in capital assets for the current fiscal year was 0.9 percent (a 2.5 percent increase for governmental activities and a 3.1 percent decrease for business-type activities).

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

Governmental Activities

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

Business-type Activities

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

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

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

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

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of $45,715,000. Of this amount, $5,440,000 is general obligation debt, $3,760,000 is tax increment debt, $2,695,000 is tax abatement debt, $24,133,608 is general obligation improvement debt and $12,381,392 is revenue debt. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

City of Marshall's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2018	2017	Increase (Decrease)	2018	2017	Increase (Decrease)
General Obligation Bonds	$ 2,745,000	$ 3,180,000	$ (435,000)	$ -	$ -	$ -
G.O. Tax Increment Bonds	3,760,000	3,915,000	(155,000)	-	-	-
G.O. Tax Abatement Bonds	2,695,000	2,810,000	(115,000)	-	-	-
G.O. Special Assessment Bonds	24,133,608	24,380,000	(246,392)	-	-	-
G.O. Revenue Bonds	-	-	-	12,381,392	12,405,000	(23,608)
Contract for Deed	-	95,404	(95,404)	-	-	-
Total	$ 33,333,608	$ 34,380,404	$ (1,046,796)	$ 12,381,392	$ 12,405,000	$ (23,608)

The City's total debt decreased $1,070,404, or 2.3 percent during the current fiscal year. Long-term debt of $3,580,000 was issued during the year and $4,535,404 was retired during the year.

Minnesota statutes limit the amount of net general obligation debt a City may issue up to 3 percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The current debt limitation for the City is $26,708,596, which is significantly in excess of the City's outstanding general obligation debt of $5,440,000.

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

Additional information on the City's long-term debt can be found in Note 3E starting on page 78 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Lyon County is currently 3.4 percent, which is a decrease from a rate of 2.9 percent a year ago. This is comparable to the State's average unemployment rate of 3.2 percent and the national average rate of 3.8 percent.
- Property valuations within the City remain relatively stable.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City's budget for the 2019 fiscal year.

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

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Marshall, 344 West Main Street, Marshall, Minnesota 56258.

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

	Primary Government			Component Units			
	Governmental Activities	Business-type Activities	Total	Marshall Municipal Utilities	Marshall Housing Commission	Economic Development Authority	Marshall-Lyon County Library
Assets							
Cash and temporary investments	$ 30,400,958	$ 11,853,681	$ 42,254,639	$ 24,561,863	$ 479,949	$ 1,238,671	$ 446,730
Restricted assets	-	-	-	6,154,948	32,525	-	-
Receivables							
Interest	9,826	2,793	12,619	152,539	-	1,932	60
Delinquent taxes	166,714	31	166,745	-	-	3,370	1,232
Accounts	169,429	156,485	325,914	4,453,772	6,291	-	-
Notes/leases	13,576	-	13,576	44,568	-	377,138	-
Special assessments	4,044,622	12,107	4,056,729	-	-	-	-
Intergovernmental	784,710	36	784,746	-	-	904	311
Due from component units/primary government	317,073	782,891	1,099,964	104,033	-	-	5,936
Internal balances	(20,998)	20,998	-	-	-	-	-
Inventories	-	624,448	624,448	718,288	1,100	-	-
Prepaid items	150,941	49,425	200,366	153,603	14,028	124	4,667
Land held for resale	-	-	-	-	-	1,110,455	-
Net pension asset	335,892	-	335,892	-	-	-	-
Capital assets							
Nondepreciable	14,571,404	1,179,883	15,751,287	2,381,705	642,073	-	-
Depreciable, net of accumulated depreciation	76,274,971	32,072,896	108,347,867	64,676,458	2,424,056	6,299	5,935,694
Total Assets	127,219,118	46,755,674	173,974,792	103,401,777	3,600,022	2,738,893	6,394,630
Deferred Outflows of Resources							
Deferred other postemployment resources	32,084	6,082	38,166	26,834	-	-	1,877
Deferred pension resources	3,012,264	173,416	3,185,680	497,804	-	-	90,495
Total Deferred Outflows of Resources	3,044,348	179,498	3,223,846	524,638	-	-	92,372
Liabilities							
Accounts payable	381,570	171,365	552,935	2,939,083	5,600	44,530	23,129
Contracts payable	399,795	-	399,795	-	-	-	-
Due to other governments	63,988	61,812	125,800	-	8,231	-	547
Due to component units/primary government	78,443	28,083	106,526	782,891	-	317,090	3,426
Accrued interest payable	425,485	136,289	561,774	393,976	-	-	6,724
Accrued salaries payable	160,460	24,369	184,829	234,189	2,702	-	10,341
Deposits payable	-	-	-	83,567	24,885	-	-
Unearned revenue	10,072	-	10,072	-	7,640	-	-
Noncurrent liabilities							
Due within one year	3,816,240	1,916,693	5,732,933	4,151,192	25,679	-	83,672
Due in more than one year	37,215,776	14,626,233	51,842,009	26,448,892	46,187	-	1,043,604
Total Liabilities	42,551,829	16,964,844	59,516,673	35,033,790	120,924	361,620	1,171,443
Deferred Inflows of Resources							
Deferred pension resources	4,263,961	224,438	4,488,399	814,029	-	-	117,121
Net Position							
Net investment in capital assets	55,540,334	17,914,365	73,454,699	41,878,163	3,066,129	6,299	5,363,196
Restricted for							
Debt service	8,886,242	-	8,886,242	6,154,948	-	-	111,401
City celebrations	18,259	-	18,259	-	-	-	-
Economic development	2,056,401	-	2,056,401	-	-	428,512	-
Tax increment financing	5,153,917	-	5,153,917	-	-	-	-
Capital projects	3,909,571	-	3,909,571	-	-	-	-
Unrestricted	7,882,952	11,831,525	19,714,477	20,045,485	412,969	1,942,462	(276,159)
Total Net Position	$ 83,447,676	$ 29,745,890	$ 113,193,566	$ 68,078,596	$ 3,479,098	$ 2,377,273	$ 5,198,438

