

**CITY OF MARSHALL  
CALHOUN COUNTY, MICHIGAN  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2016**



# **CITY OF MARSHALL, MICHIGAN**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

FOR THE YEAR ENDED JUNE 30, 2016

Prepared by: Finance Department

### **Finance Director**

Jon Bartlett

### **Treasurer**

William Dopp

### **Staff**

Julie Cain-Derouin, Assessor

Kate Chism, Utility Billing

*Position Currently Open*, Receptionist / Cashier

Cassandra Heitfeld, Payroll / Accounting Clerk

Christy Ramey, Purchasing Agent

Cindy Tanner, Accountant

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## **INTRODUCTORY SECTION**



November 30, 2016

To the Honorable Mayor & City Council, and Citizens of the City of Marshall:

State law requires that every general purpose local government publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ending June 30, 2016.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Gabridge & Company, PLC Certified Public Accountants, have issued an unmodified (“clean”) opinion on the City of Marshall’s financial statements for the year ending June 30, 2016. The independent auditor’s report is located at the front of the financial section of this report.

Management’s discussion and analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

### **Profile of the Government**

The City of Marshall, founded in 1830, is located in the south-central part of the state. It currently occupies approximately 7.5 square miles and, according to the 2010 US Census, serves a population of 7,094. The City of Marshall is empowered to levy a property tax on real & personal property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation and PA 425 Conditional Land Transfers, which it has done from time to time.

The City of Marshall operates under the Mayor-Council form of government. Policy-making and legislative authority are vested in the governing council (Council) consisting of the Mayor and six other members. Council members serve four-year terms, with three members elected every two years. The Mayor is elected for a two-year term. The Mayor, with Council approval, appoints the Marshall City Manager, who in turn appoints City department heads and directors. The City Attorney is appointed by the Mayor, with Council approval.

The City of Marshall provides a full range of services, including police and fire protection; snow and leaf removal; traffic control; on- and off-street parking; building inspections; licenses and permits; the construction and maintenance of streets, and other infrastructure; recreational and cultural activities; Federal

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subsidized housing; and transit services. The City of Marshall is a public power community, providing electric, water, and wastewater services to the City and surrounding townships.

The Council is required to adopt an initial budget for the fiscal year no later than the first meeting in June preceding the beginning of the fiscal year on July 1. This annual budget serves as the foundation for the City of Marshall's financial planning and control. The budget is prepared by fund (e.g., general fund), function (e.g., general government), and department (e.g., police). Department heads may request transfers of resources within a department as they see fit. Transfers between departments, however, need approval from City Council.

### **Local Economy**

The City of Marshall is a rural metropolitan area located near the intersection of two major interstates. The City of Marshall is the home for many corporations, and functions as a central shopping area for the surrounding community. Major industries located within the government's boundaries or in close proximity include hospitals, computer hardware and software support firms, automotive supply and other assorted manufacturing, retail stores, and several financial institutions and insurance agencies. Marshall School district and the City of Marshall also have a significant economic presence, employing nearly 300 teachers, professionals, and support staff.

Because of its varied economic base, unemployment has been relatively stable except during the three years between 2009 and 2011. During the past ten years, the unemployment rate rose from an initial low of 6.9 percent (2004) to a decade high of 11.4 percent in the year 2009. The City of Marshall continues to experience unemployment rates consistently lower than state and national averages. According to Homefacts.com, the City of Marshall's unemployment rate was 3.9% compared to 5.9% nationally and 4.4% for the State of Michigan.

According to Homefacts.com, the City's median family income was \$43,809, compared to the national average of \$53,657. The City's population remains steady at 7,094. Despite the softening of the housing market, housing values in the vicinity of the City of Marshall continue to remain strong due to a short supply of houses for sale. The median value of an owner occupied home in the City of Marshall was \$109,000, as compared to \$96,000 for Calhoun County overall and \$126,000 for the State of Michigan.

Due to its strong and healthy local economy, the City of Marshall received a credit rating of AA- from Standard & Poor's Service in 2014, an increase from A+ in the prior period.

Over the past year, the City experienced a comfortable period of economic growth and investment. Currently there are three downtown rehabilitation projects converting obsolete or underutilized building into mixed use commercial and residential housing.



During the past ten years, the government's expenditures related to public safety have increased not only in amount, but also as a percentage of total expenditures in the general fund, currently at 38.8%. Much of this increase reflects a regional trend that has seen the salaries and benefits of police and firefighters growing at a much faster rate than those of other categories of public-sector employees.

### **Long-term Financial Planning and Major Initiatives**

City Council and Administrative Staff are in process of developing a six-year budget model for all funds and activities. This budget model is being built with parameters set forth by Council and staff that were discussed over several work sessions, and is a continuous work in progress.

As part of its strategic plan, the Council also envisions the continued revitalization of Marshall's Downtown corridor and expansion of the City's Industrial Park. A close working relationship with the Marshall Area Economic Development Alliance (MAEDA) is intended to assure that the needs of the community and the city are both accomplished.

As previously mentioned, the City of Marshall has undergone a recent period of comfortable growth and expansion, as reflected by 23+ residential building permits being issued in 2014 for single and multi-unit families. New residential development in and around the downtown area has been positive, with new commercial and rental units being constructed and/or approved.

As an example of the aforementioned development, this past year and a half the City sold a city owned vacant three story building in the downtown area to a private investor. The rehabilitation of this building will be completed with a pub style restaurant, 7 apartments, and 2 boutique hotel suites.

The City of Marshall operates a senior residence facility called Marshall House. The facility receives rent subsidies through the U.S. Department of Housing and Urban Development to offset reduced rents for qualified residents. In 2015, Marshall House conducted a Rent Comparability Study that was approved by the Department of Housing and Urban Development (HUD) that will ensure the viability of Marshall House for the near term future. The facility is presently in the process of installing two new elevators at the facility.

The City of Marshall maintains a six-year Capital Improvement Program which serves as its planning document to ensure that its facilities, equipment, and infrastructure are well maintained and operating in peak condition. This process gives the City of Marshall the ability to plan for its capital needs and allocate short and long-term resources appropriately. As part of this process, the government identifies and quantifies the operational costs associated with the City's capital projects and budgets resources accordingly. The City of Marshall maintains a vehicle replacement policy which serves as its fleet replacement guide over a ten-year period. In the fiscal year ending June 30, 2016, the City completed construction of the Marshall Regional Law Enforcement Center (MRLEC) at a cost of \$11.8 million. The Regional Law Enforcement Center is a cooperative

project with Calhoun County and the State of Michigan. While the City will own the structure, long-term lease agreements with the County and State will provide for sharing of operational costs. The fiscal year 2016-2017 Capital Improvement Program anticipates \$5.77 million in capital projects for vehicle replacement, equipment maintenance, and infrastructure upgrades. In addition to these capital projects, there is approximately \$3.5 million being utilized for the construction and completion of the Brewer Street Electric Substation.

### **Relevant Financial Policies**

The City of Marshall has adopted a comprehensive set of financial policies. The Marshall City Council reviewed and adopted new financial policies in February of the fiscal year. These policies include the Investment Policy, Fund Balance Reserves Policy, Debt Management Policy, and the Capital Improvement Program Policy. In addition, City administration has recently adopted a new City Credit Card Policy and a new Fixed Asset and Capital Purchase Policy.

### **Awards and Acknowledgements**

#### ***Certificate of Achievement***

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for excellence in Financial Reporting to the City of Marshall, Michigan for its comprehensive annual financial report for the fiscal year ended June 30, 2015. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local governmental financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Marshall has received a Certificate of Achievement for the past two consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

*Acknowledgements*

The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the City of Marshall. We wish to thank all departments for their assistance in providing the data necessary to prepare this report. Credit also is due to the Mayor and the Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Marshall's finances.

Respectfully submitted,

Tom Tarkiewicz, City Manager      Jon B. Bartlett, Finance Director

*(Signatures withheld for security purposes)*

# **CITY OF MARSHALL, MICHIGAN**

## **ELECTED AND APPOINTED OFFICIALS**

FOR THE YEAR ENDED JUNE 30, 2016

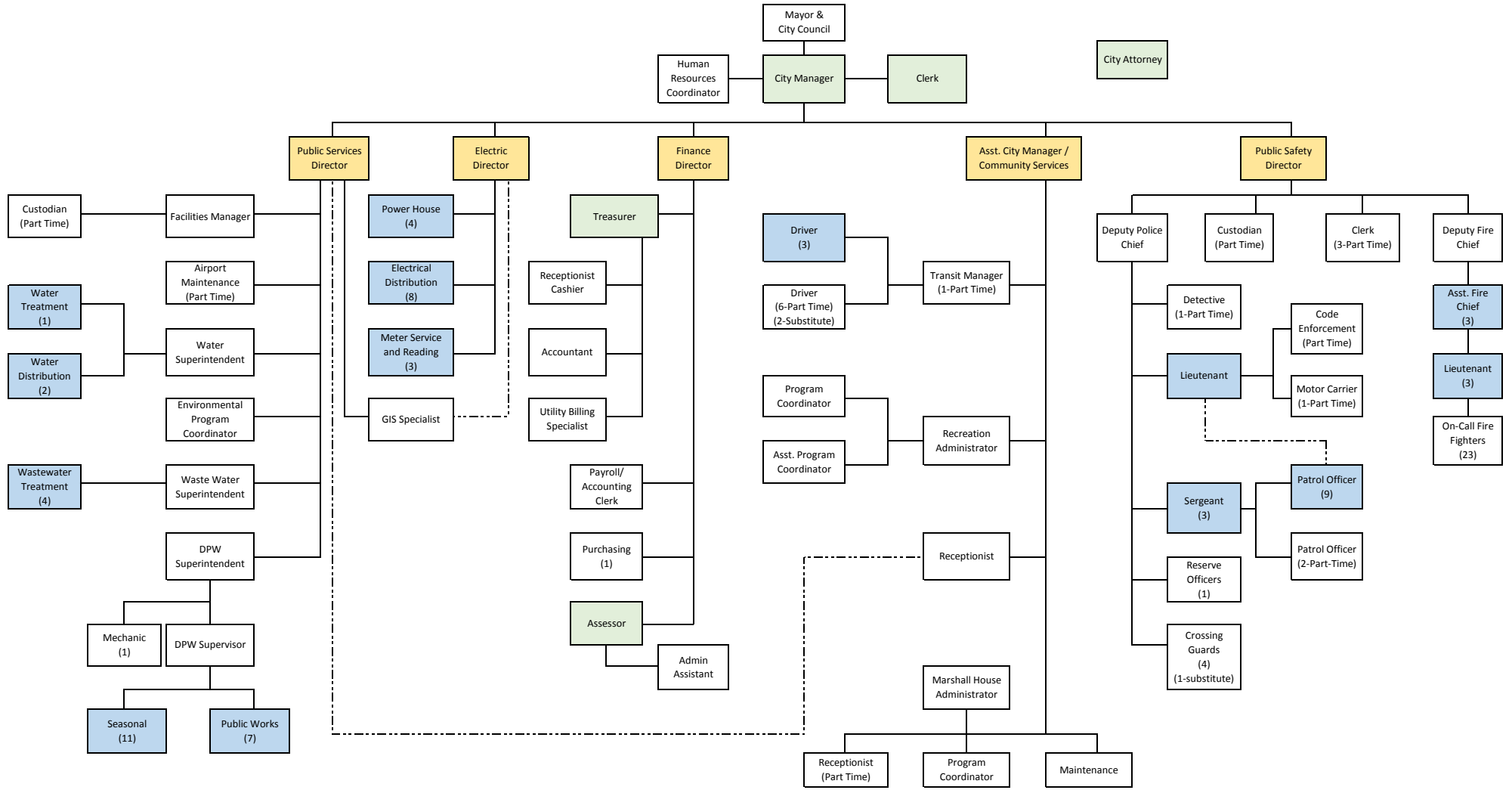
### **Elected Officials**

Jack Reed	Mayor
Kari Schurig	Ward 1 Councilmember
Nick Metzger	Ward 2 Councilmember
Brent Williams	Ward 3 Councilmember
Michael McNeil	Ward 4 Councilmember
Jon Gerten	Ward 5 Councilmember
Kathy Miller	At-Large Councilmember

### **Appointed Officials**

Tom Tarkiewicz	City Manager
Trisha Nelson	City Clerk
William Dopp III	Treasurer
Julie Cain-Derouin	Assessor
James Dyer	City Attorney

# City of Marshall - Organization Chart



	City Council Appointed
	Director Team
	Union Employees



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Marshall  
Michigan**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

Executive Director/CEO

## **FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council  
City of Marshall, Michigan

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Marshall, Michigan (the "City") as of and for the year ended June 30, 2016, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Marshall, Michigan, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the pension and OPEB schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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, combining and individual nonmajor fund financial statements, statistical section, and Dial-A-Ride transportation fund transit schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections, along with the Dial-A-Ride transportation fund transit schedules, have 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 them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2016, on our consideration of the City of Marshall, Michigan'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Marshall, Michigan's internal control over financial reporting and compliance

A handwritten signature in cursive script that reads "Gabridge & Company". The signature is written in dark ink and is positioned above the typed name of the firm.

Gabridge & Company, PLC  
Grand Rapids, Michigan  
November 30, 2016

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Management's Discussion and Analysis

As management for the City of Marshall, Michigan (the "City" or "government"), 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 June 30, 2016. We encourage readers to consider the information presented here in conjunction with the basic financial statements.

### Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$35,334,403 (net position).
- The government's total net position decreased by \$7,139,495.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,489,368, a decrease of \$2,584,898 in comparison with the prior year. Approximately 40 percent of this total amount, or \$1,800,039, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,800,039, or 28% of total general fund expenditures.

### 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 are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**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, deferred outflows of resources, 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 government'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., earned but unused vacation leave and long-term debt obligations).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*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, parks and recreation, and community development. The business-type activities of the City include electric, wastewater, water, public transit, and public housing.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also legally separate entities 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 Building Authority, although also legally separate, functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

**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 of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds 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 eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

**Proprietary funds.** The City maintains two different types of proprietary funds. *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 the electric, wastewater, water, Dial-A-Ride, and public housing (Marshall House) funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses *internal service funds* to account for its motor pool, employee safety services, and data processing/computer technology. The internal service funds have been included within governmental activities in the government-wide financial statements.

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 the electric, wastewater, and water funds which are considered to be major funds of the City. Conversely, non-major enterprise funds and internal service funds are combined into single, aggregate presentations in the proprietary fund financial statements.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. 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.

**Notes to the 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.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents the combining statements referred to earlier in connection with nonmajor funds, along with budgetary and pension / OPEB schedules.

## 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 \$35,334,403 at the close of the most recent fiscal year. The following chart illustrates the composition of net position:

**City of Marshall**  
**Statement of Net Position as of June 30, 2016 and June 30, 2015**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
<b>ASSETS</b>						
<i>Current Assets</i>						
Cash and Cash Equivalents	\$ 1,559,595	\$ 4,140,742	\$ 1,235,633	\$ 2,648,869	\$ 2,795,228	\$ 6,789,611
Investments	3,845,262	4,142,097	1,994,898	2,415,816	5,840,160	6,557,913
Accounts Receivable	94,870	55,288	699,163	929,527	794,033	984,815
Due from Other Governments	125,309	1,177,048	2,984	95,162	128,293	1,272,210
Inventories and Prepays	138,577	104,384	897,060	950,927	1,035,637	1,055,311
<b>Total Current Assets</b>	<b>5,763,613</b>	<b>9,619,559</b>	<b>4,829,738</b>	<b>7,040,301</b>	<b>10,593,351</b>	<b>16,659,860</b>
<i>Noncurrent Assets</i>						
Restricted Cash and Cash Equivalents	-	-	844,514	843,583	844,514	843,583
Capital Assets not being Depreciated	3,004,378	11,314,916	1,536,930	274,780	4,541,308	11,589,696
Capital Assets being Depreciated	29,000,463	17,353,505	17,362,082	17,251,113	46,362,545	34,604,618
Special Assessments Receivable	-	-	-	134,465	-	134,465
Investment in MSCPA	-	-	5,191,808	10,477,877	5,191,808	10,477,877
<b>Total Assets</b>	<b>37,768,454</b>	<b>38,287,980</b>	<b>29,765,072</b>	<b>36,022,119</b>	<b>67,533,526</b>	<b>74,310,099</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Pension	1,725,303	339,339	1,520,606	299,078	3,245,909	638,417
Deferred Charge on Refunding	50,588	62,572	27,271	34,471	77,859	97,043
<b>Total Deferred Outflows of Resources</b>	<b>1,775,891</b>	<b>401,911</b>	<b>1,547,877</b>	<b>333,549</b>	<b>3,323,768</b>	<b>735,460</b>
<b>LIABILITIES</b>						
<i>Current Liabilities</i>						
Accounts Payable	402,419	1,359,196	1,579,426	1,248,470	1,981,845	2,607,666
Accrued Payroll	64,100	172,482	44,243	131,181	108,343	303,663
Accrued Interest	72,163	78,142	62,805	69,595	134,968	147,737
Current Portion of Compensated Absences	69,730	70,854	53,320	48,554	123,050	119,408
Current Portion of Long-term Debt	731,433	591,824	793,456	815,000	1,524,889	1,406,824
Unearned Revenue	31,040	41,831	-	12,235	31,040	54,066
<b>Total Current Liabilities</b>	<b>1,370,885</b>	<b>2,314,329</b>	<b>2,533,250</b>	<b>2,325,035</b>	<b>3,904,135</b>	<b>4,639,364</b>
<i>Noncurrent Liabilities</i>						
Net Other Post-employment Benefit Obligation	1,484,014	1,127,766	1,575,808	1,197,524	3,059,822	2,325,290
Net Pension Liability	7,174,285	5,154,934	6,323,101	4,543,331	13,497,386	9,698,265
Compensated Absences	209,189	212,561	159,953	145,662	369,142	358,223
Long-term Debt	7,985,757	8,343,842	6,685,796	7,206,677	14,671,553	15,550,519
<b>Total Liabilities</b>	<b>18,224,130</b>	<b>17,153,432</b>	<b>17,277,908</b>	<b>15,418,229</b>	<b>35,502,038</b>	<b>32,571,661</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Pension	11,084	-	9,769	-	20,853	-
<b>Total Deferred Inflows of Resources</b>	<b>11,084</b>	<b>-</b>	<b>9,769</b>	<b>-</b>	<b>20,853</b>	<b>-</b>
<b>NET POSITION</b>						
Net Investment in Capital Assets	23,338,239	21,390,237	11,447,031	9,538,687	34,785,270	30,928,924
Restricted	2,292,920	4,086,071	844,514	843,583	3,137,434	4,929,654
Unrestricted	(4,322,028)	(3,939,849)	1,733,727	10,555,169	(2,588,301)	6,615,320
<b>Total Net Position</b>	<b>\$ 21,309,131</b>	<b>\$ 21,536,459</b>	<b>\$ 14,025,272</b>	<b>\$ 20,937,439</b>	<b>\$ 35,334,403</b>	<b>\$ 42,473,898</b>

By far the largest portion of the City's net position (\$34,785,270, or 98%), reflects its investment in capital assets (such as land, buildings, vehicles, equipment, systems and infrastructure), less any related outstanding debt used to acquire those assets. 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.

An additional portion of the City's net position (\$3,137,434, or 9%), represents resources that are subject to external restrictions on how they may be used. The remaining balance is a deficit unrestricted net position of (\$2,588,301).

The government's net position decreased by \$7,139,495 during the current fiscal year as compared to an increase of \$7,102,475 for the prior year. The reasons for this overall increase, as well as the reasons for significant changes in the City's assets and liabilities, are discussed in the following sections for governmental activities and business-type activities.

**City of Marshall**  
**Change in Net Position for Fiscal Years Ended June 30, 2016 and June 30, 2015**

	Governmental Activities		Business-type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
<b>Revenue</b>						
<b>Program Revenues</b>						
Charges for Services	\$ 1,056,917	\$ 923,135	\$ 15,388,650	\$ 17,173,985	\$ 16,445,567	\$ 18,097,120
Operating Grants and Contributions	1,360,797	985,757	602,441	486,803	1,963,238	1,472,560
Capital Grants and Contributions	861,121	8,068,221	171,581	65,052	1,032,702	8,133,273
<b>Total Program Revenues</b>	<u>3,278,835</u>	<u>9,977,113</u>	<u>16,162,672</u>	<u>17,725,840</u>	<u>19,441,507</u>	<u>27,702,953</u>
<b>General Revenues</b>						
Property Taxes	3,713,910	3,672,699	93,691	91,882	3,807,601	3,764,581
Intergovernmental	647,700	653,948	-	-	647,700	653,948
Investment Earnings	19,200	19,120	26,379	22,111	45,579	41,231
Gain (Loss) on Sale of Capital Assets	-	(278,809)	-	14,471	-	(264,338)
Transfers	1,284,794	1,276,620	(1,284,794)	(1,276,620)	-	-
<b>Total General Revenues</b>	<u>5,665,604</u>	<u>5,343,578</u>	<u>(1,164,724)</u>	<u>(1,148,156)</u>	<u>4,500,880</u>	<u>4,195,422</u>
<b>Total Revenues</b>	<u>8,944,439</u>	<u>15,320,691</u>	<u>14,997,948</u>	<u>16,577,684</u>	<u>23,942,387</u>	<u>31,898,375</u>
<b>Expenses</b>						
General Government	2,375,248	1,927,654	-	-	2,375,248	1,927,654
Public Safety	3,608,123	3,151,608	-	-	3,608,123	3,151,608
Public Works	2,145,946	2,331,817	-	-	2,145,946	2,331,817
Recreation and Culture	599,585	593,371	-	-	599,585	593,371
Community Development	146,387	202,552	-	-	146,387	202,552
Interest on Long-term Debt	296,478	318,524	-	-	296,478	318,524
Electric	-	-	17,440,376	12,301,471	17,440,376	12,301,471
Wastewater	-	-	1,760,453	1,600,776	1,760,453	1,600,776
Water	-	-	1,549,304	1,333,100	1,549,304	1,333,100
DART	-	-	533,012	416,893	533,012	416,893
Marshall House	-	-	626,970	618,134	626,970	618,134
<b>Total Expenses</b>	<u>9,171,767</u>	<u>8,525,526</u>	<u>21,910,115</u>	<u>16,270,374</u>	<u>31,081,882</u>	<u>24,795,900</u>
<b>Change in Net Position</b>	<u>(227,328)</u>	<u>6,795,165</u>	<u>(6,912,167)</u>	<u>307,310</u>	<u>(7,139,495)</u>	<u>7,102,475</u>
<i>Net Position at the Beginning of Period - Restated</i>	21,536,459	14,741,294	20,937,439	20,630,129	42,473,898	35,371,423
<b>Net Position at the End of Period</b>	<u>\$ 21,309,131</u>	<u>\$ 21,536,459</u>	<u>\$ 14,025,272</u>	<u>\$ 20,937,439</u>	<u>\$ 35,334,403</u>	<u>\$ 42,473,898</u>

**Governmental activities.** Governmental activities decreased the City's net position by \$227,328 (as compared to a prior year increase of \$6,795,165), resulting from the following significant items:

- Property taxes increased from the previous year from \$3,672,699 to \$3,713,910. The City expects property tax revenues to remain at similar levels for the upcoming fiscal year.
- Capital grants and contributions for the Marshall Regional Law Enforcement Center



decreased from \$8,068,221 in fiscal year 2015 to \$861,121 for the current year ending June 30, 2016. This decrease is attributable to the completion of the Law Enforcement Center that opened on October 1, 2015

- The \$861,121 of capital grants and contributions received during the year were the most significant reason for a decrease of only \$227,328 in net position for governmental activities. All of the capital grants and contributions were invested in capital assets leading to an increase in net investment in capital assets of \$1,948,002 during the year. This is also the reason that total net position decreased by only \$227,328 while unrestricted net position increased from a deficit of \$3,939,849 as of June 30, 2015 to a deficit of \$4,322,028 as of June 30, 2016.
- Due from other governments decreased from \$1,177,048 as of June 30, 2015 to \$125,309 as of June 30, 2016. This is mainly due to the completion of the Marshall Regional Law Enforcement Center, hence a reduction in the receivable from the State of Michigan and Calhoun County.
- Accounts payable decreased from \$1,359,196 as of June 30, 2015 to \$402,419 as of June 30, 2016 as a result of the completion of the Marshall Regional Law Enforcement Center.

**Business-type activities.** Business-type activities decreased the City's net position by \$6,912,167 as compared to an increase of \$307,310 the prior year. The significant changes amongst the enterprise funds are discussed in the proprietary funds paragraphs in the following section.

### **Financial Analysis of the Government'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.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,489,368, a decrease of \$2,584,898 in comparison with the prior year. Approximately 40% of this total amount, or \$1,800,039, constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is *nonspendable, restricted, or committed* to indicate the degree to which those monies are available for the identified purposes.

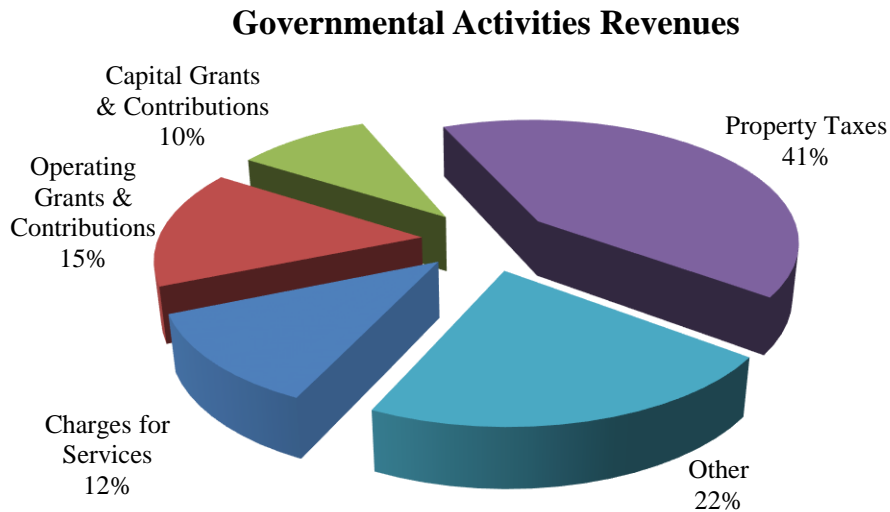
The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,800,039, while the total fund balance was \$2,069,277. As a measure of the general fund's liquidity, it may be useful to compare both

unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 28 percent of total general fund expenditures, while total fund balance represents approximately 32 percent of that same amount.

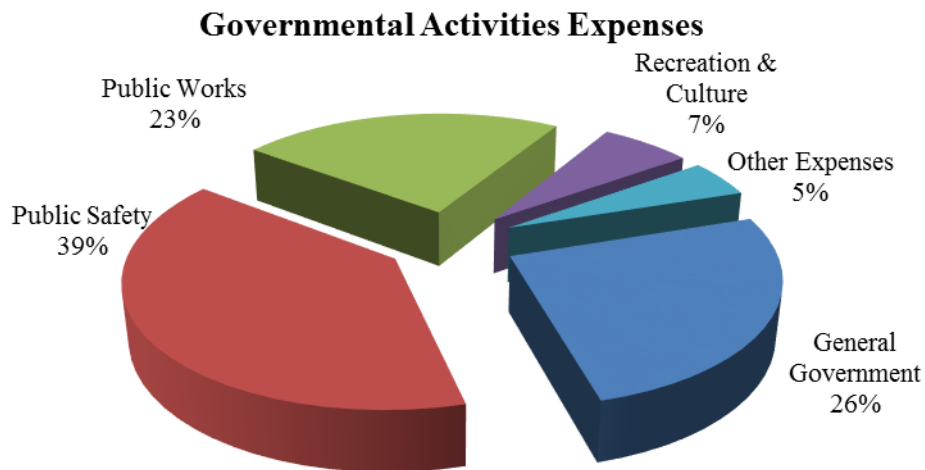
The fund balance of the City's Building Authority Construction fund decreased by \$1,778,665 during the current fiscal year. The primary reason for the decrease in fund balance is due to the fact that there was \$1,594,910 of unexpended bond proceeds at the end of 2015 which was used to complete the Law Enforcement Center, and the elimination of a \$1,029,988 receivable (Due from other Governments) that was directly related to the Law Enforcement Center Project.

The City has seen a slight increase in taxable valuation in spite of the implementation of a new state-wide small personal property exemption that was instituted in 2014.

