

**CITY OF MARSHALL
CALHOUN COUNTY, MICHIGAN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2015**



CITY OF MARSHALL, MICHIGAN

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2015

Prepared by: Finance Department

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INTRODUCTORY SECTION



October 30, 2015

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, 2015.

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, Certified Public Accountants, have issued an unmodified ("clean") opinion on the City of Marshall's financial statements for the year ended June 30, 2015. 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 7,088. The City of Marshall is empowered to levy a property tax on real 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 its department heads. The City Treasurer, Attorney, Assessor and Clerk are also 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 highways, streets, and other infrastructure; recreational and cultural activities; low-income housing; and transit services. The City of Marshall is a

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cityofmarshall.com

public power community, providing electric, water and wastewater services to the City and surrounding communities.

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, function (e.g., public safety), and department (e.g., police). Department heads may request transfers of resources within a department as they see fit. Transfers between departments, however, need special approval from the 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 national averages. According to the U.S. Census' 2009-2013, 5 year American Community Survey, the City of Marshall's unemployment rate was 3.2 percent compared to 5.6 percent nationally.

Median family incomes within the City of Marshall are somewhat higher than for the county as a whole. According to the 2013 American Community Survey, the City's median family income was \$56,225, the county's was \$52,857, while the state's was \$60,793. The City's population recently decreased slightly from 7,094 to an estimated 7,074 as reported in the American Community Survey of 2013. Despite the softening of the housing market nationwide, housing values in the vicinity of the City of Marshall continue to remain strong. The median value of an owner occupied home in the vicinity of the City of Marshall was \$110,800, as compared to \$98,300 for Calhoun County overall and \$121,700 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 since 2014, an increase from A+ in the prior period.

Over the past year, the City experienced a comfortable period of economic growth and investment. There were nearly \$4.5 million in new tax abatements within the city limits between 2014 and 2015, providing new jobs or retaining current employees.

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 governmental funds (currently 41 percent, reflecting a ten-year increase of over 8 percent). 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.

During this same ten-year period, charges for services related to governmental funds have increased in amount, but has continued in the range of 9% to 12% percent of total revenues in governmental funds.

Long-term financial planning and major initiatives

Unrestricted fund balance (the difference between the total fund balance and the non-spendable and restricted components of fund balance) in the general fund at year end was just over 40 percent of total general fund expenditures. This amount was above the policy guidelines set by the Council for budgetary and planning purposes (i.e., three months of general fund revenues- approximately 20-25%, or 1.2 times the debt service ratio). The Council recently reviewed the City of Marshall's strategic plan, including policy guidelines, and plans to maintain the target percent of total general fund revenues.

As part of its strategic plan, the Council also envisions the continued revitalization of Marshall's Downtown corridor. 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 mentioned earlier, the City of Marshall has undergone a recent period of comfortable growth and expansion, as reflected by 75 building permits being issued with a construction value in excess of \$1.0 million. New residential development in and around the downtown area has been positive, with new condominium and rental units being constructed and/or approved.

As an example of the aforementioned development, this past year 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. The facility is presently in the process of performing complete renovations of each of the 100 units in the facility. 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 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 its 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 6/30/2015, the City completed construction of the Marshall Fire Station with total cost of approximately \$3.2 million. The fiscal year 2015-2016 Capital Improvement Program anticipates \$1.85 million in capital projects including \$0.25 million in rolling stock replacement. In addition to these capital projects, there is approximately \$3.5million being utilized for the construction and completion of the Marshall Regional Law Enforcement Center. 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.

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 at the mid-point 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 adopted a new City Credit Card Policy and a new Fixed Asset and Capital Purchase Policy.

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 Ken Swisher, Finance Director

CITY OF MARSHALL, MICHIGAN

ELECTED AND APPOINTED OFFICIALS

FOR THE YEAR ENDED JUNE 30, 2015

Elected Officials

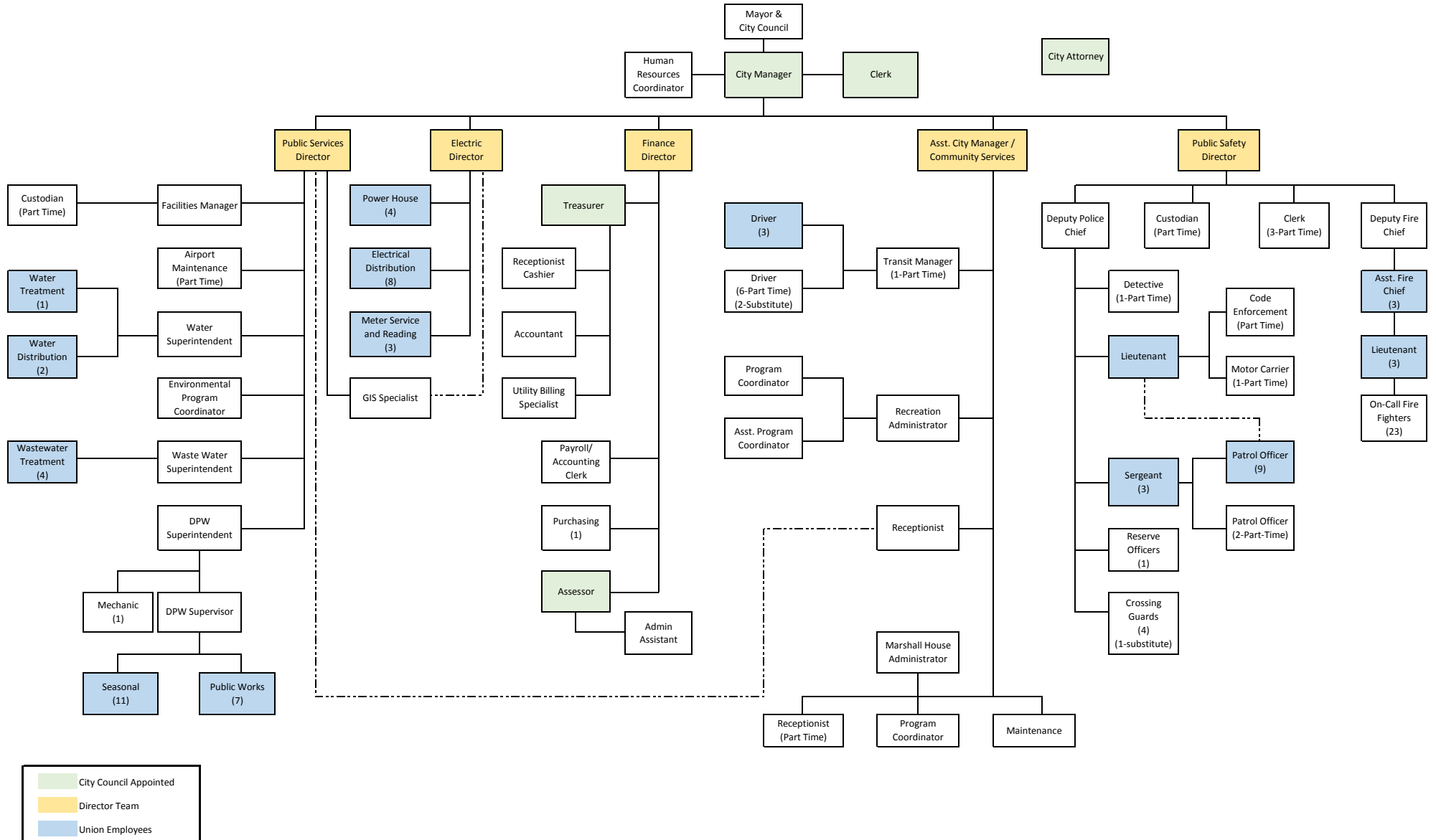
Jack Reed	Mayor
Kari Schurig	Ward 1 Councilmember
Nick Metzger	Ward 2 Councilmember
Brent Williams	Ward 3 Councilmember
Michael McNeil	Ward 4 Councilmember
Jon Gerten	Ward 5 Councilmember
Kathy Miller	At-Large Councilmember

Appointed Officials

Tom Tarkiewicz	City Manager
Trisha Nelson	City Clerk
Jon Bartlett	Treasurer
Julie Cain-Derouin	Assessor
Paul Beardslee	City Attorney

City of Marshall - Organization Chart

as of 6/30/2015





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, 2014

Executive Director/CEO

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

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 as of and for the year ended June 30, 2015, 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. 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, 2015, 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.

Emphasis of Matter

As described in Note 18 to the financial statements, during the year ended June 30, 2015, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result of implementing this pronouncement, the City's net pension liability has been recognized on the government-wide and proprietary statements and, as discussed in Note 18, the 2014 financial statements have been restated. Our opinion is not modified with respect to this matter.

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 schedules of funding progress and employer contributions for the pension and other postemployment benefits plans 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 of Marshall'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, statistical sections, 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.

Gabridge & Company

Gabridge & Company, PLC
Grand Rapids, Michigan
October 30, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of 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, 2015. 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 at the close of the most recent fiscal year by \$42,473,898 (net position).
- The government's total net position increased by \$7,102,475.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,074,266, an increase of \$3,018,169 in comparison with the prior year. Approximately 37 percent of this total amount, or \$2,640,174, 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 \$2,640,174, or 16% 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 and liabilities, 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 nine 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 nonmajor 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 its electric, wastewater, water, public transportation, and housing. 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, nonmajor 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.

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 by \$42,473,898 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, 2015 and June 30, 2014

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
ASSETS						
<i>Current Assets</i>						
Cash & Equivalents	\$ 4,140,742	\$ 1,732,019	\$ 2,648,869	\$ 1,025,444	\$ 6,789,611	\$ 2,757,463
Investments	4,142,097	3,901,305	2,415,816	1,595,307	6,557,913	5,496,612
Accounts Receivable	55,288	38,776	929,527	904,213	984,815	942,989
Due from Other Governments	1,177,048	137,477	95,162	-	1,272,210	137,477
Inventories & Prepays	104,384	58,236	950,927	902,090	1,055,311	960,326
Total Current Assets	9,619,559	5,867,813	7,040,301	4,427,054	16,659,860	10,294,867
<i>Noncurrent Assets</i>						
Restricted Cash and Equivalents	-	-	843,583	2,862,097	843,583	2,862,097
Capital Assets not Being Depreciated	11,314,916	3,842,473	274,780	189,563	11,589,696	4,032,036
Capital Assets Being Depreciated	17,353,505	15,314,068	17,251,113	17,989,985	34,604,618	33,304,053
Special Assessments Receivable	-	-	134,465	135,112	134,465	135,112
Investment in MSCPA	-	-	10,477,877	10,542,700	10,477,877	10,542,700
Total Assets	38,287,980	25,024,354	36,022,119	36,146,511	74,310,099	61,170,865
DEFERRED OUTFLOWS OF RESOURCES						
Pension	339,339	150,404	299,078	132,560	638,417	282,964
Deferred Charge on Refunding	62,572	74,555	34,471	41,673	97,043	116,228
Total Deferred Outflows of Resources	401,911	224,959	333,549	174,233	735,460	399,192
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	1,359,196	565,519	1,248,470	1,124,039	2,607,666	1,689,558
Accrued Payroll	172,482	141,380	131,181	97,742	303,663	239,122
Accrued Interest	78,142	41,608	69,595	75,935	147,737	117,543
Current Portion of Compensated Absences	70,854	60,500	48,554	41,494	119,408	101,994
Current Portion of Long-term Debt	591,824	433,543	815,000	780,000	1,406,824	1,213,543
Unearned Revenue	41,831	37,740	12,235	-	54,066	37,740
Total Current Liabilities	2,314,329	1,280,290	2,325,035	2,119,210	4,639,364	3,399,500
<i>Noncurrent Liabilities</i>						
Net other Postemployment Benefit Obligation	2,325,290	1,834,862	-	-	2,325,290	1,834,862
Net Pension Liability	5,154,934	4,787,994	4,543,331	4,219,928	9,698,265	9,007,922
Compensated Absences	212,561	181,410	145,662	124,483	358,223	305,893
Long-term Debt	8,343,842	3,620,987	7,206,677	8,029,470	15,550,519	11,650,457
Total Liabilities	18,350,956	11,705,543	14,220,705	14,493,091	32,571,661	26,198,634
NET POSITION						
Net Investment in Capital Assets	18,200,417	15,176,566	9,538,687	9,411,751	27,739,104	24,588,317
Restricted	4,086,071	2,182,533	843,583	2,862,097	4,929,654	5,044,630
Unrestricted	(1,947,553)	(3,815,329)	11,752,693	9,553,805	9,805,140	5,738,476
Total Net Position	\$ 20,338,935	\$ 13,543,770	\$ 22,134,963	\$ 21,827,653	\$ 42,473,898	\$ 35,371,423

By far the largest portion of the City's net position of \$27,739,104 (65 percent) 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 of \$4,929,654 (12 percent) represents resources that are subject to external restrictions on how they may be used. The City may use the remaining balance of unrestricted net position of \$9,805,140 (23 percent) to meet its ongoing obligations to citizens and creditors.