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

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

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position — Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units: Marshall Municipal Utilities	Component Units: Marshall Housing Commission	Component Units: Economic Development Authority	Component Units: Marshall-Lyon County Library
Primary Government											
Governmental Activities											
General government	$ 3,370,422	$ 215,055	$ 21,802	$ -	$ (3,133,565)		$ (3,133,565)				
Public safety	4,069,232	462,320	546,882	109,624	(2,950,406)		(2,950,406)				
Public works	7,252,085	1,553,397	36,238	4,634,381	(1,028,069)		(1,028,069)				
Culture and recreation	3,110,696	820,753	104,310	63,772	(2,121,861)		(2,121,861)				
Economic development	138,506	12,731	554,290	-	428,515		428,515				
Airport	512,992	151,070	99,768	608,835	346,681		346,681				
Interest on long-term debt	931,375	-	-	-	(931,375)		(931,375)				
Total Governmental Activities	19,385,308	3,215,326	1,363,290	5,416,612	(9,390,080)		(9,390,080)				
Business-type Activities											
Wastewater treatment	5,117,137	5,487,718	-	-	-	$ 370,581	370,581				
Surface water management	970,729	1,166,670	-	13,046	-	208,987	208,987				
Municipal liquor store	4,678,944	5,120,403	-	-	-	441,459	441,459				
Parkway Townhomes	21,746	-	-	-	-	(21,746)	(21,746)				
Total Business-type Activities	10,788,556	11,774,791	-	13,046	-	999,281	999,281				
Total Primary Government	$ 30,173,864	$ 14,990,117	$ 1,363,290	$ 5,429,658	(9,390,080)	999,281	(8,390,799)				
Component Units											
Marshall Municipal Utilities - Water	$ 4,467,169	$ 5,418,297	$ -	$ 354,082				$ 1,305,210	$ -	$ -	$ -
Marshall Municipal Utilities - Electric	40,632,340	41,061,703	-	-				429,363	-	-	-
Marshall Housing Commission	977,970	421,436	366,654	131,653				-	(58,227)	-	-
Economic Development Authority	1,025,041	12,801	21,746	-				-	-	(990,494)	-
Marshall-Lyon County Library	1,210,448	17,145	953,822	-				-	-	-	(239,481)
Total Component Units	$ 48,312,968	$ 46,931,382	$ 1,342,222	$ 485,735				1,734,573	(58,227)	(990,494)	(239,481)
General Revenues											
Property taxes, levied for general purposes					4,926,377	-	4,926,377	-	-	-	-
Property taxes, levied for special purposes					-	-	-	-	-	120,779	706
Property taxes, levied for debt service					1,340,048	-	1,340,048	-	-	-	40,510
Tax increments					749,421	-	749,421	-	-	-	-
Sales tax					1,949,290	-	1,949,290	-	-	-	-
Lodging taxes					257,701	-	257,701	-	-	-	-
Franchise taxes					472,122	-	472,122	-	-	-	-
Grants and contributions not restricted to specific programs					3,315,293	-	3,315,293	-	-	-	-
Unrestricted investment earnings					241,317	70,479	311,796	394,397	3,376	21,616	33,189
Gain on sale of capital assets					27,586	25,917	53,503	-	-	-	-
Other revenues					15,428	-	15,428	577,869	5,935	-	-
Transfers					448,290	(448,290)	-	-	-	-	-
Total General Revenues and Transfers					13,742,873	(351,894)	13,390,979	972,266	9,311	142,395	74,405
Change in Net Position					4,352,793	647,387	5,000,180	2,706,839	(48,916)	(848,099)	(165,076)
Net Position, January 1 as Restated (Note 11)					79,094,883	29,098,503	108,193,386	65,371,757	3,528,014	3,225,372	5,363,514
Net Position, December 31					$ 83,447,676	$ 29,745,890	$ 113,193,566	$ 68,078,596	$ 3,479,098	$ 2,377,273	$ 5,198,438

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

	101 General	230 Tax Increment Financing	256 Sales / Lo Tax	300s Debt Service	462 2017 Public Improvements	475 2018 Public Improvements	Other Governmental Funds	Totals
ı and temporary investments	$ 7,862,622	$ 4,276,157	$ 1,123,	5,810,691	$ 306,135	$ 486,228	$ 10,535,665	$ 30,400,958
eivables								
erest	7,463	-	1,	-	-	-	855	9,826
linquent taxes	123,092	-		32,166	-	-	11,456	166,714
counts	121,417	-	5,	-	-	5,527	36,839	169,429
tes/leases	-	-		-	-	-	13,576	13,576
ecial assessments	1,207	-		3,447,998	-	-	595,417	4,044,622
ergovernmental	141,968	625	365,	21,872	157,915	-	96,861	784,710
from other funds	-	561,631		-	-	-	30,000	591,631
from component units	-	317,073		-	-	-	-	317,073
aid items	125,393	-		-	-	-	25,548	150,941
Total Assets	$ 8,383,162	$ 5,155,486	$ 1,496,	9,312,727	$ 464,050	$ 491,755	$ 11,346,217	$ 36,649,480
es								
unts payable	$ 196,211	$ 1,530	$	1,000	$ -	$ 1,501	$ 181,328	$ 381,570
racts payable	-	-		-	170,673	229,122	-	399,795
to other funds	153,601	-		-	-	-	459,028	612,629
to component units	68,447	39		-	-	-	9,957	78,443
to other governments	45,388	-		-	1,033	4,665	12,902	63,988
ued salaries payable	155,971	-		-	-	-	4,489	160,460
arned revenue	10,072	-		-	-	-	-	10,072
Total Liabilities	629,690	1,569		1,000	171,706	235,288	667,704	1,706,957
ed Inflows of Resources								
vailable revenue - taxes	123,092	-		32,166	-	-	11,456	166,714
vailable revenue - special assessments	1,207	-		3,447,998	-	-	595,417	4,044,622
Total Deferred Inflows of Resources	124,299	-		3,480,164	-	-	606,873	4,211,336
Balances								
spendable								
epaid items	125,393	-		-	-	-	25,548	150,941
ricted for								
bt service	-	-		5,831,563	-	-	-	5,831,563
ty celebrations	-	-		-	-	-	18,259	18,259
onomic development	-	-		-	-	-	2,056,401	2,056,401
x increment financing	-	5,153,917		-	-	-	-	5,153,917
pital projects	-	-	1,496,	-	256,864	223,618	1,933,006	3,909,571
mitted for								
onomic development	-	-		-	-	-	2,316	2,316
pital projects	-	-		-	-	-	897,557	897,557
gned for								
surance reserve	119,295	-		-	-	-	-	119,295
rryover expenditures	34,761	-		-	-	-	-	34,761
PEB liability	465,660	-		-	-	-	-	465,660
elter	13,744	-		-	-	-	-	13,744
erating expenditure contingency	641,733	-		-	-	-	-	641,733
rfeiture program - Police department	82,797	-		-	-	-	-	82,797
allocated health insurance premium	12,218	-		-	-	-	-	12,218
pital projects	-	-		-	35,480	32,849	4,704,846	4,773,175
ivers education	-	-		-	-	-	79,601	79,601
SC Arena	-	-		-			30,422	30,422
onomic development	-	-		-	-	-	622,465	622,465
rk improvements	-	-		-	-	-	16,569	16,569
nergency response and industrial training center	-	-		-	-	-	53,332	53,332
ssigned	6,133,572	-		-	-	-	(368,682)	5,764,890
Total Fund Balances	7,629,173	5,153,917	1,496	5,831,563	292,344	256,467	10,071,640	30,731,187