The following chart summarizes the revenue sources for the governmental activities of the City for the most recent fiscal year end:



The following chart summarizes the expenses for the governmental activities of the City for the most recent fiscal year end:



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

Unrestricted net position of the electric fund at the end of the year amounted to \$1,449,025. The fund had a decrease in net position for the year of \$6,739,102 as compared to an increase of \$180,094 in the prior year. The primary reason for the decrease in net position is due to the write-off of \$5,286,069 in the electric fund’s investment in Michigan South Central Power Agency (MSCPA). This write-off is due to MSCPA’s decision to close its coal fired Endicott Generating Station in Litchfield Michigan, due to industry changes and new environmental regulations. The other large portion of the decrease in net position is due to the electric fund’s pre-funding of construction costs for a new electric distribution substation in the amount of \$1,237,878. Bonds for the substation project were sold on July 20, 2016 in the amount of \$3,600,000.

The wastewater fund reported unrestricted net position at the end of the year of \$347,218. For the year the fund had a decrease in net position of \$271,093 as compared to a decrease of \$71,871 in the prior year. The reason for this change is primarily due to an increase in pension liability of \$312,981 and an increase in OPEB liability of \$145,954. Total operating expenses exceeded total operating revenue by \$165,553.

The water fund reported negative unrestricted net position at the end of the year of \$99,449. For the year the fund had a decrease in net position of \$49,435 as compared to an increase of \$161,894 in the prior year. The reason for this change is an increase of pension liability of \$290,544 and an increase in OPEB liability of \$225,203. Total operating revenue exceeds total operating expenses by \$214,620.

## General Fund Budgetary Highlights

**Original budget compared to final budget.** At years end, budget amendments were made to either increase or decrease various budgeted line-items from their original adopted amounts. Actual general fund revenues were within .8% of the final amended budget and actual expenditures were within 1.5% of the final amended budget.

**Final budget compared to actual results.** The most significant differences between the amended budgeted expenditures and actual expenditures were as follows:

General Fund	Amended		
	Budget	Actual	Variance
City Hall	\$ 73,095	\$ 85,928	\$ (12,833)
Non-departmental	496,667	517,549	(20,882)
Police	1,675,705	1,685,958	(10,253)
Recreation	383,256	404,787	(21,531)
Debt Service	35,250	53,023	(17,773)
Transfers Out	931,443	1,172,902	(241,459)

## Capital Asset and Debt Administration

**Capital assets.** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2016 amounted to \$50,903,853 (net of accumulated depreciation). This investment in capital assets includes land, improvements, buildings, system, vehicles, equipment, and infrastructure. Net capital assets for governmental activities increased 12%, and for business-type activities increased by 8%. Overall, total net capital assets for the City increased by 10%.

	Governmental Activities		Business-type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
Land	\$ 2,559,160	\$ 2,559,160	\$ 269,563	\$ 189,563	\$ 2,828,723	\$ 2,748,723
Construction in Progress	32,993	8,755,756	1,267,367	85,217	1,300,360	8,840,973
Land Improvements	1,132,273	1,316,554	588,380	614,631	1,720,653	1,931,185
Buildings	17,134,836	5,821,727	2,113,544	2,164,213	19,248,380	7,985,940
Vehicles	8,613	9,276	237,067	290,831	245,680	300,107
Equipment	256,127	237,658	2,936,476	2,718,021	3,192,603	2,955,679
Infrastructure	8,298,187	7,952,413	11,486,614	11,463,416	19,784,801	19,415,829
Data Processing	84,980	106,415	-	-	84,980	106,415
Motor Pool	2,497,672	1,909,462	-	-	2,497,672	1,909,462
<b>Total Capital Assets</b>	<b>\$ 32,004,841</b>	<b>\$ 28,668,421</b>	<b>\$ 18,899,012</b>	<b>\$ 17,525,893</b>	<b>\$ 50,903,853</b>	<b>\$ 46,194,314</b>

Significant capital asset additions during the year include the following:

- Marshall Regional Law Enforcement Center \$2,594,107
- Street Improvements \$461,723
- Fire Rescue Truck \$412,225
- Water and Wastewater Improvements \$619,061
- Electric Substation \$1,330,167

Additional information on the City’s capital assets can be found in Note 6 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$15,170,000. Of this amount, \$14,825,000 is comprised of debt backed by the full faith and credit of the government. The remainder of the City’s bonded debt represents bonds secured solely by specified revenue sources.

**General Obligation and Revenue Bonds**

	Governmental Activities		Business-type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
General Obligation Bonds	\$ 8,030,000	\$ 8,505,000	\$ 6,795,000	\$ 7,535,000	\$ 14,825,000	\$ 16,040,000
Revenue Bonds	-	-	345,000	420,000	345,000	420,000
<b>Total Bonded Debt</b>	<b>\$ 8,030,000</b>	<b>\$ 8,505,000</b>	<b>\$ 7,140,000</b>	<b>\$ 7,955,000</b>	<b>\$ 15,170,000</b>	<b>\$ 16,460,000</b>

The City did not issue any new long-term general obligation or revenue bonds during the current year and made principal payments of \$1,290,000 during the current fiscal year.

The following table depicts the City’s credit rating for the various outstanding debt by Standard & Poor’s:

<u>Bonded Debt</u>	<u>Rating</u>
Electric Revenue Bonds	BBB+
General Obligation Limited Tax Bonds	AA-
General Obligation Unlimited Tax Bonds	AA-

State statutes limit the amount of general obligation debt a governmental entity may issue up to 10 percent of its total state equalized valuation. The current debt limitation for the City is \$25,831,809 which is significantly less than the amount of issued general obligation debt as of year-end.

Additional information on the City’s long-term debt can be found in Note 8 of this report.

## **Economic Factors and Future Budgets**

Management has determined that it must develop a much longer budget model. In the past, a two-year budget model was developed and adopted. Management has determined that using this two-year budget model does not adequately show sustainability in future years, therefore in July 2016 management began developing a 5-6 year budget model using numerous parameters. The City continues to review all budget line items for opportunities to reduce expenditures when possible. The budget will be monitored during the year to identify any necessary amendments. In FY2017, the City plans again to use current revenues to provide essential services and to maintain the City's financial reserves at levels in line with financial policies. The ongoing costs of providing essential services for the citizens of the City continue to grow while revenues remain flat.

## **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 government'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, 323 West Michigan Avenue, Marshall, Michigan 49068-1578.

## **BASIC FINANCIAL STATEMENTS**

**City of Marshall**  
**Statement of Net Position**  
**June 30, 2016**

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>ASSETS</b>				
<i>Current Assets</i>				
Cash and Cash Equivalents	\$ 1,559,595	\$ 1,235,633	\$ 2,795,228	\$ 47,663
Investments	3,845,262	1,994,898	5,840,160	1,674,244
Accounts Receivable	94,870	699,163	794,033	250
Due from Other Governments	125,309	2,984	128,293	--
Inventories	42,131	870,677	912,808	--
Prepays	96,446	26,383	122,829	--
<b>Total Current Assets</b>	<b>5,763,613</b>	<b>4,829,738</b>	<b>10,593,351</b>	<b>1,722,157</b>
<i>Noncurrent Assets</i>				
Restricted Cash and Cash Equivalents	--	844,514	844,514	1,976
Capital Assets not being Depreciated	3,004,378	1,536,930	4,541,308	500,000
Capital Assets being Depreciated	29,000,463	17,362,082	46,362,545	--
Investment in MSCPA	--	5,191,808	5,191,808	--
<b>Total Assets</b>	<b>37,768,454</b>	<b>29,765,072</b>	<b>67,533,526</b>	<b>2,224,133</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Charge on Refunding	50,588	27,271	77,859	--
Pension	1,725,303	1,520,606	3,245,909	3,249
<b>Total Deferred Outflows of Resources</b>	<b>1,775,891</b>	<b>1,547,877</b>	<b>3,323,768</b>	<b>3,249</b>
<b>LIABILITIES</b>				
<i>Current Liabilities</i>				
Accounts Payable	402,419	1,579,426	1,981,845	27,693
Accrued Payroll	64,100	44,243	108,343	715
Accrued Interest	72,163	62,805	134,968	4,367
Current Portion of Compensated Absences	69,730	53,320	123,050	--
Current Portion of Long-term Debt	731,433	793,456	1,524,889	140,000
Unearned Revenue	31,040	--	31,040	--
<b>Total Current Liabilities</b>	<b>1,370,885</b>	<b>2,533,250</b>	<b>3,904,135</b>	<b>172,775</b>
<i>Noncurrent Liabilities</i>				
Net Other Post-employment Benefit Obligation	1,484,014	1,575,808	3,059,822	--
Net Pension Liability	7,174,285	6,323,101	13,497,386	13,511
Compensated Absences	209,189	159,953	369,142	--
Long-term Debt	7,985,757	6,685,796	14,671,553	325,000
<b>Total Liabilities</b>	<b>18,224,130</b>	<b>17,277,908</b>	<b>35,502,038</b>	<b>511,286</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension	11,084	9,769	20,853	21
<b>Total Deferred Inflows of Resources</b>	<b>11,084</b>	<b>9,769</b>	<b>20,853</b>	<b>21</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	23,338,239	11,447,031	34,785,270	500,000
<i>Restricted for:</i>				
Permanently Restricted - Nonspendable Cemetery	321,851	--	321,851	--
Highways and Streets	1,594,425	--	1,594,425	--
Drug Law Enforcement	16,545	--	16,545	--
Capital Projects	119,588	--	119,588	--
Leaf, Brush, and Trash Removal	52	--	52	--
Debt Service	1,000	844,514	845,514	1,976
Cemetery Perpetual Care	239,459	--	239,459	--
<i>Unrestricted</i>	(4,322,028)	1,733,727	(2,588,301)	1,214,099
<b>Total Net Position</b>	<b>\$ 21,309,131</b>	<b>\$ 14,025,272</b>	<b>\$ 35,334,403</b>	<b>\$ 1,716,075</b>

The Notes to the Financial Statements are an integral part of these Financial Statements



**City of Marshall**  
**Statement of Activities**  
**For the Year Ended June 30, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>Primary Government</b>								
<b>Governmental Activities:</b>								
General Government	\$ 2,375,248	\$ 526,366	\$ 160,502	\$ --	\$ (1,688,380)	\$ --	\$ (1,688,380)	\$ --
Public Safety	3,608,123	219,946	19,238	861,121	(2,507,818)	--	(2,507,818)	--
Public Works	2,145,946	89,057	712,287	--	(1,344,602)	--	(1,344,602)	--
Community Development	146,387	13,286	425,407	--	292,306	--	292,306	--
Recreation and Culture	599,585	208,262	43,363	--	(347,960)	--	(347,960)	--
Interest on Long-term Debt	296,478	--	--	--	(296,478)	--	(296,478)	--
<b>Total Governmental Activities</b>	<b>9,171,767</b>	<b>1,056,917</b>	<b>1,360,797</b>	<b>861,121</b>	<b>(5,892,932)</b>	<b>--</b>	<b>(5,892,932)</b>	<b>--</b>
<b>Business-type Activities:</b>								
Marshall House	626,970	393,637	342,769	160,000	--	269,436	269,436	--
Electric Fund	17,440,376	11,819,594	--	--	--	(5,620,782)	(5,620,782)	--
DART	533,012	66,845	259,672	11,581	--	(194,914)	(194,914)	--
Wastewater	1,760,453	1,530,627	--	--	--	(229,826)	(229,826)	--
Water	1,549,304	1,577,947	--	--	--	28,643	28,643	--
<b>Total Business-type Activities</b>	<b>21,910,115</b>	<b>15,388,650</b>	<b>602,441</b>	<b>171,581</b>	<b>--</b>	<b>(5,747,443)</b>	<b>(5,747,443)</b>	<b>--</b>
<b>Total Primary Government</b>	<b>\$ 31,081,882</b>	<b>\$ 16,445,567</b>	<b>\$ 1,963,238</b>	<b>\$ 1,032,702</b>	<b>\$ (5,892,932)</b>	<b>\$ (5,747,443)</b>	<b>\$ (11,640,375)</b>	<b>--</b>
<b>Component Units</b>								
Component Units	\$ 546,124	\$ --	\$ 116,532	\$ --	--	--	--	(429,592)
<b>Total Component Units</b>	<b>\$ 546,124</b>	<b>\$ --</b>	<b>\$ 116,532</b>	<b>\$ --</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(429,592)</b>
<b>General Purpose Revenues and Transfers:</b>								
<b>Revenues</b>								
Intergovernmental					647,700	--	647,700	--
Property Taxes					3,713,910	93,691	3,807,601	539,974
Investment Earnings					19,200	26,379	45,579	7,975
<b>Transfers</b>					1,284,794	(1,284,794)	--	--
<b>Total General Revenues and Transfers</b>					<b>5,665,604</b>	<b>(1,164,724)</b>	<b>4,500,880</b>	<b>547,949</b>
<b>Change in Net Position</b>					<b>(227,328)</b>	<b>(6,912,167)</b>	<b>(7,139,495)</b>	<b>118,357</b>
<i>Net Position at Beginning of Period - Restated (Note 18)</i>					21,536,459	20,937,439	42,473,898	1,597,718
<b>Net Position at End of Period</b>					<b>\$ 21,309,131</b>	<b>\$ 14,025,272</b>	<b>\$ 35,334,403</b>	<b>\$ 1,716,075</b>

The Notes to the Financial Statements are an integral part of these Financial Statements

**City of Marshall  
Balance Sheet  
Governmental Funds  
June 30, 2016**

	<u>Capital Projects</u>			
	<u>General</u>	<u>Building Authority Construction</u>	<u>Other Governmental Funds</u>	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 761,453	\$ 14,978	\$ 595,603	\$ 1,372,034
Investments	1,574,951	--	1,646,540	3,221,491
Accounts Receivable	51,613	--	43,257	94,870
Due from Other Governments	--	--	125,309	125,309
Inventories	--	--	42,131	42,131
Prepays	83,788	--	705	84,493
Due from Other Funds	--	241,500	--	241,500
<b><i>Total Assets</i></b>	<b><u>\$ 2,471,805</u></b>	<b><u>\$ 256,478</u></b>	<b><u>\$ 2,453,545</u></b>	<b><u>\$ 5,181,828</u></b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 67,593	\$ 256,428	\$ 32,819	\$ 356,840
Accrued Payroll	62,395	--	685	63,080
Unearned Revenue	31,040	--	--	31,040
Due to Other Funds	241,500	--	--	241,500
<b><i>Total Liabilities</i></b>	<b><u>402,528</u></b>	<b><u>256,428</u></b>	<b><u>33,504</u></b>	<b><u>692,460</u></b>
<b>FUND BALANCE</b>				
Nonspendable	83,788	--	364,687	448,475
Restricted	--	50	1,928,183	1,928,233
Committed	185,450	--	127,171	312,621
Unassigned	1,800,039	--	--	1,800,039
<b><i>Total Fund Balance</i></b>	<b><u>2,069,277</u></b>	<b><u>50</u></b>	<b><u>2,420,041</u></b>	<b><u>4,489,368</u></b>
<b><i>Total Liabilities and Fund Balance</i></b>	<b><u>\$ 2,471,805</u></b>	<b><u>\$ 256,478</u></b>	<b><u>\$ 2,453,545</u></b>	<b><u>\$ 5,181,828</u></b>

The Notes to the Financial Statements are an integral part of these Financial Statements

**City of Marshall**  
**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position**  
**June 30, 2016**

Total Fund Balance - Governmental Funds	\$	4,489,368
Net position of internal service funds that are treated as proprietary in the fund level statements are treated as governmental in the entity-wide statements.		3,044,558
In the statement of activities, interest is accrued on long-term debt, whereas in governmental funds, the interest expenditure is reported when due.		(69,847)
General government capital assets of \$45,210,106, net of accumulated depreciation of \$15,787,917, are not financial resources, and, accordingly, are not reported in the funds.		29,422,189
Compensated absences are not due in and payable in the current period and, therefore, are not reported in the funds.		(277,443)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(8,596,990)
Other post-employment benefits are not due and payable in the current period and, therefore, are not reported in the funds.		(1,451,580)
Net pension liabilities are not reported in the funds.		(6,966,217)
Unamortized deferred loss on refunding.		50,588
Certain deferred pension-related amounts are not due and payable in the current period or do not represent current financial resources and, therefore, are not reported in the funds.		1,664,505
<b>Total Net Position - Governmental Funds</b>	<b>\$</b>	<b><u>21,309,131</u></b>

The Notes to the Financial Statements are an integral part of these Financial Statements

**City of Marshall**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2016**

	<u>General</u>	<u>Capital Projects</u>		<u>Total Governmental Funds</u>
		<u>Building Authority Construction</u>	<u>Other Governmental Funds</u>	
<b>Revenues</b>				
Property Taxes	\$ 3,636,287	\$ --	\$ 77,623	\$ 3,713,910
Licenses and Permits	135,298	--	--	135,298
Intergovernmental	806,547	861,121	1,112,019	2,779,687
Charges for Services	379,509	--	171,517	551,026
Fines and Forfeitures	54,844	--	810	55,654
Other	328,614	--	76,256	404,870
Investment Earnings	11,413	291	7,496	19,200
<b>Total Revenues</b>	<u>5,352,512</u>	<u>861,412</u>	<u>1,445,721</u>	<u>7,659,645</u>
<b>Current Expenditures</b>				
General Government	1,552,518	--	501,490	2,054,008
Public Safety	2,838,863	--	201,207	3,040,070
Public Works	1,073,207	--	310,218	1,383,425
Community Development	134,469	--	--	134,469
Recreation and Culture	507,962	--	--	507,962
Capital Outlay	243,236	2,881,577	494,716	3,619,529
Debt Service - Principal	47,773	--	445,000	492,773
Debt Service - Interest	5,250	--	291,851	297,101
<b>Total Current Expenditures</b>	<u>6,403,278</u>	<u>2,881,577</u>	<u>2,244,482</u>	<u>11,529,337</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(1,050,766)</u>	<u>(2,020,165)</u>	<u>(798,761)</u>	<u>(3,869,692)</u>
<b>Other Financing Sources (Uses)</b>				
Installment Contract Issued	400,000	--	--	400,000
Transfers In	1,045,000	241,500	846,677	2,133,177
Transfers Out	(1,172,902)	--	(75,481)	(1,248,383)
<b>Net Other Financing Sources (Uses)</b>	<u>272,098</u>	<u>241,500</u>	<u>771,196</u>	<u>1,284,794</u>
<b>Net Change in Fund Balance</b>	<b>(778,668)</b>	<b>(1,778,665)</b>	<b>(27,565)</b>	<b>(2,584,898)</b>
<i>Fund Balance at Beginning of Period</i>	2,847,945	1,778,715	2,447,606	7,074,266
<b>Fund Balance at End of Period</b>	<b>\$ 2,069,277</b>	<b>\$ 50</b>	<b>\$ 2,420,041</b>	<b>\$ 4,489,368</b>

The Notes to the Financial Statements are an integral part of these Financial Statements

**City of Marshall**  
**Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance with Statement of Activities**  
**For the Year Ended June 30, 2016**

Total Net Change in Fund Balances - Governmental Funds	\$ (2,584,898)
Changes in net position of internal service funds that are treated as enterprise fund changes in net position in the fund level statements are treated as governmental fund changes in net position in the entity-wide statements.	462,797
Proceeds from the installment contract issuance are reported as revenue in the fund statements, but are reported as liabilities in the statement of net position.	(400,000)
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 as depreciation expense. This is the amount by which capital outlay expenditures of \$3,619,529 is in excess of depreciation expense of \$849,884.	2,769,645
Changes to accrued interest are not shown in the fund financial statements. The net effect of the current year decrease is to increase net position.	3,728
Change to compensated absences are not shown in the fund financial statements. The net effect of the current year decrease is to increase net position.	5,972
Current year long-term debt principal payments on contractual obligations, bonds payable, and capital leases are expenditures in the fund financial statements but are reductions in long-term debt in the government-wide financial statements.	492,773
In the statement of activities, an expense is recorded for other post-employment benefits (OPEB) to adjust net OPEB obligation to the actuarial determined amount less any contributions to fund the obligation. This is the difference between the prior year and the current year net OPEB obligation.	(348,462)
The change in net pension liability amounts does require the use of current resources and is not reported in the governmental funds.	(625,778)
Net amortization of premiums and loss on refunding of bonds.	(3,105)
<b>Changes in Net Position - Governmental Funds</b>	<b>\$ <u>(227,328)</u></b>

The Notes to the Financial Statements are an integral part of these Financial Statements

**City of Marshall  
Statement of Net Position  
Proprietary Funds  
June 30, 2016**

	Business-type Activities - Enterprise Funds					Governmental Activities Internal Service Funds
	Electric Fund	Wastewater	Water	Other Enterprise Funds	Total Enterprise Funds	
<b>ASSETS</b>						
<i>Current Assets</i>						
Cash and Cash Equivalents	\$ 184,899	\$ 162,137	\$ 200,777	\$ 687,820	\$ 1,235,633	\$ 187,561
Investments	26,837	1,202,759	641,357	123,945	1,994,898	623,771
Accounts Receivable	497,640	96,233	103,637	1,653	699,163	--
Due from Other Governments	--	--	--	2,984	2,984	--
Inventories	781,958	18,507	70,212	--	870,677	--
Prepays	12,571	3,842	4,857	5,113	26,383	11,953
<b>Total Current Assets</b>	<b>1,503,905</b>	<b>1,483,478</b>	<b>1,020,840</b>	<b>821,515</b>	<b>4,829,738</b>	<b>823,285</b>
<i>Noncurrent Assets</i>						
Restricted Cash and Cash Equivalents	540,053	53,013	251,448	--	844,514	--
Capital Assets not being Depreciated	1,362,911	19,439	137,380	17,200	1,536,930	412,225
Capital Assets being Depreciated	3,991,616	5,242,265	7,362,474	765,727	17,362,082	2,170,427
Investment in MSCPA	5,191,808	--	--	--	5,191,808	--
<b>Total Assets</b>	<b>12,590,293</b>	<b>6,798,195</b>	<b>8,772,142</b>	<b>1,604,442</b>	<b>29,765,072</b>	<b>3,405,937</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred Charge on Refunding	--	16,914	10,357	--	27,271	--
Pension	867,851	267,406	248,235	137,114	1,520,606	50,036
<b>Total Deferred Outflows of Resources</b>	<b>867,851</b>	<b>284,320</b>	<b>258,592</b>	<b>137,114</b>	<b>1,547,877</b>	<b>50,036</b>
<b>LIABILITIES</b>						
<i>Current Liabilities</i>						
Accounts Payable	1,314,761	73,731	38,989	151,945	1,579,426	45,579
Accrued Payroll	23,199	8,148	6,666	6,230	44,243	1,020
Accrued Interest	10,875	20,406	31,524	--	62,805	2,316
Current Portion of Compensated Absences	33,571	10,441	8,079	1,229	53,320	369
Current Portion of Long-term Debt	120,000	251,465	421,991	--	793,456	120,200
<b>Total Current Liabilities</b>	<b>1,502,406</b>	<b>364,191</b>	<b>507,249</b>	<b>159,404</b>	<b>2,533,250</b>	<b>169,484</b>
<i>Noncurrent Liabilities</i>						
Net Other Post-employment Benefit Obligation	1,017,084	145,954	225,203	187,567	1,575,808	32,434
Net Pension Liability	3,608,761	1,111,947	1,032,233	570,160	6,323,101	208,068
Compensated Absences	100,713	31,321	24,235	3,684	159,953	1,107
Long-term Debt	750,697	2,793,060	3,142,039	--	6,685,796	--
<b>Total Liabilities</b>	<b>6,979,661</b>	<b>4,446,473</b>	<b>4,930,959</b>	<b>920,815</b>	<b>17,277,908</b>	<b>411,093</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Pension	5,575	1,718	1,595	881	9,769	322
<b>Total Deferred Inflows of Resources</b>	<b>5,575</b>	<b>1,718</b>	<b>1,595</b>	<b>881</b>	<b>9,769</b>	<b>322</b>
<b>NET POSITION</b>						
Net Investment in Capital Assets	4,483,830	2,234,093	3,946,181	782,927	11,447,031	2,462,452
<i>Restricted for:</i>						
Debt Service	540,053	53,013	251,448	--	844,514	--
<i>Unrestricted</i>	1,449,025	347,218	(99,449)	36,933	1,733,727	582,106
<b>Total Net Position</b>	<b>\$ 6,472,908</b>	<b>\$ 2,634,324</b>	<b>\$ 4,098,180</b>	<b>\$ 819,860</b>	<b>\$ 14,025,272</b>	<b>\$ 3,044,558</b>

The Notes to the Financial Statements are an integral part of these Financial Statements

**City of Marshall**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2016**

	<b>Business-type Activities - Enterprise Funds</b>					<b>Governmental</b>
	<b>Electric Fund</b>	<b>Wastewater</b>	<b>Water</b>	<b>Other Enterprise Funds</b>	<b>Total Enterprise Funds</b>	<b>Internal Service Funds</b>
<b>Operating Revenues</b>						
Charges for Services	\$ 11,784,663	\$ 1,518,042	\$ 1,561,211	\$ 416,584	\$ 15,280,500	\$ 861,614
Other	34,931	12,585	16,736	43,898	108,150	1,335
<b>Total Operating Revenues</b>	<u>11,819,594</u>	<u>1,530,627</u>	<u>1,577,947</u>	<u>460,482</u>	<u>15,388,650</u>	<u>862,949</u>
<b>Operating Expenses</b>						
Personnel Services	2,631,272	833,352	754,017	650,382	4,869,023	135,835
Material and Supplies	183,302	107,437	41,247	66,845	398,831	184,267
Purchased Power	7,767,112	122,240	31,390	95,443	8,016,185	28,859
Contractual	364,707	92,394	16,309	62,357	535,767	52,902
Insurance	27,423	15,607	9,418	7,711	60,159	58,783
Maintenance	270,379	56,977	96,314	71,904	495,574	80,402
Administration	8,040	2,000	2,041	73,740	85,821	--
Other Expense	505,925	76,816	68,336	33,813	684,890	4,218
Depreciation	354,283	389,357	344,255	97,787	1,185,682	248,968
<b>Total Operating Expenses</b>	<u>12,112,443</u>	<u>1,696,180</u>	<u>1,363,327</u>	<u>1,159,982</u>	<u>16,331,932</u>	<u>794,234</u>
<b>Operating Income (Loss)</b>	<u>(292,849)</u>	<u>(165,553)</u>	<u>214,620</u>	<u>(699,500)</u>	<u>(943,282)</u>	<u>68,715</u>
<b>Non-Operating Revenues (Expenses)</b>						
Intergovernmental Subsidies	--	--	--	602,441	602,441	--
Capital Grants and Contributions	--	--	--	171,581	171,581	--
Property Taxes	--	--	--	93,691	93,691	--
Investment Earnings	14,830	5,733	4,566	1,250	26,379	3,445
Change in Investment in MSCPA	(5,286,069)	--	--	--	(5,286,069)	--
Interest Expense	(41,864)	(64,273)	(185,977)	--	(292,114)	(9,363)
<b>Net Non-Operating Revenues (Expenses)</b>	<u>(5,313,103)</u>	<u>(58,540)</u>	<u>(181,411)</u>	<u>868,963</u>	<u>(4,684,091)</u>	<u>(5,918)</u>
<b>Income Before Contributions and Transfers</b>	<u>(5,605,952)</u>	<u>(224,093)</u>	<u>33,209</u>	<u>169,463</u>	<u>(5,627,373)</u>	<u>62,797</u>
Transfers In	--	--	--	--	--	400,000
Transfers Out	(1,133,150)	(47,000)	(82,644)	(22,000)	(1,284,794)	--
<b>Change In Net Position</b>	<u>(6,739,102)</u>	<u>(271,093)</u>	<u>(49,435)</u>	<u>147,463</u>	<u>(6,912,167)</u>	<u>462,797</u>
<i>Net Position at Beginning of Period - Restated (Note 18)</i>	13,212,010	2,905,417	4,147,615	672,397	20,937,439	2,581,761
<b>Net Position at End of Period</b>	<u>\$ 6,472,908</u>	<u>\$ 2,634,324</u>	<u>\$ 4,098,180</u>	<u>\$ 819,860</u>	<u>\$ 14,025,272</u>	<u>\$ 3,044,558</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