The government's net position increased by \$7,102,475 during the current fiscal year as compared to an increase of \$1,609,515 for the prior year. The reasons for this overall increase 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, 2015 and June 30, 2014

	Governmental Activities		Business-type Activities		Total Government	
	2015	2014	2015	2014	2015	2014
Revenue						
Program Revenues						
Charges for Services	\$ 923,135	\$ 555,527	\$ 17,173,985	\$ 16,627,582	\$ 18,097,120	\$ 17,183,109
Operating Grants and Contributions	985,757	1,799,614	486,803	424,369	1,472,560	2,223,983
Capital Grants and Contributions	8,068,221	28,658	65,052	725,065	8,133,273	753,723
Total Program Revenues	<u>9,977,113</u>	<u>2,383,799</u>	<u>17,725,840</u>	<u>17,777,016</u>	<u>27,702,953</u>	<u>20,160,815</u>
General Revenues						
Property Taxes	3,672,699	3,768,238	91,882	94,396	3,764,581	3,862,634
Intergovernmental	653,948	645,432	-	-	653,948	645,432
Investment Earnings	19,120	6,890	22,111	21,691	41,231	28,581
Gain (Loss) on Sale of Capital Assets	(278,809)	46,366	14,471	-	(264,338)	46,366
Transfers	1,276,620	1,235,502	(1,276,620)	(1,235,502)	-	-
Total General Revenues	<u>5,343,578</u>	<u>5,702,428</u>	<u>(1,148,156)</u>	<u>(1,119,415)</u>	<u>4,195,422</u>	<u>4,583,013</u>
Total Revenues	<u>15,320,691</u>	<u>8,086,227</u>	<u>16,577,684</u>	<u>16,657,601</u>	<u>31,898,375</u>	<u>24,743,828</u>
Expenses						
General Government	1,927,654	1,180,247	-	-	1,927,654	1,180,247
Public Safety	3,151,608	2,680,317	-	-	3,151,608	2,680,317
Public Works	2,331,817	2,337,102	-	-	2,331,817	2,337,102
Recreation and Culture	593,371	588,463	-	-	593,371	588,463
Community Development	202,552	154,714	-	-	202,552	154,714
Interest on Long-term Debt	318,524	138,467	-	-	318,524	138,467
Electric	-	-	12,301,471	12,432,134	12,301,471	12,432,134
Wastewater	-	-	1,600,776	1,329,436	1,600,776	1,329,436
Water	-	-	1,333,100	1,329,071	1,333,100	1,329,071
DART	-	-	416,893	398,912	416,893	398,912
Marshall House	-	-	618,134	565,450	618,134	565,450
Total Expenses	<u>8,525,526</u>	<u>7,079,310</u>	<u>16,270,374</u>	<u>16,055,003</u>	<u>24,795,900</u>	<u>23,134,313</u>
Change in Net Position	<u>6,795,165</u>	<u>1,006,917</u>	<u>307,310</u>	<u>602,598</u>	<u>7,102,475</u>	<u>1,609,515</u>
<i>Net Position at the Beginning of Period</i>	18,256,841	17,249,924	25,839,540	25,236,942	44,096,381	42,486,866
<i>Prior Period Adjustment (See Note 18)</i>	(4,713,071)	-	(4,011,887)	-	(8,724,958)	-
<i>Net Position at the Beginning of Period - Restated</i>	13,543,770	17,249,924	21,827,653	25,236,942	35,371,423	42,486,866
Net Position at the End of Period	<u>\$ 20,338,935</u>	<u>\$ 18,256,841</u>	<u>\$ 22,134,963</u>	<u>\$ 25,839,540</u>	<u>\$ 42,473,898</u>	<u>\$ 44,096,381</u>

Governmental activities. Governmental activities increased the City's net position by \$6,795,165 (as compared to a prior year increase of \$1,006,917), resulting from the following significant items:

- The financial statements for the year ended June 30, 2014 have been restated in order to adopt GASB Statement No. 68 and reclassify internal service fund activity. The effect of this new accounting standard was a decrease in net position to record the net pension liability at June 30, 2014.
- Property taxes decreased from the previous year from \$3,768,238 to \$3,672,699. The reason for the decrease is that the new personal property exemption had a significant

impact on the City. The City expects property taxes to stabilize in the next fiscal year.

- Capital grants and contributions increased due the ongoing grant funding provided to the City for the Marshall Regional Law Enforcement Center project. The City received grants and / or reimbursements of \$2,132,956 from the State and another \$5,935,265 from Calhoun County during the year.
- Due from other governments increased as a result of a year-end reimbursement receivable of \$1,022,132 for the Marshall Regional Law Enforcement Center from Calhoun County.
- Accounts payable was also up compared the previous year as a result of the ongoing project costs relating to the Marshall Regional Law Enforcement Center. Significant project costs were billed from contractors as of year-end and paid in the following fiscal year by the City.

Business-type activities. Business-type activities increased the City's net position by \$307,310 as compared to an increase of \$602,598 the prior year. The significant changes amongst the enterprise funds are discussed 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 \$7,074,266, an increase of \$3,018,169 in comparison with the prior year. Approximately 37% of this total amount (\$2,640,174) 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 \$2,640,174, while the total fund balance was \$4,626,660. 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 16 percent of total general fund expenditures, while total fund balance represents approximately 28 percent of that same amount.

The fund balance of the City's general fund increased by \$3,018,216 during the current fiscal year. The primary reason for the increase in fund balance was due to the capital projects bonds issued in the amount of \$5,325,000. There were \$1,594,910 of unexpended bond proceeds as of

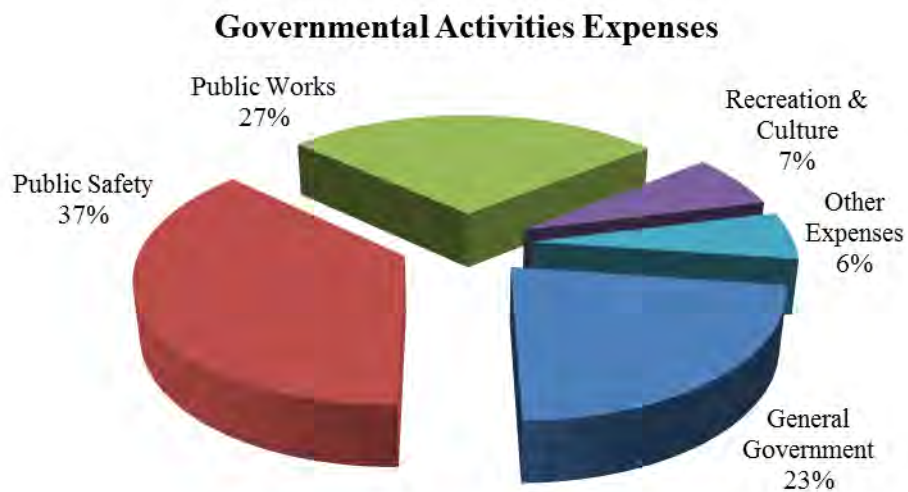
year-end, which were an element of restricted fund balance in the general fund.

The City has seen a slight decrease in taxable valuation due to 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 \$10,409,603. The fund had an increase in net position for the year of \$180,094 as compared to a decrease of \$387,336 in the prior year. The largest change from the previous year was in purchased power.

The City did not need to pay in the rate stabilization fee as it did in prior years. This resulted in a significant decrease in purchased power. The cash and cash equivalents also increased as a result of a decrease in the required amount of funds to be restricted for bond reserves. Restricted cash had a corresponding decrease during the year as well.

The wastewater fund reported unrestricted net position at the end of the year of \$769,257. For the year the fund had a decrease in net position of \$71,871 as compared to an increase of \$1,187,283 in the prior year. The reason for this change was the loss of a one-time \$720,000 contribution as a result from the elimination of the State Farm contract obligation in the previous year.

The water fund reported unrestricted net position at the end of the year of \$473,642. For the year the fund had an increase in net position of \$161,894 as compared to a decrease of \$171,366 in the prior year. The reason for this change is a result of a decrease in transfer outs to other funds in the current year of \$295,877.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year there was a need for significant amendments to increase the original estimated revenues and original budgeted appropriations. This was due to the construction and bonding for the Marshall Regional Law Enforcement Center and the new fire department building, land, and equipment. Intergovernmental revenues were increased by \$5,823,022 and bonds issued increased by \$5,461,283. There was a need to make an amendments to reallocate appropriations among departments. Generally, the movement of the appropriations between departments was *not* significant. The exception was the appropriation for capital outlay function which was increased by \$11,059,725.

Final budget compared to actual results. The most significant differences between estimated expenditures and actual expenditures were as follows:

General Fund	Amended		
	Budget	Actual	Variance
City Hall	\$ 63,452	\$ 73,715	\$ (10,263)
Cemetery	174,480	198,104	(23,624)
Police	1,555,632	1,589,526	(33,894)
Fire	838,418	853,036	(14,618)
Planning and Zoning	157,285	169,396	(12,111)
Recreation	354,500	384,816	(30,316)
Debt Service	37,565	73,440	(35,875)
Transfers Out	452,034	519,521	(67,487)

The budget variances in the police and fire functions were a direct result of progress billings as of year-end coming in higher than expected for the Marshall Regional Law Enforcement Center Project and the completion of a new fire station.

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, 2015, amounted to \$46,194,314 (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 49.6%, and for business-type activities decreased by 3.6%. Overall, total net capital assets for the City increased 23.7%.

	Governmental Activities		Business-type Activities		Total Government	
	2015	2014	2015	2014	2015	2014
Land	\$ 2,559,160	\$ 2,403,822	\$ 189,563	\$ 189,563	\$ 2,748,723	\$ 2,593,385
Construction in Progress	8,755,756	1,438,651	85,217	-	8,840,973	1,438,651
Land Improvements	1,316,554	1,566,502	614,631	629,398	1,931,185	2,195,900
Buildings	5,821,727	3,273,370	2,256,359	2,461,738	8,078,086	5,735,108
Vehicles	9,276	9,939	198,685	180,144	207,961	190,083
Equipment	237,658	192,808	2,718,021	2,679,995	2,955,679	2,872,803
Infrastructure	7,952,413	8,421,540	11,463,416	12,038,710	19,415,829	20,460,250
Data Processing	106,415	71,412	-	-	106,415	71,412
Motor Pool	1,909,462	1,778,497	-	-	1,909,462	1,778,497
Total Capital Assets	\$ 28,668,421	\$ 19,156,541	\$ 17,525,893	\$ 18,179,548	\$ 46,194,314	\$ 37,336,089

Significant capital asset additions during the year include the following:

- New Fire Station, Land, and Equipment \$3,223,913
- Marshall Regional Law Enforcement Center (CIP) \$7,511,680
- Brooks Fountain Painting \$29,960
- 2015 Spartan Fire Rescue Truck \$126,000

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 \$16,460,000. Of this amount, \$16,040,000 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.

	Governmental Activities		Business-type Activities		Total Government	
	2015	2014	2015	2014	2015	2014
General Obligation Bonds	\$ 8,505,000	\$ 3,675,000	\$ 7,535,000	\$ 8,245,000	\$ 16,040,000	\$ 11,920,000
Revenue Bonds	-	-	420,000	490,000	420,000	490,000
Total Bonded Debt	\$ 8,505,000	\$ 3,675,000	\$ 7,955,000	\$ 8,735,000	\$ 16,460,000	\$ 12,410,000

The City's issued new long-term debt in the amount of \$5,325,000 and made payments of \$1,275,000 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 \$25,058,860 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 Next Year's Budget and Rates

Management estimates that \$5,800,000 of revenues will be available for appropriation in the general fund in the upcoming budget. Expenditures are expected to change by small amounts compared to 2015. 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 2016, the City plans again to use current revenues to provide essential services and to maintain the City's financial reserves at similar levels. The ongoing costs of providing essential services for the citizens of the City will again need to be monitored in order to maintain the financial condition of the City.

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, 2015

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
<i>Current Assets</i>				
Cash and Cash Equivalents	\$ 4,140,742	\$ 2,648,869	\$ 6,789,611	\$ 29,261
Investments	4,142,097	2,415,816	6,557,913	2,207,472
Accounts Receivable	55,288	929,527	984,815	--
Due from Other Governments	1,177,048	95,162	1,272,210	--
Inventories	45,832	929,268	975,100	--
Prepays	58,552	21,659	80,211	1,396
Total Current Assets	9,619,559	7,040,301	16,659,860	2,238,129
<i>Noncurrent Assets</i>				
Restricted Cash and Cash Equivalents	--	843,583	843,583	1,680
Capital Assets not being Depreciated	11,314,916	274,780	11,589,696	500,000
Capital Assets being Depreciated	17,353,505	17,251,113	34,604,618	--
Special Assessments Receivable	--	134,465	134,465	--
Investment in MSCPA	--	10,477,877	10,477,877	--
Total Assets	38,287,980	36,022,119	74,310,099	2,739,809
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Charge on Refunding	62,572	34,471	97,043	--
Pension	339,339	299,078	638,417	639
Total Deferred Outflows of Resources	401,911	333,549	735,460	639
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	1,359,196	1,248,470	2,607,666	24,239
Accrued Payroll	172,482	131,181	303,663	1,010
Accrued Interest	78,142	69,595	147,737	11,353
Current Portion of Compensated Absences	70,854	48,554	119,408	--
Current Portion of Long-term Debt	591,824	815,000	1,406,824	130,000
Unearned Revenue	41,831	12,235	54,066	26,420
Total Current Liabilities	2,314,329	2,325,035	4,639,364	193,022
<i>Noncurrent Liabilities</i>				
Net Other Post-employment Benefit Obligation	2,325,290	--	2,325,290	--
Net Pension Liability	5,154,934	4,543,331	9,698,265	9,708
Compensated Absences	212,561	145,662	358,223	--
Long-term Debt	8,343,842	7,206,677	15,550,519	940,000
Total Liabilities	18,350,956	14,220,705	32,571,661	1,142,730
NET POSITION				
Net Investment in Capital Assets	18,200,417	9,538,687	27,739,104	500,000
<i>Restricted for:</i>				
Highways and Streets	1,668,999	--	1,668,999	--
Drug Law Enforcement	15,709	--	15,709	--
Cemetery Operations	237,284	--	237,284	--
Capital Projects	1,841,196	--	1,841,196	--
Leaf, Brush and Trash Removal	8,257	--	8,257	--
Debt Service	--	843,583	843,583	1,680
Cemetery Perpetual Care	314,626	--	314,626	--
<i>Unrestricted</i>	(1,947,553)	11,752,693	9,805,140	1,096,038
Total Net Position	\$ 20,338,935	\$ 22,134,963	\$ 42,473,898	\$ 1,597,718