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

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

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

City of Marshall, Minnesota

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

	101 General	230 Tax Increment Financing	256 Sales / Lodging Tax	300s Debt Service	462 2017 Public Improvements	475 2018 Public Improvements	Other Governmental Funds	Totals
Revenues								
Taxes	$ 5,094,405	$ 749,421	$ 2,033,808	$ 1,319,020	$ -	$ -	$ 387,186	$ 9,583,840
Special assessments	4,521	-	-	1,341,280	-	-	259,901	1,605,702
Licenses and permits	262,748	-	-	-	-	-	-	262,748
Intergovernmental	3,233,991	-	-	-	660,383	2,073,844	745,919	6,714,137
Charges for services	2,180,174	-	-	-	-	-	255,375	2,435,549
Fines and forfeits	95,764	-	-	-	-	-	-	95,764
Investment earnings	85,294	18,867	12,820	14,689	18,997	32,849	57,801	241,317
Miscellaneous	1,145,778	15,000	-	500,000	-	704,351	732,295	3,097,424
Total Revenues	12,102,675	783,288	2,046,628	3,174,989	679,380	2,811,044	2,438,477	24,036,481
Expenditures								
Current								
General government	3,154,434	-	-	-	-	-	8,559	3,162,993
Public safety	3,691,773	-	-	-	-	-	166,601	3,858,374
Public works	3,053,572	-	-	-	-	-	5,547	3,059,119
Culture and recreation	1,765,202	-	-	-	-	-	691,344	2,456,546
Economic development	-	138,263	-	-	-	-	243	138,506
Airport	451,632	-	-	-	-	-	-	451,632
Capital outlay								
General government	-	-	-	-	-	-	131,243	131,243
Public safety	80,101	-	-	-	-	-	145,637	225,738
Public works	-	-	-	-	1,710,690	4,798,086	39,341	6,548,117
Culture and recreation	5,764	-	-	-	-	61,762	416,866	484,392
Airport	-	-	-	-	-	-	683,548	683,548
Debt service								
Principal	-	-	-	3,280,000	-	-	95,404	3,375,404
Interest and other	-	-	-	1,044,674	-	-	825	1,045,499
Bond issuance costs	-	-	-	-	-	78,417	764	79,181
Total Expenditures	12,202,478	138,263	-	4,324,674	1,710,690	4,938,265	2,385,922	25,700,292
Excess (Deficiency) of Revenues Over (Under) Expenditures	(99,803)	645,025	2,046,628	(1,149,685)	(1,031,310)	(2,127,221)	52,555	(1,663,811)
Other Financing Sources (Uses)								
Sale of capital assets	5,160	-	-	-	-	-	35,000	40,160
Transfers in	327,105	138,069	-	3,514,639	-	-	4,004,659	7,984,472
Bonds issued	-	-	-	-	-	2,293,608	35,000	2,328,608
Premium on bonds issued	-	-	-	-	-	90,080	2,441	92,521
Transfers out	-	(446,079)	(2,028,860)	(1,474,394)	-	-	(3,586,849)	(7,536,182)
Total Other Financing Sources (Uses)	332,265	(308,010)	(2,028,860)	2,040,245	-	2,383,688	490,251	2,909,579
Net Change in Fund Balances	232,462	337,015	17,768	890,560	(1,031,310)	256,467	542,806	1,245,768
Fund Balances, January 1	7,396,711	4,816,902	1,478,315	4,941,003	1,323,654	-	9,528,834	29,485,419
Fund Balances, December 31	$ 7,629,173	$ 5,153,917	$ 1,496,083	$ 5,831,563	$ 292,344	$ 256,467	$ 10,071,640	$ 30,731,187

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

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

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

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

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

	General				Tax Increment Financing				Sales/Lodging Tax			
	Budgeted Amounts		Actual	Variance with	Budgeted Amounts		Actual	Variance with	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget	Original	Final	Amounts	Final Budget	Original	Final	Amounts	Final Budget
Revenues												
Taxes	$ 5,025,491	$ 5,025,491	$ 5,094,405	$ 68,914	$ 632,400	$ 632,400	$ 749,421	$ 117,021	$ 2,081,640	$ 2,081,640	$ 2,033,808	$ (47,832)
Licenses and permits	274,678	274,678	262,748	(11,930)	-	-	-	-	-	-	-	-
Special assessments	-	-	4,521	4,521	-	-	-	-	-	-	-	-
Intergovernmental	3,135,955	3,135,955	3,233,991	98,036	-	-	-	-	-	-	-	-
Charges for services	2,173,179	2,173,179	2,180,174	6,995	-	-	-	-	-	-	-	-
Fines and forfeits	108,000	108,000	95,764	(12,236)	-	-	-	-	-	-	-	-
Investment earnings	30,000	30,000	85,294	55,294	7,500	7,500	18,867	11,367	2,500	2,500	12,820	10,320
Miscellaneous	988,407	988,407	1,145,778	157,371	-	-	15,000	15,000	-	-	-	-
Total Revenues	11,735,710	11,735,710	12,102,675	366,965	639,900	639,900	783,288	143,388	2,084,140	2,084,140	2,046,628	(37,512)
Expenditures												
Current												
General government	3,185,341	3,185,341	3,154,434	30,907	-	-	-	-	-	-	-	-
Public safety	3,682,929	3,682,929	3,691,773	(8,844)	-	-	-	-	-	-	-	-
Public works	2,927,360	2,927,360	3,053,572	(126,212)	-	-	-	-	-	-	-	-
Culture and recreation	1,937,219	1,937,219	1,765,202	172,017	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	22,000	22,000	138,263	(116,263)	-	-	-	-
Airport	429,976	429,976	451,632	(21,656)	-	-	-	-	-	-	-	-
Capital outlay												
Public safety	-	-	80,101	(80,101)	-	-	-	-	-	-	-	-
Culture and recreation	-	-	5,764	(5,764)	-	-	-	-	-	-	-	-
Total Expenditures	12,162,825	12,162,825	12,202,478	(39,653)	22,000	22,000	138,263	(116,263)	-	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(427,115)	(427,115)	(99,803)	327,312	617,900	617,900	645,025	27,125	2,084,140	2,084,140	2,046,628	(37,512)
Other Financing Sources (Uses)												
Sale of capital assets	30,000	30,000	5,160	(24,840)	-	-	-	-	-	-	-	-
Transfers in	327,105	327,105	327,105	-	-	-	138,069	138,069	-	-	-	-
Transfers out	-	-	-	-	(454,219)	(454,219)	(446,079)	8,140	(1,457,969)	(1,457,969)	(2,028,860)	(570,891)
Total Other Financing Sources (Uses)	357,105	357,105	332,265	(24,840)	(454,219)	(454,219)	(308,010)	146,209	(1,457,969)	(1,457,969)	(2,028,860)	(570,891)
Net Change in Fund Balances	(70,010)	(70,010)	232,462	302,472	163,681	163,681	337,015	173,334	626,171	626,171	17,768	(608,403)
Fund Balances, January 1	7,396,711	7,396,711	7,396,711	-	4,816,902	4,816,902	4,816,902	-	1,478,315	1,478,315	1,478,315	-
Fund Balances, December 31	$ 7,326,701	$ 7,326,701	$ 7,629,173	$ 302,472	$ 4,980,583	$ 4,980,583	$ 5,153,917	$ 173,334	$ 2,104,486	$ 2,104,486	$ 1,496,083	$ (608,403)