**City of Marshall**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2016**

	<b>Business-type Activities - Enterprise Funds</b>					<b>Governmental Activities Internal Service Funds</b>
	<b>Electric Fund</b>	<b>Wastewater</b>	<b>Water</b>	<b>Other Enterprise Funds</b>	<b>Total Enterprise Funds</b>	
<b>Cash Flows from Operating Activities</b>						
Receipts from Customers	\$ 12,146,141	\$ 1,549,927	\$ 1,596,978	\$ 540,286	\$ 15,833,332	\$ 890,347
Payments to Suppliers	(8,678,521)	(479,544)	(347,540)	(386,799)	(9,892,404)	(382,696)
Payments to Employees	(2,090,746)	(708,218)	(623,543)	(568,101)	(3,990,608)	(110,750)
<i>Net Cash Provided (Used) by Operating Activities</i>	<u>1,376,874</u>	<u>362,165</u>	<u>625,895</u>	<u>(414,614)</u>	<u>1,950,320</u>	<u>396,901</u>
<b>Cash Flows from Noncapital and Related Financing Activities</b>						
Intergovernmental Subsidies	-	-	-	602,441	602,441	-
Property Taxes	-	-	-	93,691	93,691	-
Transfers In	-	-	-	-	-	400,000
Transfers Out	(1,130,319)	(47,000)	(82,644)	(22,000)	(1,281,963)	-
<i>Net Cash from (Used by) Capital and Related Financing Activities</i>	<u>(1,130,319)</u>	<u>(47,000)</u>	<u>(82,644)</u>	<u>674,132</u>	<u>(585,831)</u>	<u>400,000</u>
<b>Cash Flows from Capital and Related Financing Activities</b>						
Purchase of Capital Assets	(1,692,150)	(474,185)	(226,499)	(165,967)	(2,558,801)	(815,743)
Principal and Interest Paid on Capital Debt	(153,646)	(373,306)	(659,392)	-	(1,186,344)	(128,438)
Contract Payable Issued	-	355,368	-	-	355,368	-
Capital Grants and Contributions	-	-	-	171,581	171,581	-
<i>Net Cash from (Used by) Capital and Related Financing Activities</i>	<u>(1,845,796)</u>	<u>(492,123)</u>	<u>(885,891)</u>	<u>5,614</u>	<u>(3,218,196)</u>	<u>(944,181)</u>
<b>Cash Flows from Investing Activities</b>						
Interest Received on Investments	11,399	4,259	1,161	822	17,641	299
Sale (Purchase) of Investment Securities	(16,000)	60,000	345,000	34,761	423,761	226,693
<i>Net Cash from (Used by) Investing Activities</i>	<u>(4,601)</u>	<u>64,259</u>	<u>346,161</u>	<u>35,583</u>	<u>441,402</u>	<u>226,992</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(1,603,842)	(112,699)	3,521	300,715	(1,412,305)	79,712
<i>Cash and Cash Equivalents Beginning of Period</i>	2,328,794	327,849	448,704	387,105	3,492,452	107,849
<i>Cash and Cash Equivalents End of Period</i>	<u>\$ 724,952</u>	<u>\$ 215,150</u>	<u>\$ 452,225</u>	<u>\$ 687,820</u>	<u>\$ 2,080,147</u>	<u>\$ 187,561</u>
<b>Reconciliation to Statement of Net Position</b>						
Cash and Cash Equivalents	\$ 184,899	\$ 162,137	\$ 200,777	\$ 687,820	\$ 1,235,633	\$ 187,561
Restricted Cash and Cash Equivalents	540,053	53,013	251,448	-	844,514	-
<b>Total</b>	<u>\$ 724,952</u>	<u>\$ 215,150</u>	<u>\$ 452,225</u>	<u>\$ 687,820</u>	<u>\$ 2,080,147</u>	<u>\$ 187,561</u>

The Notes to the Financial Statements are an integral part of these Financial Statements



**City of Marshall  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2016**

	<b>Business-type Activities - Enterprise Funds</b>					<b>Governmental Activities Internal Service Funds</b>
	<b>Electric Fund</b>	<b>Wastewater</b>	<b>Water</b>	<b>Other Enterprise Funds</b>	<b>Total Enterprise Funds</b>	
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>						
Operating Income (Loss)	(292,849)	(165,553)	214,620	\$ (699,500)	\$ (943,282)	\$ 68,715
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:</b>						
<b>Cash from Operating Activities:</b>						
Depreciation	354,283	389,357	344,255	97,787	1,185,682	248,968
<b>Changes in Assets and Liabilities:</b>						
Receivables	326,547	19,300	19,031	92,039	456,917	27,398
Inventories	36,955	3,640	17,996	-	58,591	-
Prepays	(5,302)	5,786	(4,300)	(908)	(4,724)	1,842
Accounts Payable	416,714	(15,499)	(96,181)	25,922	330,956	24,893
Accrued Payroll	(41,219)	(18,247)	(15,290)	(12,182)	(86,938)	(2,870)
Compensated Absences	13,409	8,456	(1,026)	(1,782)	19,057	1,476
Unearned Revenue	-	-	-	(12,235)	(12,235)	-
Net Pension Liability	324,178	99,887	92,728	51,218	568,011	18,693
Net Other Post-employment Benefits	244,158	35,038	54,062	45,027	378,285	7,786
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 1,376,874</b>	<b>\$ 362,165</b>	<b>\$ 625,895</b>	<b>\$ (414,614)</b>	<b>\$ 1,950,320</b>	<b>\$ 396,901</b>
<b>Noncash Items</b>						
Change in Investment in MSCPA	\$ (5,286,069)	\$ -	\$ -	\$ -	\$ (5,286,069)	\$ -
Prior Period Adjustment (See Note 18)	(772,926)	(110,916)	(171,141)	(142,541)	(1,197,524)	(24,648)
<b>Total</b>	<b>\$ (6,058,995)</b>	<b>\$ (110,916)</b>	<b>\$ (171,141)</b>	<b>\$ (142,541)</b>	<b>\$ (6,483,593)</b>	<b>\$ (24,648)</b>

The Notes to the Financial Statements are an integral part of these Financial Statements

**City of Marshall**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2016**

	<b>Agency Funds</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 59,407
Accounts Receivable	155,817
<i>Total Assets</i>	215,224
<b>LIABILITIES</b>	
Undistributed Receipts	215,224
<i>Total Liabilities</i>	215,224
<b>NET POSITION</b>	
Held in Trust	\$ --

The Notes to the Financial Statements are an integral part of these Financial Statements

**City of Marshall**  
**Combining Statement of Net Position**  
**Component Units**  
**June 30, 2016**

	<u>L DFA</u>	<u>EDC</u>	<u>DDA</u>	<u>Total Component Units</u>
<b>ASSETS</b>				
<i>Current Assets</i>				
Cash and Cash Equivalents	\$ 20,784	\$ 9,774	\$ 17,105	\$ 47,663
Investments	1,619,836	--	54,408	1,674,244
Accounts Receivable	--	--	250	250
<b>Total Current Assets</b>	<u>1,640,620</u>	<u>9,774</u>	<u>71,763</u>	<u>1,722,157</u>
<i>Noncurrent Assets</i>				
Restricted Cash and Cash Equivalents	294	--	1,682	1,976
Capital Assets not being Depreciated	500,000	--	--	500,000
<b>Total Assets</b>	<u>2,140,914</u>	<u>9,774</u>	<u>73,445</u>	<u>2,224,133</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension	--	--	3,249	3,249
<b>Total Deferred Outflows of Resources</b>	<u>--</u>	<u>--</u>	<u>3,249</u>	<u>3,249</u>
<b>LIABILITIES</b>				
<i>Current Liabilities</i>				
Accounts Payable	4,071	--	23,622	27,693
Accrued Payroll	--	--	715	715
Accrued Interest	3,746	--	621	4,367
Current Portion of Long-term Debt	90,000	--	50,000	140,000
<b>Total Current Liabilities</b>	<u>97,817</u>	<u>--</u>	<u>74,958</u>	<u>172,775</u>
<i>Noncurrent Liabilities</i>				
Net Pension Liability	--	--	13,511	13,511
Long-term Debt	270,000	--	55,000	325,000
<b>Total Liabilities</b>	<u>367,817</u>	<u>--</u>	<u>143,469</u>	<u>511,286</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension	--	--	21	21
<b>Total Deferred Inflows of Resources</b>	<u>--</u>	<u>--</u>	<u>21</u>	<u>21</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	500,000	--	--	500,000
<i>Restricted for:</i>				
Debt Service	294	--	1,682	1,976
<i>Unrestricted</i>	1,272,803	9,774	(68,478)	1,214,099
<b>Total Net Position</b>	<u>\$ 1,773,097</u>	<u>\$ 9,774</u>	<u>\$ (66,796)</u>	<u>\$ 1,716,075</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

**City of Marshall**  
**Combining Statement of Activities**  
**Component Units**  
**For the Year Ended June 30, 2016**

	<u>L DFA</u>	<u>EDC</u>	<u>DDA</u>	<u>Total Component Units</u>
<b>Expenses</b>				
Community Development	\$ 288,153	\$ --	\$ 229,314	\$ 517,467
Interest on Long-term Debt	22,429	--	6,228	28,657
<b>Total Expenses</b>	<u>310,582</u>	<u>--</u>	<u>235,542</u>	<u>546,124</u>
<b>Program Revenues</b>				
Charges for Services	--	--	--	--
Operating Grants and Contributions	--	--	116,532	116,532
Capital Grants and Contributions	--	--	--	--
<b>Total Program Revenues</b>	<u>--</u>	<u>--</u>	<u>116,532</u>	<u>116,532</u>
<b>Net Program Revenues (Expenses)</b>	<u>(310,582)</u>	<u>--</u>	<u>(119,010)</u>	<u>(429,592)</u>
<b>General Revenue</b>				
Property Taxes	412,898	--	127,076	539,974
Investment Earnings	7,513	--	462	7,975
<b>Total General Revenues</b>	<u>420,411</u>	<u>--</u>	<u>127,538</u>	<u>547,949</u>
<b>Change in Net Position</b>	<u>109,829</u>	<u>--</u>	<u>8,528</u>	<u>118,357</u>
<i>Net Position at Beginning of Period</i>	<u>1,663,268</u>	<u>9,774</u>	<u>(75,324)</u>	<u>1,597,718</u>
<b>Net Position at End of Period</b>	<u>\$ 1,773,097</u>	<u>\$ 9,774</u>	<u>\$ (66,796)</u>	<u>\$ 1,716,075</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

## **NOTES TO FINANCIAL STATEMENTS**

# City of Marshall

## Notes to the Financial Statements

### Note 1 - Summary of Significant Accounting Policies

The basic financial statements of the City of Marshall, Michigan (the “City” or “government”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City’s accounting policies are described below.

#### *Reporting Entity*

The City of Marshall, Michigan is a municipal corporation formed in 1830 and governed by a seven-member council and administered by an appointed city manager. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are in substance part of the government’s operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government. The blended and discretely presented component units each have a June 30 year-end.

<u>Component Unit</u>	<u>Included in the Reporting Entity because:</u>
Blended	
Building Authority; finances and constructs the City's public buildings and other structures	Provides services exclusively to the City
Discretely Presented	
Downtown Development Authority (DDA); Corrects and prevents deterioration in the downtown district, encourages historical preservation and promotes economic growth within the district.	City Council appoints and may remove DDA Board, and approves DDA budget
Local Development Finance Authority (LDFFA); enhances and expands industrial development to eliminate the conditions of joblessness and underemployment.	City Council appoints and may remove LDFFA Board, and approves LDFFA budget
Economic Development Corporation (EDC); promotes economic development in the community.	City Council appoints and may remove EDC Board, and approves EDC budget

# City of Marshall

## Notes to the Financial Statements

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Separate financial statements are not prepared for the discretely presented component units; accordingly, fund financial statements for these entities are presented herein as supplementary information.

### ***Basis of Presentation***

***Government-wide Financial Statements.*** The statements of net position and activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the City's *governmental* and *business-type activities*. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

### ***Fund Financial Statements***

The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component unit. Separate statements for each fund category – *governmental*, *proprietary* and *fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

The ***general fund*** is used to account for and reports all financial resources not accounted for and reported in another fund.

The ***building authority construction fund*** accounts for the large capital projects of the City.

## City of Marshall

### Notes to the Financial Statements

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The City reports the following major enterprise funds:

The *electric fund* accounts for the operation and maintenance of the electric supply system; financing is provided primarily by user charges.

The *wastewater fund* accounts for the activities of the government's sewage disposal and treatment system; financing is provided primarily by user charges.

The *water fund* accounts for the activities of the government's water distribution and treatment system; financing is provided primarily by user charges.

Additionally, the City reports the following fund types:

*Special revenue funds* are used to account and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

*Debt service funds* are used to account for all financial resources restricted, committed or assigned to expenditure for principal and interest.

*Capital projects funds* are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

*Permanent funds* are used to account for resources restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's purposes.

*Internal service funds* account for the activity of goods and services provided to other departments and funds on a cost reimbursement basis.

*Agency funds* account for assets held for other governments in an agency capacity.

### Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide, proprietary and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses



## City of Marshall

### Notes to the Financial Statements

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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.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end or one year for expenditure-driven grants. Property taxes, franchise taxes, licenses and interest are considered to be susceptible to accrual.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases, if any, are reported as other financing sources.

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

#### ***Budgetary Information***

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at year end. The legal level of budgetary control is the departmental level.

On or before its first meeting in April of each year, the City Manager must present the proposed budget to the government's council for review. The proposed budget must be on file and available for public inspection for a period of not less than one week prior to adoption by City Council, which must occur not later than the first meeting in June.

Formal budgetary integration is employed as a management control during the year. Supplemental appropriations were approved by the City Council in the form of budget amendment resolutions or as part of special authorizing motions for grants, bonds or notes, the total of which was not significant in relation to the original budget appropriation valuations.

# City of Marshall

## Notes to the Financial Statements

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Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders or contracts) outstanding at year-end are reported as commitments of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

### **Assets, Deferred Outflows of Resources, Liabilities and Equity**

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

The government'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.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments.

Investments are reported at fair value.

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

Activity 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 noncurrent portion of interfund loans). All other outstanding balances between funds are reported as *due to/from other funds*. Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as *internal balances*.

#### ***Inventories and Prepaid Items***

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies and vehicle repair parts. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased. Inventories of governmental funds are recorded as expenditures when purchased, except for road salt included in the major street fund.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

# City of Marshall

## Notes to the Financial Statements

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### ***Restricted Cash and Cash Equivalents***

Certain proceeds of bond issues as well as other resources set aside for the repayment of debt are classified as restricted cash and cash equivalents on the statement of net position because their use is limited by applicable bond covenants.

### ***Capital Assets***

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, sidewalks, and similar items acquired or constructed since 1980), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are valued at replacement cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Type</u>	<u>Years</u>
Land Improvements	5-50
Building and Improvements	5-50
Public Domain Infrastructure	50
Systems Infrastructure	25-50
Machinery and Equipment	3-25

### ***Deferred Outflows of Resources***

In addition to assets, the statement 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 future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has two items that qualify for reporting in this category, the deferred charge on refunding and pension related deferred outflows. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The government-wide statements and proprietary funds also report pension-related deferred outflows from the difference between

## City of Marshall

### Notes to the Financial Statements

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projected and actual investment earnings of the pension plan, changes in assumptions, and City contributions made after the measurement date of the net pension liability.

#### ***Compensated Absences***

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits, subject to certain limitations. 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 or retirements.

#### ***Long-term Obligations***

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

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

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

In addition to liabilities, the statement of financial position 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 / reduction of expense) until that time. The City only has one item that qualifies for reporting in this category, pension related deferred inflows. The government-wide statements and proprietary funds report deferred inflows from the difference between expected and actual experience of the pension plan.

#### ***Net Position Flow Assumption***

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which

## City of Marshall

### Notes to the Financial Statements

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the resources are considered to be applied.

It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

#### ***Fund Balance Flow Assumptions***

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

#### ***Fund Balance Policies***

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Nonspendable fund balance would be equal to inventory, prepaid items, interfund advances, and the nonspendable portion of endowments. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The *committed fund balance* classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the *assigned fund balance* classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. The City Council has delegated the responsibility for making fund balance assignments to the Finance Director and City Treasurer.

*Unassigned fund balance* is the residual classification for the City's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent

## City of Marshall

### Notes to the Financial Statements

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as determined by the City Council. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

The City Council has adopted a fund balance reserve policy to provide a general framework for setting unassigned fund balance. The ratios vary depending on the fund, ranging from 18-25 percent of the annual operating expenditures or 1.2 debt service ratio. If the unassigned fund balance falls below the minimum range, the City will replenish shortages or deficiencies using budget strategies and timeframes as detailed in the policy. At June 30, 2016, total fund balance of the general fund met the minimum percentage requirement.

#### *Use of Estimates*

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

#### *New Accounting Standards Adopted*

For June 30, 2016, the City adopted Government Accounting Standards Board (“GASB”) Statement No. 72, Fair Value Measurement and Application. GASB 72 requires the funds to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or income approach. GASB 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, and typically reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability. GASB 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that was used for the fair value measurements. There was no material impact on the funds’ financial statements as a result of the implementation of GASB 72.

# City of Marshall

## Notes to the Financial Statements

### Note 2 - Statutory Compliance

#### Excess of expenditures over appropriations in budgetary funds

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the City were adopted on a departmental level basis.

During the year ended June 30, 2016, the City incurred the following significant expenditures in excess of the amounts appropriated at the legal level of budgetary control:

<b>General Fund</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance</b>
City Hall	\$ 73,095	\$ 85,928	\$ (12,833)
Non-departmental	496,667	517,549	(20,882)
Police	1,675,705	1,685,958	(10,253)
Recreation	383,256	404,787	(21,531)
Debt Service	35,250	53,023	(17,773)
Transfers Out	931,443	1,172,902	(241,459)
<b>Nonmajor Governmental Funds</b>			
<b>Local Streets</b>			
Capital Outlay	220,000	254,368	(34,368)

### Note 3 - Unrestricted Net Position Deficit

At June 30, 2016, the City had the following deficit unrestricted net positions:

	<b>Unrestricted Net Position</b>
<b>Governmental Activities</b>	\$ (4,322,028)
<b>Component Units</b>	
DDA	(68,478)
<b>Business-type</b>	
Water	(99,449)
DART	(278,672)

# City of Marshall

## Notes to the Financial Statements

### Note 4 - Cash and Investments

Following is a reconciliation of deposit and investment balances as of June 30, 2016:

	<u>Primary</u>	<u>Component</u>	<u>Totals</u>
<b>Statement of Net Position</b>			
Cash and Cash Equivalents	\$ 2,795,228	\$ 47,663	\$ 2,842,891
Investments	5,840,160	1,674,244	7,514,404
Restricted Cash and Equivalents	844,514	1,976	846,490
<b>Statement of Fiduciary Net Position</b>			
Cash and Cash Equivalents	59,407	-	59,407
<b>Total</b>	<u>\$ 9,539,309</u>	<u>\$ 1,723,883</u>	<u>\$ 11,263,192</u>
<b>Deposits and Investments</b>			
Bank deposits (checking, savings, and certificates of deposit)			\$ 9,446,371
Investments			1,815,521
Cash on hand			1,300
<b>Total</b>			<u>\$ 11,263,192</u>

**Custodial Credit Risk - Deposits.** For deposits, custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to the government. As of June 30, 2016, \$8,044,680 of the City's total bank balance of \$9,441,697 (total book balance was \$9,446,371) was exposed to custodial credit risk as it was uninsured and uncollateralized.

The City's investment policy does not specifically address this risk, although the City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**Interest Rate Risk.** It is the City's policy that, unless matched to a specific cash flow, the government will not directly invest in securities maturing more than three years from the date of purchase. Reserve funds may be invested in securities exceeding three years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the funds. The average maturity of the portfolio investments in the external investment pools was less than 60 days as of June 30, 2016.

**Concentration of Credit Risk.** The City's investment policy provides that, except for U.S. treasuries and authorized investment pools, no more than 50 percent of the total investment portfolio may be invested in a single security type or with a single financial institution.



## City of Marshall

### Notes to the Financial Statements

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**Custodial Credit Risk - Investments.** The City's investments as of June 30, 2016 were as follows:

<u>Deposit/Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
MBIA Investment Fund	n/a	\$ 1,815,521	S&P - AAAM

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that investment securities be held in third-party safekeeping by a designated institution and that the safekeeping agent follow the procedure of delivery vs. payment. All of the City's investments comply with its policy regarding the types of investments it may hold.

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

The City has the following recurring fair value measurements as of June 30, 2016:

- All Investments for the MBIA Investment fund, with a balance of \$1,815,521 at June 30, 2016, which are valued using quoted market prices (level 1 inputs).

The City directly held certificates of deposit totaling \$5,698,883 which were included as investments on the financial statements. However, the certificates of deposit were included in the bank deposit section of this footnote disclosure as they were held directly by the City.

# City of Marshall

## Notes to the Financial Statements

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### Note 5 - Investment in the Michigan South Central Power Agency

The Michigan South Central Power Agency (MSCPA or the “Agency”) was organized in 1978 under the authority of Public Act 448 of 1976 to supply electricity to member municipalities in south central Michigan. The Act provides that the MSCPA establish rates and charges to produce revenues sufficient to cover its costs, but may not operate for profit, except for the public benefit. The MSCPA is governed by a board of commissioners, comprised of one representative from each member municipality and the MSCPA general manager. Member municipalities and their respective shares of ownership are as follows:

<u>Municipality</u>	<u>Shares</u>
City of Coldwater	43.23%
City of Hillsdale	25.33%
City of Marshall	21.85%
Village of Clinton	5.94%
Village of Union City	3.65%
	<u>100.00%</u>

The City has entered into a contract with the MSCPA that requires the City to purchase all of its bulk power supply from the Agency and to pay its share of the Agency’s operating and debt service costs. The City has also entered into an agreement for services to be provided by the Agency with respect to substation facilities, which requires the City to sell to the Agency power generated by the City’s facilities.

The City accounts for its investment in the MSCPA as a joint venture in accordance with generally accepted accounting standards. Information presented below is taken from financial statements of the MSCPA for the year ended June 30, 2016, which was audited by other auditors whose report dated August 25, 2016, expressed an unmodified opinion on those financial statements. A copy of these financial statements can be obtained by addressing request to Michigan South Central Power Agency, 720 Herring Rd., Litchfield, MI 49252.

## City of Marshall

### Notes to the Financial Statements

Summary information of the City's equity interest in the MSCPA as of June 30, 2016, is as follows:

	<b>MSCPA</b>	<b>City of Marshall (24.0%)</b>
<b>Assets</b>		
Current	\$ 15,380,174	\$ 3,691,242
Noncurrent	11,531,305	2,767,513
Capital Assets, Net	23,251,265	5,580,304
<i><b>Total Assets</b></i>	<b>50,162,744</b>	<b>12,039,059</b>
<b>Deferred Outflow of Resources</b>	1,862,984	447,116
<b>Liabilities</b>		
Current	6,452,164	1,548,519
Long-term	17,497,283	4,199,348
<i><b>Total Liabilities</b></i>	<b>23,949,447</b>	<b>5,747,867</b>
<b>Deferred Inflows of Resources</b>	4,319,577	1,036,698
<b>Net Position</b>	<b>\$ 23,756,704</b>	<b>\$ 5,701,609</b>
Revenues	\$ 45,913,578	\$ 11,019,259
Expenses	47,100,857	11,304,206
Operating Income	(1,187,279)	(284,947)
Nonoperating Expenses	(19,169,297)	(4,600,631)
Capital Contributions	455,459	109,310
<i><b>Change in Net Position</b></i>	<b>(19,901,117)</b>	<b>(4,776,268)</b>
Net Position, Beginning of the Year	43,657,821	10,477,877
<b>Net Position, End of the Year</b>	<b>\$ 23,756,704</b>	<b>\$ 5,701,609</b>

# City of Marshall

## Notes to the Financial Statements

### Note 6 - Capital Assets

Capital asset activity for the governmental activities of the primary government for the year ended June 30, 2016 was as follows:

Governmental Activities	June 30, 2015	Additions	Reductions	Transfers from Construction in Progress	June 30, 2016
<b>Capital assets not being depreciated</b>					
Land	\$ 2,559,160	\$ -	\$ -	\$ -	\$ 2,559,160
Construction in process	8,755,756	32,993	-	(8,755,756)	32,993
<b>Total Capital Assets not Being Depreciated</b>	<b>11,314,916</b>	<b>32,993</b>	<b>-</b>	<b>(8,755,756)</b>	<b>2,592,153</b>
<b>Capital Assets Being Depreciated</b>					
Land Improvements	5,667,979	28,913	-	-	5,696,892
Buildings	12,006,831	3,032,182	-	8,542,997	23,582,010
Vehicles	44,291	-	4,095	-	40,196
Equipment	811,254	63,718	-	-	874,972
Infrastructure	11,749,401	461,723	-	212,759	12,423,883
<b>Total Capital Assets Being Depreciated</b>	<b>30,279,756</b>	<b>3,586,536</b>	<b>4,095</b>	<b>8,755,756</b>	<b>42,617,953</b>
<b>Less Accumulated Depreciation</b>					
Land Improvements	4,351,425	213,194	-	-	4,564,619
Buildings	6,185,104	262,070	-	-	6,447,174
Vehicles	35,015	663	4,095	-	31,583
Equipment	573,596	45,249	-	-	618,845
Infrastructure	3,796,988	328,708	-	-	4,125,696
<b>Total Accumulated Depreciation</b>	<b>14,942,128</b>	<b>849,884</b>	<b>4,095</b>	<b>-</b>	<b>15,787,917</b>
<b>Total Net Capital Assets Being Depreciated</b>	<b>15,337,628</b>	<b>2,736,652</b>	<b>-</b>	<b>8,755,756</b>	<b>26,830,036</b>
<b>Internal Service Funds</b>					
Data Processing	106,415	(21,435)	-	-	84,980
Motor Pool	1,909,462	588,210	-	-	2,497,672
<b>Total Internal Service Funds</b>	<b>2,015,877</b>	<b>566,775</b>	<b>-</b>	<b>-</b>	<b>2,582,652</b>
<b>Total Capital Assets - Governmental Activities</b>	<b>\$ 28,668,421</b>	<b>\$ 3,336,420</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 32,004,841</b>

The City has entered into an operating lease for a portion of the Marshall Regional Law Enforcement Center (MRLEC). The cost of the MRLEC was \$11,091,797 and depreciation expense has yet to be recognized given that final construction costs were not completed until year-end.

# City of Marshall

## Notes to the Financial Statements

Capital asset activity for the business-type activities of the primary government for the year ended June 30, 2016 was as follows:

<b>Business-type Activities</b>	<b>June 30, 2015</b>	<b>Additions</b>	<b>Reductions</b>	<b>Transfers from Construction in Progress</b>	<b>June 30, 2016</b>
<b>Capital assets not being depreciated</b>					
Land	\$ 189,563	\$ 80,000	\$ -	\$ -	\$ 269,563
Construction in process	85,217	1,267,367	-	(85,217)	1,267,367
<b>Total Capital Assets not Being Depreciated</b>	<u>274,780</u>	<u>1,347,367</u>	<u>-</u>	<u>(85,217)</u>	<u>1,536,930</u>
<b>Capital Assets Being Depreciated</b>					
Land Improvements	791,934	-	4,904	-	787,030
Buildings	7,699,637	161,860	28,559	-	7,832,938
Vehicles	1,274,464	-	267,857	-	1,006,607
Equipment	13,124,689	430,513	160,435	13,799	13,408,566
Infrastructure	23,754,004	619,061	129,387	71,418	24,315,096
<b>Total Capital Assets Being Depreciated</b>	<u>46,644,728</u>	<u>1,211,434</u>	<u>591,142</u>	<u>85,217</u>	<u>47,350,237</u>
<b>Less Accumulated Depreciation</b>					
Land Improvements	177,303	26,251	4,904	-	198,650
Buildings	5,535,423	212,529	28,559	-	5,719,393
Vehicles	983,633	53,764	267,857	-	769,540
Equipment	10,406,668	225,857	160,435	-	10,472,090
Infrastructure	12,290,588	667,281	129,387	-	12,828,482
<b>Total Accumulated Depreciation</b>	<u>29,393,615</u>	<u>1,185,682</u>	<u>591,142</u>	<u>-</u>	<u>29,988,155</u>
<b>Total Net Capital Assets Being Depreciated</b>	<u>17,251,113</u>	<u>25,752</u>	<u>-</u>	<u>85,217</u>	<u>17,362,082</u>
<b>Total Capital Assets - Business-type</b>	<u>\$ 17,525,893</u>	<u>\$ 1,373,119</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,899,012</u>

Component unit capital assets activity for the year ended June 30, 2016 was as follows:

<b>Local Development Finance Authority (LDFA)</b>	<b>June 30, 2015</b>	<b>Additions</b>	<b>Reductions</b>	<b>June 30, 2016</b>
<b>Capital Assets not Being Depreciated</b>				
Land	\$ 500,000	\$ -	\$ -	\$ 500,000
<b>Capital Assets Being Depreciated</b>				
Equipment	91,640	-	-	91,640
<b>Less Accumulated Depreciation</b>				
Equipment	91,640	-	-	91,640
<b>Total Capital Assets Being Depreciated, Net</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total LDFA Component Unit Capital Assets</b>	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 500,000</u>

# City of Marshall

## Notes to the Financial Statements

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

### **Governmental Activities**

General Government	\$	165,036
Public Safety		105,284
Public Works		510,513
Parks and Recreation		69,051
Internal Service Funds*		248,968
<b>Total Governmental Activities</b>	<b>\$</b>	<b>1,098,852</b>

### **Business-type Activities**

Electric	\$	354,283
Wastewater		389,357
Water		344,255
Public Transit		50,169
Public Housing		47,618
<b>Total Business-type Activities</b>	<b>\$</b>	<b>1,185,682</b>

\*Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets.