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, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental Activities:								
General Government	\$ 1,927,654	\$ 536,501	\$ 164,820	\$ --	\$ (1,226,333)	\$ --	\$ (1,226,333)	\$ --
Public Safety	3,151,608	56,895	16,357	8,068,221	4,989,865	--	4,989,865	--
Public Works	2,331,817	82,703	679,130	--	(1,569,984)	--	(1,569,984)	--
Community Development	202,552	41,429	51,731	--	(109,392)	--	(109,392)	--
Recreation and Culture	593,371	205,607	73,719	--	(314,045)	--	(314,045)	--
Interest on Long-term Debt	318,524	--	--	--	(318,524)	--	(318,524)	--
Total Governmental Activities	8,525,526	923,135	985,757	8,068,221	1,451,587	--	1,451,587	--
Business-type Activities:								
Marshall House	618,134	392,742	225,558	--	--	166	166	--
Electric Fund	12,301,471	13,597,667	--	--	--	1,296,196	1,296,196	--
DART	416,893	56,828	261,245	65,052	--	(33,768)	(33,768)	--
Wastewater	1,600,776	1,565,950	--	--	--	(34,826)	(34,826)	--
Water	1,333,100	1,560,798	--	--	--	227,698	227,698	--
Total Business-type Activities	16,270,374	17,173,985	486,803	65,052	--	1,455,466	1,455,466	--
Total Primary Government	\$ 24,795,900	\$ 18,097,120	\$ 1,472,560	\$ 8,133,273	\$ 1,451,587	\$ 1,455,466	\$ 2,907,053	--
Component Units								
Component Units	\$ 497,482	\$ --	\$ 57,214	\$ --	--	--	--	(440,268)
Total Component Units	\$ 497,482	\$ --	\$ 57,214	\$ --	--	--	--	(440,268)
General Purpose Revenues and Transfers:								
Revenues								
					3,672,699	91,882	3,764,581	582,617
					19,120	22,111	41,231	8,010
					(278,809)	14,471	(264,338)	--
					653,948	--	653,948	--
					1,276,620	(1,276,620)	--	--
					5,343,578	(1,148,156)	4,195,422	590,627
					6,795,165	307,310	7,102,475	150,359
					18,256,841	25,839,540	44,096,381	1,456,093
					(4,713,071)	(4,011,887)	(8,724,958)	(8,734)
					13,543,770	21,827,653	35,371,423	1,447,359
					\$ 20,338,935	\$ 22,134,963	\$ 42,473,898	\$ 1,597,718

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

**City of Marshall
Balance Sheet
Governmental Funds
June 30, 2015**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 2,937,678	\$ 1,095,215	\$ 4,032,893
Investments	1,836,082	1,458,697	3,294,779
Accounts Receivable	51,103	3,094	54,197
Due from Other Governments	1,029,988	120,753	1,150,741
Inventories	--	45,832	45,832
Prepays	44,757	--	44,757
<i>Total Assets</i>	<u>\$ 5,899,608</u>	<u>\$ 2,723,591</u>	<u>\$ 8,623,199</u>
LIABILITIES			
Accounts Payable	\$ 1,065,045	\$ 273,465	\$ 1,338,510
Accrued Payroll	166,072	2,520	168,592
Unearned Revenue	41,831	--	41,831
<i>Total Liabilities</i>	<u>1,272,948</u>	<u>275,985</u>	<u>1,548,933</u>
FUND BALANCE			
Nonspendable	44,757	360,458	405,215
Restricted	1,778,715	1,946,898	3,725,613
Committed	163,014	140,250	303,264
Unassigned	2,640,174	--	2,640,174
<i>Total Fund Balance</i>	<u>4,626,660</u>	<u>2,447,606</u>	<u>7,074,266</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 5,899,608</u>	<u>\$ 2,723,591</u>	<u>\$ 8,623,199</u>

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, 2015

Total Fund Balance - Governmental Funds	\$	7,074,266
Net Position of internal service funds that are treated as proprietary in the fund level statements and are treated as governmental in the entity-wide statements.		2,606,409
In the statement of activities, interest is accrued on long-term debt, whereas in governmental funds, the interest expenditure is reported when due.		(73,575)
General government capital assets of \$41,594,672, net of accumulated depreciation of \$14,942,128, are not financial resources, and accordingly are not reported in the funds.		26,652,544
Compensated absences are not due in and payable in the current period, and therefore, are not reported in the funds.		(283,415)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		(8,698,642)
Other post-employment benefits are not due and payable in the current period and, therefore, are not reported in the funds.		(2,325,290)
Net pension liabilities are not reported in the funds.		(5,005,431)
Unamortized deferred loss on refunding.		62,572
Deferred outflows from the difference between projected and actual investment earnings of the pension plan as well as City contributions made after the measurement date of the net pension liability are not reported in the funds.		329,497
Total Net Position - Governmental Funds	\$	<u>20,338,935</u>

City of Marshall
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2015

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Property Taxes	\$ 3,577,782	\$ 94,917	\$ 3,672,699
Licenses and Permits	123,507	--	123,507
Intergovernmental	8,966,646	670,488	9,637,134
Charges for Services	352,428	4,725	357,153
Fines and Forfeitures	53,801	3,094	56,895
Other	367,954	88,418	456,372
Investment Earnings	15,059	4,061	19,120
<i>Total Revenues</i>	<u>13,457,177</u>	<u>865,703</u>	<u>14,322,880</u>
Expenditures			
General Government	1,506,942	167,172	1,674,114
Public Safety	2,850,988	1,763	2,852,751
Public Works	1,023,555	362,133	1,385,688
Community Development	191,161	--	191,161
Recreation and Culture	463,145	--	463,145
Capital Outlay	10,348,266	258,065	10,606,331
Debt Service - Principal	30,000	465,000	495,000
Debt Service - Interest	6,165	233,259	239,424
Debt Service - Bond Issuance Costs	37,275	--	37,275
<i>Total Expenditures</i>	<u>16,457,497</u>	<u>1,487,392</u>	<u>17,944,889</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(3,000,320)</u>	<u>(621,689)</u>	<u>(3,622,009)</u>
Other Financing Sources (Uses)			
Capital Projects Bonds Issued	5,325,000	--	5,325,000
Premium on Bonds Issued	173,558	--	173,558
Transfers In	1,039,499	621,642	1,661,141
Transfers Out	(519,521)	--	(519,521)
<i>Net Other Financing Sources (Uses)</i>	<u>6,018,536</u>	<u>621,642</u>	<u>6,640,178</u>
<i>Net Change in Fund Balance</i>	3,018,216	(47)	3,018,169
<i>Fund Balance at Beginning of Period</i>	1,608,444	2,447,653	4,056,097
<i>Fund Balance at End of Period</i>	<u>\$ 4,626,660</u>	<u>\$ 2,447,606</u>	<u>\$ 7,074,266</u>

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, 2015

Total Net Change in Fund Balances - Governmental Funds	\$	3,018,169
Changes in net position of internal service funds that are treated as proprietary fund changes in net position in the fund level statements are treated as governmental fund changes in net position in the entity-wide statements.		181,353
Proceeds from debt issuance are reported as revenue in the fund statements, but reported as liabilities in the statement of net position.		(5,498,558)
Governmental fund 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 \$10,606,331 is in excess of depreciation expense of \$981,610 and disposals of fixed assets of \$278,809.		9,345,912
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.		(38,721)
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.		(41,615)
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.		495,000
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.		(490,428)
The change in net pension liability amounts does require the use of current resources and is not reported in the governmental funds.		(172,843)
Net amortization of premiums and loss on refunding of bonds.		(3,104)
Changes in Net Position - Governmental Funds	\$	<u>6,795,165</u>

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, 2015

	Business-type Activities - Enterprise Funds					Governmental
	Electric Fund	Wastewater	Water	Other Enterprise Funds	Total Enterprise Funds	Activities Internal Service Funds
ASSETS						
<i>Current Assets</i>						
Cash and Cash Equivalents	\$ 1,789,336	\$ 274,895	\$ 197,533	\$ 387,105	\$ 2,648,869	\$ 107,849
Investments	10,237	1,264,438	982,952	158,189	2,415,816	847,318
Accounts Receivable	690,039	115,276	122,608	1,604	929,527	1,091
Due from Other Governments	--	--	--	95,162	95,162	26,307
Inventories	818,913	22,147	88,208	--	929,268	--
Prepays	7,269	9,628	557	4,205	21,659	13,795
Due from Other Funds	--	257	60	--	317	--
Total Current Assets	3,315,794	1,686,641	1,391,918	646,265	7,040,618	996,360
<i>Noncurrent Assets</i>						
Restricted Cash and Cash Equivalents	539,458	52,954	251,171	--	843,583	--
Capital Assets not being Depreciated	46,543	19,439	208,798	--	274,780	--
Capital Assets being Depreciated	3,970,117	5,157,437	7,408,812	714,747	17,251,113	2,015,877
Special Assessments Receivable	134,465	--	--	--	134,465	--
Investment in MSCPA	10,477,877	--	--	--	10,477,877	--
Total Assets	18,484,254	6,916,471	9,260,699	1,361,012	36,022,436	3,012,237
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Charge on Refunding	--	21,142	13,329	--	34,471	--
Pension	170,692	52,594	48,824	26,968	299,078	9,842
Total Deferred Outflows of Resources	170,692	73,736	62,153	26,968	333,549	9,842
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	898,047	89,230	135,170	126,023	1,248,470	20,686
Accrued Payroll	64,418	26,395	21,956	18,412	131,181	3,890
Accrued Interest	12,569	22,081	34,945	--	69,595	4,567
Current Portion of Compensated Absences	30,219	8,327	8,335	1,673	48,554	--
Current Portion of Long-term Debt	110,000	236,586	468,414	--	815,000	116,824
Unearned Revenue	--	--	--	12,235	12,235	--
Due to Other Funds	317	--	--	--	317	--
Total Current Liabilities	1,115,570	382,619	668,820	158,343	2,325,352	145,967
<i>Noncurrent Liabilities</i>						
Net Pension Liability	2,592,999	798,966	741,689	409,677	4,543,331	149,503
Compensated Absences	90,656	24,979	25,005	5,022	145,662	--
Long-term Debt	870,785	2,767,310	3,568,582	--	7,206,677	120,200
Total Liabilities	4,670,010	3,973,874	5,004,096	573,042	14,221,022	415,670
NET POSITION						
Net Investment in Capital Assets	3,035,875	2,194,122	3,593,943	714,747	9,538,687	1,778,853
<i>Restricted for:</i>						
Debt Service	539,458	52,954	251,171	--	843,583	--
<i>Unrestricted</i>	10,409,603	769,257	473,642	100,191	11,752,693	827,556
Total Net Position	\$ 13,984,936	\$ 3,016,333	\$ 4,318,756	\$ 814,938	\$ 22,134,963	\$ 2,606,409

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, 2015

	Business-type Activities - Enterprise Funds					Governmental
	Electric Fund	Wastewater	Water	Other Enterprise Funds	Total Enterprise Funds	Activities Internal Service Funds
Operating Revenues						
Charges for Services	\$ 13,572,483	\$ 1,550,275	\$ 1,535,104	\$ 411,990	\$ 17,069,852	\$ 789,966
Other	25,184	15,675	25,694	37,580	104,133	29,853
Total Operating Revenues	<u>13,597,667</u>	<u>1,565,950</u>	<u>1,560,798</u>	<u>449,570</u>	<u>17,173,985</u>	<u>819,819</u>
Operating Expenses						
Personnel Services	1,867,076	639,143	592,208	492,897	3,591,324	110,661
Material and Supplies	271,707	109,497	56,286	48,837	486,327	225,307
Purchased Power	8,842,996	140,476	37,530	117,497	9,138,499	35,098
Contractual	357,551	79,879	21,471	51,894	510,795	38,106
Insurance	17,634	20,720	7,046	10,396	55,796	34,867
Maintenance	152,931	66,702	54,780	57,724	332,137	71,692
Administration	4,079	1,003	961	73,740	79,783	--
Other Expense	262,266	61,162	68,171	85,926	477,525	6,334
Depreciation	413,311	375,295	324,791	96,116	1,209,513	252,166
Total Operating Expenses	<u>12,189,551</u>	<u>1,493,877</u>	<u>1,163,244</u>	<u>1,035,027</u>	<u>15,881,699</u>	<u>774,231</u>
Operating Income (Loss)	<u>1,408,116</u>	<u>72,073</u>	<u>397,554</u>	<u>(585,457)</u>	<u>1,292,286</u>	<u>45,588</u>
Non-Operating Revenues (Expenses)						
Intergovernmental Subsidies	--	--	--	551,855	551,855	--
Property Taxes	--	--	--	91,882	91,882	--
Investment Earnings	14,217	2,916	4,065	913	22,111	3,068
Gain (Loss) on Sale of Capital Assets	--	221	14,250	--	14,471	5,633
Change in Investment in MSCPA	(64,823)	--	--	--	(64,823)	--
Interest Expense	(47,097)	(106,899)	(169,856)	--	(323,852)	(7,936)
Net Non-Operating Revenues (Expenses)	<u>(97,703)</u>	<u>(103,762)</u>	<u>(151,541)</u>	<u>644,650</u>	<u>291,644</u>	<u>765</u>
Income Before Contributions and Transfers	<u>1,310,413</u>	<u>(31,689)</u>	<u>246,013</u>	<u>59,193</u>	<u>1,583,930</u>	<u>46,353</u>
Transfers In	--	6,818	--	--	6,818	135,000
Transfers Out	(1,130,319)	(47,000)	(84,119)	(22,000)	(1,283,438)	--
Change In Net Position	<u>180,094</u>	<u>(71,871)</u>	<u>161,894</u>	<u>37,193</u>	<u>307,310</u>	<u>181,353</u>
<i>Net Position at Beginning of Period</i>	16,137,611	3,806,987	4,824,116	1,146,307	25,915,021	2,559,555
<i>Prior Period Adjustment (See Note 18)</i>	(2,332,769)	(718,783)	(667,254)	(368,562)	(4,087,368)	(134,499)
<i>Net Position at Beginning of Period - Restated</i>	<u>13,804,842</u>	<u>3,088,204</u>	<u>4,156,862</u>	<u>777,745</u>	<u>21,827,653</u>	<u>2,425,056</u>
Net Position at End of Period	<u>\$ 13,984,936</u>	<u>\$ 3,016,333</u>	<u>\$ 4,318,756</u>	<u>\$ 814,938</u>	<u>\$ 22,134,963</u>	<u>\$ 2,606,409</u>