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

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

	Business-type Activities - Enterprise Funds				
	602 Wastewater Treatment	609 Municipal Liquor Store	620 Parkway Townhomes	630 Surface Water Management	Totals
Assets					
Current Assets					
Cash and temporary investments	$ 3,845,928	$ 1,794,175	$ -	$ 1,751,338	$ 7,391,441
Designated assets					
Cash and temporary investments					
Capital reserve	2,686,855	-	-	-	2,686,855
Debt service	1,392,568	-	-	382,817	1,775,385
Receivables					
Interest	2,356	437	-	-	2,793
Accounts	142,874	13,611	-	-	156,485
Delinquent taxes	-	-	-	31	31
Special assessments	-	-	-	12,107	12,107
Intergovernmental	-	-	-	36	36
Due from other funds	20,998	-	-	-	20,998
Due from component units	588,262	-	-	194,629	782,891
Inventories	-	624,448	-	-	624,448
Prepaid items	26,976	12,477	-	9,972	49,425
Total Current Assets	8,706,817	2,445,148	-	2,350,930	13,502,895
Noncurrent Assets					
Capital assets, at cost					
Land	199,134	48,603	-	265,135	512,872
Construction in progress	291,485	-	-	375,526	667,011
Buildings	168,472	2,359,862	-	-	2,528,334
Improvements other than buildings	28,001,430	123,122	-	-	28,124,552
Systems and infrastructure	20,487,396	-	-	16,063,933	36,551,329
Equipment and machinery	3,216,598	167,916	-	356,215	3,740,729
Less accumulated depreciation	(31,776,743)	(288,017)	-	(6,807,288)	(38,872,048)
Total Noncurrent Assets	20,587,772	2,411,486	-	10,253,521	33,252,779
Total Assets	29,294,589	4,856,634	-	12,604,451	46,755,674
Deferred Outflows of Resources					
Deferred pension resources	131,217	42,199	-	-	173,416
Deferred other postemployment resources	5,212	870	-	-	6,082
Total Deferred Outflows of Resources	136,429	43,069	-	-	179,498
ties					
nt Liabilities					
ounts payable	$ 30,903	$ 105,929	$ -	$ 34,533	$ 171,
to component unit	24,514	1,786	-	1,783	28,
to other governments	1,208	60,566	-	38	61,
rued interest payable	96,488	5,904	-	33,897	136,
rued salaries payable	18,557	5,812	-	-	24,
npensated absences payable	59,125	7,568	-	-	66,
ds payable - current portion	1,296,080	205,000	-	348,920	1,850,
Total Current Liabilities	1,526,875	392,565	-	419,171	2,338,
irrent Liabilities					
npensated absences payable	192,386	26,860	-	-	219,
er postemployment benefit obligation	63,597	10,612	-	-	74,
ision liability	638,896	205,468	-	-	844,
ds payable - noncurrent portion	8,471,020	2,355,000	-	2,662,394	13,488,
Total Noncurrent Liabilities	9,365,899	2,597,940	-	2,662,394	14,626,
Total Liabilities	10,892,774	2,990,505	-	3,081,565	16,964,
red Inflows of Resources					
erred pension resources	169,823	54,615	-	-	224,
osition					
investment in capital assets	10,820,672	(148,514)	-	7,242,207	17,914,
estricted	7,547,749	2,003,097	-	2,280,679	11,831,
Total Net Position	$ 18,368,421	$ 1,854,583	$ -	$ 9,522,886	$ 29,745,

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

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

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

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

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

	Business-type Activities - Enterprise Funds				
	602 Wastewater Treatment	609 Municipal Liquor Store	620 Parkway Townhomes	630 Surface Water Management	Totals
Cash Flows From Operating Activities					
Receipts from customers	$ 5,401,004	$ 5,090,902	$ -	$ 1,156,068	$ 11,647,994
Payments to suppliers and vendors	(2,288,537)	(4,118,972)	-	(373,703)	(6,781,212)
Payments to and on behalf of employees	(1,140,157)	(414,940)	-	-	(1,555,097)
Other receipts	77,137	15,890	-	661	93,688
Net Cash Provided (Used) by Operating Activities	2,049,447	572,880	-	783,046	3,405,373
Cash Flows From Noncapital Financing Activities					
Transfers to other funds	(39,800)	(300,000)	-	(108,490)	(448,290)
Payment to Component Unit	-	-	(21,746)	-	(21,746)
Net Cash Provided (Used) by Noncapital Financing Activities	(39,800)	(300,000)	(21,746)	(108,490)	(470,036)
Cash Flows From Capital and Related Financing Activities					
Acquisition of capital assets	(753,174)	-	-	(468,519)	(1,221,693)
Proceeds from sales of capital assets	21,250	-	-	7,500	28,750
Proceeds from bonds issued, net of discounts/premiums issued	641,712	-	-	656,322	1,298,034
Principal paid on long-term debt	(926,080)	(200,000)	-	(348,920)	(1,475,000)
Interest paid on long-term debt	(216,244)	(74,653)	-	(62,654)	(353,551)
Bond issuance costs	(13,742)	-	-	(14,436)	(28,178)
Property taxes received/adjusted	-	-	-	212	212
Special assessments received	-	-	-	13,058	13,058
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,246,278)	(274,653)	-	(217,437)	(1,738,368)
Cash Flows From Investing Activities					
Interest received on cash and investments	49,077	17,179	-	2,126	68,382
Net Increase (Decrease) in Cash and Cash Equivalents	812,446	15,406	(21,746)	459,245	1,265,351
Cash and Cash Equivalents, January 1	7,112,905	1,778,769	21,746	1,674,910	10,588,330
Cash and Cash Equivalents, December 31	$ 7,925,351	$ 1,794,175	$ -	$ 2,134,155	$ 11,853,681
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position					
Cash and temporary investments					
Undesignated	$ 3,845,928	$ 1,794,175	$ -	$ 1,751,338	$ 7,391,441
Designated - capital reserve	2,686,855	-	-	-	2,686,855
Designated - debt service	1,392,568	-	-	382,817	1,775,385
Total Cash and Cash Equivalents	$ 7,925,351	$ 1,794,175	$ -	$ 2,134,155	$ 11,853,681

ition of Operating Income (Loss) to Net ovided (Used) by Operating Activities					
ıg income (loss)	$ 494,370	$ 499,905	$ -	$ 268,154	$ 1,2
ıents to reconcile operating income (loss) to net cash led (used) by operating activities					
income related to operations	77,137	15,890	-	661	
ciation	1,684,436	93,584	-	496,683	2,2
ase) decrease in assets					
ounts receivable	2,113	(13,611)	-	-	(
cial assessments receivable	-	-	-	(9,059)	
from component units	(11,690)	-	-	(850)	(
ntories	-	(64,530)	-	-	(
paid items	29,485	(82)	-	423	
ase) decrease in deferred outflows of resources					
erred pension resources	92,816	23,038	-	-	1
erred other postemployment resources	(5,212)	(870)	-	-	
ıse (decrease) in liabilities					
ounts payable	4,959	67,459	-	26,329	
to other governments	684	36,265	-	38	
to component unit	(171,519)	(246)	-	667	(1
rued salaries payable	2,754	642	-	-	
er postemployment benefit obligation	9,124	646	-	-	
ısion liability	(150,251)	(24,325)	-	-	(1
npensated absences payable	12,491	(59,570)	-	-	(
ıse (decrease) in deferred inflows of resources					
erred pension resources	(22,250)	(1,315)	-	-	(
et Cash Provided (Used) by Operating Activities	$ 2,049,447	$ 572,880	$ -	$ 783,046	$ 3,4
nvesting, Capital and Financing Activities					
ılue of disposed/traded of capital assets	$ 8,716	$ -	$ -	$ 2,175	$
assets contributed from (to) other funds	(108,044)	-	-	66,037	(
ation of bond (premium) discount	(35,600)	-	-	(10,896)	(

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

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

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

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

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

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

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

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 it charter, which was adopted in 1969 as provided by Minnesota statutes, chapter 410: public safety (police and fire), highways and streets, culture and recreation, public library, public improvements, planning and zoning and general administrative services. The City also owns a municipal airport and municipal liquor store. The City also operates public electric, water and wastewater treatment and surface water utilities. The electric and water utilities are presented as a discretely presented component unit.