### **Note 7 - Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2016 was as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>
General	Building Authority Construction	\$ 241,500

The interfund balances listed above represent the residual amounts from prior year interfund loans which were intended to finance capital asset purchases. These interfund balances will be entirely eliminated in the upcoming fiscal year.

## City of Marshall

### Notes to the Financial Statements

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For the year ended June 30, 2016, interfund transfers consisted of the following:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General	Electric Fund	\$ 893,356
General	Wastewater Fund	47,000
General	Water Fund	82,644
General	Nonmajor Enterprise Fund	22,000
Nonmajor Governmental Fund	Electric Fund	239,794
Nonmajor Governmental Fund	General Fund	531,402
Nonmajor Governmental Fund	Nonmajor Governmental Fund	75,481
Motor Pool	General Fund	400,000
Building Authority Construction	General Fund	241,500

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

#### **Note 8 - Long-term Debt**

*General obligation bonds.* The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. The discretely presented component unit bonds were issued for lighting in the downtown business district.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. The original amount of general obligation bonds issued in prior years for the governmental activities items listed below was \$10,530,000 and \$12,860,000 for business-type activities. These bonds are issued as 10 to 20-year serial bonds with varying amounts of principal maturing each year.

# City of Marshall

## Notes to the Financial Statements

General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
<b>Governmental Activities</b>		
2004 Improvements	3.00%-4.40%	\$ 45,000
2005 Building Authority Refunding	3.00%-4.25%	1,410,000
2012 Improvements	2.00%-3.30%	90,000
2013 Transportation Bonds	2.00%-3.00%	1,480,000
2014 Building Authority	2.00%-4.00%	5,005,000
<i><b>Total Governmental Activities</b></i>		<u>\$ 8,030,000</u>

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
<b>Business-type Activities</b>		
2004 Improvements	3.00%-4.70%	\$ 275,000
2006 Refunding	3.65%-3.80%	850,000
2007 Electric	3.10%-3.95%	525,000
2008 Refunding	3.00%-4.00%	600,000
2009 Water Main	4.00%-5.10%	980,000
2012 Improvements	2.00%-3.30%	3,565,000
<i><b>Total Business-type Activities</b></i>		<u>\$ 6,795,000</u>

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
<b>Component Units</b>		
2002 Downtown Development	4.20%-5.10%	\$ 105,000



## City of Marshall

### Notes to the Financial Statements

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

<b>Year Ending June 30</b>	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 575,000	\$ 281,786	\$ 856,786
2018	600,000	263,333	863,333
2019	635,000	243,723	878,723
2020	725,000	223,613	948,613
2021	280,000	198,413	478,413
2022-2026	1,485,000	867,732	2,352,732
2027-2031	1,475,000	602,450	2,077,450
2032-2036	1,325,000	349,000	1,674,000
2037-2039	930,000	75,200	1,005,200
<b>Totals</b>	<b>\$ 8,030,000</b>	<b>\$ 3,105,250</b>	<b>\$ 11,135,250</b>

<b>Year Ending June 30</b>	<b>Business-type Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 620,000	\$ 89,755	\$ 709,755
2018	630,000	86,035	716,035
2019	630,000	81,915	711,915
2020	435,000	77,145	512,145
2021	360,000	72,075	432,075
2022-2026	2,000,000	303,570	2,303,570
2027-2031	1,800,000	132,970	1,932,970
2032	320,000	11,165	331,165
<b>Totals</b>	<b>\$ 6,795,000</b>	<b>\$ 854,630</b>	<b>\$ 7,649,630</b>

<b>Year Ending June 30</b>	<b>Component Units</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 50,000	\$ 5,200	\$ 55,200
2018	55,000	2,750	57,750
<b>Totals</b>	<b>\$ 105,000</b>	<b>\$ 7,950</b>	<b>\$ 112,950</b>

*Revenue bonds.* The City's business-type activities issued bonds where the income derived from the acquired or constructed assets is pledged to pay debt service. The discretely presented component unit issued bonds were for infrastructure improvements at the Brooks Industrial Park including roads, land improvements, and electric. The original amount of revenue bonds issued in prior years for the issues listed below was \$995,000 for business-type activities and \$1,360,000 for discretely presented component units. No new or refunding revenue bonds were issued during

## City of Marshall

### Notes to the Financial Statements

the current year. These bonds are issued as 20-year serial bonds with varying amounts of principal maturing each year. Revenue bonds outstanding at year-end are as follows:

<b>Purpose</b>	<b>Interest Rate</b>	<b>Amount</b>
<b>Business-type Activities</b>		
1999 Electric	4.25%-5.20%	\$ 345,000
<b>Component Units</b>		
2005 Local Development	3.50%-4.30%	360,000

Revenue bond debt service requirements to maturity are as follows:

<b>Year Ending</b>	<b>Business-type Activities</b>		
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 80,000	\$ 15,860	\$ 95,860
2018	85,000	11,570	96,570
2019	90,000	7,020	97,020
2020	90,000	2,340	92,340
<b>Totals</b>	<b>\$ 345,000</b>	<b>\$ 36,790</b>	<b>\$ 381,790</b>

<b>Year Ending</b>	<b>Component Units</b>		
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 90,000	\$ 20,235	\$ 110,235
2018	95,000	16,245	111,245
2019	95,000	12,255	107,255
2020	80,000	8,170	88,170
<b>Totals</b>	<b>\$ 360,000</b>	<b>\$ 56,905</b>	<b>\$ 416,905</b>

*Installment obligations.* The government has entered into various long-term installment payment agreements. The original amount of installment obligations issued in prior years for the issues listed below was \$568,647. The 2015 Motor Pool Equipment installment obligations were issued during the current year in the amount of \$400,000. The business-type activities installment obligations were issued during the year in the amount of \$350,369.

## City of Marshall

### Notes to the Financial Statements

Installment obligations outstanding at year-end are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
<b>Governmental Activities</b>		
2012 Motor Pool Equipment	2.89%	\$ 120,200
2015 Motor Pool Equipment	2.33%	382,227
<b>Business-type Activities</b>		
2016 Sewer Improvements	0.00%	\$ 280,368

Annual debt service requirements to maturity for installment obligations, except as noted above, are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 156,433	\$ 12,314	\$ 168,747
2018	37,120	7,953	45,073
2019	38,001	7,072	45,073
2020	38,904	6,169	45,073
2021	39,813	5,260	45,073
2022-2025	192,156	11,562	203,718
<b>Totals</b>	<b>\$ 502,427</b>	<b>\$ 50,330</b>	<b>\$ 552,757</b>

<u>Year Ending</u> <u>June 30</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 93,456	-	\$ 93,456
2018	93,456	-	93,456
2019	93,456	-	93,456
<b>Totals</b>	<b>\$ 280,368</b>	<b>\$ -</b>	<b>\$ 280,368</b>

## City of Marshall

### Notes to the Financial Statements

*Changes in Long-term Debt.* Long-term liability activity for the year ended June 30, 2016 was as follows:

	6/30/2015	Additions	Reductions	6/30/2016	Due Within One Year
<b>Governmental Activities</b>					
General Obligation Bonds	\$ 8,505,000	\$ -	\$ 475,000	\$ 8,030,000	\$ 575,000
Installment Contracts	237,024	400,000	134,597	502,427	156,433
Compensated Absences	283,415	30,965	35,461	278,919	69,730
Deferred Amounts for Issuance Premiums	193,642	-	8,879	184,763	-
<b>Total Governmental Activities</b>	<b>9,219,081</b>	<b>430,965</b>	<b>653,937</b>	<b>8,996,109</b>	<b>801,163</b>
<b>Business-type Activities</b>					
General Obligation Bonds	7,535,000	-	740,000	6,795,000	620,000
Revenue Bonds	420,000	-	75,000	345,000	80,000
Installment Contracts	-	355,368	75,000	280,368	93,456
Compensated Absences	194,249	26,660	7,636	213,273	53,320
Deferred Amounts for Issuance Premiums	66,677	-	7,793	58,884	-
<b>Total Business-type Activities</b>	<b>8,215,926</b>	<b>382,028</b>	<b>905,429</b>	<b>7,692,525</b>	<b>846,776</b>
<b>Total Primary Government Long-term Debt</b>	<b>\$ 17,435,007</b>	<b>\$ 812,993</b>	<b>\$ 1,559,366</b>	<b>\$ 16,688,634</b>	<b>\$ 1,647,939</b>
<b>Component Unit - LDFA</b>					
Revenue Bond	\$ 920,000	\$ -	\$ 560,000	\$ 360,000	\$ 90,000
<b>Component Unit - DDA</b>					
General Obligation Bonds	\$ 150,000	\$ -	\$ 45,000	\$ 105,000	\$ 50,000

For governmental activities; compensated absences and net other post-employment benefit obligations are generally liquidated by the general fund.

### Note 9 - Segment Information – Enterprise Funds

The government issued general obligation bonds to finance and refinance certain improvements to its electric, water, and wastewater system. Because the electric, water and wastewater funds are segments and are reported as major funds in the fund financial statements, segment disclosures herein are not required.

### Note 10 - Risk Management

The government 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. During the year ended June 30, 2016, the government carried insurance through various commercial carriers, including the Michigan Municipal League, to cover all risks of losses. The government has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

# City of Marshall

## Notes to the Financial Statements

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### **Note 11 - Property Taxes**

The government's property taxes are levied each August 1 on the taxable valuation of property located in the City as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through September 15; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Calhoun County. Assessed values, as established annually by the government and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value. The taxable value of real and personal property in the City for the 2015 levy, including industrial facilities, was \$218,553,984. The government's general operating tax rate for fiscal 2015-16 was 17.1629 mills with an additional 0.9393 mills for recreation, 0.4840 for public transportation and .4000 for leaf, brush and trash removal.

Property taxes for the DDA and LDFA are derived from tax increment financing agreements with the various applicable taxing authorities. Under these arrangements, the DDA and LDFA receives the property taxes levied on the increment of current taxable values over the base year values on those properties located within the established tax increment financing district. The DDA's operating tax rate for fiscal year 2015-16 was 1.6129 mills based on taxable value of \$7,792,763.

Property taxes are recognized in the fiscal year in which they are levied.

### **Note 12 - Contingent Liabilities**

Amounts received or receivable from grantor agencies are subject to audit and potential adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the government's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government.

### **Note 13 - Pension Plans**

#### **Defined Contribution Pension Plan**

The City provides a defined contribution pension plan, which provides retirement benefits to qualified employees who were hired after July 1, 2013. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The City's contribution for employees eligible to participate in the plans vests based on year of service with 100% vesting occurring after 5 years of service. The City and participants contribute a percentage of participant's salary to the plans. City contributions to the MERS plan at 10% of salary and participant contributions are 7.7% of salary. City contributions for the fiscal year 2016 were \$121,942 and participant contributions were \$93,999. The plan provisions and contribution amounts were

# City of Marshall

## Notes to the Financial Statements

established by the City Council and may be amended by the Council. The plan is administered along with the defined benefit pension plans, through MERS.

### **Defined Benefit Pension Plan**

#### ***Benefits Provided***

*Plan Description.* The employer’s defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. Public Act 427 of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at [www.mersofmich.com](http://www.mersofmich.com).

Retirement benefits for employees are calculated as follows:

Division	Benefit Multiplier	Benefit Maximum	Final Average Compensation (Years)	Normal Retirement Age	Unreduced Benefit (Age/Years of Service)	Reduced Benefit (Age/Years of Service)	Vesting (Years)
General Employee - Closed	2.50%	80%	5	60	55/25	50/25 or 55/15	10
Fire Division - Open	3.00%	80%	3	60	50/25	55/15	10
Dispatch - Closed	2.50%	80%	5	60	55/25	50/25 or 55/15	10
Patrol Officers - Open	3.00%	80%	3	60	50/25	55/15	10
Sergeants - Open	3.00%	80%	3	60	50/25	55/15	10

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the City Council, generally after negotiations of these terms with the affected unions. Police employee benefit terms may be subject to binding arbitration in certain circumstances.

#### ***Employees Covered by Benefit Terms***

At the December 31, 2015 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	87
Inactive plan members entitled to but not yet receiving benefits	16
Active plan members	<u>60</u>
Total employees covered by MERS	<u><u>163</u></u>

# City of Marshall

## Notes to the Financial Statements

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### *Contributions*

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ended December 31, 2015, the City had the following contribution rates:

<u>Division</u>	<u>Employee Contributions</u>	<u>Employer Contributions</u>
General Employee - Closed	7.70%	\$ 62,072
Fire Division - Open	10.39%	29.72%
Dispatch - Closed	9.03%	\$ 1,792
Patrol Officers - Open	8.79%	14.48%
Sergeants - Open	11.24%	15.75%

### *Net Pension Liability*

The net pension liability reported at June 30, 2016 was determined using a measure of the total pension liability and the pension net position as of December 31, 2015. The December 31, 2015 total pension liability was determined by an actuarial valuation performed as of that date.

## City of Marshall

### Notes to the Financial Statements

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		Net Pension Liability
	Total Pension Liability	Plan Net Position	
<b>Balance at December 31, 2014</b>	\$ 31,330,559	\$ 21,622,587	\$ 9,707,972
Service cost	499,467	-	499,467
Interest	2,516,972	-	2,516,972
Difference in experience	(31,309)	-	(31,309)
Change in assumptions	1,499,182	-	1,499,182
Contributions - Employer	-	710,139	(710,139)
Contributions - Employee	-	329,215	(329,215)
Net investment income	-	(311,804)	311,804
Benefit payments, including refunds	(2,142,685)	(2,142,685)	-
Administrative expenses	-	(46,163)	46,163
<b>Net changes</b>	2,341,627	(1,461,298)	3,802,925
<b>Balance at December 31, 2015</b>	\$ 33,672,186	\$ 20,161,289	\$ 13,510,897

Net pension liabilities are generally liquidated by the general fund within the governmental activities.

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

For the year ended June 30, 2016, the City recognized pension expense of \$1,213,895. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected & actual experience	\$ -	\$ 20,874
Changes in assumptions	999,455	
Excess (defecit) investment returns	1,873,052	-
Contributions subsequent to the measurement date	376,651	-
Total	\$ 3,249,158	\$ 20,874



## City of Marshall

### Notes to the Financial Statements

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Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30	Amount
2017	\$ 977,091
2018	977,091
2019	487,800
2020	409,651
	<u>\$ 2,851,633</u>

#### *Actuarial Assumptions*

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5% (3-4% for 2014)

Salary Increases: base wage inflation of 3.75% in the long-term (plus merit and longevity from 0 to 11% based on age) (4.5 for 2014)

Investment rate of return: 7.75%, net of investment expense, including inflation (8.25 for 2014)

Mortality rates used for non-disabled plan member were based on a weighted blend of RP-2014 mortality tables of a 50% Male and 50% Female blend. Mortality rates used for disabled plan member were based on a blend of RP-2014 disabled retire mortality tables of a 50% Male and 50% Female blend of disabled retirees. (1994 group annuity tables is 2014)

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

## City of Marshall

### Notes to the Financial Statements

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	Expected Money Weighted Rate of Return
Global equity	57.50%	6.27%	3.60%
Global fixed income	20.00%	3.43%	0.68%
Real assets	12.50%	5.48%	0.69%
Diversifying strategies	10.00%	7.81%	0.78%
Inflation			2.00%
Administrative fee			0.25%
<b>Investment rate of return</b>			<b>8.00%</b>

#### *Discount Rate*

The discount rate used to measure the total pension liability is 8.00%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. 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.

#### *Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

The following presents the net pension liability of the City, calculated using the discount rate of 8.00 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00 percent) or one percentage point higher (9.00 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Net pension liability of the City	\$ 17,198,038	\$ 13,510,897	\$ 10,397,042

#### *Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued plan financial statements.

# City of Marshall

## Notes to the Financial Statements

### Note 14 - Other Post-employment Benefits

**Plan Description.** The City of Marshall administers a single-employer defined benefit healthcare plan (the “Plan”). In addition to the retirement benefits described in Note 13, the Plan provides health insurance benefits to certain retirees and their beneficiaries, which are advance-funded on a discretionary basis. In accordance with City policy, eligible retirees and their spouses receive healthcare benefits at up to 100 percent of the actual cost, based on hire date, years of service, and bargaining unit. As of June 30, 2016, the date of the last plan valuation, the Plan covered 86 members (18 active plan members and 68 retirees receiving benefits).

**Funding Policy.** The contribution requirements of Plan members and the City are established and may be amended by the City Council. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually by the City Council. For the year ended June 30, 2016, the City contributed \$684,715 to the Plan, all of which was to fund current year benefits. Retirees receiving benefits contributed \$59,139 or 7.95 percent of the total premiums, through their required contribution.

**Annual OPEB Cost and Net OPEB Obligation.** The City is required to contribute at an amount actuarially determined in accordance with the parameters of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The annual required contribution (ARC) represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the City’s net OPEB obligation:

Annual Required Contribution	\$	1,372,317
Interest on Net OPEB Obligation		162,770
Adjustment to Annual Required Contribution		<u>(123,207)</u>
Net OPEB Cost		1,411,880
Contributions Made		<u>(677,348)</u>
<b>Change in Net OPEB Obligation</b>		734,532
Net OPEB Obligation, Beginning of the Year		<u>2,325,290</u>
<b>Net OPEB Obligation, End of the Year</b>	\$	<u><u>3,059,822</u></u>

Net other post-employment benefits obligations are generally liquidated by the general fund within governmental activities.

## City of Marshall

### Notes to the Financial Statements

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The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2016, and the two preceding years, were as follows:

<b>Year Ending June 30,</b>	<b>Annual OPEB Cost</b>	<b>% of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
2014	\$ 823,343	80%	\$ 1,834,862
2015	1,175,143	58%	2,325,290
2016	1,411,880	48%	3,059,822

**Funded Status and Funding Progress.** As of June 30, 2016, the most recent actuarial valuation date, the Plan was 3.1 percent funded. The actuarial accrued liability for benefits was \$25,020,779, and the actuarial value of assets was \$775,338, resulting in an unfunded actuarially accrued liability of \$24,245,441. The covered payroll (annual payroll of active employees covered by the plan) was \$1,026,780, and the ratio of the UAAL to the covered payroll was 2,361 percent. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

**Actuarial Methods and Assumptions.** Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

# City of Marshall

## Notes to the Financial Statements

Significant methods and assumptions are as follows:

**Discount rate - 7%**

Rationale - Rate set by the City of Marshall

**Salary scale - 4,5%**

Rationale - Based on City of Marshall expectations for future salary increases

**Return on plan assets - 7%**

Rationale - Based on plan sponsor expectations

**Mortality rate - RP-2014 Total Dataset Mortality, sex distinct with Scale MP-2015 improvements**

Rationale - Based on most up to date industry standards

**Utilization - 100% Eligible employees will elect coverage at retirement consistent with current coverage; actual coverage used for non-active**

Rationale - Based on past employer experience

**Turnover rates - None**

Rationale - Eligible employees are long-term employees nearing retirement age

**Retirement rates - 100% retirement assumed at age 55**

Rationale - Consistent with employer experience

**Marital assumption - Marital status of members was assumed to continue throughout retirement. Actual spouse data used for retirees.**

Rationale - Actual spousal information known for all plan participants.

**Medical inflation rate - 12.0% initially graded down 1.0% per year to an ultimate rate of 8.0%**

Rationale - Based on plan sponsor expectations for future increases

The actuarial cost method was entry age normal (level % of pay). The amortization method was level % of pay, closed. The remaining amortization period was 27 years as of July 1, 2015. The asset valuation method was market value.

### Note 15 - Net Investment in Capital Assets

Following is a summary of net investment in capital assets as presented in the government-wide statement of net position:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Component Units</b>
Capital Assets, Net	\$ 32,004,841	\$ 18,899,012	\$ 500,000
Less:			
Capital Related Bonds and Installment Contracts	8,532,427	7,420,370	-
Unamortized Premium on Bonds	184,763	58,882	-
Add:			
Unamortized Loss on Refunding	50,588	27,271	-
<b>Total Net Investment in Capital Assets</b>	<b>\$ 23,338,239</b>	<b>\$ 11,447,031</b>	<b>\$ 500,000</b>

# City of Marshall

## Notes to the Financial Statements

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### **Note 16 - Dial-A-Ride Disclosures**

The following disclosures are required by the Michigan Department of Transportation (MDOT) relative to the City's Dial-A-Ride program which is funded by and through MDOT:

#### ***Cost Allocation Plans***

The Dial-A-Ride has two cost allocation plans (central service - building and new freedom) where the methodology has been approved by the Office of Passenger Transportation (OPT). The cost allocation plans were adhered to in the preparation of the financial statements.

#### ***Nonfinancial Methodology***

The methodology used for compiling vehicle mileage is adequate and reliable.

#### ***Depreciation***

The depreciation expense reported in 51300 equals the ineligible depreciation reported in 55007. Therefore, the depreciation assurance regarding approval of useful life is not required.

#### ***Capital Funds Used to Pay for Operating***

No operating expenses are subtracted out as ineligible because no capital money was used to pay for operating expenses.

#### ***Expenses Associated with PTMS Codes 406 & 407***

There are no expenses associated with 406xx Auxiliary Transportation Revenue and/or 407xx Nontransportation, and therefore, no expenses need to be subtracted out as ineligible. No expenses were incurred because the Dial-A-Ride contracts with an outside vendor that bills the advertiser directly for advertising on the buses.

#### ***Retirement Benefits***

The Dial-A-Ride offers two pension compensation plans: MERS defined benefit and MERS defined contribution.

No defined contribution costs were costs incurred. No amounts were expensed on the books and reported in 50210 DC Pensions. Therefore, no DC pension is subtracted out under 58010 Ineligible Fringe Benefits.

Pension costs incurred for the MERS Defined Benefit were calculated pursuant to the MERS GASB 68 Implementation Guide. The total pension expense recognized as calculated in STEP 6

## City of Marshall

### Notes to the Financial Statements

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of the guide is \$7,979 for Dial-A-Ride fiscal year end of June 30, 2016. The entire amount of \$16,046 was expensed on the books and is reported in 50220 DB Pensions as of September 30, 2015. The transit agency paid (e.g., an out of pocket payment) of \$8,067. Due to the difference in Dial-A-Ride verse MDOT fiscal year the \$7,979 of GASB 68 pension expense was subtracted out under 58020 Ineligible DB Pension for the September 30, 2015 calculation.

The transit agency incurred \$23,805 in 50202 Other Post-employment Benefits (OPEB) and expensed the entire amount on its books. Of the \$23,805 incurred, \$23,805 was paid. Therefore, no expense was subtracted out as ineligible under 58030 Ineligible OPEB.

## City of Marshall

### Notes to the Financial Statements

#### Note 17 - Fund Balances - Governmental Funds

The City reports fund balance in governmental funds based on the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

	<b>General Fund</b>	<b>Building Authority Construction</b>	<b>Nonmajor Funds</b>	<b>Total</b>
<b>Nonspendable</b>				
Prepays	\$ 83,788	\$ -	\$ 705	\$ 84,493
Inventory	-	-	42,131	42,131
Endowment	-	-	321,851	321,851
<b>Total Nonspendable</b>	<b>83,788</b>	<b>-</b>	<b>364,687</b>	<b>448,475</b>
<b>Restricted</b>				
Capital Projects	-	50	118,833	118,883
Major & Local Streets	-	-	1,552,294	1,552,294
Leaf, Brush and Trash	-	-	52	52
Drug Law Enforcement	-	-	16,545	16,545
Cemetery	-	-	239,459	239,459
Debt Service	-	-	1,000	1,000
<b>Total Restricted</b>	<b>-</b>	<b>50</b>	<b>1,928,183</b>	<b>1,928,233</b>
<b>Committed</b>				
Fire Truck Replacement	184,000	-	-	184,000
Recreation Scholarships	1,450	-	-	1,450
Special Projects	-	-	127,171	127,171
<b>Total Committed</b>	<b>185,450</b>	<b>-</b>	<b>127,171</b>	<b>312,621</b>
<b>Unassigned</b>	<b>1,800,039</b>	<b>-</b>	<b>-</b>	<b>1,800,039</b>
<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 2,069,277</b>	<b>\$ 50</b>	<b>\$ 2,420,041</b>	<b>\$ 4,489,368</b>



# City of Marshall

## Notes to the Financial Statements

### Note 18 - Prior Period Adjustment

The financial statements for the year ended June 30, 2015 have been restated in order to properly allocate the Net Other Post-employment Benefits.

As a result of implementing these changes, the beginning net position of both the governmental activities and business-type activities have been restated as indicated:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Net Position - June 30, 2015 - As previously reported	\$ 20,338,935	\$ 22,134,963
OPEB Reallocation	1,197,254	(1,197,254)
Net Position - June 30, 2015 - Restated	<u>\$ 21,536,189</u>	<u>\$ 20,937,709</u>

### Note 19 - Subsequent Events and Commitments

Subsequent events have been evaluated through November 30, 2016, the date the financial statements were available to be issued.

On July 20, 2016, the City issued \$6,850,000 in General Obligation Limit Tax and Refunding Bonds, of which \$3,600,000 was a new issue used for the construction of a new electric substation with the balance used to refund six older bond issues. The interest rate on the bonds ranges from 2% to 4% percent and the final maturity date is April 1, 2036.

In 2016, the City of Marshall's Electric Fund had a loss of \$5,286,069 on its investment in Michigan South Central Power Agency (MSCPA) primarily due to the closure of its Endicott Generating Station. On September 22, 2016, the MSCPA Board of Directors, entered into a contract to sell the Endicott Generating Station for \$3,500,000 of which 24% (City of Marshall's share in MSCPA) or \$840,000 will be shown as a gain on investment in the fiscal year ending June 30, 2017.

Management is not aware of any other subsequent events that would have a significant impact on the financial condition of the City.

**REQUIRED SUPPLEMENTARY INFORMATION**

**City of Marshall**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>		<b>Positive (Negative)</b>
				<u>Final to Actual</u>
<b>Revenues</b>				
Property Taxes	\$ 3,681,092	\$ 3,636,314	\$ 3,636,287	\$ (27)
Licenses and Permits	166,200	130,947	135,298	4,351
Intergovernmental	848,000	812,132	806,547	(5,585)
Charges for Services	435,208	397,038	379,509	(17,529)
Fines and Forfeitures	118,500	51,236	54,844	3,608
Other	183,495	272,720	328,614	55,894
Investment Earnings	10,700	11,679	11,413	(266)
<b>Total Revenues</b>	<u>5,443,195</u>	<u>5,312,066</u>	<u>5,352,512</u>	<u>40,446</u>
<b>Other Financing Sources</b>				
Installment Contract Issued	--	400,000	400,000	--
Transfers In	<u>1,136,740</u>	<u>1,104,601</u>	<u>1,045,000</u>	<u>(59,601)</u>
<b>Total Revenues and Other Financing Sources</b>	<u>6,579,935</u>	<u>6,816,667</u>	<u>6,797,512</u>	<u>(19,155)</u>
<b>Expenditures</b>				
<b>General Government</b>				
City Council	3,676	3,281	3,275	6
City Manager	138,568	150,129	150,978	(849)
City Assessor	164,885	153,716	154,053	(337)
City Attorney	55,000	41,600	49,142	(7,542)
Human Resources	69,641	64,142	64,612	(470)
Clerk	54,563	47,691	48,940	(1,249)
Treasurer	235,621	239,928	246,208	(6,280)
City Hall	81,548	73,095	85,928	(12,833)
Chapel	2,400	39	--	39
Other City Property	37,700	26,751	26,938	(187)
Cemetery	188,451	201,976	204,895	(2,919)
Non-departmental	<u>381,857</u>	<u>496,667</u>	<u>517,549</u>	<u>(20,882)</u>
<b>Total General Government</b>	<u>1,413,910</u>	<u>1,499,015</u>	<u>1,552,518</u>	<u>(53,503)</u>

Continued...