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, 2015

	Business-type Activities - Enterprise Funds					Governmental
	Electric Fund	Wastewater	Water	Other Enterprise Funds	Total Enterprise Funds	Activities Internal Service Funds
Cash Flows from Operating Activities						
Receipts from Customers	\$ 13,564,473	\$ 2,115,837	\$ 1,558,251	\$ 366,036	\$ 17,604,597	\$ 792,421
Payments to Suppliers	(10,112,171)	(383,710)	(134,289)	(387,747)	(11,017,917)	(409,635)
Payments to Employees	(1,749,727)	(595,609)	(551,358)	(471,519)	(3,368,213)	(104,905)
Net Cash Provided (Used in) by Operating Activities	1,702,575	1,136,518	872,604	(493,230)	3,218,467	277,881
Cash Flows from Noncapital and Related Financing Activities						
Intergovernmental Subsidies	-	-	-	551,855	551,855	-
Property Taxes	-	-	-	91,882	91,882	-
Transfers In (Out)	(1,130,319)	(40,182)	(84,119)	(22,000)	(1,276,620)	135,000
Net Cash from (Used in) Capital and Related Financing Activities	(1,130,319)	(40,182)	(84,119)	621,737	(632,883)	135,000
Cash Flows from Capital and Related Financing Activities						
Purchase of Capital Assets	(215,664)	(148,004)	(143,945)	(75,840)	(583,453)	(418,134)
Proceeds from Sale of Capital Assets	-	221	14,250	-	14,471	5,633
Principal and Interest Paid on Capital Debt	(153,780)	(328,460)	(635,745)	-	(1,117,985)	(123,666)
Net Cash from (Used in) Capital and Related Financing Activities	(369,444)	(476,243)	(765,440)	(75,840)	(1,686,967)	(536,167)
Cash Flows from Investing Activities						
Interest Received on Investments	14,217	2,916	4,065	913	22,111	52
Sale (Purchase) of Investment Securities	(444,525)	(776,898)	(229,186)	134,792	(1,315,817)	575
Net Cash from (Used in) Investing Activities	(430,308)	(773,982)	(225,121)	135,705	(1,293,706)	627
Net Increase (Decrease) in Cash and Cash Equivalents	(227,496)	(153,889)	(202,076)	188,372	(395,089)	(122,659)
<i>Cash and Cash Equivalents Beginning of Period</i>	2,556,290	481,738	650,780	198,733	3,887,541	230,508
Cash and Cash Equivalents End of Period	\$ 2,328,794	\$ 327,849	\$ 448,704	\$ 387,105	\$ 3,492,452	\$ 107,849
Reconciliation to Statement of Net Position						
Cash and Cash Equivalents	\$ 1,789,336	\$ 274,895	\$ 197,533	\$ 387,105	\$ 2,648,869	\$ 107,849
Restricted Cash and Cash Equivalents	539,458	52,954	251,171	-	843,583	-
Total	\$ 2,328,794	\$ 327,849	\$ 448,704	\$ 387,105	\$ 3,492,452	\$ 107,849

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, 2015

	<u>Business-type Activities - Enterprise Funds</u>					<u>Governmental Activities Internal Service Funds</u>
	<u>Electric Fund</u>	<u>Wastewater</u>	<u>Water</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>	
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities						
Operating Income (Loss)	\$ 1,408,116	\$ 72,073	397,554	\$ (585,457)	\$ 1,292,286	\$ 45,588
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:						
Cash from Operating Activities:						
Depreciation	413,311	375,295	324,791	96,116	1,209,513	252,166
Changes in Assets and Liabilities:						
Receivables	(33,194)	11,681	(2,547)	(95,769)	(119,829)	(27,398)
Inventories	(40,027)	30,696	(17,847)	-	(27,178)	-
Prepays	(7,269)	(9,628)	(557)	(4,205)	(21,659)	(7,201)
Accounts Payable	(155,711)	74,661	130,360	70,967	120,277	8,970
Accrued Payroll	13,733	8,877	7,392	4,591	34,593	594
Compensated Absences	14,077	7,068	7,847	2,641	31,633	-
Interfund Balances	-	538,206	-	(8,495)	529,711	-
Unearned Revenue	-	-	-	12,235	12,235	-
Net Pension Liability	89,539	27,589	25,611	14,146	156,885	5,162
Net Cash Provided (Used in) by Operating Activities	<u>\$ 1,702,575</u>	<u>\$ 1,136,518</u>	<u>\$ 872,604</u>	<u>\$ (493,230)</u>	<u>\$ 3,218,467</u>	<u>\$ 277,881</u>
Noncash Items						
Change in Investment in MSCPA	\$ (64,823)	\$ -	\$ -	\$ -	\$ (64,823)	\$ -
Prior Period Adjustment (See Note 18)	(2,332,769)	(718,783)	(667,254)	(368,452)	(4,087,258)	(134,499)
Total	<u>\$ (2,397,592)</u>	<u>\$ (718,783)</u>	<u>\$ (667,254)</u>	<u>\$ (368,452)</u>	<u>\$ (4,152,081)</u>	<u>\$ (134,499)</u>

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, 2015

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 54,133
Accounts Receivable	116,022
<i>Total Assets</i>	170,155
LIABILITIES	
Undistributed Receipts	170,155
<i>Total Liabilities</i>	170,155
NET POSITION	
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, 2015

	<u>LDFA</u>	<u>EDC</u>	<u>DDA</u>	<u>Total Component Units</u>
ASSETS				
<i>Current Assets</i>				
Cash and Cash Equivalents	\$ 2,864	\$ 9,774	\$ 16,623	\$ 29,261
Investments	2,113,455	--	94,017	2,207,472
Prepays	--	--	1,396	1,396
Total Current Assets	<u>2,116,319</u>	<u>9,774</u>	<u>112,036</u>	<u>2,238,129</u>
<i>Noncurrent Assets</i>				
Restricted Cash and Cash Equivalents	--	--	1,680	1,680
Capital Assets not being Depreciated	500,000	--	--	500,000
Total Assets	<u>2,616,319</u>	<u>9,774</u>	<u>113,716</u>	<u>2,739,809</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension	--	--	639	639
Total Deferred Outflows of Resources	<u>--</u>	<u>--</u>	<u>639</u>	<u>639</u>
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	23,451	--	788	24,239
Accrued Payroll	--	--	1,010	1,010
Accrued Interest	9,600	--	1,753	11,353
Current Portion of Long-term Debt	85,000	--	45,000	130,000
Unearned Revenue	--	--	26,420	26,420
Total Current Liabilities	<u>118,051</u>	<u>--</u>	<u>74,971</u>	<u>193,022</u>
<i>Noncurrent Liabilities</i>				
Net Pension Liability	--	--	9,708	9,708
Long-term Debt	835,000	--	105,000	940,000
Total Liabilities	<u>953,051</u>	<u>--</u>	<u>189,679</u>	<u>1,142,730</u>
NET POSITION				
Net Investment in Capital Assets	500,000	--	--	500,000
<i>Debt Service</i>	--	--	1,680	1,680
<i>Unrestricted</i>	1,163,268	9,774	(77,004)	1,096,038
Total Net Position	<u>\$ 1,663,268</u>	<u>\$ 9,774</u>	<u>\$ (75,324)</u>	<u>\$ 1,597,718</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, 2015

	<u>L DFA</u>	<u>EDC</u>	<u>DDA</u>	<u>Total Component Units</u>
Expenses				
Community Development	\$ 262,779	\$ --	\$ 171,806	\$ 434,585
Debt Service - Interest	40,886	--	22,011	62,897
Total Expenses	<u>303,665</u>	<u>--</u>	<u>193,817</u>	<u>497,482</u>
Program Revenues				
Charges for services	--	--	--	--
Operating grants and contributions	--	--	57,214	57,214
Capital grants and contributions	--	--	--	--
Total Program Revenues	<u>--</u>	<u>--</u>	<u>57,214</u>	<u>57,214</u>
Net Program Revenues (Expenses)	<u>(303,665)</u>	<u>--</u>	<u>(136,603)</u>	<u>(440,268)</u>
General Revenue				
Property Taxes	411,865	--	170,752	582,617
Investment Earnings	7,179	56	775	8,010
Total General Revenues	<u>419,044</u>	<u>56</u>	<u>171,527</u>	<u>590,627</u>
Change in Net Position	115,379	56	34,924	150,359
<i>Net Position at Beginning of Period</i>	1,547,889	9,718	(101,514)	1,456,093
<i>Prior Period Adjustment (See Note 18)</i>	--	--	(8,734)	(8,734)
<i>Net Position at Beginning of Period - Restated</i>	1,547,889	9,718	(110,248)	1,447,359
Net Position at End of Period	<u>\$ 1,663,268</u>	<u>\$ 9,774</u>	<u>\$ (75,324)</u>	<u>\$ 1,597,718</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

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

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As discussed earlier, the government has three discretely presented component units. They are shown in a single column in the government-wide financial statements.

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

Basis of Presentation – 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.

City of Marshall

Notes to the Financial Statements

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 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.

The **Water Fund** accounts for the activities of the government's water distribution and treatment system.

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.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances

City of Marshall

Notes to the Financial Statements

in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

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Notes to the Financial Statements

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

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.

The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

Budgets and Budgetary Accounting

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 City'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.

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.

City of Marshall

Notes to the Financial Statements

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.

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.

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.

City of Marshall

Notes to the Financial Statements

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 recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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. 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 deferred outflows from the difference between projected and actual investment earnings of the pension plan as well as City contributions made after the measurement date of the net pension liability.

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Notes to the Financial Statements

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.

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 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

City of Marshall

Notes to the Financial Statements

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 as determined by the City Council.

Property Taxes

City property taxes are attached as an enforceable lien on property as of December 31. Summer taxes are levied August 1 and are due without penalty on or before September 15. Winter taxes are levied December 1 and are due without penalty on or before February 14. Tax bills include the City's own property taxes and taxes billed on behalf of other taxing units. Real property taxes not collected as of March 1 are turned over to the County for collection, which advances the City 100% of the delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the City Treasurer. Taxes collected on behalf of other taxing units are accounted for in the agency funds. Property taxes levied in August of each year are recognized as revenue in the year in which they are levied.

City of Marshall

Notes to the Financial Statements

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.

Subsequent Events

Subsequent events have been evaluated through October 30, 2015, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would have a significant impact on the financial condition of the City.

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, although budget and actual information for the general fund in the fund financial statements has been presented at a level of detail greater than the level of legal budgetary control.

During the year ended June 30, 2015, the City incurred the following significant expenditures in excess of the amounts appropriated at the legal level of budgetary control:

General Fund	Amended Budget	Actual	Variance
City Hall	\$ 63,452	\$ 73,715	\$ (10,263)
Cemetery	174,480	198,104	(23,624)
Police	1,555,632	1,589,526	(33,894)
Fire	838,418	853,036	(14,618)
Planning and Zoning	157,285	169,396	(12,111)
Recreation	354,500	384,816	(30,316)
Debt Service	37,565	73,440	(35,875)
Transfers Out	452,034	519,521	(67,487)
Nonmajor Governmental Funds			
Leaf, Brush and Trash Removal			
Public Works	95,448	109,666	(14,218)
Special Projects			
Capital Outlay	-	45,306	(45,306)

City of Marshall

Notes to the Financial Statements

Note 3 – Unrestricted Net Position Deficit

At June 30, 2015, the city had the following deficit unrestricted net positions:

	Unrestricted Net Position
Governmental Activities	\$ (1,947,553)
Component Units	
DDA	(77,004)
Business-type	
DART	(77,758)

Note 4 – Cash and Investments

Following is a reconciliation of deposit and investment balances as of June 30, 2015:

	Primary	Component	Totals
Statement of Net Position			
Cash and Cash Equivalents	\$ 6,789,611	\$ 29,261	\$ 6,818,872
Investments	6,577,913	2,207,472	8,785,385
Restricted Cash and Equivalents	843,583	1,680	845,263
Statement of Fiduciary Net Position			
Cash and Cash Equivalents	54,133	-	54,133
Total	\$ 14,265,240	2,238,413	16,503,653
Deposits and Investments			
Bank deposits (checking, savings, and certificates of deposit)			\$ 14,452,971
Investments			2,049,532
Cash on hand			1,150
Total			\$ 16,503,653

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, 2015, \$13,452,040 of the City's total bank balance of \$14,452,357 (total book balance was \$15,017,093) 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.