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

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

The Marshall-Lyon County Public Library meets the criteria to be included as a discrete presentation. The Library is a joint venture between the City and Lyon County. The City appoints six members and the County appoints three members of the governing board of the Library. The City does have the authority to approve or modify the Library's operational and capital budgets and any bonded debt must be approved by the City Council. The City provides a material portion of the Library's annual operating budget. The Library, whose year-end is December 31, is a discretely presented component unit (with special revenue, debt service and capital projects funds) of the City. Separate financial statements have not been prepared.

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities,* which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities,* which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues.*

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

The City reports the following major governmental funds:

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

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

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

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

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

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

The City reports the following major proprietary funds:

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

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

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

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

Additionally, the City reports the following fund type:

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

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

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and of the City's internal service funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Note 1: Summary of Significant Accounting Policies (Continued)

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

Component Units

The Marshall Economic Development Authority and the Marshall-Lyon County Public Library have adopted the modified accrual basis of accounting and the Marshall Housing Commission, and the Marshall Public Utilities have adopted the accrual basis of accounting.

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Certain restricted assets are included in cash and cash equivalents. The proprietary funds' portion in the government-wide cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the statements of cash flows.

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

Property Taxes

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

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

Accounts Receivable - City of Marshall

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

Accounts Receivable - Marshall Municipal Utilities

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

Note 1: Summary of Significant Accounting Policies (Continued)

Special Assessments

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

Interfund Receivables and Payables

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

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

Inventories and Prepaid Items - City of Marshall

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

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

Inventories and Prepaid Items - Marshall Municipal Utilities

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

Land Held for Resale

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

Designated Assets

The Wastewater Treatment fund, Surface Water Management fund and the Marshall Municipal Utilities fund (component unit) have classified resources consisting of cash and investments and delinquent taxes receivable as designated assets on the balance sheet. These amounts have been set aside for debt service payments and capital improvements.

Capital Assets - City of Marshall

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of one year. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Land Improvements	5 - 25
Buildings and Improvements	20 - 50
Infrastructure	10 - 50
Machinery and Equipment	3 - 20
Vehicles	3 - 30

Capital Assets - Component Units

The Marshall Municipal Utilities uses the straight-line composite group method for depreciation based on estimated useful lives of the various classes of property. The provision is 3.23 percent of the average balance of depreciable property in service at December 31, 2018.

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

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

Deferred Outflows of Resources

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

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. For the most part, the General fund is typically used to liquidate governmental compensated absences payable.

Note 1: Summary of Significant Accounting Policies (Continued)

Postemployment Benefits Other Than Pensions

Under Minnesota statute 471.61, subdivision 2b., public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees may obtain dependent coverage immediately before retirement. All premiums are funded on a pay-as-you-go basis. The liability was actuarially determined, in accordance with GASB Statement 75, at December 31, 2017. The General fund is typically used to liquidate governmental other postemployment benefits payable.

Severance Plan

Employees with at least 20 years of service are eligible for retirement payments based upon their years of service. An eligible individual will receive an amount equal to one month's salary plus an additional 3 percent annual salary each year in excess of twenty years to a maximum of 150 percent of the monthly salary. As of December 31, 2018, the City has recorded estimated future costs under this plan of $172,754.

Accrued Vacation and Sick Leave - City of Marshall

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

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

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

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

If at any time the accumulation drops below 120 days or 960 hours the employee will then accumulate one (1) day or 8 hours for each month of service up to 120 days or 960 hour and then continue accumulating ½ day or 4 hours for each month of service.

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

Note 1: Summary of Significant Accounting Policies (Continued)

Accrued Vacation and Sick Leave - Marshall Municipal Utilities

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

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

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

Pensions

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

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

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

	Public Employees Retirement Association of Minnesota (PERA) GERF	Public Employees Retirement Association of Minnesota (PERA) PEPFF	Fire Relief Association	Total All Plans
Pension Expense	$ 177,973	$ 54,828	$ (43,634)	$ 189,167

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

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

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Inflows of Resources

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

The City has an additional item which qualifies for reporting in this category. The item, deferred pension resources, is reported only in the statements of net position and results from actuarial calculations.

Fund Balance

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

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

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

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

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

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

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

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

Net Position

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

a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.

b. Restricted net position - Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

c. Unrestricted net position - All other net position that does not meet the definition of "restricted" or "net investment in capital assets".

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

Management is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Reported budget amounts are as originally adopted or amended by the City Council.

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

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

B. Excess of Expenditures Over Appropriations

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

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

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

Note 2: Stewardship, Compliance and Accountability (Continued)

C. Deficit Fund Equity

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

Fund	Amount
Capital Projects	
SMSAC Ball Parks	$ 368,682

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

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

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

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

Authorized collateral in lieu of a corporate surety bond includes:

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

Note 3: Detailed Notes on All Funds (Continued)

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

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

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

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

Investments

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

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

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.
(2) Interest rate risk is disclosed using the segmented time distribution method.
N/A Indicates not applicable or available.

Note 3: Detailed Notes on All Funds (Continued)

Component Units

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

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.
(2) Interest rate risk is disclosed using the segmented time distribution method.
N/A Indicates not applicable or available.

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

- *Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes limit the City's investments.
- *Custodial Credit Risk.* The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City typically limits its exposure by purchasing insured or registered investments.
- *Concentration of Credit Risk.* The concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City places no limit on the amount that may be invested in any one issuer.
- *Interest Rate Risk.* The interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City manages its exposure to declines in fair values by limiting the maturity of its investment portfolio.