**City of Marshall**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		<b>Positive (Negative) Final to Actual</b>
<b>Expenditures</b>				
<b>Public Safety</b>				
Police	1,632,529	1,675,705	1,685,958	(10,253)
Crossing Guards	12,487	10,925	10,668	257
Dispatch Operations	112,900	109,967	109,967	--
Fire	927,110	929,760	908,245	21,515
Inspection	102,386	126,702	124,025	2,677
<b>Total Public Safety</b>	<u>2,787,412</u>	<u>2,853,059</u>	<u>2,838,863</u>	<u>14,196</u>
<b>Public Works</b>				
Street	853,742	719,077	721,231	(2,154)
Composting	60,072	40,160	44,704	(4,544)
Engineering	51,983	43,951	44,378	(427)
Airport	186,446	141,321	143,485	(2,164)
Public Services Building	122,042	112,447	120,009	(7,562)
<b>Total Public Works</b>	<u>1,274,285</u>	<u>1,056,956</u>	<u>1,073,807</u>	<u>(16,851)</u>
<b>Community Development</b>				
Planning and Zoning	150,384	117,804	119,356	(1,552)
Farmers Market	13,101	17,878	15,113	2,765
<b>Total Community Development</b>	<u>163,485</u>	<u>135,682</u>	<u>134,469</u>	<u>1,213</u>
<b>Recreation and Culture</b>				
Parks	101,988	98,161	102,575	(4,414)
Recreation	395,997	383,256	404,787	(21,531)
<b>Total Recreation and Culture</b>	<u>497,985</u>	<u>481,417</u>	<u>507,362</u>	<u>(25,945)</u>
<b>Capital Outlay</b>	198,700	248,065	243,236	4,829
<b>Debt Service</b>	17,550	35,250	53,023	(17,773)
<b>Total Expenditures</b>	<u>6,353,327</u>	<u>6,309,444</u>	<u>6,403,278</u>	<u>(93,834)</u>
<b>Other Financing Uses</b>				
Transfers Out	454,443	931,443	1,172,902	(241,459)
<b>Total Expenditures and Other Financing Uses</b>	<u>6,807,770</u>	<u>7,240,887</u>	<u>7,576,180</u>	<u>(335,293)</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<u>(227,835)</u>	<u>(424,220)</u>	<u>(778,668)</u>	<u>(354,448)</u>
<b>Net Change in Fund Balance</b>	<u>(227,835)</u>	<u>(424,220)</u>	<u>(778,668)</u>	<u>(354,448)</u>
<b>Fund Balance at Beginning of Period</b>	2,847,945	2,847,945	2,847,945	--
<b>Fund Balance at End of Period</b>	<u>\$ 2,620,110</u>	<u>\$ 2,423,725</u>	<u>\$ 2,069,277</u>	<u>\$ (354,448)</u>

*Concluded.*

**City of Marshall**  
**Required Supplementary Information**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Last Fiscal Year (Schedule is built prospectively upon implementation of GASB 68)**

	2016	2015
<b>Total Pension Liability</b>		
Service Cost	\$ 499,467	\$ 494,170
Interest	2,516,972	2,450,825
Differences Between Expected & Actual Experience	(31,309)	-
Changes in Assumptions	1,499,182	-
Benefit Payments, Including Refunds	(2,142,685)	(2,143,777)
<b>Net Change in Pension Liability</b>	2,341,627	801,218
<i>Total Pension Liability - Beginning</i>	31,330,559	30,529,341
<b>Total Pension Liability - Ending (a)</b>	\$ 33,672,186	\$ 31,330,559
 <b>Plan Fiduciary Net Position</b>		
Contributions - Employer	\$ 710,139	\$ 611,791
Contributions - Member	329,215	353,729
Net Investment Income	(311,804)	1,337,330
Benefit Payments, Including Refunds	(2,142,685)	(2,143,777)
Administrative Expenses	(46,163)	(48,890)
<b>Net Change in Plan Fiduciary Net Position</b>	(1,461,298)	110,183
<i>Plan Fiduciary Net Position - Beginning</i>	21,622,587	21,512,404
<b>Plan Fiduciary Net Position - Ending (b)</b>	\$ 20,161,289	\$ 21,622,587
 <b>Net Pension Liability - Ending (a) - (b)</b>	\$ 13,510,897	\$ 9,707,972
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	59.88%	69%
 Covered Employee Payroll	\$ 3,714,381	\$ 3,702,727
 Net Pension Liability as a Percentage of Covered Employee Payroll	364%	262%

**City of Marshall  
Required Supplementary Information  
Schedule of Contributions  
Last 10 Fiscal Years**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially Determined Contribution	\$ 710,139	\$ 654,990	\$ 568,171	\$ 480,936	\$ 415,427	\$ 339,409	\$ 247,197	\$ 224,057	\$ 227,379	\$ 171,584
Contributions in Relation to the Actuarially Determined Contribution	710,139	654,990	568,171	480,936	415,427	339,409	247,197	224,057	227,379	171,584
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	3,714,381	3,702,727	4,139,755	4,165,476	4,390,462	4,121,120	4,291,122	4,216,281	4,224,192	4,091,944
Contributions as a Percentage of Covered Employee Payroll	19%	18%	14%	12%	9%	8%	6%	5%	5%	4%

*Notes*

**Valuation Date**

Actuarially determined contribution amounts are calculated as of December 31 each year, which is 18 months prior to the beginning of the fiscal year in which the contributions are required.

**Methods and assumptions used to determine contribution rates**

Actuarial cost method	Entry-age
Amortization method	Level percentage of pay
Remaining amortization period	17 to 23 Years Division Specific
Asset valuation method	5-year smoothed
Inflation	2.50%
Salary increases	3.75%
Investment rate of return	7.75%
Retirement Age	Age-based table of rates that are specific to the type of eligibility condition.
Mortality	50% Male - 50% Female RP-2014 Mortality Table

**City of Marshall  
Required Supplementary Information  
Schedule of Investment Returns  
Last 10 Fiscal Years**

	2016	2015	<b>Information Unavailable</b>							
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Annual money-weighted rate of return, net of investment expenses	-1.49%	6.49%	0%	0%	0%	0%	0%	0%	0%	0%

**City of Marshall**  
**Required Supplementary Information**  
**Other Post-Employment Benefits**  
**Schedule of Funding Progress**

<b>Actuarial Valuation Date June 30,</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Liability (AAL) Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio Total</b>	<b>Covered Payroll (c)</b>	<b>UAL as a Percentage of Covered Payroll ((b-a)/c)</b>
2014	\$ 748,830	\$ 13,745,717	\$ 12,996,887	5%	\$ 1,116,556	1164%
2015	770,352	20,151,024	19,380,672	4%	1,011,606	1916%
2016	775,338	25,020,779	24,245,441	3%	1,026,780	2361%

**Schedule of Employer Contributions**

<b>Three-year Trend Information</b>			
<b>Year Ended June 30,</b>	<b>Annual OPEB Cost</b>	<b>Annual Actual Contribution</b>	<b>Percentage of APC Contributed</b>
2014	\$ 796,025	\$ 655,210	82%
2015	1,175,143	684,715	58%
2016	1,411,880	677,348	48%



**OTHER SUPPLEMENTARY INFORMATION**

# City of Marshall

## Nonmajor Governmental Fund Descriptions

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### **SPECIAL REVENUE FUNDS**

*Major Streets* - is used to account for the receipt and expenditures of state shared gas and weight taxes under Act 51, P.A. 1951 as amended which are for use on major streets. Gas and weight taxes are distributed to cities and villages in Michigan on the basis of population and the number of miles of streets.

*Local Streets* - This fund is used to account for the receipt and expenditures of state shared gas and weight taxes under Act 51, P.A. 1951 as amended which are for use on local streets within the City. Gas and weight taxes are distributed to cities and villages in Michigan on the basis of population and the number of miles of streets.

*Leaf, Brush, and Trash Removal* - This fund is used to account for property taxes collected for the gathering and disposal of City resident's yard waste and waste.

*Drug Forfeiture Fund* - This fund is used to account for drug forfeitures collected by the City to be used for public safety purposes.

*Marshall Regional Law Enforcement Center* - This fund is used to account for operations of the Marshall Area Regional Law Enforcement Center.

### **DEBT SERVICE FUNDS**

*Building Authority* – To account for the payment of bonds issued to acquire and construct various buildings and building improvements.

### **CAPITAL PROJECT FUND**

*Major Streets* - The purpose is to assist capital projects for streets designated as major within the City.

*Special Projects* - This fund is used to account for grants and other revenue sources received by the City intended to finance short-term projects.

### **PERMANENT FUND**

*Cemetery* - Perpetual care of a cemetery lot is part of the purchase price. This principal amount is an endowment and the investment income is used to maintain the cemetery operation.

**City of Marshall  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2016**

	Special Revenue				Marshall Regional Law Enforcement	Debt Service	Capital Projects		Permanent	Total Nonmajor Governmental Funds
	Major Streets	Local Streets	Leaf, Brush and Trash Removal	Drug Forfeiture Fund		Building Authority	Major Streets	Special Projects	Cemetery	
<b>ASSETS</b>										
Cash and Cash Equivalents	\$ 157,549	\$ 217,189	\$ 15,937	\$ 16,545	\$ 26,365	\$ 1,000	\$ 9,329	\$ 101,024	\$ 50,665	\$ 595,603
Investments	750,506	306,795	--	--	--	--	53,541	25,828	509,870	1,646,540
Accounts Receivable	--	--	--	--	42,482	--	--	--	775	43,257
Due from Other Governments	98,821	23,766	--	--	--	--	--	2,722	--	125,309
Inventories	42,131	--	--	--	--	--	--	--	--	42,131
Prepays	--	--	--	--	705	--	--	--	--	705
<b>Total Assets</b>	<b>\$ 1,049,007</b>	<b>\$ 547,750</b>	<b>\$ 15,937</b>	<b>\$ 16,545</b>	<b>\$ 69,552</b>	<b>\$ 1,000</b>	<b>\$ 62,870</b>	<b>\$ 129,574</b>	<b>\$ 561,310</b>	<b>\$ 2,453,545</b>
<b>LIABILITIES</b>										
Accounts Payable	\$ 1,981	\$ 54	\$ 15,885	\$ --	\$ 12,496	\$ --	\$ --	\$ 2,403	\$ --	\$ 32,819
Accrued Payroll	104	193	--	--	388	--	--	--	--	685
<b>Total Liabilities</b>	<b>2,085</b>	<b>247</b>	<b>15,885</b>	<b>--</b>	<b>12,884</b>	<b>--</b>	<b>--</b>	<b>2,403</b>	<b>--</b>	<b>33,504</b>
<b>FUND BALANCE</b>										
Nonspendable	42,131	--	--	--	705	--	--	--	321,851	364,687
Restricted	1,004,791	547,503	52	16,545	55,963	1,000	62,870	--	239,459	1,928,183
Committed	--	--	--	--	--	--	--	127,171	--	127,171
Unassigned	--	--	--	--	--	--	--	--	--	--
<b>Total Fund Balance</b>	<b>1,046,922</b>	<b>547,503</b>	<b>52</b>	<b>16,545</b>	<b>56,668</b>	<b>1,000</b>	<b>62,870</b>	<b>127,171</b>	<b>561,310</b>	<b>2,420,041</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 1,049,007</b>	<b>\$ 547,750</b>	<b>\$ 15,937</b>	<b>\$ 16,545</b>	<b>\$ 69,552</b>	<b>\$ 1,000</b>	<b>\$ 62,870</b>	<b>\$ 129,574</b>	<b>\$ 561,310</b>	<b>\$ 2,453,545</b>

**City of Marshall**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2016**

	Special Revenue				Marshall Regional Law Enforcement	Debt Service	Capital Projects		Permanent	Total Nonmajor Governmental Funds
	Major Streets	Local Streets	Leaf, Brush and Trash Removal	Drug Forfeiture Fund		Building Authority	Major Streets	Special Projects	Cemetery	
<b>Revenues</b>										
Property Taxes	\$ --	\$ --	\$ 77,623	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 77,623
Intergovernmental	555,776	144,511	--	--	--	--	--	411,732	--	1,112,019
Charges for Services	--	--	--	--	164,292	--	--	--	7,225	171,517
Fines and Forfeitures	--	--	--	810	--	--	--	--	--	810
Other	--	--	--	--	--	--	--	76,256	--	76,256
Investment Earnings	2,783	1,649	26	26	25	--	389	423	2,175	7,496
<b>Total Revenues</b>	<b>558,559</b>	<b>146,160</b>	<b>77,649</b>	<b>836</b>	<b>164,317</b>	<b>--</b>	<b>389</b>	<b>488,411</b>	<b>9,400</b>	<b>1,445,721</b>
<b>Expenditures</b>										
General Government	--	--	--	--	--	--	--	501,490	--	501,490
Public Safety	--	--	--	--	201,207	--	--	--	--	201,207
Public Works	135,512	88,852	85,854	--	--	--	--	--	--	310,218
Capital Outlay	240,348	254,368	--	--	--	--	--	--	--	494,716
Debt Service - Principal	100,000	--	--	--	--	345,000	--	--	--	445,000
Debt Service - Interest	35,213	--	--	--	--	256,638	--	--	--	291,851
<b>Total Expenditures</b>	<b>511,073</b>	<b>343,220</b>	<b>85,854</b>	<b>--</b>	<b>201,207</b>	<b>601,638</b>	<b>--</b>	<b>501,490</b>	<b>--</b>	<b>2,244,482</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>47,486</b>	<b>(197,060)</b>	<b>(8,205)</b>	<b>836</b>	<b>(36,890)</b>	<b>(601,638)</b>	<b>389</b>	<b>(13,079)</b>	<b>9,400</b>	<b>(798,761)</b>
<b>Other Financing Sources (Uses)</b>										
Transfers In	--	150,481	--	--	93,558	602,638	--	--	--	846,677
Transfers Out	(75,481)	--	--	--	--	--	--	--	--	(75,481)
<b>Net Other Financing Sources (Uses)</b>	<b>(75,481)</b>	<b>150,481</b>	<b>--</b>	<b>--</b>	<b>93,558</b>	<b>602,638</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>771,196</b>
<b>Net Change in Fund Balance</b>	<b>(27,995)</b>	<b>(46,579)</b>	<b>(8,205)</b>	<b>836</b>	<b>56,668</b>	<b>1,000</b>	<b>389</b>	<b>(13,079)</b>	<b>9,400</b>	<b>(27,565)</b>
<i>Fund Balance at Beginning of Period</i>	1,074,917	594,082	8,257	15,709	--	--	62,481	140,250	551,910	2,447,606
<b>Fund Balance at End of Period</b>	<b>\$ 1,046,922</b>	<b>\$ 547,503</b>	<b>\$ 52</b>	<b>\$ 16,545</b>	<b>\$ 56,668</b>	<b>\$ 1,000</b>	<b>\$ 62,870</b>	<b>\$ 127,171</b>	<b>\$ 561,310</b>	<b>\$ 2,420,041</b>

**City of Marshall**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Major Streets**  
**For the Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>		<b>Positive (Negative) Final to Actual</b>
<b>Revenues</b>				
Intergovernmental	\$ 448,600	\$ 544,648	\$ 555,776	\$ 11,128
Investment Earnings	450	3,050	2,783	(267)
<b>Total Revenues</b>	<u>449,050</u>	<u>547,698</u>	<u>558,559</u>	<u>10,861</u>
<b>Other Financing Sources</b>				
<b>Total Revenues and Other Financing Sources</b>	<u>449,050</u>	<u>547,698</u>	<u>558,559</u>	<u>10,861</u>
<b>Expenditures</b>				
Public Works	143,628	129,306	135,512	(6,206)
Capital Outlay	103,250	237,950	240,348	(2,398)
Debt Service	135,213	135,213	135,213	--
<b>Total Expenditures</b>	<u>382,091</u>	<u>502,469</u>	<u>511,073</u>	<u>(8,604)</u>
<b>Other Financing Uses</b>				
Transfers Out	--	75,482	75,481	1
<b>Total Expenditures and Other Financing Uses</b>	<u>382,091</u>	<u>577,951</u>	<u>586,554</u>	<u>(8,603)</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<u>66,959</u>	<u>(30,253)</u>	<u>(27,995)</u>	<u>2,258</u>
<b>Net Change in Fund Balance</b>	<u>66,959</u>	<u>(30,253)</u>	<u>(27,995)</u>	<u>2,258</u>
<i>Fund Balance at Beginning of Period</i>	1,074,917	1,074,917	1,074,917	--
<b>Fund Balance at End of Period</b>	<u>\$ 1,141,876</u>	<u>\$ 1,044,664</u>	<u>\$ 1,046,922</u>	<u>\$ 2,258</u>

**City of Marshall**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Local Streets**  
**For the Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>		<b>Positive (Negative) Final to Actual</b>
<b>Revenues</b>				
Intergovernmental	\$ 160,000	\$ 174,809	\$ 144,511	\$ (30,298)
Investment Earnings	160	1,710	1,649	(61)
<b>Total Revenues</b>	<u>160,160</u>	<u>176,519</u>	<u>146,160</u>	<u>(30,359)</u>
<b>Other Financing Sources</b>				
Transfers In	75,000	150,481	150,481	--
<b>Total Revenues and Other Financing Sources</b>	<u>235,160</u>	<u>327,000</u>	<u>296,641</u>	<u>(30,359)</u>
<b>Expenditures</b>				
Public Works	87,360	87,360	88,852	(1,492)
Capital Outlay	220,000	220,000	254,368	(34,368)
<b>Total Expenditures</b>	<u>307,360</u>	<u>307,360</u>	<u>343,220</u>	<u>(35,860)</u>
<b>Other Financing Uses</b>				
<b>Total Expenditures and Other Financing Uses</b>	<u>307,360</u>	<u>307,360</u>	<u>343,220</u>	<u>(35,860)</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<u>(72,200)</u>	<u>19,640</u>	<u>(46,579)</u>	<u>(66,219)</u>
<b>Net Change in Fund Balance</b>	<u>(72,200)</u>	<u>19,640</u>	<u>(46,579)</u>	<u>(66,219)</u>
<b>Fund Balance at Beginning of Period</b>	594,082	594,082	594,082	--
<b>Fund Balance at End of Period</b>	<u>\$ 521,882</u>	<u>\$ 613,722</u>	<u>\$ 547,503</u>	<u>\$ (66,219)</u>

**City of Marshall**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Leaf, Brush and Trash Removal**  
**For the Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>		<b>Positive (Negative) Final to Actual</b>
<b>Revenues</b>				
Property Taxes	\$ 74,966	\$ 77,624	\$ 77,623	\$ (1)
Investment Earnings	--	30	26	(4)
<b>Total Revenues</b>	<u>74,966</u>	<u>77,654</u>	<u>77,649</u>	<u>(5)</u>
<b>Other Financing Sources</b>				
<b>Total Revenues and Other Financing Sources</b>	<u>74,966</u>	<u>77,654</u>	<u>77,649</u>	<u>(5)</u>
<b>Expenditures</b>				
Public Works	95,532	94,996	85,854	9,142
<b>Total Expenditures</b>	<u>95,532</u>	<u>94,996</u>	<u>85,854</u>	<u>9,142</u>
<b>Other Financing Uses</b>				
<b>Total Expenditures and Other Financing Uses</b>	<u>95,532</u>	<u>94,996</u>	<u>85,854</u>	<u>9,142</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<u>(20,566)</u>	<u>(17,342)</u>	<u>(8,205)</u>	<u>9,137</u>
<b>Net Change in Fund Balance</b>	<u>(20,566)</u>	<u>(17,342)</u>	<u>(8,205)</u>	<u>9,137</u>
<i>Fund Balance at Beginning of Period</i>	8,257	8,257	8,257	--
<b>Fund Balance at End of Period</b>	<u>\$ (12,309)</u>	<u>\$ (9,085)</u>	<u>\$ 52</u>	<u>\$ 9,137</u>

**City of Marshall**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Drug Forfeiture Fund**  
**For the Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>		<b>Positive (Negative) Final to Actual</b>
<b>Revenues</b>				
Fines and Forfeitures	\$ --	\$ --	\$ 810	\$ 810
Investment Earnings	--	--	26	26
<i>Total Revenues</i>	--	--	836	836
<b>Other Financing Sources</b>				
<i>Total Revenues and Other Financing Sources</i>	--	--	836	836
<b>Expenditures</b>				
<i>Total Expenditures</i>	--	--	--	--
<b>Other Financing Uses</b>				
<i>Total Expenditures and Other Financing Uses</i>	--	--	--	--
<i>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</i>	--	--	836	836
<i>Net Change in Fund Balance</i>	--	--	<b>836</b>	<b>836</b>
<i>Fund Balance at Beginning of Period</i>	15,709	15,709	15,709	--
<i>Fund Balance at End of Period</i>	<b>\$ 15,709</b>	<b>\$ 15,709</b>	<b>\$ 16,545</b>	<b>\$ 836</b>



**City of Marshall**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Marshall Regional Law Enforcement Center**  
**For the Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>		<b>Positive (Negative) Final to Actual</b>
<b>Revenues</b>				
Charges for Services	\$ 156,108	\$ 136,421	\$ 164,292	\$ 27,871
Investment Earnings	--	20	25	5
<b>Total Revenues</b>	<u>156,108</u>	<u>136,441</u>	<u>164,317</u>	<u>27,876</u>
<b>Other Financing Sources</b>				
Transfers In	<u>125,667</u>	<u>93,559</u>	<u>93,558</u>	<u>(1)</u>
<b>Total Revenues and Other Financing Sources</b>	<u>281,775</u>	<u>230,000</u>	<u>257,875</u>	<u>27,875</u>
<b>Expenditures</b>				
Public Safety	<u>245,375</u>	<u>192,569</u>	<u>201,207</u>	<u>(8,638)</u>
<b>Total Expenditures</b>	<u>245,375</u>	<u>192,569</u>	<u>201,207</u>	<u>(8,638)</u>
<b>Other Financing Uses</b>				
<b>Total Expenditures and Other Financing Uses</b>	<u>245,375</u>	<u>192,569</u>	<u>201,207</u>	<u>(8,638)</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<u>36,400</u>	<u>37,431</u>	<u>56,668</u>	<u>19,237</u>
<b>Net Change in Fund Balance</b>	<u>36,400</u>	<u>37,431</u>	<u>56,668</u>	<u>19,237</u>
<i>Fund Balance at Beginning of Period</i>	--	--	--	--
<b>Fund Balance at End of Period</b>	<u>\$ 36,400</u>	<u>\$ 37,431</u>	<u>\$ 56,668</u>	<u>\$ 19,237</u>

## City of Marshall

### Nonmajor Enterprise Fund Descriptions

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#### NONMAJOR ENTERPRISE FUNDS

*Marshall House* - This fund is used to account for the activity of a lower-income senior citizen housing facility.

*DART* - This fund is used to account for the operation and maintenance of a local public transportation system.

**City of Marshall**  
**Combining Statement of Net Position**  
**Nonmajor Enterprise Funds**  
**June 30, 2016**

	Enterprise		Total Enterprise Funds
	Marshall House	DART	
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash and Cash Equivalents	\$ 678,925	\$ 8,895	\$ 687,820
Investments	--	123,945	123,945
Accounts Receivable	1,629	24	1,653
Due from Other Governments	--	2,984	2,984
Prepays	486	4,627	5,113
<b>Total Current Assets</b>	<b>681,040</b>	<b>140,475</b>	<b>821,515</b>
<i>Noncurrent Assets</i>			
Capital Assets not being Depreciated	17,200	--	17,200
Capital Assets being Depreciated	594,027	171,700	765,727
<b>Total Assets</b>	<b>1,292,267</b>	<b>312,175</b>	<b>1,604,442</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension	59,785	77,329	137,114
<b>Total Deferred Outflows of Resources</b>	<b>59,785</b>	<b>77,329</b>	<b>137,114</b>
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
Accounts Payable	139,558	12,387	151,945
Accrued Payroll	2,796	3,434	6,230
Current Portion of Compensated Absences	362	867	1,229
<b>Total Current Liabilities</b>	<b>142,716</b>	<b>16,688</b>	<b>159,404</b>
<i>Noncurrent Liabilities</i>			
Net Other Post-employment Benefit Obligation	32,434	155,133	187,567
Net Pension Liability	248,601	321,559	570,160
Compensated Absences	1,085	2,599	3,684
<b>Total Liabilities</b>	<b>424,836</b>	<b>495,979</b>	<b>920,815</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension	384	497	881
<b>Total Deferred Inflows of Resources</b>	<b>384</b>	<b>497</b>	<b>881</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	611,227	171,700	782,927
<i>Unrestricted</i>	315,605	(278,672)	36,933
<b>Total Net Position</b>	<b>\$ 926,832</b>	<b>\$ (106,972)</b>	<b>\$ 819,860</b>

**City of Marshall**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**Nonmajor Enterprise Funds**  
**For the Year Ended June 30, 2016**

	<u>Enterprise</u>		<b>Total Enterprise Funds</b>
	<u>Marshall House</u>	<u>DART</u>	
<b>Operating Revenues</b>			
Charges for Services	\$ 358,452	\$ 58,132	\$ 416,584
Other	35,185	8,713	43,898
<b>Total Operating Revenues</b>	<u>393,637</u>	<u>66,845</u>	<u>460,482</u>
<b>Operating Expenses</b>			
Personnel Services	240,836	409,546	650,382
Material and Supplies	35,951	30,894	66,845
Purchased Power	95,443	--	95,443
Contractual	61,523	834	62,357
Insurance	5,656	2,055	7,711
Maintenance	53,839	18,065	71,904
Administration	73,740	--	73,740
Other Expense	12,364	21,449	33,813
Depreciation	47,618	50,169	97,787
<b>Total Operating Expenses</b>	<u>626,970</u>	<u>533,012</u>	<u>1,159,982</u>
<b>Operating Income (Loss)</b>	<u>(233,333)</u>	<u>(466,167)</u>	<u>(699,500)</u>
<b>Non-Operating Revenues (Expenses)</b>			
Intergovernmental Subsidies	342,769	259,672	602,441
Capital Grants and Contributions	160,000	11,581	171,581
Property Taxes	--	93,691	93,691
Investment Earnings	806	444	1,250
<b>Net Non-Operating Revenues (Expenses)</b>	<u>503,575</u>	<u>365,388</u>	<u>868,963</u>
<b>Income Before Contributions and Transfers</b>	<u>270,242</u>	<u>(100,779)</u>	<u>169,463</u>
Transfers In	--	--	--
Transfers Out	--	(22,000)	(22,000)
<b>Change In Net Position</b>	<u>270,242</u>	<u>(122,779)</u>	<u>147,463</u>
<i>Net Position at Beginning of Period - Restated (Note 18)</i>	656,590	15,807	672,397
<b>Net Position at End of Period</b>	<u>\$ 926,832</u>	<u>\$ (106,972)</u>	<u>\$ 819,860</u>

**City of Marshall**  
**Combining Statement of Cash Flows**  
**Nonmajor Enterprise Funds**  
**For the Year Ended June 30, 2016**

	<u>Enterprise</u>		<b>Total Enterprise Funds</b>
	<u>Marshall House</u>	<u>DART</u>	
<b>Cash Flows from Operating Activities</b>			
Receipts from Customers	\$ 392,754	\$ 147,532	\$ 540,286
Payments to Suppliers	(253,619)	(133,180)	(386,799)
Payments to Employees	(216,607)	(351,494)	(568,101)
<b>Net Cash Used by Operating Activities</b>	<u>(77,472)</u>	<u>(337,142)</u>	<u>(414,614)</u>
<b>Cash Flows from Noncapital and Related Financing Activities</b>			
Intergovernmental Subsidies	342,769	259,672	602,441
Property Taxes	-	93,691	93,691
Transfers Out	-	(22,000)	(22,000)
<b>Net Cash from Capital and Related Financing Activities</b>	<u>342,769</u>	<u>331,363</u>	<u>674,132</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Purchase of Capital Assets	(155,555)	(10,412)	(165,967)
Capital Grants and Contributions	160,000	11,581	171,581
<b>Net Cash from Capital and Related Financing Activities</b>	<u>4,445</u>	<u>1,169</u>	<u>5,614</u>
<b>Cash Flows from Investing Activities</b>			
Interest Received on Investments	659	163	822
Sale (Purchase) of Investment Securities	145,000	(110,239)	34,761
<b>Net Cash from (Used by) Investing Activities</b>	<u>145,659</u>	<u>(110,076)</u>	<u>35,583</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	415,401	(114,686)	300,715
<i>Cash and Cash Equivalents Beginning of Period</i>	263,524	123,581	387,105
<b>Cash and Cash Equivalents End of Period</b>	<u>\$ 678,925</u>	<u>\$ 8,895</u>	<u>\$ 687,820</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>			
<b>Operating Income (Loss)</b>	\$ (233,333)	\$ (466,167)	\$ (699,500)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:</b>			
<b>Cash from Operating Activities:</b>			
Depreciation	47,618	50,169	97,787
<b>Changes in Assets and Liabilities:</b>			
Receivables	(883)	92,922	92,039
Prepays	3,394	(4,302)	(908)
Accounts Payable	81,503	(55,581)	25,922
Accrued Payroll	(5,350)	(6,832)	(12,182)
Compensated Absences	(539)	(1,243)	(1,782)
Unearned Revenue	-	(12,235)	(12,235)
Net Pension Liability	22,332	28,886	51,218
Net Other Post-employment Benefits	7,786	37,241	45,027
<b>Net Cash Used by Operating Activities</b>	<u>\$ (77,472)</u>	<u>\$ (337,142)</u>	<u>\$ (414,614)</u>
<b>Noncash Items</b>			
Prior Period Adjustment (See Note 18)	\$ (24,648)	\$ (117,893)	\$ (142,541)

# City of Marshall

## Internal Service Fund Descriptions

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### INTERNAL SERVICE FUNDS

*Motor Pool* - Operates the motor pool for the City.