City of Marshall

Notes to the Financial Statements

Custodial Credit Risk - Investments. The City's investments as of June 30, 2015 were as follows:

<u>Deposit/Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
MBIA Investment Fund	n/a	\$ 2,049,532	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.

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.

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, 2015.

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	40.0%
City of Hillsdale	25.5%
City of Marshall	24.0%
Village of Clinton	6.5%
Village of Union City	4.0%
	<u>100.0%</u>

City of Marshall

Notes to the Financial Statements

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, 2015, which was audited by other auditors whose report dated August 26, 2015, 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.

Summary information of the City's equity interest in the MSCPA as of June 30, 2015, is as follows:

	MSCPA	City of Marshall (24.0%)
Assets		
Current	\$ 18,499,814	\$ 4,439,955
Noncurrent	15,522,297	3,725,351
Capital Assets, Net	44,562,825	10,695,078
Total Assets	78,584,936	18,860,385
Deferred Outflow of Resources	496,465	119,152
Liabilities		
Current	6,878,586	1,650,861
Long-term	24,890,759	5,973,782
Total Liabilities	31,769,345	7,624,643
Deferred Inflows of Resources	3,654,235	877,016
Net Position	\$ 43,657,821	\$ 10,477,877
Revenues	\$ 55,638,148	\$ 13,353,156
Expenses	54,062,121	12,974,909
Operating Income	1,576,027	378,246
Nonoperating Expenses	(51,756)	(12,421)
Change in Net Position	1,524,271	365,825
Net Position, Beginning of the Year	42,133,550	10,112,052
Net Position, End of the Year	\$ 43,657,821	\$ 10,477,877

City of Marshall

Notes to the Financial Statements

Note 6 – Capital Assets

Capital asset activity for the primary government for the year ended June 30, 2015, was as follows:

Governmental Activities	June 30, 2014	Additions	Reductions	Transfers from Construction in Progress	June 30, 2015
Capital assets not being depreciated					
Land	\$ 2,403,822	\$ 155,338	\$ -	\$ -	\$ 2,559,160
Construction in process	1,438,651	7,769,745	-	(452,640)	8,755,756
Total Capital Assets not Being Depreciated	<u>3,842,473</u>	<u>7,925,083</u>	<u>-</u>	<u>(452,640)</u>	<u>11,314,916</u>
Capital Assets Being Depreciated					
Land Improvements	5,667,979	-	-	-	5,667,979
Buildings	9,391,673	2,560,816	398,298	452,640	12,006,831
Vehicles	56,798	-	12,507	-	44,291
Equipment	725,297	93,472	7,515	-	811,254
Infrastructure	11,722,441	26,960	-	-	11,749,401
Total Capital Assets Being Depreciated	<u>27,564,188</u>	<u>2,681,248</u>	<u>418,320</u>	<u>452,640</u>	<u>30,279,756</u>
Less Accumulated Depreciation					
Land Improvements	4,101,477	249,948	-	-	4,351,425
Buildings	6,118,303	186,290	119,489	-	6,185,104
Vehicles	46,859	663	12,507	-	35,015
Equipment	532,489	48,622	7,515	-	573,596
Infrastructure	3,300,901	496,087	-	-	3,796,988
Total Accumulated Depreciation	<u>14,100,029</u>	<u>981,610</u>	<u>139,511</u>	<u>-</u>	<u>14,942,128</u>
Total Net Capital Assets Being Depreciated	<u>13,464,159</u>	<u>1,699,638</u>	<u>278,809</u>	<u>-</u>	<u>15,337,628</u>
Internal Service Funds					
Data Processing	71,412	35,003	-	-	106,415
Motor Pool	1,778,497	139,160	8,195	-	1,909,462
Total Internal Service Funds	<u>1,849,909</u>	<u>174,163</u>	<u>8,195</u>	<u>-</u>	<u>2,015,877</u>
Total Capital Assets - Governmental Activities	<u>\$ 19,156,541</u>	<u>\$ 9,798,884</u>	<u>\$ 287,004</u>	<u>\$ -</u>	<u>\$ 28,668,421</u>

At June 30, 2015, the City's governmental activities had outstanding commitments through construction contracts of approximately \$1,166,000.

City of Marshall

Notes to the Financial Statements

Business-type Activities	June 30, 2014	Additions	Reductions	June 30, 2015
Capital assets not being depreciated				
Land	\$ 189,563	\$ -	\$ -	\$ 189,563
Construction in process	-	85,217	-	85,217
Total Capital Assets not Being Depreciated	189,563	85,217	-	274,780
Capital Assets Being Depreciated				
Land Improvements	781,169	10,765	-	791,934
Buildings	7,907,852	20,858	30,612	7,898,098
Vehicles	1,131,045	65,075	120,117	1,076,003
Equipment	12,950,942	241,753	68,006	13,124,689
Infrastructure	23,925,325	132,187	303,508	23,754,004
Total Capital Assets Being Depreciated	46,696,333	470,638	522,243	46,644,728
Less Accumulated Depreciation				
Land Improvements	151,770	25,533	-	177,303
Buildings	5,454,810	217,540	30,612	5,641,738
Vehicles	950,902	46,534	120,117	877,318
Equipment	10,262,252	212,423	68,006	10,406,668
Infrastructure	11,886,614	707,482	303,508	12,290,588
Total Accumulated Depreciation	28,706,348	1,209,513	522,243	29,393,615
Total Net Capital Assets Being Depreciated	17,989,986	(738,875)	-	17,251,113
Total Capital Assets - Business-type	\$ 18,179,549	\$ (653,658)	\$ -	\$ 17,525,893

Component unit capital assets activity for the year ended June 30, 2015, was as follows:

	June 30, 2014	Additions	Reductions	June 30, 2015
Local Development Finance Authority (LDFA)				
Capital Assets not Being Depreciated				
Land	\$ 500,000	\$ -	\$ -	\$ 500,000
Capital Assets Being Depreciated				
Equipment	91,640	-	-	91,640
Less Accumulated Depreciation				
Equipment	90,975	665	-	91,640
Total Capital Assets Being Depreciated, Net	665	(665)	-	-
Total LDFA Component Unit Capital Assets	\$ 500,665	\$ (665)	\$ -	\$ 500,000

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	\$	161,138
Public Safety		36,498
Public Works		686,608
Parks and Recreation		97,366
Internal Service Funds*		252,166
Total Governmental Activities	\$	1,233,776

Business-type Activities

Electric	\$	413,311
Wastewater		375,295
Water		324,791
Public Transit		49,215
Public Housing		46,901
Total Business-type Activities	\$	1,209,513

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

Depreciation expense for the component unit was charged to the community development function.

Note 7 – Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2015, was as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>
Electric Fund	Wastewater	\$ 257
Electric Fund	Water	60

City of Marshall

Notes to the Financial Statements

For the year ended June 30, 2015, interfund transfers consisted of the following:

Transfer In	Transfer Out	Amount
General	Electric Fund	\$ 886,380
General	Wastewater Fund	47,000
General	Water Fund	84,119
General	Nonmajor Enterprise Fund	22,000
Nonmajor Governmental Fund	General Fund	377,703
Motor Pool	General Fund	135,000
Wastewater	General Fund	6,818
Nonmajor Governmental Fund	Electric Fund	243,939

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. New general obligation bonds were issued during the current year in the amount of \$5,325,000. These bonds are issued as 10 to 20-year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

Purpose	Interest Rate	Amount
Governmental Activities		
2004 Improvements	3.00%-4.40%	\$ 60,000
2005 Building Authority Refunding	3.00%-4.25%	1,610,000
2012 Improvements	2.00%-3.30%	105,000
2013 Transportation Bonds	2.00%-3.00%	1,580,000
2014 Building Authority	2.00%-4.00%	5,150,000
Total Governmental Activities		\$ 8,505,000

City of Marshall

Notes to the Financial Statements

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
Business-type Activities		
2004 Improvements	3.00%-4.70%	\$ 305,000
2006 Refunding	3.65%-3.80%	1,210,000
2007 Electric	3.10%-3.95%	560,000
2008 Refunding	3.00%-4.00%	800,000
2009 Water Main	4.00%-5.10%	1,035,000
2012 Improvements	2.00%-3.30%	3,625,000
<i>Total Business-type Activities</i>		<u>\$ 7,535,000</u>

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
Component Units		
2002 Downtown Development	4.20%-5.10%	\$ 150,000

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

<u>Year Ending</u> <u>June 30</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 475,000	\$ 296,101	\$ 771,101
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
2021-2025	1,450,000	911,665	2,361,665
2026-2030	1,555,000	657,330	2,212,330
2031-2035	1,275,000	400,000	1,675,000
2036-2040	1,215,000	123,800	1,338,800
<i>Totals</i>	<u>\$ 8,505,000</u>	<u>\$ 3,401,350</u>	<u>\$ 11,906,350</u>

City of Marshall

Notes to the Financial Statements

Year Ending	Business-type Activities			
	June 30	Principal	Interest	Total
2016	\$	740,000	\$ 93,375	\$ 833,375
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
2021-2025		1,955,000	303,570	2,258,570
2026-2030		1,895,000	132,970	2,027,970
2031-2035		630,000	11,165	641,165
Totals	\$	7,535,000	\$ 875,930	\$ 8,410,930

Year Ending	Component Units			
	June 30	Principal	Interest	Total
2016	\$	45,000	\$ 7,360	\$ 52,360
2017		50,000	5,200	55,200
2018		55,000	2,750	57,750
Totals	\$	150,000	\$ 15,310	\$ 165,310

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 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:

Purpose	Interest Rate	Amount
Business-type Activities		
1999 Electric	4.25%-5.20%	\$ 420,000
Component Units		
2005 Local Development	3.50%-4.30%	920,000

City of Marshall

Notes to the Financial Statements

Revenue bond debt service requirements to maturity are as follows:

Year Ending June 30	Business-type Activities		
	Principal	Interest	Total
2016	\$ 75,000	\$ 19,890	\$ 94,890
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
Totals	\$ 420,000	\$ 56,680	\$ 476,680

Year Ending June 30	Component Units		
	Principal	Interest	Total
2016	\$ 85,000	\$ 38,400	\$ 123,400
2017	90,000	35,085	125,085
2018	90,000	31,575	121,575
2019	90,000	27,795	117,795
2020	90,000	24,015	114,015
2021-2025	475,000	60,990	535,990
Totals	\$ 920,000	\$ 217,860	\$ 1,137,860

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. No new installment obligations were issued during the current year. This obligation was issued with five installments with varying amounts of principal maturing each year. Installment obligations outstanding at year-end are as follows:

Purpose	Interest Rate	Amount
Governmental Activities		
2012 Motor Pool Equipment	2.89%	\$ 237,024

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

Year Ending June 30	Governmental Activities		
	Principal	Interest	Total
2016	\$ 116,824	\$ 6,850	\$ 123,674
2017	120,200	3,474	123,674
Totals	\$ 237,024	\$ 10,324	\$ 247,348

City of Marshall

Notes to the Financial Statements

Changes in Long-term Debt. Long-term liability activity for the year ended June 30, 2015, was as follows:

	6/30/2014	Additions	Reductions	6/30/2015	Due Within One Year
Governmental Activities					
General Obligation Bonds	\$ 3,675,000	\$ 5,325,000	\$ 495,000	\$ 8,505,000	\$ 475,000
Installment Contracts	350,567	-	113,543	237,024	116,824
Compensated Absences	241,910	61,478	19,973	283,415	70,854
Deferred amounts for issuance premiums	28,963	173,558	8,879	193,642	-
Total Governmental Activities	<u>4,296,440</u>	<u>5,560,036</u>	<u>637,395</u>	<u>9,219,081</u>	<u>662,678</u>
Business-type Activities					
General Obligation Bonds	8,245,000	-	710,000	7,535,000	740,000
Revenue Bonds	490,000	-	70,000	420,000	75,000
Compensated Absences	165,977	48,162	19,890	194,249	48,554
Deferred amounts for issuance premiums	74,470	-	7,793	66,677	-
Total Business-type Activities	<u>8,975,447</u>	<u>48,162</u>	<u>807,683</u>	<u>8,215,926</u>	<u>863,554</u>
Total Primary Government Long-term Debt	<u>\$ 13,271,887</u>	<u>\$ 5,608,198</u>	<u>\$ 1,445,078</u>	<u>\$ 17,435,007</u>	<u>\$ 1,526,232</u>
Component Unit - LDFA					
Revenue Bond	<u>\$ 1,005,000</u>	<u>\$ -</u>	<u>\$ 85,000</u>	<u>\$ 920,000</u>	<u>\$ 85,000</u>
Component Unit - DDA					
General Obligation Bonds	<u>\$ 460,000</u>	<u>\$ -</u>	<u>\$ 310,000</u>	<u>\$ 150,000</u>	<u>\$ 45,000</u>

For the governmental activities, compensated absences, net pension obligations (if any) and net other postemployment 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, 2015, 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

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 2014 levy, including industrial facilities, was \$213,548,973. The government's general operating tax rate for fiscal 2014-15 was 17.1629 mills with an additional 0.9393 mills for recreation, 0.4840 for public transportation and .5000 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 2014-15 was 1.6129 mills based on taxable value of \$8,632,935.