Note 3: Detailed Notes on All Funds (Continued)

Cash on Hand

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

Cash and Investments Summary

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

	Primary Government	Component Units Municipal Utilities	Housing Commission	Economic Development
Deposits	$ 23,429,272	$ 2,411,318	$ 318,437	$ 1,238,671
Cash on Hand	3,202	1,600	-	-
Investments	18,822,165	28,303,893	194,037	-
Total	$ 42,254,639	$ 30,716,811	$ 512,474	$ 1,238,671
Cash and Temporary Investments	$ 42,254,639	$ 24,561,863	$ 479,949	$ 1,238,671
Restricted Assets	-	6,154,948	32,525	-
Total	$ 42,254,639	$ 30,716,811	$ 512,474	$ 1,238,671

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

B. Notes/Leases Receivable

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

Note 3: Detailed Notes on All Funds (Continued)

C. Capital Assets

Primary Government

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

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

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

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

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

Note 3: Detailed Notes on All Funds (Continued)

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

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

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

Note 3: Detailed Notes on All Funds (Continued)

Construction Commitments

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

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

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

Discretely Presented Component Units

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

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

Note 3: Detailed Notes on All Funds (Continued)

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

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

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

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

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

Business-type Activities	
Marshall Housing Commission	$ 255,353

Note 3: Detailed Notes on All Funds (Continued)

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

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

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

Governmental Activities	
Economic Development Authority	$ 646

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

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

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

Governmental Activities	
Marshall-Lyon County Library	$ 262,682

Note 3: Detailed Notes on All Funds (Continued)

D. Interfund Receivables, Payables and Transfers

Due from/to Other Funds:

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

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

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

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

Due to Primary Government From Component Unit

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

Due to Component Unit From Primary Government

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

Note 3: Detailed Notes on All Funds (Continued)

Due to Component Unit From Componet Unit

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

Interfund Transfers:

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

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

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

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

Note 3: Detailed Notes on All Funds (Continued)

E. Long-term Debt

Governmental Activity Debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, general obligation bonds have been issued to refund both general obligation and revenue bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds currently outstanding are as follows:

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Equipment					
Certificates of 2013A	$ 860,000	2.00 - 3.00 %	08/01/13	02/01/23	$ 495,000
G.O. Bonds of 2015A	1,710,000	2.00 - 3.00	01/01/15	02/01/31	1,510,000
G.O. Bonds of 2016B	705,000	2.00	06/23/16	02/01/25	570,000
G.O. Bonds of 2017A	170,000	2.00 - 3.00	07/13/17	02/01/23	170,000
Total General Obligation Bonds					$ 2,745,000

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
2019	$ 370,000	$ 63,788	$ 433,788
2020	375,000	56,069	431,069
2021	385,000	48,100	433,100
2022	390,000	39,550	429,550
2023	250,000	31,763	281,763
2024 - 2028	585,000	103,011	688,011
2029 - 2031	390,000	17,850	407,850
Total	$ 2,745,000	$ 360,131	$ 3,105,131

Note 3: Detailed Notes on All Funds (Continued)

General Obligation Tax Increment Bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Tax Increment Revenues Bonds of 2011A	$ 1,265,000	0.70 - 2.70 %	09/15/11	02/01/23	$ 830,000
G.O. Tax Increment Revenues Bonds of 2017B	2,930,000	2.00 - 3.00	10/26/17	02/01/33	2,930,000
Total G.O. Tax Increment Bonds					$ 3,760,000

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
2019	$ 550,000	$ 86,035	$ 636,035
2020	575,000	74,665	649,665
2021	405,000	64,498	469,498
2022	170,000	58,075	228,075
2023	175,000	53,588	228,588
2024 - 2028	660,000	230,000	890,000
2029 - 2033	1,225,000	91,887	1,316,887
Total	$ 3,760,000	$ 658,748	$ 4,418,748

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	$ 2,695,000

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

Note 3: Detailed Notes on All Funds (Continued)

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

Year Ending December 31,	G.O. Tax Abatement Bonds Governmental Activities Principal	Interest	Total
2019	$ 115,000	$ 65,550	$ 180,550
2020	120,000	63,200	183,200
2021	120,000	60,800	180,800
2022	125,000	58,350	183,350
2023	125,000	55,850	180,850
2024 - 2028	670,000	240,000	910,000
2029 - 2033	750,000	157,550	907,550
2034 - 2037	670,000	40,950	710,950
Total	$ 2,695,000	$ 742,250	$ 3,437,250

General Obligation Special Assessment Bonds

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

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

Note 3: Detailed Notes on All Funds (Continued)

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

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

Note 3: Detailed Notes on All Funds (Continued)

Business-Type Activity Debt

General Obligation Revenue Bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Utility Revenue and Improvement Bonds of 2010B - Wastewater	$ 1,400,000	1.50 - 2.75 %	09/15/10	02/01/21	$ 450,000
G.O. Utility Revenue and Improvement Bonds of 2010B - Storm	1,365,000	1.50 - 2.75	09/15/10	02/01/21	450,000
G.O. Utility and Improvement Bonds of 2011A - Storm	925,000	0.50 - 4.00	09/15/11	02/01/27	600,000
G.O. Utility and Improvement Bonds of 2011A - Wastewater	960,000	0.50 - 4.00	09/15/11	02/01/27	625,000
G.O. Utility and Improvement Bonds of 2011B - Storm	335,000	0.50 - 4.00	10/01/11	02/01/27	220,000
G.O. Utility and Improvement Bonds of 2011B - Wastewater	205,000	0.50 - 4.00	10/01/11	02/01/27	135,000
G.O. Utility and Improvement Bonds of 2012A - Wastewater	1,775,000	2.00 - 2.55	06/01/12	02/01/28	1,235,000
G.O. Utility and Improvement Bonds of 2014C - Wastewater	1,420,000	2.00 - 3.00	07/23/14	02/01/25	1,025,000
G.O. Utility and Improvement Bonds of 2015B - Wastewater	860,000	3.00 - 4.00	07/22/15	02/01/24	665,000
G.O. Utility and Improvement Bonds of 2016B - Wastewater	305,553	2.00	06/23/16	02/01/25	269,473
G.O. Utility and Improvement Bonds of 2016B - Storm	1,049,447	2.00	06/23/16	02/01/25	925,527
G.O. Utility refunding Bonds of 2016D - Wastewater	3,630,000	2.00	06/23/16	02/01/27	3,305,000
G.O. Utility refunding Bonds of 2017B - Wastewater	1,140,000	2.00	06/23/16	02/01/25	1,140,000
G.O. Utility and Improvement Bonds of 2017A - Storm	85,000	2.00 - 3.00	07/13/17	02/01/23	85,000
G.O. Utility and Improvement Bonds of 2018A - Wastewater	619,850	3.13 - 4.00	07/25/18	02/01/34	619,850
G.O. Utility and Improvement Bonds of 2018A - Storm	631,542	3.13 - 4.00	07/25/18	02/01/34	631,542
Total G.O. Revenue Bonds					$ 12,381,392

Note 3: Detailed Notes on All Funds (Continued)

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

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

Revenue Bonds

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

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

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
2019	$ 205,000	$ 70,853	$ 275,853
2020	210,000	66,547	276,547
2021	215,000	61,822	276,822
2022	220,000	56,555	276,555
2023	225,000	50,835	275,835
2024 - 2028	1,220,000	155,110	1,375,110
2029	265,000	8,216	273,216
Total	$ 2,560,000	$ 469,938	$ 3,029,938

Note 3: Detailed Notes on All Funds (Continued)

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

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

Changes in Long-term Liabilities

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

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

Note 3: Detailed Notes on All Funds (Continued)

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

Conduit Debt Obligations

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

At December 31, 2018 the following conduit debt existed:

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

Note 3: Detailed Notes on All Funds (Continued)