*Data Processing* - Provides computer services to the various other funds that use the City's network.

*Safety* - This fund was created to educate and encourage safety throughout the City organization.

**City of Marshall**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**June 30, 2016**

	<u>Internal Service</u>			<u>Total Internal Service Funds</u>
	<u>Data Processing</u>	<u>Motor Pool</u>	<u>Safety</u>	
<b>ASSETS</b>				
<i>Current Assets</i>				
Cash and Cash Equivalents	\$ 93,849	\$ 92,252	\$ 1,460	\$ 187,561
Investments	170,148	436,079	17,544	623,771
Prepays	10,787	1,166	--	11,953
<b>Total Current Assets</b>	<u>274,784</u>	<u>529,497</u>	<u>19,004</u>	<u>823,285</u>
<i>Noncurrent Assets</i>				
Capital Assets not being Depreciated	--	412,225	--	412,225
Capital Assets being Depreciated	84,980	2,085,447	--	2,170,427
<b>Total Assets</b>	<u>359,764</u>	<u>3,027,169</u>	<u>19,004</u>	<u>3,405,937</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension	7,148	42,888	--	50,036
<b>Total Deferred Outflows of Resources</b>	<u>7,148</u>	<u>42,888</u>	<u>--</u>	<u>50,036</u>
<b>LIABILITIES</b>				
<i>Current Liabilities</i>				
Accounts Payable	2,161	43,418	--	45,579
Accrued Payroll	--	1,020	--	1,020
Accrued Interest	--	2,316	--	2,316
Current Portion of Compensated Absences	--	369	--	369
Current Portion of Long-term Debt	--	120,200	--	120,200
<b>Total Current Liabilities</b>	<u>2,161</u>	<u>167,323</u>	<u>--</u>	<u>169,484</u>
<i>Noncurrent Liabilities</i>				
Net Other Post-employment Benefit Obligation	--	32,434	--	32,434
Net Pension Liability	29,724	178,344	--	208,068
Compensated Absences	--	1,107	--	1,107
<b>Total Liabilities</b>	<u>31,885</u>	<u>379,208</u>	<u>--</u>	<u>411,093</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension	46	276	--	322
<b>Total Deferred Inflows of Resources</b>	<u>46</u>	<u>276</u>	<u>--</u>	<u>322</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	84,980	2,377,472	--	2,462,452
<i>Unrestricted</i>	250,001	313,101	19,004	582,106
<b>Total Net Position</b>	<u>\$ 334,981</u>	<u>\$ 2,690,573</u>	<u>\$ 19,004</u>	<u>\$ 3,044,558</u>

**City of Marshall**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**Internal Service Funds**  
**For the Year Ended June 30, 2016**

	<b>Internal Service</b>			<b>Total Internal Service Funds</b>
	<b>Data Processing</b>	<b>Motor Pool</b>	<b>Safety</b>	
<b>Operating Revenues</b>				
Charges for Services	\$ 166,598	\$ 695,016	\$ --	\$ 861,614
Other	--	1,335	--	1,335
<b>Total Operating Revenues</b>	<u>166,598</u>	<u>696,351</u>	<u>--</u>	<u>862,949</u>
<b>Operating Expenses</b>				
Personnel Services	17,681	118,154	--	135,835
Material and Supplies	43,276	140,991	--	184,267
Purchased Power	--	28,859	--	28,859
Contractual	48,788	4,114	--	52,902
Insurance	--	58,783	--	58,783
Maintenance	6,809	73,593	--	80,402
Other Expense	2	4,216	--	4,218
Depreciation	21,435	227,533	--	248,968
<b>Total Operating Expenses</b>	<u>137,991</u>	<u>656,243</u>	<u>--</u>	<u>794,234</u>
<b>Operating Income (Loss)</b>	<u>28,607</u>	<u>40,108</u>	<u>--</u>	<u>68,715</u>
<b>Non-Operating Revenues (Expenses)</b>				
Investment Earnings	801	2,567	77	3,445
Interest Expense	--	(9,363)	--	(9,363)
<b>Net Non-Operating Revenues (Expenses)</b>	<u>801</u>	<u>(6,796)</u>	<u>77</u>	<u>(5,918)</u>
<b>Income Before Contributions and Transfers</b>	<u>29,408</u>	<u>33,312</u>	<u>77</u>	<u>62,797</u>
Transfers In	--	400,000	--	400,000
Transfers Out	--	--	--	--
<b>Change In Net Position</b>	<u><b>29,408</b></u>	<u><b>433,312</b></u>	<u><b>77</b></u>	<u><b>462,797</b></u>
<i>Net Position at Beginning of Period - Restated (Note 18)</i>	305,573	2,257,261	18,927	2,581,761
<b>Net Position at End of Period</b>	<u><b>\$ 334,981</b></u>	<u><b>\$ 2,690,573</b></u>	<u><b>\$ 19,004</b></u>	<u><b>\$ 3,044,558</b></u>



**City of Marshall**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2016**

	Internal Service			Total Internal Service Funds
	Data Processing	Motor Pool	Safety	
<b>Cash Flows from Operating Activities</b>				
Receipts from Interfund Services	\$ 166,598	\$ 723,749	\$ -	\$ 890,347
Payments to Suppliers	(103,554)	(277,600)	(1,542)	(382,696)
Payments to Employees	(15,629)	(95,121)	-	(110,750)
<i>Net Cash Provided (Used) by Operating Activities</i>	47,415	351,028	(1,542)	396,901
<b>Cash Flows from Noncapital and Related Financing Activities</b>				
Transfers In	-	400,000	-	400,000
<i>Net Cash from Capital and Related Financing Activities</i>	-	400,000	-	400,000
<b>Cash Flows from Capital and Related Financing Activities</b>				
Purchase of Capital Assets	-	(815,743)	-	(815,743)
Principal and Interest Paid on Capital Debt	-	(128,438)	-	(128,438)
<i>Net Cash Used by Capital and Related Financing Activities</i>	-	(944,181)	-	(944,181)
<b>Cash Flows from Investing Activities</b>				
Interest Received on Investments	97	200	2	299
Sale (Purchase) of Investment Securities	-	223,693	3,000	226,693
<i>Net Cash from Investing Activities</i>	97	223,893	3,002	226,992
<i>Net Increase in Cash and Cash Equivalents</i>	47,512	30,740	1,460	79,712
Cash and Cash Equivalents Beginning of Period	46,337	61,512	-	107,849
<i>Cash and Cash Equivalents End of Period</i>	\$ 93,849	\$ 92,252	\$ 1,460	\$ 187,561
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>				
<b>Operating Income</b>	\$ 28,607	\$ 40,108	\$ -	\$ 68,715
<b>Adjustments to Reconcile Operating Income to Net Cash from Operating Activities:</b>				
<b>Cash from Operating Activities:</b>				
Depreciation	21,435	227,533	-	248,968
<b>Changes in Assets and Liabilities:</b>				
Receivables	-	27,398	-	27,398
Prepays	(1,279)	3,121	-	1,842
Accounts Payable	(3,400)	29,835	(1,542)	24,893
Accrued Payroll	(619)	(2,251)	-	(2,870)
Compensated Absences		1,476		1,476
Net Pension Liability	2,671	16,022	-	18,693
Net Other Post-employment Benefits	-	7,786		7,786
<i>Net Cash Provided (Used) by Operating Activities</i>	\$ 47,415	\$ 351,028	\$ (1,542)	\$ 396,901
<b>Noncash Items</b>				
Prior Period Adjustment (See Note 18)	-	(24,648)	-	(24,648)

# City of Marshall

## Fiduciary Fund Descriptions

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### **FIDUCIARY FUNDS**

*Current Tax* - This fund is used to record the receipt and transfers of property taxes collected by the City on behalf of the state county, school districts, and other governments.

*Payroll* - This fund is used to account for receipt and disbursement of payroll withholdings.

**City of Marshall**  
**Combining Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2016**

	<b>Agency</b>	
	<b>Current Tax</b>	<b>Payroll</b>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 5,333	\$ 54,074
Accounts Receivable	155,817	--
<i><b>Total Assets</b></i>	161,150	54,074
<b>LIABILITIES</b>		
Undistributed Receipts	161,150	54,074
<i><b>Total Liabilities</b></i>	161,150	54,074
<b>NET POSITION</b>		
Held in Trust	\$ --	\$ --

**City of Marshall**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2016**

**Current Tax**

	<b>June 30, 2015</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2016</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 28,650	\$ 11,848,166	\$ 11,871,483	\$ 5,333
Accounts Receivable	116,022	40,820	1,025	155,817
<b>Total Assets</b>	<b>144,672</b>	<b>11,888,986</b>	<b>11,872,508</b>	<b>161,150</b>
<b>LIABILITIES</b>				
Undistributed Receipts	144,672	11,888,986	11,872,508	161,150
<b>Total Liabilities</b>	<b>\$ 144,672</b>	<b>\$ 11,888,986</b>	<b>\$ 11,872,508</b>	<b>\$ 161,150</b>

**Payroll**

	<b>June 30, 2015</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2016</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 25,483	\$ 3,280,926	\$ 3,252,335	\$ 54,074
<b>Total Assets</b>	<b>25,483</b>	<b>3,280,926</b>	<b>3,252,335</b>	<b>54,074</b>
<b>LIABILITIES</b>				
Undistributed Receipts	25,483	3,280,926	3,252,335	54,074
<b>Total Liabilities</b>	<b>\$ 25,483</b>	<b>\$ 3,280,926</b>	<b>\$ 3,252,335</b>	<b>\$ 54,074</b>

**Total**

	<b>June 30, 2015</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2016</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 54,133	\$ 15,129,092	\$ 15,123,818	\$ 59,407
Accounts Receivable	116,022	40,820	1,025	155,817
<b>Total Assets</b>	<b>170,155</b>	<b>15,169,912</b>	<b>15,124,843</b>	<b>215,224</b>
<b>LIABILITIES</b>				
Undistributed Receipts	170,155	15,169,912	15,124,843	215,224
<b>Total Liabilities</b>	<b>\$ 170,155</b>	<b>\$ 15,169,912</b>	<b>\$ 15,124,843</b>	<b>\$ 215,224</b>

## City of Marshall

### Component Unit Fund Descriptions

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#### COMPONENT UNITS

*Local Development Finance Authority (LDFA)* - This fund was established to assist in the economic growth within the industrial park.

*Downtown Development Authority (DDA)* - This fund is designed to assist in the economic growth of the central business district.

*Economic Development Corporation (EDC)* - This fund was established to act as an economic development corporation for the City in accordance with State law.

**City of Marshall**  
**Statement of Net Position and Downtown Development Authority Fund Balance**  
**Component Unit - Downtown Development Authority (DDA)**  
**June 30, 2016**

	<u>Governmental Fund Type</u>		<u>Statement of Net Position</u>
	<u>DDA</u>	<u>Adjustments</u>	
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash and Cash Equivalents	\$ 17,105	\$ --	\$ 17,105
Investments	54,408	--	54,408
Accounts Receivable	250	--	250
<b>Total Current Assets</b>	<u>71,763</u>	<u>--</u>	<u>71,763</u>
<i>Noncurrent Assets</i>			
Restricted Cash and Cash Equivalents	1,682	--	1,682
<b>Total Assets</b>	<u>73,445</u>	<u>--</u>	<u>73,445</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension	--	3,249	3,249
<b>Total Deferred Outflows of Resources</b>	<u>--</u>	<u>3,249</u>	<u>3,249</u>
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
Accounts Payable	23,622	--	23,622
Accrued Payroll	715	--	715
Accrued Interest	--	621	621
Current Portion of Long-term Debt	--	50,000	50,000
Unearned Revenue	--	--	--
<b>Total Current Liabilities</b>	<u>24,337</u>	<u>50,621</u>	<u>74,958</u>
<i>Noncurrent Liabilities</i>			
Net Pension Liability	--	13,511	13,511
Long-term Debt	--	55,000	55,000
<b>Total Liabilities</b>	<u>24,337</u>	<u>119,132</u>	<u>143,469</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension	--	21	21
<b>Total Deferred Inflows of Resources</b>	<u>--</u>	<u>21</u>	<u>21</u>
<b>FUND BALANCE</b>			
<i>Debt Service</i>	1,682	(1,682)	--
<i>Unrestricted</i>	47,426	(47,426)	--
<b>Total Fund Balance</b>	<u>\$ 49,108</u>	<u>\$ (49,108)</u>	<u>\$ --</u>
<b>NET POSITION</b>			
<i>Debt Service</i>		1,682	1,682
<i>Unrestricted</i>		(68,478)	(68,478)
<b>Total Net Position</b>		<u>\$ (66,796)</u>	<u>\$ (66,796)</u>

**City of Marshall**  
**Statement of Activities and Downtown Development Authority Fund Revenue,**  
**Expenditures, and Changes in Fund Balance**  
**Component Unit - Downtown Development Authority (DDA)**  
**For the Year Ended June 30, 2016**

	<b>Governmental Fund Type</b>		<b>Statement of Activities</b>
	<b>DDA</b>	<b>Adjustments</b>	
<b>Expenses</b>			
Community Development	\$ 228,100	\$ 1,214	\$ 229,314
Debt Service - Principal	45,000	(45,000)	--
Debt Service - Interest	7,360	(1,132)	6,228
<b>Total Expenses</b>	<b>280,460</b>	<b>(44,918)</b>	<b>235,542</b>
<b>Program Revenues</b>			
Charges for Services	--	--	--
Operating Grants and Contributions	116,532	--	116,532
Capital Grants and Contributions	--	--	--
<b>Total Program Revenues</b>	<b>116,532</b>	<b>--</b>	<b>116,532</b>
<b>Net Program Revenues (Expenses)</b>	<b>(163,928)</b>	<b>44,918</b>	<b>(119,010)</b>
<b>General Revenue</b>			
Property Taxes	127,076	--	127,076
Investment Earnings	462	--	462
<b>Total General Revenues</b>	<b>127,538</b>	<b>--</b>	<b>127,538</b>
<b>Change in Fund Balance / Net Position</b>	<b>(36,390)</b>	<b>44,918</b>	<b>8,528</b>
<i>Fund Balance / Net Position at Beginning of Period</i>	85,498	(160,822)	(75,324)
<b>Fund Balance / Net Position at End of Period</b>	<b>\$ 49,108</b>	<b>\$ (115,904)</b>	<b>\$ (66,796)</b>

**City of Marshall**  
**Statement of Net Position and Local Development Finance Authority Fund Balance**  
**Component Unit - Local Development Finance Authority (LDFA)**  
**June 30, 2016**

	<u>Governmental Fund Type</u>		<u>Statement of Net Position</u>
	<u>LDFA</u>	<u>Adjustments</u>	
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash and Cash Equivalents	\$ 20,784	\$ --	\$ 20,784
Investments	1,619,836	--	1,619,836
<b>Total Current Assets</b>	<u>1,640,620</u>	<u>--</u>	<u>1,640,620</u>
<i>Noncurrent Assets</i>			
Restricted Cash and Cash Equivalents	294	--	294
Capital Assets not being Depreciated	--	500,000	500,000
<b>Total Assets</b>	<u>1,640,914</u>	<u>500,000</u>	<u>2,140,914</u>
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
Accounts Payable	4,071	--	4,071
Accrued Interest	--	3,746	3,746
Current Portion of Long-term Debt	--	90,000	90,000
<b>Total Current Liabilities</b>	<u>4,071</u>	<u>93,746</u>	<u>97,817</u>
<i>Noncurrent Liabilities</i>			
Long-term Debt	--	270,000	270,000
<b>Total Liabilities</b>	<u>4,071</u>	<u>363,746</u>	<u>367,817</u>
<b>FUND BALANCE</b>			
Net Investment in Capital Assets	--	--	--
<i>Unrestricted</i>	1,636,843	(1,636,843)	--
<b>Total Fund Balance</b>	<u>\$ 1,636,843</u>	<u>\$ (1,636,843)</u>	<u>\$ --</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets		500,000	500,000
<i>Restricted for:</i>			
Debt Service		294	294
<i>Unrestricted</i>		1,272,803	1,272,803
<b>Total Net Position</b>		<u>\$ 1,773,097</u>	<u>\$ 1,773,097</u>



**City of Marshall**  
**Statement of Activities and Local Development Finance Authority Fund Revenue,**  
**Expenditures, and Changes in Fund Balance**  
**Component Unit - Local Development Finance Authority (LDFA)**  
**For the Year Ended June 30, 2016**

	<u>Governmental Fund Type</u>		<u>Statement of Activities</u>
	<u>LDFA</u>	<u>Adjustments</u>	
<b>Expenses</b>			
Community Development	\$ 288,153	\$ --	\$ 288,153
Debt Service - Principal	560,000	(560,000)	--
Debt Service - Interest	28,283	(5,854)	22,429
<b>Total Expenses</b>	<u>876,436</u>	<u>(565,854)</u>	<u>310,582</u>
<b>General Revenue</b>			
Property Taxes	412,898	--	412,898
Investment Earnings	7,513	--	7,513
<b>Total General Revenues</b>	<u>420,411</u>	<u>--</u>	<u>420,411</u>
<b>Change in Fund Balance / Net Position</b>	<b>(456,025)</b>	<b>565,854</b>	<b>109,829</b>
<i>Fund Balance / Net Position at Beginning of Period</i>	2,092,868	(429,600)	1,663,268
<b>Fund Balance / Net Position at End of Period</b>	<b>\$ 1,636,843</b>	<b>\$ 136,254</b>	<b>\$ 1,773,097</b>

**City of Marshall**  
**Statement of Net Position and Economic Development Corporation Fund Balance**  
**Component Unit - Economic Development Corporation (EDC)**  
**June 30, 2016**

	<u>Governmental Fund Type</u>		<u>Statement of Net Position</u>
	<u>EDC</u>	<u>Adjustments</u>	
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash and Cash Equivalents	\$ 9,774	\$ --	\$ 9,774
<b>Total Assets</b>	<u>9,774</u>	<u>--</u>	<u>9,774</u>
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
<i>Noncurrent Liabilities</i>			
<b>Total Liabilities</b>	<u>--</u>	<u>--</u>	<u>--</u>
<b>FUND BALANCE</b>			
<i>Unrestricted</i>	9,774	(9,774)	--
<b>Total Fund Balance</b>	<u>\$ 9,774</u>	<u>\$ (9,774)</u>	<u>\$ --</u>
<b>NET POSITION</b>			
<i>Unrestricted</i>		9,774	9,774
<b>Total Net Position</b>		<u>\$ 9,774</u>	<u>\$ 9,774</u>

**City of Marshall**  
**Statement of Activities and Economic Development Corporation Fund Revenue,**  
**Expenditures, and Changes in Fund Balance**  
**Component Unit - Economic Development Corporation (EDC)**  
**For the Year Ended June 30, 2016**

	<u>Governmental</u> <u>Fund Type</u>		<u>Statement of</u> <u>Activities</u>
	<u>EDC</u>	<u>Adjustments</u>	
<b>General Revenue</b>			
Investment Earnings	--	--	--
<i>Total General Revenues</i>	--	--	--
<i>Change in Fund Balance / Net Position</i>	--	--	--
<i>Fund Balance / Net Position at Beginning of Period</i>	9,774	--	9,774
<i>Fund Balance / Net Position at End of Period</i>	<b>\$ 9,774</b>	<b>\$ --</b>	<b>\$ 9,774</b>

**DIAL A RIDE TRANSPORTATION FUND  
TRANSIT SCHEDULES**

**City of Marshall**  
**Dial-A-Ride Fund**  
**Schedule 1 - Schedule of Local Revenues**  
**For the Year Ended June 30, 2016**

	<u>Jul. 1, 2015 to Sep. 30, 2015</u>	<u>Oct. 1, 2015 to Jun. 30, 2016</u>	<u>Total</u>
<b>Local Revenues</b>			
Demand Response (Farebox)			
Regular Service	\$ 12,367	\$ 38,349	\$ 50,716
New Freedom	945	6,470	7,415
Rents	-	-	-
Advertising	-	8,713	8,713
Tax Levy	93,784	(93)	93,691
Contributions from Local Units	14,035	39,280	53,315
Interest Income	46	398	444
<b>Total Local Revenues</b>	<u>\$ 121,177</u>	<u>\$ 93,117</u>	<u>\$ 214,294</u>

**City of Marshall**  
**Dial-A-Ride Fund**  
**Schedule 1A - Schedule of Local Revenues**  
**For the Year Ended September 30, 2015**

	<u>Oct. 1, 2014 to Jun. 30, 2015</u>	<u>Jul. 1, 2015 to Sep. 30, 2015</u>	<u>Total</u>
<b>Local Revenues</b>			
Demand Response (Farebox)			
Regular Service	\$ 41,098	\$ 12,367	\$ 53,465
New Freedom	1,044	945	1,989
Rents	823	-	823
Advertising	2,725	-	2,725
Tax Levy	(215)	93,784	93,569
Contributions from Local Units	2,500	14,035	16,535
Interest Income	132	46	178
<b>Total Local Revenues</b>	<u>\$ 48,107</u>	<u>\$ 121,177</u>	<u>\$ 169,284</u>

**City of Marshall**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2016**

Federal Grantor / Pass Through Grantor Program Title	Federal CFDA Number	State Grantor Number	Program or Award Amount	Current Year Expenditures					Prior Year's Expended
				Total	Federal	State	Local	Settlement	
<b>Michigan Department of Transportation (MDOT)</b>									
Local Bus Operating Assistance (Act 51)		2014-0128	\$ 142,685	\$ -	\$ -	\$ -	\$ -	\$ (2,055)	\$ 105,920
Local Bus Operating Assistance (Act 51)		2015-0128	119,210	29,226	-	29,226	-	-	112,945
Local Bus Operating Assistance (Act 51)		2016-0128	130,947	99,170	-	99,170	-	-	-
Capital Grant - Section 5311	20.509	12-0128 / P3	3,750	2,316	-	2,316	-	-	-
<b>Total State Assistance</b>				<u>130,712</u>	<u>-</u>	<u>130,712</u>	<u>-</u>	<u>(2,055)</u>	<u>218,865</u>
<b>U.S. Department of Transportation</b>									
Passed Through MDOT									
Operating Assistance (FY 15)	20.509	12-0128 / P6	56,045	13,750	8,650	-	-	5,100	47,537
Operating Assistance (FY 16)	20.509	12-0128 / P8	58,925	51,310	51,310	-	-	-	-
New Freedom (FY 15)	20.521	12-0128 / P5	15,230	17,617	2,601	-	15,016	-	36,896
New Freedom (FY 16)	20.521	12-0128 / P7	12,355	79,354	12,355	-	66,999	-	-
Capital Grant - Section 5311	20.509	12-0128 / P3	15,000	9,265	9,265	-	-	-	-
<b>Total Federal Assistance</b>			<u>\$ 157,554</u>	<u>171,296</u>	<u>84,181</u>	<u>-</u>	<u>82,015</u>	<u>5,100</u>	<u>84,433</u>
<b>Total State &amp; Federal Assistance</b>				<u>\$ 302,008</u>	<u>\$ 84,181</u>	<u>\$ 130,712</u>	<u>\$ 82,015</u>	<u>\$ 3,045</u>	<u>\$ 303,298</u>

**City of Marshall  
Dial-A-Ride Fund  
Schedule 2A - Schedule of Federal & State Awards  
For the Year Ended June 30, 2016**

	<u>Jul. 1, 2015 to Sep. 30, 2015</u>	<u>Oct. 1, 2015 to Jun. 30, 2016</u>	<u>Total</u>
<b>Michigan Department of Transportation</b>			
Local Bus Operating (Act 51)	\$ 29,226	\$ 99,170	\$ 128,396
Prior Year Settlement	(2,055)	-	(2,055)
Section 5311 - Capital	-	2,316	2,316
<b>Federal Transit Administration</b>			
Section 5311 - Operating	8,650	56,410	65,060
Section 5311 - Capital	-	9,265	9,265
New Freedom	2,601	12,355	14,956
<b>Total</b>	<u>\$ 38,422</u>	<u>\$ 179,516</u>	<u>\$ 217,938</u>

**City of Marshall  
Dial-A-Ride Fund  
Schedule 2B - Schedule of Federal & State Awards  
For the Year Ended September 30, 2015**

	<u>Oct. 1, 2014 to Jun. 30, 2015</u>	<u>Jul. 1, 2015 to Sep. 30, 2015</u>	<u>Total</u>
<b>Michigan Department of Transportation</b>			
Local Bus Operating (Act 51)	\$ 112,945	\$ 29,226	\$ 142,171
Prior Year Settlement	1,406	(2,055)	(649)
<b>Federal Transit Administration</b>			
Section 5311 - Operating	57,008	8,650	65,658
Section 5311 - Capital	65,052	-	65,052
RTAP Reimbursements	-	-	-
New Freedom	12,629	2,601	15,230
<b>Total</b>	<u>\$ 249,040</u>	<u>\$ 38,422</u>	<u>\$ 287,462</u>

**City of Marshall**  
**Dial-A-Ride Fund**  
**Schedule 3 - Operating & Contract Expenses**  
**For the Year Ended June 30, 2016**

<b>Expenses</b>	<u>Nonurban</u>	<u>New Freedom</u>	<u>Total</u>
Labor	\$ 190,750	\$ 39,437	\$ 230,187
Fringe Benefits	161,009	18,348	179,357
Services	18,065	-	18,065
Materials & Supplies	22,213	8,681	30,894
Utilities	1,234	-	1,234
Insurance	2,055	1,362	3,417
Taxes and Fees	139	-	139
Operating Lease and Rentals	6,802	5,084	11,886
Miscellaneous	5,533	2,131	7,664
Depreciation	43,197	6,972	50,169
<b><i>Total Expenses</i></b>	<b><u>\$ 450,997</u></b>	<b><u>\$ 82,015</u></b>	<b><u>\$ 533,012</u></b>



**City of Marshall**  
**Dial-A-Ride Fund**  
**Schedule 3A - Operating Expenses By Program**  
**For the Year Ended June 30, 2016**

	<b>Nonurban</b>			<b>New Freedom</b>		
	July 1, 2015 to Sept. 30, 2015	Oct. 1, 2015 to June 30, 2016	Total	July 1, 2015 to Sept. 30, 2015	Oct. 1, 2015 to June 30, 2016	Total
<b>Expenses</b>						
Labor	\$ 36,015	154,735	\$ 190,750	\$ 8,545	\$ 30,892	\$ 39,437
Fringe Benefits	21,337	139,672	161,009	2,431	15,917	18,348
Services	5,796	12,269	18,065	-	-	-
Materials & Supplies	4,613	17,600	22,213	2,079	6,602	8,681
Utilities	103	1,131	1,234	-	-	-
Insurance	957	1,098	2,055	520	842	1,362
Taxes and Fees	14	125	139	-	-	-
Operating Lease and Rentals	1,925	4,877	6,802	1,047	4,037	5,084
Miscellaneous	-	5,533	5,533	394	1,737	2,131
Depreciation	12,304	30,893	43,197	-	6,972	6,972
<b>Total Expenses</b>	<b>\$ 83,064</b>	<b>\$ 367,933</b>	<b>\$ 450,997</b>	<b>\$ 15,016</b>	<b>\$ 66,999</b>	<b>\$ 82,015</b>

**City of Marshall**  
**Dial-A-Ride Fund**  
**Schedule 3B - Operating Expenses by Program**  
**For the Year Ended September 30, 2015**