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.

City of Marshall

Notes to the Financial Statements

Note 13 – Pension Plans

Plan Description

The City participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the Retirement Board of MERS. The Plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to Plan members and beneficiaries. The MERS Retirement Board establishes and amends the benefit provisions of the participants in MERS and issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

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 2015 were \$64,603 and participant contributions were \$49,773. The plan provisions and contribution amounts were 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

The Plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS. The MERS plan covers full-time employees at the City including AFSCME, non-union, police, patrolmen, police command, and clerical employees. Retirement benefits for employees are calculated as 2.00% – 3.00% of the employee's three to five year final average compensation times the employee's years of service with a maximum of 80 percent of final average compensation depending on division. Normal retirement age is 60 with early retirement at an unreduced benefit at age 55 with 25 years of service or a reduced benefit at age 50 with 25 years of service or age 55 with 15 years of service. Deferred retirement benefits vest after 10 years of credited service, but are not paid until the date retirement would have occurred had the member remained an employee. Employees are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately and if duty-related without an actuarial reduction for retirement before age 60 is not applied. An

City of Marshall

Notes to the Financial Statements

employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

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, 2014 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	84
Inactive plan members entitled to but not yet receiving benefits	16
Active plan members	<u>66</u>
Total employees covered by MERS	<u>166</u>

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 June 30, 2015, the average active employee contribution rate was 9.6 percent of annual pay and the City's average contribution rate was 16.5 percent of annual payroll.

Net Pension Liability

The net pension liability reported at June 30, 2015 was determined using a measure of the total pension liability and the pension net position as of December 31, 2014. The December 31, 2014 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	
Balance at December 31, 2013	\$ 30,529,341	\$ 21,512,404	\$ 9,016,937
Service cost	494,170	-	494,170
Interest	2,450,825	-	2,450,825
Contributions - Employer	-	611,791	(611,791)
Contributions - Employee	-	353,729	(353,729)
Net investment income	-	1,337,330	(1,337,330)
Benefit payments, including refunds	(2,143,777)	(2,143,777)	-
Administrative expenses	-	(48,890)	48,890
Net changes	801,218	110,183	691,035
Balance at December 31, 2014	\$ 31,330,559	\$ 21,622,587	\$ 9,707,972

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

For the year ended June 30, 2015, the City recognized pension expense of \$335,226. At June 30, 2015, 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
Net difference between projected and actual earnings on pension plan investments	\$ 312,610	\$ -
Employer contributions to the plan subsequent to the measurement date	326,446	-
Total	\$ 639,056	\$ -

City of Marshall

Notes to the Financial Statements

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

Years Ending	
June 30	Amount
2016	\$ 78,152
2017	78,152
2018	78,152
2019	78,152

Actuarial Assumptions

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3 - 4%	
Salary increases	4.5%	In the long-term, 2 percent, and 3 percent for calendar years 2015, and 2016, respectively, including inflation
Investment rate of return	8.00%	Gross of pension plan investment expense, including inflation

Mortality rates were based on the 1994 Group Annuity Mortality Table of a 50 percent male and 50 percent female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of the most recent actuarial experience study in 2008.

Discount Rate

The discount rate used to measure the total pension liability was 8.25 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

City of Marshall

Notes to the Financial Statements

Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make 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.

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense 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. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2014, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	58%	5.0%
Global fixed income	20%	2.2%
Real assets	12%	4.2%
Diversifying strategies	10%	6.6%

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	\$ 13,149,139	\$ 9,707,972	\$ 6,792,729

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued financial report found at www.mersofmichigan.com. The plan's fiduciary net position has been determined on the same basis used by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

City of Marshall

Notes to the Financial Statements

Note 15 – 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 16, 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, 2015, 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, 2015, 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’s annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC). The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than 100 total plan members. The 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	\$ 1,148,078
Interest on Net OPEB Obligation	128,440
Adjustment to Annual Required Contribution	<u>(101,376)</u>
Net OPEB Cost	1,175,143
Contributions Made	<u>(684,715)</u>
Change in Net OPEB Obligation	490,428
Net OPEB Obligation, Beginning of the Year	<u>1,834,862</u>
Net OPEB Obligation, End of the Year	<u>\$ 2,325,290</u>

City of Marshall

Notes to the Financial Statements

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2015, and the two preceding years, were as follows:

Year Ending June 30,	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 769,890	76%	\$ 1,666,729
2014	823,343	80%	1,834,862
2015	1,175,143	58%	2,325,290

Funded Status and Funding Progress. As of June 30, 2015, the most recent actuarial valuation date, the Plan was 3.8 percent funded. The actuarial accrued liability for benefits was \$20,151,024, and the actuarial value of assets was \$770,362, resulting in an unfunded actuarially accrued liability of \$19,380,672. The covered payroll (annual payroll of the active employees covered by the Plan) was \$1,011,606 and the ratio of the UAAL to the covered payroll was 1,916 percent.

The projection of future benefit payments for an ongoing plan involves 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 with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information 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 liabilities for benefits calculations.

The following simplifying assumptions were made:

Retirement age for active employees - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 55.

Marital status - Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality - Life expectancies were based on mortality tables from the National Center for Health Statistics. The 2006 United States Life Tables for Males and for Females were used.

Turnover - Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime

City of Marshall

Notes to the Financial Statements

assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare cost trend rate - The expected rate of increase in healthcare insurance premiums was based on projections by the City's management. An initial rate of 12 percent was used, decreasing to 8 percent by the year 2019.

Health insurance premiums – 2015-15 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate - The expected long-term inflation assumption of 4.5 percent was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in *The 2006 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds* for an intermediate growth scenario.

Payroll growth rate - The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 7.0 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2015, was 28 years.

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:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Component Units</u>
Capital Assets, Net	\$ 28,668,421	\$ 17,525,893	\$ 500,000
Less:			
Capital Related Bonds and Installment Contracts	8,742,024	7,955,000	-
Unamortized Premium on Bonds	193,642	66,677	-
Unexpended Bond Proceeds	1,594,910	-	-
Add:			
Unamortized Loss on Refunding	62,572	34,471	-
Total Net Investment in Capital Assets	<u>\$ 18,200,417</u>	<u>\$ 9,538,687</u>	<u>\$ 500,000</u>

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 / Eligible Costs

The City’s Dial-A-Ride program/fund uses two cost allocation plans in the determination of its reported costs where the methodology has either been specifically approved by the MDOT Bureau of Passenger Transportation (BPT) or is pending such approval:

- Facility costs are allocated based on actual square footage occupied by the Dial-A-Ride program. (BPT reviewed and approved.)
- Actual administrative staff wages and fringes are allocated to the Dial-A-Ride program based on applicable objectively measurable output factors such as transaction counts for finance department staff and direct full-time equivalents for administrators. (BPT review and approval pending.)

These cost allocation plans were adhered to in the preparation of the financial statements.

Capital Funds

No capital funds were used during the current fiscal year to pay for operating expenses; however, if they had been, such funds would have been deducted for purposes of calculating eligible costs in accordance with MDOT guidelines.

Nonfinancial Data

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

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.

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Nonspendable			
Prepays	\$ 44,757	\$ -	\$ 44,757
Inventory	-	45,832	45,832
Endowment	-	314,626	314,626
Total Nonspendable	<u>44,757</u>	<u>360,458</u>	<u>405,215</u>
Restricted			
Unspent Bond Proceeds	1,778,715	-	1,778,715
Major & Local Streets	-	1,685,648	1,685,648
Leaf, Brush and Trash	-	8,257	8,257
Drug Forfeiture	-	15,709	15,709
Cemetery	-	237,284	237,284
Total Restricted	<u>1,778,715</u>	<u>1,946,898</u>	<u>3,725,613</u>
Committed			
Fire Truck Replacement	155,000	-	155,000
Recreation Scholarships	8,014	-	8,014
Special Projects	-	140,250	140,250
Total Committed	<u>163,014</u>	<u>140,250</u>	<u>303,264</u>
Unassigned	<u>2,640,174</u>	<u>-</u>	<u>2,640,174</u>
Total Fund Balances - Governmental Funds	<u>\$ 4,626,660</u>	<u>\$ 2,447,606</u>	<u>\$ 7,074,266</u>

Note 18 – Prior Period Adjustment

During the current year, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result, the government-wide statements and the proprietary funds now include a liability for the City's unfunded legacy costs. Some of the changes in this net pension liability will be recognized immediately as part of the pension expense measurement, and part will be deferred and recognized over future years. Refer to the pension note for further details. This change does not impact the General Fund or any other governmental fund.

The financial statements for the year ended June 30, 2014 have been restated in order to adopt GASB Statement No. 68. The effect of this new accounting standard was a decrease in net position to record the net pension liability at June 30, 2014.

An interfund balance existed between governmental activities and business-type activities in the amount of \$75,481. This resulted from the allocation of a portion of internal service fund net position of governmental-type internal service funds to business-type activities.

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Component Units</u>
Net Position - June 30, 2014 - As previously reported	\$ 18,256,841	\$ 25,839,540	\$ 1,456,093
Adjustment for implementation of GASB Statement No. 68	(4,637,590)	(4,087,368)	(8,743)
Adjustment for Internal Service Fund allocation	(75,481)	75,481	-
Net Position - June 30, 2014 - Restated	<u>\$ 13,543,770</u>	<u>\$ 21,827,653</u>	<u>\$ 1,447,350</u>

Note 19 – Upcoming Accounting Pronouncements

In June 2015, the GASB issued two new standards addressing accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*, addresses reporting by OPEB plans whereas GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and reporting by employer governments that provide OPEB benefits to their employees. Along with the currently required statement of fiduciary net position and statement of changes in fiduciary net position, OPEB plans will now be required to include in the financial statements more extensive note disclosures and required supplemental information related to the measurement of the OPEB liabilities for which assets have been accumulated. In addition, the City will, after adoption of GASB Statement No. 75, recognize on the face of the financial statements its net OPEB liability. The City is currently evaluating the impact these standards will have on the financial statements when adopted. GASB Statement No. 74 is effective for fiscal years beginning after June 15, 2016 whereas GASB Statement No. 75 is effective one year later.

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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
				<u>Final to Actual</u>
Revenues				
Property Taxes	\$ 3,611,688	\$ 3,578,663	\$ 3,577,782	\$ (881)
Licenses and Permits	91,200	104,980	123,507	18,527
Intergovernmental	819,204	6,642,226	8,966,646	2,324,420
Charges for Services	367,517	348,193	352,428	4,235
Fines and Forfeitures	98,500	49,300	53,801	4,501
Other	219,000	287,676	367,954	80,278
Investment Earnings	6,700	7,750	15,059	7,309
Total Revenues	<u>5,213,809</u>	<u>11,018,788</u>	<u>13,457,177</u>	<u>2,438,389</u>
Other Financing Sources				
Premium on Bonds Issued	--	173,558	173,558	--
Capital Projects Bonds Issued	--	5,287,725	5,325,000	37,275
Transfers In	978,000	1,075,320	1,039,499	(35,821)
Total Revenues and Other Financing Sources	<u>6,191,809</u>	<u>17,555,391</u>	<u>19,995,234</u>	<u>2,439,843</u>
Expenditures				
General Government				
City Council	3,416	3,743	3,806	(63)
City Manager	129,316	132,526	134,808	(2,282)
City Assessor	84,772	140,798	149,629	(8,831)
City Attorney	55,000	51,263	57,654	(6,391)
Human Resources	63,724	65,734	68,203	(2,469)
Clerk	55,762	52,697	57,037	(4,340)
Treasurer	226,292	215,123	223,744	(8,621)
City Hall	70,653	63,452	73,715	(10,263)
Chapel	2,400	--	395	(395)
Other City Property	39,850	30,550	30,546	4
Cemetery	172,386	174,480	198,104	(23,624)
Non-departmental	667,266	588,941	509,301	79,640
Total General Government	<u>1,570,837</u>	<u>1,519,307</u>	<u>1,506,942</u>	<u>12,365</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, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
				Final to Actual
Expenditures				
Public Safety				
Police	1,553,228	1,555,632	1,589,526	(33,894)
Crossing Guards	11,972	13,260	13,143	117
Dispatch Operations	108,000	109,393	109,393	--
Fire	872,334	838,418	853,036	(14,618)
MRLEC / Fire Station	--	190,000	185,865	4,135
Inspection	90,830	99,786	100,025	(239)
Total Public Safety	2,636,364	2,806,489	2,850,988	(44,499)
Public Works				
Street	836,975	737,496	720,279	17,217
Composting	61,243	53,217	54,299	(1,082)
Engineering	15,595	16,650	17,767	(1,117)
Airport	169,059	130,862	126,847	4,015
Public Services Building	104,960	101,534	104,363	(2,829)
Total Public Works	1,187,832	1,039,759	1,023,555	16,204
Community Development				
Planning and Zoning	162,484	157,285	169,396	(12,111)
Farmers Market	--	19,646	21,765	(2,119)
Total Community Development	162,484	176,931	191,161	(14,230)
Recreation & Culture				
Parks	82,289	70,338	78,329	(7,991)
Recreation	411,989	354,500	384,816	(30,316)
Total Recreation & Culture	494,278	424,838	463,145	(38,307)
Capital Outlay	66,500	11,126,225	10,348,266	777,959
Debt Service	37,565	37,565	73,440	(35,875)
Total Expenditures	6,155,860	17,131,114	16,457,497	673,617
Other Financing Uses				
Transfers Out	72,500	452,034	519,521	(67,487)
Total Expenditures and Other Financing Uses	6,228,360	17,583,148	16,977,018	606,130
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(36,551)	(27,758)	3,018,216	3,045,974
Net Change in Fund Balance	(36,551)	(27,758)	3,018,216	3,045,974
<i>Fund Balance at Beginning of Period</i>	1,608,444	1,608,444	1,608,444	--
Fund Balance at End of Period	\$ 1,571,893	\$ 1,580,686	\$ 4,626,660	\$ 3,045,974

Concluded.