Component Unit Debt Activity

Revenue Bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Utility Revenue Bonds,					
Series 2009	$ 5,000,000	3.69 %	04/28/09	07/01/24	$ 2,330,000
Series 2010	6,635,000	2.80	11/18/10	07/01/25	3,450,000
Series 2011	4,290,000	2.79	11/10/11	07/01/22	2,505,000
Series 2012 Refunding	2,320,000	1.28	06/01/12	07/01/19	360,000
Series 2012	5,500,000	2.31	06/01/12	07/01/27	3,495,000
Series 2013	6,355,000	3.14	12/18/13	07/01/28	4,460,000
Series 2014	4,025,000	3.04	04/24/14	07/01/29	3,130,000
Series 2016	7,310,000	1.51	04/21/16	07/01/23	5,450,000
Total Revenue Bonds					$ 25,180,000

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

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

General Obligation Bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Capital Improvement of 2010A	$ 1,150,000	2.00 - 3.30 %	9/15/2010	02/01/26	$ 565,000

Note 3: Detailed Notes on All Funds (Continued)

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

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

Changes in Long-term Liabilities

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

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

Note 4: Defined Benefit Pension Plan - Statewide

A. Plan Description

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

General Employees Retirement Fund (GERF)

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

Public Employees Police and Fire Fund (PEPFF)

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

B. Benefits Provided

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

GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. Members hired prior to July 1, 1989 receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for average salary for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.

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

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

PEPFF Benefits

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

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

C. Contributions

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

GERF Contributions

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

PEPFF Contributions

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

D. Pension Costs

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

At December 31, 2018, the City reported a liability of $4,144,050 for its proportionate share of the GERF's net pension liability of which the Marshall-Lyon County Library's portion was calculated at $440,624. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million to the fund in 2018. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled $135,844. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017 through June 30, 2018 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportionate share was 0.0747 percent which was a decrease of 0.0010 percent from its proportion measured as of June 30, 2017. The Marshal-Lyon County Library's proportionate share was calculated at 0.0079 percent at June 30, 2018 which was a decrease of 0.0004 percent from its proportion measured as of June 30, 2017. For the year ended December 31, 2018, the City recognized pension expense of $146,295 for its proportionate share of GERF's pension expense.

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

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

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

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

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

GERF Pension Costs - Marshall Municipal Utilities

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

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

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

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

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

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

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

PEPFF Pension Costs

At December 31, 2018, the City reported a liability of $1,578,593 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017 through June 30, 2018 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportionate share was 0.1481 percent which was a 0.0049 percent decrease from its proportion measured as of June 30, 2017.

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

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

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

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

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

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

E. Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

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

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

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

The following changes in actuarial assumptions occurred in 2018:

GERF

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

PEPFF

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Stocks	36.00 %	5.10 %
International Stocks	17.00	5.30
Bonds (Fixed Income)	20.00	0.75
Alternative Assets (Private Markets)	25.00	5.90
Cash	2.00	-
Total	100.00 %	

F. Discount Rate

The discount rate used to measure the total pension liability in 2018 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the GERF and PEPFF were projected to be available to make all projected future benefit payments of current plan member. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

G. Pension Liability Sensitivity

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

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

	City Proportionate Share of NPL		
	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
PEPFF			
Primary Government	$ 3,384,603	$ 1,578,593	$ 85,098

H. Pension Plan Fiduciary Net Position

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

Note 5: Defined Contribution Plan

There are 5 City Council members covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by PERA. The PEDCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

The defined contribution plan consists of individual accounts paying a lump-sum benefit. Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses, therefore, there is no future liability to the employer. Minnesota statutes, chapter 353d.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees contributions must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.0 percent of employer contributions and twenty-five hundredths of 1.0 percent (0.25 percent) of the assets in each member's account annually.

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

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

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

Note 6: Defined Benefit Pension Plan - Fire Relief Association

A. Plan Description

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

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

B. Benefits Provided

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

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

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

C. Contributions

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

D. Pension Costs

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

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

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

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

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

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

E. Actuarial Assumptions

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

Retirement eligibility at the later of age 50 or after completion of 20 years of service, if a member is both age 50 and has completed 10 years of service, but not 20 years of service, the lump sum pension will be reduced by 4% for each year of service less than 20 years.	
Discount Rate	6.75%
Expected Long-term Rate of Return on Assets	6.75%
Investment Rate of Return	6.75%
20 Year Municipal Bond Yield	3.71%
Inflation Rate	2.75%

There were no changes in actuarial assumptions in 2018.

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

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equities	60.00 %	5.39 %
Fixed Income	30.00	1.98
Real Estate and Alternatives	5.00	4.25
Cash and Equivalents	5.00	0.79
Total	100.00 %	

F. Discount Rate

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

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

G. Pension Liability Sensitivity

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

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

H. Pension Plan Fiduciary Net Position

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

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

Component Unit Pension Information

Qualified employees of the Marshall Housing Commission (the Commission), a discrete component unit of the City, belong to the Housing Renewal and Local Agency Retirement Plan, which is a defined contribution retirement plan. The retirement plan is a national plan with local or regional housing authorities and commissions, urban renewal agencies and other organizations eligible to participate. Required contributions were made by the Commission to the Housing Renewal and Local Agency Retirement Plan. The Commission's pension contributions for the years ending December 31, 2018, 2017 and 2016 were $8,106, $7,813 and $7,835, respectively.

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

Note 8: Postemployment Benefits Other Than Pensions

A. Plan Description

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

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

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	13
Active Plan Members	92
Total Plan Members	105

B. Funding Policy

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

Note 8: Postemployment Benefits Other Than Pensions (Continued)

C. Actuarial Methods and Assumptions

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

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

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

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

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

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

D. Changes in the Total OPEB Liability

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

Note 8: Postemployment Benefits Other Than Pensions (Continued)

Changes in the total OPEB liability for the MMU:

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

Since the prior measurement date, the following assumptions changed:

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

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

E. Sensitivity of the Total OPEB Liability

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

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

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

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

Note 8: Postemployment Benefits Other Than Pensions (Continued)

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

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

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

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

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

For the year ended December 31, 2018, the City recognized OPEB expense of $25,842. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Actuarial Assumptions	$ 15,291	$ -
Contributions to OPEB Subsequent to the Measurement Date	24,752	-
Total	$ 40,043	$ -

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

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

Note 8: Postemployment Benefits Other Than Pensions (Continued)

For the year ended December 31, 2018, the MMU recognized OPEB expense of $23,033. At December 31, 2018, the MMU reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Actuarial Assumptions	$ 12,296	$ -
Contributions to OPEB Subsequent to the Measurement Date	14,538	-
Total	$ 26,834	$ -

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

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

Note 9: Other Information

A. Risk Management

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

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

B. Commitments and Contingencies

Grants

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

Note 9: Other Information (Continued)

Claims and Litigation

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

Tax Increment Districts

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

Component Units

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

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

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

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

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

C. Major Customers

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

D. Dark Fiber Agreement

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

E. Legal Debt Margin

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

Note 9: Other Information (Continued)