	<b>Nonurban</b>			<b>New Freedom</b>		
	Oct. 1, 2014 to June 30, 2015	July 1, 2015 to Sept. 30, 2015	Total	Oct. 1, 2014 to June 30, 2015	July 1, 2015 to Sept. 30, 2015	Total
<b>Expenses</b>						
Labor	\$ 150,033	\$ 36,015	\$ 186,048	\$ 14,076	\$ 8,545	\$ 22,621
Fringe Benefits	57,575	21,337	78,912	3,828	2,431	6,259
Services	6,809	5,796	12,605	697	-	697
Materials & Supplies	19,290	4,613	23,903	2,125	2,079	4,204
Utilities	243	103	346	130	-	130
Insurance	2,877	957	3,834	789	520	1,309
Taxes and Fees	10	14	24	-	-	-
Operating Lease and Rentals	2,773	1,925	4,698	13,274	1,047	14,321
Miscellaneous	920	-	920	1,977	394	2,371
Depreciation	38,530	12,304	50,834	-	-	-
<b>Total Expenses</b>	<b>\$ 279,060</b>	<b>\$ 83,064</b>	<b>\$ 362,124</b>	<b>\$ 36,896</b>	<b>\$ 15,016</b>	<b>\$ 51,912</b>

**City of Marshall**  
**Dial-A-Ride Fund**  
**Schedule 4R - Nonurban Regular Service Revenue Report**  
**For the Year Ended September 30, 2015**

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**Revenues**

Demand Response (Farebox)	
Regular Service	\$ 53,465
New Freedom	1,989
Rents	823
Advertising	2,725
Tax Levy	93,569
Contributions from Local Units	16,535
State Operating Assistance	119,210
Federal Section 5311	56,045
New Freedom	15,230
Interest Income	178
<b><i>Total Revenues</i></b>	<b><u>\$ 359,768</u></b>

**City of Marshall**  
**Dial-A-Ride Fund**  
**Schedule 4E - Regular Service Operating and Contract Expenses**  
**For the Year Ended September 30, 2015**

	Operations	Maintenance	General & Administrative	Total System
<b>Operating Expenses</b>				
<b>501 Labor</b>				
50101 Operators Salaries & Wages	\$ 142,130	\$ -	\$ -	\$ 142,130
50102 Other Salaries & Wages	-	91	15,120	15,211
50103 Dispatchers' Salaries & Wages	28,707	-	-	28,707
<b>502 Fringe Benefits</b>				
50200 Fringe Benefits	37,885	19	1,157	39,061
50220 Pension	16,046	-	-	16,046
50202 Other Postemployment Benefits	23,805	-	-	23,805
<b>503 Services</b>				
50302 Advertising	258	-	678	936
50305 Audit	-	-	213	213
50399 Other Services	6,293	45	5,118	11,456
<b>504 Materials &amp; Supplies</b>				
50401 Fuel & Lubricants	18,242	-	-	18,242
50402 Tires & Tubes	1,844	-	-	1,844
50499 Other Materials & Supplies	1,681	1,180	956	3,817
<b>505 Utilities</b>				
50500 Utilities	346	-	-	346
<b>506 Insurance</b>				
50603 Liability Insurance	3,834	-	-	3,834
<b>507 Taxes and Fees</b>				
50700 Taxes and Fees	24	-	-	24
<b>509 Miscellaneous Expenses</b>				
50902 Travel, Meetings, & Training	-	-	-	-
50903 Association Dues & Subscriptions	700	-	-	700
50999 Miscellaneous	220	-	-	220
<b>512 Operating Leases &amp; Rentals</b>				
51200 Operating Leases & Rentals	1,982	-	2,716	4,698
<b>513 Depreciation</b>				
51300 Depreciation	50,834	-	-	50,834
<b>Total Operating Expenses</b>	<b>\$ 334,831</b>	<b>\$ 1,335</b>	<b>\$ 25,958</b>	<b>\$ 362,124</b>
<b>550 Ineligible Expense</b>				
55007 Ineligible Depreciation	50,834	-	-	50,834
<b>560 Ineligible Expense</b>				
56002 Dues	154	-	-	154
<b>580 Ineligible Expense</b>				
58020 Ineligible Pension	7,979	-	-	7,979
<b>Total Ineligible Expenses</b>	<b>\$ 58,967</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 58,967</b>
<b>Total Eligible Expenses</b>				<b>\$ 303,157</b>

**City of Marshall**  
**Dial-A-Ride Fund**  
**Schedule 4E - New Freedom Operating and Contract Expenses**  
**For the Year Ended September 30, 2015**

	Operations	Maintenance	General & Administrative	Total System
<b>Operating Expenses</b>				
<b>501 Labor</b>				
50101 Operators Salaries & Wages	\$ 9,882	\$ -	\$ -	\$ 9,882
50102 Other Salaries & Wages	-	-	5,951	5,951
50103 Dispatchers' Salaries & Wages	6,788	-	-	6,788
<b>502 Fringe Benefits</b>				
50200 Fringe Benefits	1,239	-	463	1,702
50201 Pension	4,557	-	-	4,557
50202 Other Postemployment Benefits	-	-	-	-
<b>503 Services</b>				
50302 Advertising	-	-	-	-
50305 Audit	-	-	-	-
50399 Other Services	-	-	697	697
<b>504 Materials &amp; Supplies</b>				
50401 Fuel & Lubricants	3,797	-	-	3,797
50402 Tires & Tubes	-	-	-	-
50499 Other Materials & Supplies	407	-	-	407
<b>505 Utilities</b>				
50500 Utilities	130	-	-	130
<b>506 Insurance</b>				
50603 Liability Insurance	1,309	-	-	1,309
<b>507 Taxes and Fees</b>				
50700 Taxes and Fees	-	-	-	-
<b>509 Miscellaneous Expenses</b>				
50902 Travel, Meetings, & Training	-	-	-	-
50903 Association Dues & Subscriptions	-	-	-	-
50999 Miscellaneous	-	-	2,371	2,371
<b>512 Operating Leases &amp; Rentals</b>				
51200 Operating Leases & Rentals	11,854	-	2,467	14,321
<b>513 Depreciation</b>				
51300 Depreciation	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 39,963</b>	<b>\$ -</b>	<b>\$ 11,949</b>	<b>\$ 51,912</b>
<b>550 Ineligible Expense</b>				
55000 Ineligible NF Fares	1,989	-	-	1,989
55007 Ineligible Depreciation	-	-	-	-
<b>560 Ineligible Expense</b>				
56002 Dues	-	-	-	-
<b>574 Ineligible Expense</b>				
57402 RTAP	-	-	-	-
<b>Total Ineligible Expenses</b>	<b>\$ 1,989</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,989</b>
<b>Total Eligible Expenses</b>				<b>\$ 49,923</b>

**City of Marshall**  
**Dial-A-Ride Fund**  
**Schedule 5 - Operating Assistance Calculation**  
**For the Year Ended September 30, 2015**

	<b>Nonurban</b>
Total Expenses	\$ 362,124
Less Ineligible Expenses	
Depreciation	50,834
MPTA Dues	154
Defined Benefit Pension - GASB 68	7,979
Total Ineligible Expenses per R&E Manual	58,967
Total State Eligible Expenses	303,157
Eligible Expenses for State Reimbursement	303,157
Reimbursement Rate	39.32%
State Operating Assistance	119,210
Total Federal Eligible Expenses	
State Eligible Expense (per above)	303,157
Less: Additional Federal Ineligible Expenses - Audit Costs	213
Eligible Expenses for Federal Reimbursement	302,944
Reimbursement Rate	18.50%
Federal Operating Assistance	\$ 56,045

**City of Marshall  
Dial-A-Ride Fund  
Schedule of Nonfinancial Information  
For the Year Ended June 30, 2016**

	Nonurban		New Freedom	
	Miles	Hours	Miles	Hours
<b>Demand Response</b>				
First Quarter (7/1/15 to 9/30/15)	15,997	1,917	8,697	394
Second Quarter (10/1/15 to 12/31/15)	15,996	1,917	11,505	582
Third Quarter (1/1/16 to 3/31/16)	15,091	1,659	12,977	671
Fourth Quarter (4/1/16 to 6/30/16)	13,551	1,560	12,909	635
<b>Total</b>	<b>60,635</b>	<b>7,053</b>	<b>46,088</b>	<b>2,282</b>

**City of Marshall  
Dial-A-Ride Fund  
Schedule of Nonfinancial Information  
For the Year Ended September 30, 2015**

	Nonurban		New Freedom	
	Miles	Hours	Miles	Hours
<b>Demand Response</b>				
First Quarter (10/1/14 to 12/31/14)	15,680	1,927	2,274	106
Second Quarter (1/1/15 to 3/31/15)	15,869	1,878	4,207	212
Third Quarter (4/1/15 to 6/30/15)	15,617	1,850	4,379	196
Fourth Quarter (7/1/15 to 9/30/15)	15,997	1,917	8,697	394
<b>Total</b>	<b>63,163</b>	<b>7,572</b>	<b>19,557</b>	<b>908</b>

**City of Marshall  
Dial-A-Ride Fund  
Schedule 6 - Comments and Recommendations  
For the Year Ended June 30, 2016**

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**Statutory Compliance**

Our review of procedures for compliance with statutory requirements disclosed the items noted in our letter to management and the City Council dated November 30, 2016.

## **STATISTICAL SECTION**



## City of Marshall Statistical Section

This part of the City of Marshall’s comprehensive annual financial report presents detailed information as context for understanding what the information in the financial statements and note disclosures says about the City’s overall financial health.

<b>Contents</b>	<b>Table</b>
<b>Financial Trends</b>	
These schedules contain information to help the reader understand how the City’s financial performance and well-being have changed over time.	A-1 to A-4
<b>Revenue Capacity</b>	
These schedules contain information to help the reader assess the city’s most significant local revenue source, the property tax.	B-1 to B-4
<b>Debt Capacity</b>	
These present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	C-1 to C-5
<b>Demographic and Economic Information</b>	
These schedules offer demographic and economic indicators to help the reader understand the environment in which the City’s financial activities take place.	D-1 to D-2
<b>Operating Information</b>	
These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and activities it performs.	E-1 to E-3

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF MARSHALL, MICHIGAN

Table A-1

Net Position by Component (Accrual Basis of Accounting)  
Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014*	2015	2016
<b>Governmental activities</b>										
Net investment in capital assets	\$ 13,070,336	\$ 13,498,671	\$ 13,738,175	\$ 13,551,965	\$ 13,960,325	\$ 13,632,575	\$ 12,672,273	\$ 15,176,566	\$ 21,390,237	\$ 23,338,239
Restricted	834,405	886,955	775,833	793,141	772,879	787,803	2,422,083	2,182,533	4,086,071	2,292,920
Unrestricted	3,798,414	3,477,917	3,267,007	2,769,352	2,239,903	2,174,819	2,155,568	(3,815,329)	(5,137,373)	(4,322,028)
<b>Total governmental activities net position</b>	<b>\$ 17,703,155</b>	<b>\$ 17,863,543</b>	<b>\$ 17,781,015</b>	<b>\$ 17,114,458</b>	<b>\$ 16,973,107</b>	<b>\$ 16,595,197</b>	<b>\$ 17,249,924</b>	<b>\$ 13,543,770</b>	<b>\$ 20,338,935</b>	<b>\$ 21,309,131</b>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 8,163,674	\$ 8,395,344	\$ 8,401,227	\$ 7,964,028	\$ 8,378,716	\$ 8,876,689	\$ 7,186,806	\$ 9,411,751	\$ 9,538,687	\$ 11,447,031
Restricted	2,905,132	3,642,168	4,346,482	4,948,057	4,347,200	5,285,471	5,511,602	2,862,097	843,583	844,514
Unrestricted	10,031,634	10,457,377	11,143,627	12,700,071	14,338,174	12,825,500	12,538,534	9,553,805	11,752,693	1,733,727
<b>Total business-type activities net position</b>	<b>\$ 21,100,440</b>	<b>\$ 22,494,889</b>	<b>\$ 23,891,336</b>	<b>\$ 25,612,156</b>	<b>\$ 27,064,090</b>	<b>\$ 26,987,660</b>	<b>\$ 25,236,942</b>	<b>\$ 21,827,653</b>	<b>\$ 22,134,963</b>	<b>\$ 14,025,272</b>
<b>Total primary government</b>										
Net investment in capital assets	\$ 21,234,010	\$ 21,894,015	\$ 22,139,402	\$ 21,515,993	\$ 22,339,041	\$ 22,509,264	\$ 19,859,079	\$ 24,588,317	\$ 30,928,924	\$ 34,785,270
Restricted	3,739,537	4,529,123	5,122,315	5,741,198	5,120,079	6,073,274	7,933,685	5,044,630	4,929,654	3,137,434
Unrestricted	13,830,048	13,935,294	14,410,634	15,469,423	16,578,077	14,900,319	14,694,102	5,738,476	6,615,320	(2,588,301)
<b>Total primary government net position</b>	<b>\$ 38,803,595</b>	<b>\$ 40,358,432</b>	<b>\$ 41,672,351</b>	<b>\$ 42,726,614</b>	<b>\$ 44,037,197</b>	<b>\$ 43,482,857</b>	<b>\$ 42,486,866</b>	<b>\$ 35,371,423</b>	<b>\$ 42,473,898</b>	<b>\$ 35,334,403</b>

Source: City of Marshall Finance Department

\* Restated Due to GASB 68

CITY OF MARSHALL, MICHIGAN

Table A-2

Changes in Net Position (Accrual Basis of Accounting)  
Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Expenses</b>										
Governmental activities:										
General government	\$ 1,845,842	\$ 1,689,006	\$ 1,681,749	\$ 1,901,417	\$ 1,907,279	\$ 2,035,070	\$ 1,536,135	\$ 1,180,247	\$ 1,927,654	\$ 2,375,248
Public safety	2,373,758	2,330,377	2,450,835	2,624,281	2,722,997	2,675,567	2,662,719	2,680,317	3,151,608	3,608,123
Public works	1,763,126	1,930,747	1,992,259	1,713,933	1,877,076	1,954,109	1,980,187	2,337,102	2,331,817	2,145,946
Parks and recreation	600,926	615,280	644,071	484,408	623,244	599,982	591,491	588,463	593,371	599,585
Community/economic development	127,613	130,930	182,485	138,669	151,077	167,198	148,806	154,714	202,552	146,387
Interest on long-term debt	233,111	226,164	158,971	325,155	135,294	121,582	178,430	138,467	318,524	296,478
Subtotal governmental activities	6,944,376	6,922,504	7,110,370	7,187,863	7,416,967	7,553,508	7,097,768	7,079,310	8,525,526	9,171,767
Business-type activities:										
Electric	11,682,604	12,100,696	12,388,402	12,804,410	12,118,033	12,352,835	13,118,049	12,432,134	12,301,471	17,440,376
Wastewater	1,269,409	1,387,374	1,308,655	1,214,436	1,310,960	1,343,044	1,453,850	1,329,436	1,600,776	1,760,453
Water	1,156,149	1,254,500	1,201,031	1,309,664	1,287,914	1,219,040	1,326,138	1,329,071	1,333,100	1,549,304
Public transit	444,809	453,277	428,501	428,624	401,678	385,992	397,214	398,912	416,893	533,012
Public housing	462,856	476,615	442,605	489,195	521,490	584,902	532,270	565,450	618,134	626,970
Subtotal business-type activities	15,015,827	15,672,462	15,769,194	16,246,329	15,640,075	15,885,813	16,827,521	16,055,003	16,270,374	21,910,115
<b>Total primary government expenses</b>	<b>21,960,203</b>	<b>22,594,966</b>	<b>22,879,564</b>	<b>23,434,192</b>	<b>23,057,042</b>	<b>23,439,321</b>	<b>23,925,289</b>	<b>23,134,313</b>	<b>24,795,900</b>	<b>31,081,882</b>
<b>Program revenues</b>										
Governmental activities:										
Charges for Services:										
General Government	204,888	208,970	197,666	752,660	1,248,330	1,173,148	362,535	346,127	536,501	526,366
Public Safety	-	-	-	-	-	-	-	-	56,895	219,946
Public Works	-	-	-	-	-	-	-	-	82,703	89,057
Parks & Recreation	198,571	214,329	207,941	213,405	212,962	217,355	207,822	209,400	205,607	208,262
Community Development	-	-	-	-	-	-	-	-	41,429	13,286
Operating grants and contributions	1,209,870	1,414,774	1,468,297	1,034,464	1,311,931	1,426,002	1,317,998	1,799,614	985,757	1,360,797
Capital grants and contributions	1,479,263	-	-	-	91,257	-	308,299	28,658	8,068,221	861,121
Subtotal governmental activities	3,092,592	1,838,073	1,873,904	2,000,529	2,864,480	2,816,505	2,196,654	2,383,799	9,977,113	3,278,835
Business-type activities:										
Charges for Services, Grants and Contributions										
Electric	14,004,360	13,886,257	14,078,379	14,189,257	13,303,892	12,260,940	12,271,455	13,129,478	13,597,667	11,819,594
Wastewater	1,198,986	1,328,505	1,263,518	1,239,442	1,360,653	1,433,183	1,550,497	2,256,421	1,565,950	1,530,627
Water	1,399,327	1,450,018	1,429,141	1,294,364	1,451,374	1,261,023	1,431,091	1,534,055	1,560,798	1,577,947
Public transit	280,490	250,762	397,758	481,598	259,904	299,264	240,024	291,195	383,125	338,098
Public housing	614,970	601,102	613,620	622,401	553,654	562,688	563,818	565,867	618,300	896,406
Subtotal business-type activities	17,498,133	17,516,644	17,782,416	17,827,062	16,929,477	15,817,098	16,056,885	17,777,016	17,725,840	16,162,672
<b>Total primary government program revenues</b>	<b>\$ 20,590,725</b>	<b>\$ 19,354,717</b>	<b>\$ 19,656,320</b>	<b>\$ 19,827,591</b>	<b>\$ 19,793,957</b>	<b>\$ 18,633,603</b>	<b>\$ 18,253,539</b>	<b>\$ 20,160,815</b>	<b>\$ 27,702,953</b>	<b>\$ 19,441,507</b>
<b>Net (expense)/revenues</b>										
Governmental activities	\$ (3,851,784)	\$ (5,084,431)	\$ (5,236,466)	\$ (5,187,334)	\$ (4,552,487)	\$ (4,737,003)	\$ (4,901,114)	\$ (4,695,511)	\$ 1,451,587	\$ (5,892,932)
Business-type activities	2,482,306	1,844,182	2,013,222	1,580,733	1,289,402	(68,715)	(770,636)	1,722,013	1,455,466	(5,747,443)
<b>Total primary government net (expenses) revenues</b>	<b>\$ (1,369,478)</b>	<b>\$ (3,240,249)</b>	<b>\$ (3,223,244)</b>	<b>\$ (3,606,601)</b>	<b>\$ (3,263,085)</b>	<b>\$ (4,805,718)</b>	<b>\$ (5,671,750)</b>	<b>\$ (2,973,498)</b>	<b>\$ 2,907,053</b>	<b>\$ (11,640,375)</b>

continued...

**CITY OF MARSHALL, MICHIGAN**

**Table A-2**

**Change in Net Position (Accrual Basis of Accounting)  
Last Ten Fiscal Years**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>General revenues and other changes</b>										
Governmental activities:										
Property taxes	\$ 3,537,068	\$ 3,457,339	\$ 3,512,925	\$ 3,639,562	\$ 3,487,465	\$ 3,400,641	\$ 3,352,166	\$ 3,768,238	\$ 3,672,699	\$ 3,713,910
Grants and contributions not restricted to specific programs	739,026	728,344	726,066	625,155	610,106	639,043	627,376	645,432	653,948	647,700
Unrestricted investment earnings	329,126	280,872	129,880	16,266	3,148	11,760	8,912	6,890	19,120	19,200
Gain (Loss) on Sale of Capital Assets	-	-	-	-	72,609	70,729	2,937	46,366	(278,809)	-
Transfers	647,787	778,264	785,066	239,794	237,808	236,925	1,143,440	1,235,502	1,276,620	1,284,794
Subtotal governmental activities	<u>5,253,007</u>	<u>5,244,819</u>	<u>5,153,937</u>	<u>4,520,777</u>	<u>4,411,136</u>	<u>4,359,098</u>	<u>5,134,831</u>	<u>5,702,428</u>	<u>5,343,578</u>	<u>5,665,604</u>
Business-type activities:										
Property Taxes	105,500	103,253	103,966	107,787	102,461	99,887	94,849	94,396	91,882	93,691
Unrestricted investment earnings	249,373	225,278	64,325	265,514	49,650	29,323	970,211	21,691	22,111	26,379
Gain (Loss) on Sale of Capital Assets	-	-	-	6,580	247,959	-	(178,079)	-	14,471	-
Transfers	(647,787)	(778,264)	(785,066)	(239,794)	(237,808)	(236,925)	(1,143,440)	(1,235,502)	(1,276,620)	(1,284,794)
Subtotal business-type activities	<u>(292,914)</u>	<u>(449,733)</u>	<u>(616,775)</u>	<u>140,087</u>	<u>162,262</u>	<u>(107,715)</u>	<u>(256,459)</u>	<u>(1,119,415)</u>	<u>(1,148,156)</u>	<u>(1,164,724)</u>
<b>Total primary government general revenues</b>	<u>4,960,093</u>	<u>4,795,086</u>	<u>4,537,162</u>	<u>4,660,864</u>	<u>4,573,398</u>	<u>4,251,383</u>	<u>4,878,372</u>	<u>4,583,013</u>	<u>4,195,422</u>	<u>4,500,880</u>
<b>Change in net position</b>										
Governmental activities	1,401,223	160,388	(82,529)	(666,557)	(141,351)	(377,905)	233,717	1,006,917	6,795,165	(227,328)
Business-type activities	2,189,392	1,394,449	1,396,447	1,720,820	1,451,664	(176,430)	(1,027,095)	602,598	307,310	(6,912,167)
<b>Total primary government change in net position</b>	<u>\$ 3,590,615</u>	<u>\$ 1,554,837</u>	<u>\$ 1,313,918</u>	<u>\$ 1,054,263</u>	<u>\$ 1,310,313</u>	<u>\$ (554,335)</u>	<u>\$ (793,378)</u>	<u>\$ 1,609,515</u>	<u>\$ 7,102,475</u>	<u>\$ (7,139,495)</u>

concluded.

Source: City of Marshall Finance Department

CITY OF MARSHALL, MICHIGAN

Table A-3

Fund Balances - Governmental Funds (Modified Accrual Basis of Accounting)  
Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>General Fund</b>										
Nonspendable	\$ 124,525	\$ 61,904	\$ 116,527	\$ 39,487	\$ 38,530	\$ 105,373	\$ 77,186	\$ 33,049	\$ 44,757	\$ 83,788
Restricted	-	-	-	-	-	-	-	-	1,778,715	-
Committed	699,290	547,464	547,464	524,796	560,089	560,089	560,089	735,594	163,014	185,450
Unassigned	1,249,229	1,335,772	1,261,838	1,315,574	1,653,876	1,705,362	2,192,258	839,801	2,640,174	1,800,039
<b>Total general fund</b>	<b>\$ 2,073,044</b>	<b>\$ 1,945,140</b>	<b>\$ 1,925,829</b>	<b>\$ 1,879,857</b>	<b>\$ 2,252,495</b>	<b>\$ 2,370,824</b>	<b>\$ 2,829,533</b>	<b>\$ 1,608,444</b>	<b>\$ 4,626,660</b>	<b>\$ 2,069,277</b>
<b>All Other Governmental Funds</b>										
Nonspendable	26,014	11,391	24,202	14,728	475,731	487,746	327,004	328,494	360,458	364,687
Restricted	348,628	216,585	169,060	1,257,545	559,297	643,073	2,115,425	1,854,039	1,946,898	1,928,233
Committed	1,082,486	1,076,114	1,032,080	76,528	212,824	201,989	152,197	265,120	140,250	127,171
<b>Total all other governmental funds</b>	<b>\$ 1,457,128</b>	<b>\$ 1,304,090</b>	<b>\$ 1,225,342</b>	<b>\$ 1,348,801</b>	<b>\$ 1,247,852</b>	<b>\$ 1,332,808</b>	<b>\$ 2,594,626</b>	<b>\$ 2,447,653</b>	<b>\$ 2,447,606</b>	<b>\$ 2,420,091</b>

Note: GASB 54 was adopted beginning with fiscal 2011; prior years were not retroactively restated.

CITY OF MARSHALL, MICHIGAN

Table A-4

Changes in Fund Balances - Governmental Funds (Modified Accrual Basis of Accounting)  
Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenue</b>										
Property taxes	\$ 3,537,068	\$ 3,457,339	\$ 3,512,925	\$ 3,639,562	\$ 3,487,465	\$ 3,400,641	\$ 3,352,166	\$ 3,768,238	\$ 3,672,699	\$ 3,713,910
Licenses and permits	48,432	45,530	34,633	35,117	61,282	41,394	50,050	104,559	123,507	135,298
Intergovernmental	1,992,430	1,828,007	1,536,871	1,366,748	1,324,937	1,718,070	1,444,400	1,724,191	9,637,134	2,779,687
Charges for services	309,405	340,362	320,646	339,129	350,782	387,488	391,519	350,833	357,153	551,026
Fines and forfeitures	45,622	37,407	50,328	69,736	66,186	113,861	128,788	100,135	56,895	55,654
Investment earnings	261,553	230,538	113,413	20,180	16,594	32,037	16,883	13,761	19,120	19,200
Other	385,879	315,111	657,492	292,871	597,100	346,975	500,974	720,855	456,372	404,870
<b>Total revenue</b>	<b>6,580,389</b>	<b>6,254,294</b>	<b>6,226,308</b>	<b>5,763,343</b>	<b>5,904,346</b>	<b>6,040,466</b>	<b>5,884,780</b>	<b>6,782,572</b>	<b>14,322,880</b>	<b>7,659,645</b>
<b>Expenditures</b>										
General government	1,622,060	1,658,135	1,705,119	1,119,515	869,675	1,222,585	1,972,898	1,699,623	1,674,114	2,054,008
Public safety	2,363,359	2,322,738	2,241,007	2,445,258	2,560,189	2,504,409	2,552,181	2,575,066	2,852,751	3,040,070
Public works	887,699	910,778	829,809	778,047	868,755	891,416	834,956	829,025	1,385,688	1,383,425
Highways and streets	314,659	549,865	400,635	305,912	227,098	182,133	181,679	283,544	-	-
Community development	85,999	86,488	137,716	96,799	106,995	121,126	103,562	99,855	191,161	134,469
Culture and recreation	479,857	481,232	474,752	351,566	480,477	461,359	460,439	463,674	463,145	507,962
Debt service:										
Principal	569,227	596,847	596,746	402,231	417,580	439,073	364,905	355,000	495,000	492,773
Interest and other charges	243,062	228,691	189,560	323,817	146,302	118,213	101,660	122,391	239,424	297,101
Bond Issuance Costs	-	-	-	-	-	-	58,020	-	37,275	-
Capital outlay	917,498	455,236	507,626	71,039	257,219	335,312	528,865	2,973,015	10,606,331	3,619,529
<b>Total expenditures</b>	<b>7,483,420</b>	<b>7,290,010</b>	<b>7,082,970</b>	<b>5,894,184</b>	<b>5,934,290</b>	<b>6,275,626</b>	<b>7,159,165</b>	<b>9,401,193</b>	<b>17,944,889</b>	<b>11,529,337</b>
Revenues over (under) expenditures	(903,031)	(1,035,716)	(856,662)	(130,841)	(29,944)	(235,160)	(1,274,385)	(2,618,621)	(3,622,009)	(3,869,692)
<b>Other financing sources (uses)</b>										
Issuance of bonds / long-term debt	-	-	-	-	63,825	-	1,825,000	-	5,325,000	400,000
Premium on bonds	-	-	-	-	-	-	26,472	-	173,558	-
Sale of capital assets	-	-	-	-	-	201,520	-	15,057	-	-
Transfers in	796,696	838,995	1,106,856	413,969	575,216	514,153	1,355,328	1,438,770	1,661,141	1,891,677
Transfers out	(173,529)	(84,221)	(348,253)	(205,641)	(337,408)	(277,228)	(211,888)	(203,268)	(519,521)	(1,006,883)
<b>Total other financing sources (uses)</b>	<b>623,167</b>	<b>754,774</b>	<b>758,603</b>	<b>208,328</b>	<b>301,633</b>	<b>438,445</b>	<b>2,994,912</b>	<b>1,250,559</b>	<b>6,640,178</b>	<b>1,284,794</b>
<b>Net change in fund balance</b>	<b>\$ (279,864)</b>	<b>\$ (280,942)</b>	<b>\$ (98,059)</b>	<b>\$ 77,487</b>	<b>\$ 271,689</b>	<b>\$ 203,285</b>	<b>\$ 1,720,527</b>	<b>\$ (1,368,062)</b>	<b>\$ 3,018,169</b>	<b>\$ (2,584,898)</b>
Debt service as a percentage of noncapital expenditures	12.37%	12.08%	11.96%	12.47%	9.93%	9.38%	7.04%	7.43%	10.01%	9.99%

Source: City of Marshall Finance Department

**CITY OF MARSHALL, MICHIGAN**

**Table B-1**

**Taxable and Estimated Actual Value of Property  
Last Ten Fiscal Years**

As of Dec. 31,	FYE June 30,	Residential (1)		Commercial (1)		Industrial (1)		Utility		Total		(2) Total
		Taxable Value	Estimated Actual Value	Taxable Value	Estimated Actual Value	Taxable Value	Estimated Actual Value	Taxable Value	Estimated Actual Value	Taxable Value	Estimated Actual Value	Direct Tax Rate
2014	2016	\$126,638,972	\$292,882,000	\$ 39,386,893	\$ 98,290,980	\$ 50,108,403	\$120,615,600	\$ 2,419,716	\$ 4,847,600	218,553,984	516,636,180	18.9862
2013	2015	124,599,214	284,523,200	39,547,803	97,879,200	47,124,743	114,202,400	2,277,213	4,572,400	213,548,973	501,177,200	19.0862
2012	2014	126,770,173	278,727,900	47,608,965	112,412,200	42,502,565	91,783,800	2,805,420	5,662,200	219,687,123	488,586,100	19.0862
2011	2013	130,379,679	279,414,900	47,317,444	110,927,484	38,281,232	95,792,472	2,480,653	4,961,306	218,459,008	491,096,162	16.8862
2010	2012	136,530,496	301,750,600	53,082,869	113,507,598	36,262,417	91,800,800	1,941,829	4,061,000	227,817,611	511,119,998	16.8862
2009	2011	135,275,254	300,975,500	57,379,499	130,611,800	41,044,660	105,672,800	2,340,476	4,771,400	236,039,889	542,031,500	16.8862
2008	2010	142,443,237	321,713,012	57,822,583	139,672,008	47,490,702	124,682,400	1,809,064	3,708,400	249,565,586	589,775,820	16.7634
2007	2009	142,443,237	329,642,392	54,402,936	130,930,646	41,624,506	106,696,472	1,663,135	3,419,000	240,133,814	570,688,510	16.7634
2006	2008	139,187,928	323,223,156	53,791,912	131,759,600	42,087,661	105,417,000	1,740,405	3,544,400	236,807,906	563,944,156	16.7634
2005	2007	134,954,070	319,341,200	56,980,547	139,589,800	48,882,855	123,955,000	1,723,389	3,513,400	242,540,861	586,399,400	16.7634

(1) Includes properties subject to Industrial Facility Tax exemptions.