City of Marshall
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Last Fiscal Year

	2014
Total Pension Liability	
Service Cost	\$ 494,170
Interest	2,450,825
Benefit Payments, Including Refunds	(2,143,777)
<i>Net Change in Pension Liability</i>	801,218
<i>Total Pension Liability - Beginning</i>	30,529,341
<i>Total Pension Liability - Ending (a)</i>	\$ 31,330,559
 Plan Fiduciary Net Position	
Contributions - Employer	\$ 611,791
Contributions - Member	353,729
Net Investment Income	1,337,330
Benefit Payments, Including Refunds	(2,143,777)
Administrative Expenses	(48,890)
<i>Net Change in Plan Fiduciary Net Position</i>	110,183
<i>Plan Fiduciary Net Position - Beginning</i>	21,512,404
<i>Plan Fiduciary Net Position - Ending (b)</i>	\$ 21,622,587
 <i>Net Pension Liability - Ending (a) - (b)</i>	 \$ 9,707,972
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	 69.01%
 Covered Employee Payroll	 \$ 3,702,727
 Net Pension Liability as a Percentage of Covered Employee Payroll	 262.18%

* Built prospectively upon implementation on GASB 68

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially Determined Contribution	\$ 654,990	\$ 568,171	\$ 480,936	\$ 415,427	\$ 339,409	\$ 247,197	\$ 224,057	\$ 227,379	\$ 171,584	\$ 136,075
Contributions in Relation to the Actuarially Determined Contribution	654,990	568,171	480,936	415,427	339,409	247,197	224,057	227,379	171,584	136,075
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	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	4,132,958
Contributions as a Percentage of Covered Employee Payroll	18%	14%	12%	9%	8%	6%	5%	5%	4%	3%

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 Normal
Amortization method	Level percentage of pay, open
Remaining amortization period	18 - 24 Years Division Specific
Asset valuation method	10-year smoothed
Inflation	3 - 4%
Salary increases	4.5%, including inflation
Investment rate of return	8.00%
Retirement Age	Experience-based tables of rates that are specific to the type of eligibility condition
Mortality	50% Male - 50% Female blend of the 1994 Group Annuity Mortality Table

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

Actuarial Valuation Date June 30,	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio Total	Covered Payroll (c)	UAL as a Percentage of Covered Payroll ((b-a)/c)
2012	\$ 582,664	\$ 13,253,242	\$ 12,670,578	4%	\$ 1,254,497	1010%
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%

Three-year Trend Information

Year Ended Juen 30,	Annual Pension Cost	Annual Actual Contribution	Percentage of APC Contributed
2013	\$ 750,863	\$ 586,272	78%
2014	796,025	655,210	82%
2015	1,175,143	684,715	58%

OTHER SUPPLEMENTARY INFORMATION

**City of Marshall
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015**

	Special Revenue					Debt Service	Capital Projects	Permanent	Total Nonmajor Governmental Funds
	Major Streets	Local Streets	Leaf, Brush and Trash Removal	Drug Forfeiture Fund	Special Projects	Building Authority	Major Streets	Cemetery	
ASSETS									
Cash and Cash Equivalents	\$ 449,011	\$ 448,029	\$ 24,158	\$ 12,615	\$ 107,938	\$ --	\$ 9,315	\$ 44,149	\$ 1,095,215
Investments	575,533	246,557	--	--	75,680	--	53,166	507,761	1,458,697
Accounts Receivable	--	--	--	3,094	--	--	--	--	3,094
Due from Other Governments	80,294	36,788	--	--	3,671	--	--	--	120,753
Inventories	45,832	--	--	--	--	--	--	--	45,832
Total Assets	\$ 1,150,670	\$ 731,374	\$ 24,158	\$ 15,709	\$ 187,289	\$ --	\$ 62,481	\$ 551,910	\$ 2,723,591
LIABILITIES									
Accounts Payable	\$ 75,462	\$ 135,234	\$ 15,730	\$ --	\$ 47,039	\$ --	\$ --	\$ --	\$ 273,465
Accrued Payroll	291	2,058	171	--	--	--	--	--	2,520
Total Liabilities	75,753	137,292	15,901	--	47,039	--	--	--	275,985
FUND BALANCE									
Nonspendable	45,832	--	--	--	--	--	--	314,626	360,458
Restricted	1,029,085	594,082	8,257	15,709	--	--	62,481	237,284	1,946,898
Committed	--	--	--	--	140,250	--	--	--	140,250
Unassigned	--	--	--	--	--	--	--	--	--
Total Fund Balance	1,074,917	594,082	8,257	15,709	140,250	--	62,481	551,910	2,447,606
Total Liabilities and Fund Balance	\$ 1,150,670	\$ 731,374	\$ 24,158	\$ 15,709	\$ 187,289	\$ --	\$ 62,481	\$ 551,910	\$ 2,723,591

City of Marshall
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2015

	Special Revenue				Debt Service	Capital Projects	Permanent	Total Nonmajor Governmental Funds
	Major Streets	Local Streets	Leaf, Brush and Trash Removal	Drug Forfeiture Fund	Special Projects	Building Authority	Major Streets	
Revenues								
Property Taxes	\$ --	\$ --	\$ 94,917	\$ --	\$ --	\$ --	\$ --	\$ 94,917
Intergovernmental	486,748	151,929	--	--	31,811	--	--	670,488
Charges for Services	--	--	--	--	--	--	4,725	4,725
Fines and Forfeitures	--	--	--	3,094	--	--	--	3,094
Other	--	601	--	--	87,817	--	--	88,418
Investment Earnings	826	807	36	8	354	--	191	4,061
Total Revenues	487,574	153,337	94,953	3,102	119,982	--	191	865,703
Expenditures								
General Government	--	--	--	--	167,172	--	--	167,172
Public Safety	--	--	--	1,763	--	--	--	1,763
Public Works	152,815	99,652	109,666	--	--	--	--	362,133
Capital Outlay	78,181	134,578	--	--	45,306	--	--	258,065
Debt Service - Principal	100,000	--	--	--	--	365,000	--	465,000
Debt Service - Interest	37,213	--	--	--	--	196,046	--	233,259
Total Expenditures	368,209	234,230	109,666	1,763	212,478	561,046	--	1,487,392
Excess of Revenues Over (Under) Expenditures	119,365	(80,893)	(14,713)	1,339	(92,496)	(561,046)	191	(621,689)
Other Financing Sources (Uses)								
Transfers In	--	70,000	--	--	--	551,642	--	621,642
Transfers Out	--	--	--	--	--	--	--	--
Net Other Financing Sources (Uses)	--	70,000	--	--	--	551,642	--	621,642
Net Change in Fund Balance	119,365	(10,893)	(14,713)	1,339	(92,496)	(9,404)	191	(47)
<i>Fund Balance at Beginning of Period</i>	<i>955,552</i>	<i>604,975</i>	<i>22,970</i>	<i>14,370</i>	<i>232,746</i>	<i>9,404</i>	<i>62,290</i>	<i>2,447,653</i>
Fund Balance at End of Period	\$ 1,074,917	\$ 594,082	\$ 8,257	\$ 15,709	\$ 140,250	\$ --	\$ 62,481	\$ 2,447,606

City of Marshall
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Major Streets
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
				<u>Final to Actual</u>
Revenues				
Intergovernmental	\$ 432,500	\$ 490,656	\$ 486,748	\$ (3,908)
Investment Earnings	400	400	826	426
Total Revenues	<u>432,900</u>	<u>491,056</u>	<u>487,574</u>	<u>(3,482)</u>
Other Financing Sources				
Total Revenues and Other Financing Sources	<u>432,900</u>	<u>491,056</u>	<u>487,574</u>	<u>(3,482)</u>
Expenditures				
Public Works	214,444	189,198	152,815	36,383
Capital Outlay	80,000	80,000	78,181	1,819
Debt Service	<u>137,213</u>	<u>137,213</u>	<u>137,213</u>	<u>--</u>
Total Expenditures	<u>431,657</u>	<u>406,411</u>	<u>368,209</u>	<u>38,202</u>
Other Financing Uses				
Total Expenditures and Other Financing Uses	<u>431,657</u>	<u>406,411</u>	<u>368,209</u>	<u>38,202</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>1,243</u>	<u>84,645</u>	<u>119,365</u>	<u>34,720</u>
Net Change in Fund Balance	<u>1,243</u>	<u>84,645</u>	<u>119,365</u>	<u>34,720</u>
<i>Fund Balance at Beginning of Period</i>	955,552	955,552	955,552	--
Fund Balance at End of Period	<u>\$ 956,795</u>	<u>\$ 1,040,197</u>	<u>\$ 1,074,917</u>	<u>\$ 34,720</u>

City of Marshall
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Local Streets
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative) Final to Actual
Revenues				
Intergovernmental	\$ 160,000	\$ 160,000	\$ 151,929	\$ (8,071)
Other	--	--	601	601
Investment Earnings	250	250	807	557
Total Revenues	<u>160,250</u>	<u>160,250</u>	<u>153,337</u>	<u>(6,913)</u>
Other Financing Sources				
Transfers In	70,000	70,000	70,000	--
Total Revenues and Other Financing Sources	<u>230,250</u>	<u>230,250</u>	<u>223,337</u>	<u>(6,913)</u>
Expenditures				
Public Works	337,988	319,493	99,652	219,841
Capital Outlay	135,000	135,000	134,578	422
Total Expenditures	<u>472,988</u>	<u>454,493</u>	<u>234,230</u>	<u>220,263</u>
Other Financing Uses				
Total Expenditures and Other Financing Uses	<u>472,988</u>	<u>454,493</u>	<u>234,230</u>	<u>220,263</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(242,738)</u>	<u>(224,243)</u>	<u>(10,893)</u>	<u>213,350</u>
Net Change in Fund Balance	<u>(242,738)</u>	<u>(224,243)</u>	<u>(10,893)</u>	<u>213,350</u>
<i>Fund Balance at Beginning of Period</i>	604,975	604,975	604,975	--
Fund Balance at End of Period	<u>\$ 362,237</u>	<u>\$ 380,732</u>	<u>\$ 594,082</u>	<u>\$ 213,350</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
				<u>Final to Actual</u>
Revenues				
Property Taxes	\$ 96,000	\$ 94,954	\$ 94,917	\$ (37)
Investment Earnings	--	--	36	36
Total Revenues	<u>96,000</u>	<u>94,954</u>	<u>94,953</u>	<u>(1)</u>
Other Financing Sources				
Total Revenues and Other Financing Sources	<u>96,000</u>	<u>94,954</u>	<u>94,953</u>	<u>(1)</u>
Expenditures				
Public Works	95,948	95,448	109,666	(14,218)
Total Expenditures	<u>95,948</u>	<u>95,448</u>	<u>109,666</u>	<u>(14,218)</u>
Other Financing Uses				
Total Expenditures and Other Financing Uses	<u>95,948</u>	<u>95,448</u>	<u>109,666</u>	<u>(14,218)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>52</u>	<u>(494)</u>	<u>(14,713)</u>	<u>(14,219)</u>
Net Change in Fund Balance	<u>52</u>	<u>(494)</u>	<u>(14,713)</u>	<u>(14,219)</u>
<i>Fund Balance at Beginning of Period</i>	22,970	22,970	22,970	--
Fund Balance at End of Period	<u>\$ 23,022</u>	<u>\$ 22,476</u>	<u>\$ 8,257</u>	<u>\$ (14,219)</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
				<u>Final to Actual</u>
Revenues				
Fines and Forfeitures	\$ --	\$ --	\$ 3,094	\$ 3,094
Investment Earnings	--	--	8	8
<i>Total Revenues</i>	--	--	3,102	3,102
Other Financing Sources				
<i>Total Revenues and Other Financing Sources</i>	--	--	3,102	3,102
Expenditures				
Public Safety	--	1,760	1,763	(3)
<i>Total Expenditures</i>	--	1,760	1,763	(3)
Other Financing Uses				
<i>Total Expenditures and Other Financing Uses</i>	--	1,760	1,763	(3)
<i>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</i>	--	(1,760)	1,339	3,099
<i>Net Change in Fund Balance</i>	--	(1,760)	1,339	3,099
<i>Fund Balance at Beginning of Period</i>	14,370	14,370	14,370	--
<i>Fund Balance at End of Period</i>	\$ 14,370	\$ 12,610	\$ 15,709	\$ 3,099