F. Concentrations

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

G. Transactions Between the Primary Government and its Component Unit

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

Note 10: Subsequent Event

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

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

Note 11: Prior Period Restatement

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

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

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

Fund	Net Position January 1, 2018 as Previously Reported (December 31, 2018)	Prior Period Restatement	Net Position January 1, 2018 as Restated
Governmental Activities	$ 81,461,909	$ (2,367,026)	$ 79,094,883
Business-type Activities	$ 29,106,028	$ (7,525)	$ 29,098,503
Business-type Activities			
Wastewater Treatment	$ 17,973,530	$ (7,499)	$ 17,966,031
Municipal Liquor Store	1,695,671	(26)	1,695,645
Parkway Townhomes	21,746	-	21,746
Surface Water Management	8,415,081	-	8,415,081
Total Business-type Activities	$ 28,106,028	$ (7,525)	$ 28,098,503
Component Units			
Marshall-Lyon County Library	$ 5,355,016	$ 8,498	$ 5,363,514

	Adjustment/ Restatement
Government-wide Statements	
Governmental activities	
To restate beginning OPEB liability	$ (83,388)
To write off special assessments on City owned property, subsequently sold and forgiven	(2,283,638)
Total Governmental Activities	$ (2,367,026)
Business-type activities	
Sewer	
To restate beginning OPEB liability	$ (7,499)
Liquor	
To restate beginning OPEB liability	(26)
Total Business-type Activities	$ (7,525)
Marshall-Lyon County Library	
To restate beginning OPEB liability	$ 8,498

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

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

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

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

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

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

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

Notes to the Required Supplementary Information - General Employees Retirement Fund

Changes in Actuarial Assumptions

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

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

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

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

Changes in Plan Provisions

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

2015 - On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised.

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

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

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

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

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

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

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

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

Changes in Actuarial Assumptions

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

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

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

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

Changes in Plan Provisions

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

2015 - On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised.

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

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

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

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

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

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

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

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

Changes in Actuarial Assumptions

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

2017 - Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members. The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. Assumed percentage of married female members was decreased from 65 percent to 60 percent. Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. The assumed percentage of female members electing joint and survivor annuities was increased. The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter. The single discount rate was changed from 5.6 percent to 7.5 percent.

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

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

Changes in Plan Provisions

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

Schedule Employer's Fire Relief Association Contributions

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

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

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

	2018 (Fire Relief Report Date 2017)	2017 (Fire Relief Report Date 2016)	2016 (Fire Relief Report Date 2015)	2015 (Fire Relief Report Date 2014)
Total Pension Liability				
Service cost	$ 131,058	$ 138,841	$ 151,873	$ 128,480
Interest	173,655	234,533	206,225	203,955
Changes of benefit terms	-	-	88,384	59,012
Differences between expected and actual experience	-	(504,956)	-	-
Changes of assumptions	-	(579)	(44,795)	34,723
Benefit payments, including refunds of employee contributions	(867,453)	(656,455)	(45,890)	(254,609)
Net Change in Total Pension Liability	(562,740)	(788,616)	355,797	171,561
Total Pension Liability - January 1	2,875,329	3,663,945	3,308,148	3,136,587
Total Pension Liability - December 31 (A)	$ 2,312,589	$ 2,875,329	$ 3,663,945	$ 3,308,148
Plan Fiduciary Net Position				
Contributions - employer	$ 108,906	$ 156,757	$ 124,166	$ 103,127
Contributions - donations and other income	8,454	-	-	-
Net investment income	(147,725)	514,498	269,176	(45,718)
Benefit payments, including refunds of employee contributions	(867,453)	(656,455)	(45,890)	(254,609)
Administrative expense	(9,975)	(9,152)	(8,530)	(11,275)
Net Change in Plan Fiduciary Net Position	(907,793)	5,648	338,922	(208,475)
Plan Fiduciary Net Position - January 1	3,556,274	3,550,626	3,211,704	3,420,179
Plan Fiduciary Net Position - December 31 (B)	$ 2,648,481	$ 3,556,274	$ 3,550,626	$ 3,211,704
Fire Relief's Net Pension Liability (Asset) - December 31 (A-B)	$ (335,892)	$ (680,945)	$ 113,319	$ 96,444
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (B/A)	114.52%	123.68%	96.91%	97.08%
Covered-employee Payroll	N/A	N/A	N/A	N/A
Fire Relief's Net Pension Liability (Asset) as a Percentage of Covered-employee Payroll	N/A	N/A	N/A	N/A

Notes to Schedule:
Benefit Changes. None in 2018.

Changes of Assumptions. None in 2018.

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

Notes to the Required Supplementary Information - Fire Relief Association

Changes in Actuarial Assumptions

2018 - No changes in assumptions.

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

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

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

Benefit Changes:
In 2018, there were no benefit changes that occurred.

Changes in Assumptions:
In 2018, the following assumptions changes:
The discount rate was changed from 3.81% to 3.31%.

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

PROPOSAL SALE DATE: January 28, 2020

City of Marshall, Minnesota

$6,500,000* General Obligation Capital Improvement Plan Bonds, Series 2020A

For the Bonds of this Issue which shall mature and bear interest at the respective annual rates, as follow, we offer a price of $_________________ (which may not be less than $6,500,000 (Par)) plus accrued interest, if any, to the date of delivery.

Year	Interest Rate (%)	Yield (%)	Dollar Price	Year	Interest Rate (%)	Yield (%)	Dollar Price
2021	_______%	_______%	_______%	2031	_______%	_______%	_______%
2022	_______%	_______%	_______%	2032	_______%	_______%	_______%
2023	_______%	_______%	_______%	2033	_______%	_______%	_______%
2024	_______%	_______%	_______%	2034	_______%	_______%	_______%
2025	_______%	_______%	_______%	2035	_______%	_______%	_______%
2026	_______%	_______%	_______%	2036	_______%	_______%	_______%
2027	_______%	_______%	_______%	2037	_______%	_______%	_______%
2028	_______%	_______%	_______%	2038	_______%	_______%	_______%
2029	_______%	_______%	_______%	2039	_______%	_______%	_______%
2030	_______%	_______%	_______%	2040	_______%	_______%	_______%

Designation of Term Maturities

Years of Term Maturities _______________ _______________

_______________ _______________

In making this offer on the sale date of January 28, 2020 we accept all of the terms and conditions of the Terms of Proposal published in the Preliminary Official Statement dated January 9, 2020 including the City's right to modify the principal amount of the Bonds. (See "Terms of Proposal" herein.) In the event of failure to deliver these Bonds in accordance with said Terms of Proposal, we reserve the right to withdraw our offer, whereupon the deposit accompanying it will be immediately returned. All blank spaces of this offer are intentional and are not to be construed as an omission.

By submitting this proposal, we confirm that we have an established industry reputation for underwriting municipal bonds such as the Bonds.

Not as a part of our offer, the above quoted prices being controlling, but only as an aid for the verification of the offer, we have made the following computations:

NET INTEREST COST: $____________________________

TRUE INTEREST RATE: ______________ %

The Bidder ☐ will not ☐ will purchase municipal bond insurance from _________________.

Account Members

____
Account Manager

By: ___________________________

Phone: _________________________

The foregoing proposal has been accepted by the City

Attest: _______________________________ Date: _________________________________

* *Preliminary; subject to change.*

Phone: 651-223-3000
Fax: 651-223-3046
Email: bondservice@bakertilly.com