(2) Per \$1,000 of taxable value.

Source: City of Marshall Finance Department

**CITY OF MARSHALL, MICHIGAN**

**Table B-2**

**Direct and Overlapping Property Tax Rates  
Last Ten Fiscal Years**

<b>Fiscal Year Ended June 30,</b>	<b>City Direct Rates</b>				<b>Overlapping Rates</b>								
	<b>City</b>	<b>Leaf, Brush and Trash Pickup</b>	<b>Dial-A-Ride</b>	<b>Recreation</b>	<b>Marshall Public Schools</b>	<b>State Education Tax</b>	<b>Calhoun County Intermediate School Dist.</b>	<b>County</b>	<b>Marshall Library</b>	<b>Kellogg Community College</b>	<b>Marshall Ambulance Authority</b>	<b>Total Homestead</b>	<b>Total Non-Homestead</b>
2016	17.1629	0.4000	0.4840	0.9393	26.0500	6.0000	6.2057	6.4713	1.9911	3.6136	0.5000	51.8179	69.8179
2015	17.1629	0.5000	0.4840	0.9393	25.8800	6.0000	6.2057	6.4713	2.0711	3.6136	0.5000	51.8279	69.8279
2014	17.1629	0.5000	0.4840	0.9393	25.8800	6.0000	6.2057	6.4713	2.0671	3.6136	0.4819	51.8058	69.8058
2013	15.4629	-	0.4840	0.9393	25.8800	6.0000	6.2057	6.3713	2.0711	3.7106	0.4831	49.6080	67.6080
2012	15.4629	-	0.4840	0.9393	25.8800	6.0000	6.2057	6.3713	2.0711	3.7106	0.4831	49.6080	67.6080
2011	15.4629	-	0.4840	0.9393	26.0000	6.0000	6.2057	6.3713	2.0661	3.7106	0.4831	49.7230	67.7230
2010	15.4629	-	0.4840	0.8165	23.4500	6.0000	6.2057	6.3713	2.0711	3.7106	0.4925	47.0646	65.0646
2009	15.4629	-	0.4840	0.8165	23.4500	6.0000	6.2057	6.3713	2.0711	3.7106	0.4925	47.0646	65.0646
2008	15.4629	-	0.4840	0.8165	23.4500	6.0000	6.2057	6.3713	2.0289	3.7106	0.5000	47.0299	65.0299
2007	15.4629	-	0.4840	0.8165	23.4500	6.0000	6.2057	6.3713	2.0327	3.7106	0.5000	47.0337	65.0337
2006	15.4629	-	0.4840	0.8165	23.5947	6.0000	6.2057	6.3713	2.1227	3.7106	0.5000	47.2684	65.2684

Source: City of Marshall Finance Department



CITY OF MARSHALL, MICHIGAN

Table B-3

Principal Property Taxpayers  
Fiscal Year and Nine Years Ago

Taxpayer	2016			2007		
	(1) Taxable Valuation	Rank	% of Total City Taxable Value	(1) Taxable Valuation	Rank	% of Total City Taxable Value
Tenneco	\$ 19,963,504	1	9.13%	\$ 7,761,900	3	3.20%
Auto Cam Corp.	5,631,400	2	2.58%	6,476,559	5	2.67%
Consumers Energy	3,711,951	3	1.70%	-	-	-
Borg Warner	2,897,979	4	1.33%	-	-	-
Stelmi America	1,858,426	5	0.85%	-	-	-
Joseph Campbell	1,740,257	6	0.80%	9,525,355	1	3.93%
Financing VI-Healthcare	1,343,400	7	0.61%	-	-	-
Loves Travel Stops	1,342,541	8	0.61%	-	-	-
Stagg Marshall LLC	1,326,286	9	0.61%	-	-	-
Walden Pond Inv.	1,173,750	10	0.54%	-	-	-
Lear Technologies	-	-	-	8,403,600	2	3.46%
Eaton Corporation	-	-	-	6,555,898	4	2.70%
State Farm Insurance	-	-	-	6,451,083	6	2.66%
Marshall Brass Co.	-	-	-	4,411,317	7	1.82%
Marshall Hotels LLC	-	-	-	3,207,437	8	1.32%
Sheridan-McClellan Apt.	-	-	-	2,423,480	9	1.00%
Agree limited (K-Mart)	-	-	-	2,381,937	10	0.98%
	<u>\$ 40,989,494</u>		<u>18.75%</u>	<u>\$ 57,598,566</u>		<u>23.75%</u>

(1) Includes ad valorem and Industrial Facilities Tax properties.

Source: City of Marshall Finance Department

**CITY OF MARSHALL, MICHIGAN**

**Table B-4**

**Property Tax Levies and Collections  
Last Ten Fiscal Years**

(1) Fiscal Year Ended June 30,	(2) Taxes Levied for the Fiscal Year	Collections to March 1st of Fiscal Year of the Levy		Delinquent Collections	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2016	\$ 3,988,294	\$ 3,974,085	99.64%	\$ 125	\$ 3,974,210	99.65%
2015	3,973,980	3,965,617	99.79%	4,875	3,970,492	99.91%
2014	4,079,395	4,064,069	99.62%	11,544	4,075,613	99.91%
2013	4,030,907	4,026,677	99.90%	2,298	4,028,975	99.95%
2012	3,847,025	3,843,336	99.90%	852	3,844,188	99.93%
2011	3,983,452	3,974,060	99.76%	2,383	3,976,443	99.82%
2010	4,136,283	4,123,480	99.69%	6,077	4,129,557	99.84%
2009	4,025,403	4,010,552	99.63%	13,319	4,023,871	99.96%
2008	3,944,595	3,930,130	99.63%	11,027	3,941,157	99.91%
2007	4,005,794	3,985,506	99.49%	18,846	4,004,352	99.96%

(1) Property taxes are levied August 1 of the current fiscal year based on taxable property values as of the preceding December 31. Unpaid property taxes become delinquent as of March 1 of the current fiscal year. The City's delinquent real property taxes are purchased by the Calhoun County Treasurer. Uncollected personal property taxes are collected by the City Treasurer.

(2) Includes Industrial Facility Tax (Leaf, Brush & Trash collection tax beginning in 2014). Also includes taxes captured by Tax Incremental Finance Authority (TIFA) Districts.

Source: City of Marshall Finance Department

CITY OF MARSHALL, MICHIGAN

Table C-1

Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Governmental activities</b>										
General obligation bonds	\$ 4,400,000	\$ 3,915,000	\$ 3,435,000	\$ 3,150,000	\$ 2,850,000	\$2,540,000	\$4,030,000	\$3,675,000	\$8,505,000	\$8,030,000
Installment contracts	771,193	639,346	497,600	355,369	146,532	598,552	460,920	350,567	237,024	502,427
Insurance premium/discount(net)	(151,586)	(140,015)	(128,434)	(116,854)	(105,271)	(93,690)	30,900	28,963	193,642	184,763
<b>Total governmental activities</b>	5,019,607	4,414,331	3,804,166	3,388,515	2,891,261	\$3,044,862	\$4,521,820	\$4,054,530	\$8,935,666	\$8,717,190
<b>Business-type activities</b>										
General obligation bonds	6,760,000	6,465,000	6,055,000	6,960,000	6,405,000	5,815,000	8,940,000	8,245,000	7,535,000	6,795,000
Revenue bonds	1,535,001	1,235,001	990,001	740,000	680,000	620,000	555,000	490,000	420,000	345,000
Installment contracts	1,084,143	1,040,678	996,075	947,070	720,000	720,000	720,000	-	-	280,368
Insurance premium/discount (net)	(52,181)	(26,594)	(24,669)	(22,743)	(20,819)	(18,894)	82,262	74,470	66,677	58,884
<b>Total business-type activities</b>	9,326,963	8,714,085	8,016,407	8,624,327	7,784,181	7,136,106	10,297,262	8,809,470	8,021,677	7,479,252
<b>Total primary government outstanding debt</b>	<b>\$ 14,346,570</b>	<b>\$ 13,128,416</b>	<b>\$ 11,820,573</b>	<b>\$ 12,012,842</b>	<b>\$ 10,675,442</b>	<b>\$ 10,180,968</b>	<b>\$ 14,819,082</b>	<b>\$ 12,864,000</b>	<b>\$ 16,957,343</b>	<b>\$ 16,196,442</b>
Total taxable value	\$ 392,650,808	\$ 407,867,563	\$ 406,249,284	\$ 249,565,586	\$ 236,039,889	\$227,817,611	\$218,459,008	\$219,687,123	\$250,588,600	\$ 258,318,090
Ratio of total debt to taxable value	3.65%	3.22%	2.91%	4.81%	4.52%	4.47%	6.78%	5.86%	6.77%	6.27%
Total population	7,459	7,459	7,459	7,459	7,086	7,088	7,040	7,035	7,035	7,094
Total debt per capita	\$ 1,923	\$ 1,760	\$ 1,585	\$ 1,695	\$ 1,506	\$ 1,436	\$ 2,091	\$ 1,815	\$ 2,392	\$ 2,283
% of personal income	65.14%	48.27%	43.46%	44.16%	39.25%	37.43%	53.43%	46.39%	61.15%	58.40%
Personal Income per capita	\$ 22,023	\$ 27,200	\$ 27,200	\$ 27,200	\$ 27,200	\$ 27,200	\$ 27,733	\$ 27,733	\$ 27,733	\$ 27,733

Source: City of Marshall Finance Department; US Census

Details regarding the City's debt can be found in the notes to the financial statements.

**CITY OF MARSHALL, MICHIGAN**

**Table C-2**

**Ratios of Net General Bonded Debt Outstanding  
Last Ten Fiscal Years**

<b>Year</b>	<b>Governmental General Obligation Bonds</b>	<b>Business-type General Obligation Bonds</b>	<b>Total</b>	<b>Amounts Available in Debt Service Funds</b>	<b>Net General Bonded Debt Outstanding</b>	<b>% of Total Personal Income</b>	<b>% of Actual Taxable Value of Property</b>	<b>Per Capita</b>
2016	\$ 8,214,763	\$ 6,853,884	\$ 15,068,647	\$ (1,000)	\$ 15,067,647	8.70%	6.89%	\$ 2,124
2015	8,698,642	7,601,677	16,300,319	-	16,300,319	9.04%	7.63%	2,317
2014	3,703,963	8,319,470	12,023,433	(9,404)	12,014,029	6.66%	5.47%	1,708
2013	4,060,900	9,022,262	13,083,162	(29,365)	13,053,797	7.23%	5.98%	1,854
2012	2,446,310	5,796,106	8,242,416	(108,631)	8,133,785	4.48%	3.57%	1,148
2011	2,744,729	6,384,181	9,128,910	(123,823)	9,005,087	4.96%	3.82%	1,271
2010	3,033,146	6,937,257	9,970,403	(123,779)	9,846,624	5.99%	3.95%	1,320
2009	3,306,566	6,030,331	9,336,897	(123,458)	9,213,439	5.61%	3.84%	1,235
2008	3,774,985	6,438,406	10,213,391	(124,484)	10,088,907	6.14%	4.26%	1,353
2007	4,248,404	6,707,819	10,956,223	(134,602)	10,821,621	6.59%	4.46%	1,451

Source: City of Marshall Finance Department  
 General Obligation Bond amounts are net of any premium or discount.  
 Details regarding the City's debt can be found in the notes to the financial statements.

**CITY OF MARSHALL, MICHIGAN**

**Table C-3**

**Computation of Net Direct and Overlapping Governmental Activities Debt  
As of June 30, 2016**

		<u>Gross Amount Outstanding</u>	<u>Self-Supporting or Paid by Benefited Entity</u>	<u>Net Amount Outstanding</u>
<b>Direct debt</b>				
General obligation bonds (1)		\$8,214,763	\$ -	\$ 8,214,763
Installment contracts		<u>502,427</u>	<u>-</u>	<u>502,427</u>
<b>Net direct debt</b>		<u>\$ 8,717,190</u>	<u>\$ -</u>	<u>8,717,190</u>
	<b>City Share of Debt (2)</b>			
<b>Overlapping debt</b>				
Marshall School District	44.46%	52,485,000		23,334,831
Calhoun County	5.99%	12,364,250		740,619
Marshall District Library	40.98%	360,000		147,528
Kellogg Community College	6.01%	9,725,000		584,473
<b>Net overlapping debt</b>				<u>24,807,450</u>
<b>Net direct and overlapping debt</b>				<u>\$ 33,524,640</u>

(1) Governmental activity debt only

(2) Based on Taxable Value of the City of Marshall (\$218,553,984) compared to Taxable Value of the entire taxing jurisdiction.

Source: Municipal Advisory Council of Michigan and the City of Marshall Finance Department

**CITY OF MARSHALL, MICHIGAN**

**Table C-4**

**Legal Debt Margin  
Last Ten Fiscal Years**

**Legal debt margin calculation for fiscal 2016**

Assessed value (including IFT values)	<u>\$ 258,318,090</u>
Debt limit (10% of assessed value)	25,831,809
Less: net debt applicable to limit	<u>(16,196,442)</u>
<b>Legal debt margin</b>	<u><b>\$ 9,635,367</b></u>

<u>Year</u>	<u>Debt Limit</u>	<u>Total Net Debt Applicable to Limit</u>	<u>Legal Debt Margin</u>	<u>Total Net Debt Applicable to Limit as a Percentage of Debt Limit</u>
2016	\$ 25,831,809	\$ 16,196,442	\$ 9,635,367	62.70%
2015	25,058,860	16,957,343	8,101,517	67.67%
2014	24,429,305	12,864,000	11,565,305	52.66%
2013	24,554,808	14,819,082	9,735,726	60.35%
2012	25,556,000	10,180,968	15,375,032	39.84%
2011	27,101,575	10,675,442	16,426,133	39.39%
2010	29,448,791	12,012,842	17,435,949	40.79%
2009	28,534,426	11,870,573	16,663,853	41.60%
2008	28,197,208	13,128,416	15,068,792	46.56%
2007	29,319,970	14,346,560	14,973,410	48.93%

Source: City of Marshall Finance Department  
Assessed Value = one-half of Estimated Actual Value (Schedule 5)

City of Marshall

Table C-5

Pledged-Revenue Coverage  
Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>(1) Gross Revenue</u>	<u>(2) Operating Expenses</u>	<u>Net Revenue Available for Debt Service</u>	<u>Total Debt Service Requirement</u>	<u>Coverage</u>
<b>Water Revenue Bonds (3)</b>					
2016	-	-	-	n/a	n/a
2015	-	-	-	n/a	n/a
2014	-	-	-	n/a	n/a
2013	-	-	-	n/a	n/a
2012	-	-	-	n/a	n/a
2011	-	-	-	n/a	n/a
2010	1,300,062	823,711	476,351	999	476.83
2009	1,438,252	751,432	686,820	1,049	654.74
2008	1,489,038	709,796	779,242	64,304	12.12
2007	1,439,211	608,938	830,273	63,957	12.98
<b>Sewer Revenue Bonds (4)</b>					
2016	-	-	-	n/a	n/a
2015	-	-	-	n/a	n/a
2014	-	-	-	n/a	n/a
2013	-	-	-	n/a	n/a
2012	-	-	-	n/a	n/a
2011	-	-	-	n/a	n/a
2010	1,236,775	844,425	392,350	196,811	1.99
2009	1,266,569	873,076	393,493	197,330	1.99
1999	1,266,569	873,076	393,493	197,330	1.99
2007	1,238,268	781,399	456,869	304,799	1.50
<b>Electric Revenue Bonds (5)</b>					
2016	11,834,418	11,055,268	779,150	95,860	8.13
2015	13,611,884	11,776,240	1,835,644	94,890	19.34
2014	13,144,054	13,561,207	(417,153)	93,625	(4.46)
2013	13,228,258	11,608,613	1,619,645	95,350	16.99
2012	12,224,904	11,762,521	462,383	93,475	4.95
2011	13,102,431	11,475,571	1,626,860	96,430	16.87
2010	13,208,622	12,190,994	1,017,628	94,178	10.81
2009	12,587,675	11,710,294	877,381	96,721	9.07
2008	12,498,722	11,356,382	1,142,340	94,085	12.14
2007	12,682,539	10,905,984	1,776,555	96,285	18.45

(1) Includes utility service charges along with investment income.

(2) Excludes depreciation expense.

(3) Water revenue bonds were issued in 1993 and 1999; A portion was refunded in 2006; remaining paid in full 2010.

(4) Wastewater revenue bonds were issued in 1989 and 1999; portion was refunded in 2006; paid in full 2010.

(5) Electric revenue bonds were issued in 1976 and 1999; 1976 issue was paid in full 2005.

Source: City of Marshall Finance Department

**CITY OF MARSHALL, MICHIGAN**

**Table D-1**

**Demographic and Economic Statistics  
Last Ten Years**

<b>Year</b>	<b>Population</b>	<b>(1) Total Personal Income (in thousands)</b>	<b>Per Capita Personal Income</b>	<b>(2) Unemployment Rate</b>
2016	7,094	\$ 173,243	\$ 24,421	4.40%
2015	7,035	180,300	25,629	5.40%
2014	7,035	180,300	25,629	7.60%
2013	7,040	180,428	25,629	7.90%
2012	7,088	181,658	25,629	9.30%
2011	7,086	181,607	25,629	11.40%
2010	7,459	164,270	22,023	11.50%
2009	7,459	164,270	22,023	7.50%
2008	7,459	164,270	22,023	6.80%
2007	7,459	164,270	22,023	6.90%

(1) The amount shown is calculated based the City population times the Per capita money income

(2) Source: Homefacts.com as of 6/30/2016.

Sources:

United State Census - Quick Facts Marshall (City)



CITY OF MARSHALL, MICHIGAN

Table D-2

Principal Employers  
Fiscal Year and Nine Years Ago

Employer	2016			2007		
	Employees	Rank	Percentage of Total	Employees	Rank	Percentage of Total
Oaklawn Hospital	988	1	18.36%	644	1	12.91%
Tenneco Auto.	915	2	17.00%	427	5	8.56%
Marshall Schools	270	3	5.02%	185	6	3.71%
Eaton Auto.	210	4	3.90%	467	4	9.36%
Marshall Excelsior	200	5	3.72%	*		
Autocam Corp.	150	6	2.79%	99	10	1.99%
Michigan Kitchen Distributors	140	7	2.60%	*		
Oaklawn Medical Group	126	8	2.34%	*		
Medilodge of Marshall	107	9	1.99%	*		
Tribal Manuf.	100	10	1.86%	*		
Progressive Dynamics	89	11	1.65%	104	9	2.09%
City of Marshall	87	12	1.62%	97	11	1.95%
State Farm Insurance				569	2	11.41%
Lear Corporation				530	3	10.63%
Joseph Campbell				167	7	3.35%
Marshall Brass				160	8	3.21%
	<u>3,382</u>		<u>62.85%</u>	<u>3,449</u>		<u>69.16%</u>
<b>Estimated total city employment</b>	<u>5,381</u>			<u>4,987</u>		

\* Not available.

Source: City of Marshall - MAEDA

**CITY OF MARSHALL, MICHIGAN**

**Table E-1**

**Full-time Governmental Employees by Function/Program  
Last Ten Fiscal Years**

<b>Function/Program</b>	<b>Full Time Equivalent Employees as of June 30</b>									
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
General Government	10.0	9.00	8.0	7.5	7.4	7.1	6.7	10.0	14.5	12.8
Community & Economic Development	2.5	2.00	2.0	1.6	1.6	1.6	1.1	1.2	-	2.2
Public Safety (Police & Fire)	26.0	24.00	22.0	21.0	21.0	22.0	21.0	21.0	21.0	24.0
Transportation	4.5	4.00	3.5	3.1	3.1	3.1	3.0	3.0	3.0	3.0
Public Works										
Streets & Roads	8.0	7.50	7.0	6.8	6.7	6.7	6.4	9.0	11.0	9.9
Electric	12.0	14.00	17.0	19.3	19.3	19.4	21.7	20.7	16.4	17.2
Wastewater	6.5	7.00	7.0	7.3	7.3	6.2	7.3	7.3	9.5	6.5
Water	6.5	6.50	6.5	6.5	6.6	6.6	6.6	6.6	6.6	5.3
Parks and Recreation	4.0	4.00	4.0	4.0	3.0	3.0	3.0	3.3	4.0	4.3
<b>Total</b>	<b>80</b>	<b>78</b>	<b>77</b>	<b>77</b>	<b>76</b>	<b>76</b>	<b>77</b>	<b>82</b>	<b>86</b>	<b>85</b>

Source: City of Marshall Human Resources Department

**CITY OF MARSHALL, MICHIGAN**

**Table E-2**

**Operating Indicators by Function/Program  
Last Ten Fiscal Years**

<b>Function/Program</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Election Data (Even Election Years)</b>										
Registered Voters	-	5,673	-	5,303	-	5,460	-	5,452	5,544	5,659
Voters (at the polls or absentee) [November Elections]	-	3,575	-	2,502	-	3,444	-	2,331	N/A	N/A
Percent Participating	-	63.0%	-	47.2%	-	63.1%	-	42.8%	N/A	N/A
<b>Police</b>										
Traffic citations	*	*	*	*	1,478	2,254	614	614	920	1,050
Arrests	630	815	696	745	835	959	688	701	525	491
Crime Rate (U.S. Ave 297.7)	271.8	241.0	241.0	160.0	170.2	136.1	136.1	136.1	169.6	N/A
Calls for service	10,212	12,671	10,802	5,256	6,438	5,189	4,886	4,886	6,947	5,703
<b>Community &amp; Economic Development</b>										
Building Inspections Performed	459	370	473	454	398	456	1,188	207	172	93
Building Permits Issued	75	77	63	83	79	80	121	118	75	118
Dollar Value of Building Permits Issued ( e )	\$ 500,000	\$ 663,000	\$ 1,922,000	\$ 3,050,000	\$ 1,836,000	\$ 435,000	\$ 4,644,157	\$ 18,765,867	\$ 1,082,500	\$ 2,626,625
<b>Public Services</b>										
Energy Billed (kwh)	118,761,214	113,950,367	103,128,220	107,889,673	110,017,513	108,939,712	104,163,961	106,021,809	104,812,021	104,502,417
Water Pumped (gallons)	479,567,208	437,412,252	360,434,816	338,743,821	288,841,299	311,443,072	292,166,800	290,089,956	263,810,557	282,870,000
Water Treated (gallons)	548,150,000	653,850,000	587,790,000	837,180,000	549,780,000	489,780,000	488,730,000	517,870,000	508,440,000	536,010,000
Expenditures on Major Street const. & preser	246,552	208,567	321,913	167,097	162,097	134,120	298,409	311,912	368,205	282,995
Expenditures on Local Street const. & preser	254,442	429,463	196,644	236,251	236,251	300,161	293,215	673,732	234,230	371,630
<b>Recreation</b>										
Programs Offered	73	87	71	80	61	56	55	63	71	119
Youth Participation in Rec. Activity	3,845	2,887	3,567	3,529	2,372	2,380	2,521	1,833	1,854	2,715
Adult Participation in Rec. Activity	2,329	3,823	1,865	2,038	2,204	1,850	1,895	1,811	1,619	2,375
Senior Participation in Rec. Activity	4,248	1,951	2,802	3,529	1,321	127	50	55	46	243
Family Participation in Rec. Activity	1,189	1,679	1,058	559	1,704	1,705	1,504	1,645	1,747	1,253

e = estimated

(1) switch to consolidated dispatch

Source: City of Marshall Finance Department

**CITY OF MARSHALL, MICHIGAN**

**Table E-3**

**Capital Asset Statistics by Function/Program  
Last 3 Fiscal Years**

<b>Function/Program</b>	<b>2016 *</b>	<b>2015</b>	<b>2014</b>
<b>Police</b>			
Police department building	1	1	1
Vehicle patrol units	7	7	7
<b>Fire (1)</b>			
Number of stations serving City	1	1	1
Fire units serving City:			
Fire engines	2	2	1
Ladder trucks	1	1	1
Rescue vehicles	1	1	1
Brush trucks	1	1	1
Utility vehicles	1		
<b>Public Works</b>			
City streets:			
Miles of major streets	14.38	14.38	14.38
Miles of local streets	25.76	25.76	25.70
Miles of Trunkline	16.00	16.00	16.00
Miles of sidewalks	34.00	34.00	34.00
Number of Street Lights	1,375	1,375	1,375
Sewer:			
Miles of sanitary mains	49.40	49.40	49.35
Miles of storm sewers	38.10	38.10	38.05
Treatment capacity	2.62/mgd	2.62/mgd	2.62/mgd
Water:			
Miles of water mains	59.10	59.10	59.07
Number of fire hydrants	496.00	496.00	496.00
Treatment capacity	3.86/mgd	3.86/mgd	3.86/mgd
<b>Parks and Recreation</b>			
Parks:			
City	6	6	6
Skate	1	1	1
Park acreage	235	235	235
Play structures	3	3	2
Pavilions	4	4	4
Adult Softball Fields	2	2	2
Youth Softball Fields	2	2	2
Sand Volleyball Courts	3	3	3

\* This is the third year for the City of Marshall to develop a CAFR and the historical relevant capital asset data was not captured in a manner to accurately provide historical reference.

Source: City of Marshall Finance Department

November 30, 2016

To the Honorable Mayor and Members of the City Council  
City of Marshall, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Marshall for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 2, 2016. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Marshall are described in Note 1 to the financial statements. As discussed in Note 1 to the Financial Statements, the City adopted Governmental Accounting Standards Board Statement No. 72. We noted no transactions entered into by the City of Marshall during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- The assumptions used in the actuarial valuations of the pension and other post-employment plans are based on historical trends and industry standards.

We evaluated the key factors and assumptions used to develop the estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 30, 2016.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City of Marshall's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Marshall's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### Other Matters

We applied certain limited procedures to management's discussion and analysis, OPEB and pension schedules, and budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

We were not engaged to report on introductory section, transportation schedules, or statistical sections, which accompany the financial statements but are not RSI. Such information 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.

Restriction on Use

This information is intended solely for the information and use of the City Council and management of the City of Marshall and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Gabridge & Company". The signature is written in dark ink and is positioned above the printed name of the company.

Gabridge & Company, PLC  
Grand Rapids, MI