City of Marshall
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Special Projects
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
				<u>Final to Actual</u>
Revenues				
Intergovernmental	\$ --	\$ 120,000	\$ 31,811	\$ (88,189)
Other	20,373	20,373	87,817	67,444
Investment Earnings	--	--	354	354
Total Revenues	<u>20,373</u>	<u>140,373</u>	<u>119,982</u>	<u>(20,391)</u>
Other Financing Sources				
Total Revenues and Other Financing Sources	<u>20,373</u>	<u>140,373</u>	<u>119,982</u>	<u>(20,391)</u>
Expenditures				
General Government	18,524	160,727	167,172	(6,445)
Capital Outlay	--	--	45,306	(45,306)
Total Expenditures	<u>18,524</u>	<u>160,727</u>	<u>212,478</u>	<u>(51,751)</u>
Other Financing Uses				
Total Expenditures and Other Financing Uses	<u>18,524</u>	<u>160,727</u>	<u>212,478</u>	<u>(51,751)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>1,849</u>	<u>(20,354)</u>	<u>(92,496)</u>	<u>(72,142)</u>
Net Change in Fund Balance	<u>1,849</u>	<u>(20,354)</u>	<u>(92,496)</u>	<u>(72,142)</u>
<i>Fund Balance at Beginning of Period</i>	232,746	232,746	232,746	--
Fund Balance at End of Period	<u>\$ 234,595</u>	<u>\$ 212,392</u>	<u>\$ 140,250</u>	<u>\$ (72,142)</u>

City of Marshall
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2015

	Enterprise		Total Enterprise Funds
	Marshall House	DART	
ASSETS			
<i>Current Assets</i>			
Cash and Cash Equivalents	\$ 263,524	\$ 123,581	\$ 387,105
Investments	144,854	13,335	158,189
Accounts Receivable	746	858	1,604
Due from Other Governments	--	95,162	95,162
Prepays	3,880	325	4,205
Total Current Assets	413,004	233,261	646,265
<i>Noncurrent Assets</i>			
Capital Assets being Depreciated	503,290	211,457	714,747
Total Assets	916,294	444,718	1,361,012
DEFERRED OUTFLOWS OF RESOURCES			
Pension	11,759	15,209	26,968
Total Deferred Outflows of Resources	11,759	15,209	26,968
LIABILITIES			
<i>Current Liabilities</i>			
Accounts Payable	58,055	67,968	126,023
Accrued Payroll	8,146	10,266	18,412
Current Portion of Compensated Absences	496	1,177	1,673
Unearned Revenue	--	12,235	12,235
Total Current Liabilities	66,697	91,646	158,343
<i>Noncurrent Liabilities</i>			
Net Pension Liability	178,627	231,050	409,677
Compensated Absences	1,490	3,532	5,022
Total Liabilities	246,814	326,228	573,042
NET POSITION			
Net Investment in Capital Assets	503,290	211,457	714,747
<i>Unrestricted</i>	177,949	(77,758)	100,191
Total Net Position	\$ 681,239	\$ 133,699	\$ 814,938

City of Marshall
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Funds
For the Year Ended June 30, 2015

	<u>Enterprise</u>		<u>Total Enterprise Funds</u>
	<u>Marshall House</u>	<u>DART</u>	
Operating Revenues			
Charges for Services	\$ 358,710	\$ 53,280	\$ 411,990
Other	34,032	3,548	37,580
<i>Total Operating Revenues</i>	<u>392,742</u>	<u>56,828</u>	<u>449,570</u>
Operating Expenses			
Personnel Services	204,579	288,318	492,897
Material and Supplies	20,739	28,098	48,837
Purchased Power	117,497	--	117,497
Contractual	51,098	796	51,894
Insurance	7,074	3,322	10,396
Maintenance	39,220	18,504	57,724
Administration	73,740	--	73,740
Other Expense	57,286	28,640	85,926
Depreciation	46,901	49,215	96,116
<i>Total Operating Expenses</i>	<u>618,134</u>	<u>416,893</u>	<u>1,035,027</u>
<i>Operating Income (Loss)</i>	<u>(225,392)</u>	<u>(360,065)</u>	<u>(585,457)</u>
Non-Operating Revenues (Expenses)			
Intergovernmental Subsidies	225,558	326,297	551,855
Property Taxes	--	91,882	91,882
Investment Earnings	759	154	913
<i>Net Non-Operating Revenues (Expenses)</i>	<u>226,317</u>	<u>418,333</u>	<u>644,650</u>
<i>Income Before Contributions and Transfers</i>	925	58,268	59,193
Transfers In	--	--	--
Transfers Out	--	(22,000)	(22,000)
<i>Change In Net Position</i>	<u>925</u>	<u>36,268</u>	<u>37,193</u>
<i>Net Position at Beginning of Period</i>	841,014	305,293	1,146,307
<i>Prior Period Adjustment (See Note 18)</i>	(160,700)	(207,862)	(368,562)
<i>Net Position at Beginning of Period - Restated</i>	680,314	97,431	777,745
<i>Net Position at End of Period</i>	<u>\$ 681,239</u>	<u>\$ 133,699</u>	<u>\$ 814,938</u>

City of Marshall
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Funds
For the Year Ended June 30, 2015

	Enterprise		Total Enterprise Funds
	Marshall House	DART	
Cash Flows from Operating Activities			
Receipts from Customers	\$ 392,856	\$ (26,820)	\$ 366,036
Payments to Suppliers	(351,354)	(36,393)	(387,747)
Payments to Employees	(194,748)	(276,771)	(471,519)
<i>Net Cash Provided (Used in) by Operating Activities</i>	<i>(153,246)</i>	<i>(339,984)</i>	<i>(493,230)</i>
Cash Flows from Noncapital and Related Financing Activities			
Intergovernmental Subsidies	225,558	326,297	551,855
Property Taxes	-	91,882	91,882
Transfers In (Out)	-	(22,000)	(22,000)
<i>Net Cash from Capital and Related Financing Activities</i>	<i>225,558</i>	<i>396,179</i>	<i>621,737</i>
Cash Flows from Capital and Related Financing Activities			
Purchase of Capital Assets	(10,765)	(65,075)	(75,840)
<i>Net Cash from (Used in) Capital and Related Financing Activities</i>	<i>(10,765)</i>	<i>(65,075)</i>	<i>(75,840)</i>
Cash Flows from Investing Activities			
Interest Received on Investments	759	154	913
Sale (Purchase) of Investment Securities	2,485	132,307	134,792
<i>Net Cash from (Used in) Investing Activities</i>	<i>3,244</i>	<i>132,461</i>	<i>135,705</i>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	<i>64,791</i>	<i>123,581</i>	<i>188,372</i>
<i>Cash and Cash Equivalents Beginning of Period</i>	<i>198,733</i>	<i>-</i>	<i>198,733</i>
<i>Cash and Cash Equivalents End of Period</i>	<i>\$ 263,524</i>	<i>\$ 123,581</i>	<i>\$ 387,105</i>
Reconciliation to Statement of Net Position			
Cash and Cash Equivalents	\$ 263,524	\$ 123,581	\$ 387,105
Restricted Cash and Cash Equivalents	-	-	-
Total	\$ 263,524	\$ 123,581	\$ 387,105
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities			
Operating Income (Loss)	\$ (225,392)	\$ (360,065)	\$ (585,457)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:			
Cash from Operating Activities:			
Depreciation	46,901	49,215	96,116
Changes in Assets and Liabilities:			
Receivables	114	(95,883)	(95,769)
Prepays	(3,880)	(325)	(4,205)
Accounts Payable	19,180	51,787	70,967
Accrued Payroll	2,719	1,872	4,591
Compensated Absences	944	1,697	2,641
Interfund Payable	-	(8,495)	(8,495)
Unearned Revenue	-	12,235	12,235
Net Pension Liability	6,168	7,978	14,146
<i>Net Cash Provided (Used in) by Operating Activities</i>	<i>\$ (153,246)</i>	<i>\$ (339,984)</i>	<i>\$ (493,230)</i>
Noncash Items			
Change in Investment in MSCPA	\$ -	\$ -	\$ -
Prior Period Adjustment (See Note 15)	(160,700)	(207,862)	(368,562)
Total	\$ (160,700)	\$ (207,862)	\$ (368,562)

City of Marshall
Combining Statement of Net Position
Internal Service Funds
June 30, 2015

	Internal Service			Total Internal Service Funds
	Data Processing	Motor Pool	Safety	
ASSETS				
<i>Current Assets</i>				
Cash and Cash Equivalents	\$ 46,337	\$ 61,512	\$ --	\$ 107,849
Investments	169,444	657,405	20,469	847,318
Accounts Receivable	--	1,091	--	1,091
Due from Other Governments	--	26,307	--	26,307
Prepays	9,508	4,287	--	13,795
Total Current Assets	225,289	750,602	20,469	996,360
<i>Noncurrent Assets</i>				
Capital Assets being Depreciated	106,415	1,909,462	--	2,015,877
Total Assets	331,704	2,660,064	20,469	3,012,237
DEFERRED OUTFLOWS OF RESOURCES				
Pension	1,406	8,436	--	9,842
Total Deferred Outflows of Resources	1,406	8,436	--	9,842
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	5,561	13,583	1,542	20,686
Accrued Payroll	619	3,271	--	3,890
Accrued Interest	--	4,567	--	4,567
Current Portion of Long-term Debt	--	116,824	--	116,824
Total Current Liabilities	6,180	138,245	1,542	145,967
<i>Noncurrent Liabilities</i>				
Net Pension Liability	21,357	128,146	--	149,503
Long-term Debt	--	120,200	--	120,200
Total Liabilities	27,537	386,591	1,542	415,670
NET POSITION				
Net Investment in Capital Assets	106,415	1,672,438	--	1,778,853
<i>Unrestricted</i>	199,158	609,471	18,927	827,556
Total Net Position	\$ 305,573	\$ 2,281,909	\$ 18,927	\$ 2,606,409

City of Marshall
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2015

	Internal Service			Total Internal Service Funds
	Data Processing	Motor Pool	Safety	
Operating Revenues				
Charges for Services	\$ 161,737	\$ 628,229	\$ --	\$ 789,966
Other	--	29,853	--	29,853
Total Operating Revenues	161,737	658,082	--	819,819
Operating Expenses				
Personnel Services	15,806	94,851	4	110,661
Material and Supplies	45,275	179,419	613	225,307
Purchased Power	--	35,098	--	35,098
Contractual	34,165	3,941	--	38,106
Insurance	--	34,867	--	34,867
Maintenance	17,386	54,289	17	71,692
Other Expense	3	4,081	2,250	6,334
Depreciation	18,568	233,598	--	252,166
Total Operating Expenses	131,203	640,144	2,884	774,231
Operating Income (Loss)	30,534	17,938	(2,884)	45,588
Non-Operating Revenues (Expenses)				
Investment Earnings	625	2,369	74	3,068
Gain (Loss) on Sale of Capital Assets	--	5,633	--	5,633
Interest Expense	--	(7,936)	--	(7,936)
Net Non-Operating Revenues (Expenses)	625	66	74	765
Income Before Contributions and Transfers	31,159	18,004	(2,810)	46,353
Transfers In	--	135,000	--	135,000
Transfers Out	--	--	--	--
Change In Net Position	31,159	153,004	(2,810)	181,353
Net Position at Beginning of Period	293,628	2,244,190	21,737	2,559,555
Prior Period Adjustment (See Note 18)	(19,214)	(115,285)	--	(134,499)
Net Position at Beginning of Period	274,414	2,128,905	21,737	2,425,056
Net Position at End of Period	\$ 305,573	\$ 2,281,909	\$ 18,927	\$ 2,606,409

City of Marshall
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2015

	Internal Service			Total Internal Service Funds
	Data Processing	Motor Pool	Safety	
Cash Flows from Operating Activities				
Receipts from Interfund Services	\$ 161,737	\$ 630,684	\$ -	\$ 792,421
Payments to Suppliers	(100,096)	(308,201)	(1,338)	(409,635)
Payments to Employees	(14,842)	(90,059)	(4)	(104,905)
Net Cash Provided (Used in) by Operating Activities	46,799	232,424	(1,342)	277,881
Cash Flows from Noncapital and Related Financing Activities				
Transfers In	-	135,000	-	135,000
Net Cash from Capital and Related Financing Activities	-	135,000	-	135,000
Cash Flows from Capital and Related Financing Activities				
Purchase of Capital Assets	(53,571)	(364,563)	-	(418,134)
Proceeds from Sale of Capital Assets	-	5,633	-	5,633
Principal and Interest Paid on Capital Debt	-	(123,666)	-	(123,666)
Net Cash from (Used in) Capital and Related Financing Activities	(53,571)	(482,596)	-	(536,167)
Cash Flows from Investing Activities				
Interest Received on Investments	22	30	-	52
Sale (Purchase) of Investment Securities	-	-	575	575
Net Cash from Investing Activities	22	30	575	627
Net Increase (Decrease) in Cash and Cash Equivalents	(6,750)	(115,142)	(767)	(122,659)
Cash and Cash Equivalents Beginning of Period	53,087	176,654	767	230,508
Cash and Cash Equivalents End of Period	\$ 46,337	\$ 61,512	\$ -	\$ 107,849
Reconciliation to Statement of Net Position				
Cash and Cash Equivalents	\$ 46,337	\$ 61,512	\$ -	\$ 107,849
Restricted Cash and Cash Equivalents	-	-	-	-
Total	\$ 46,337	\$ 61,512	\$ -	\$ 107,849
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating Income (Loss)	\$ 30,534	\$ 17,938	\$ (2,884)	\$ 45,588
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:				
Cash from Operating Activities:				
Depreciation	18,568	233,598	-	252,166
Changes in Assets and Liabilities:				
Receivables	-	(27,398)	-	(27,398)
Prepays	(2,914)	(4,287)	-	(7,201)
Accounts Payable	(353)	7,781	1,542	8,970
Accrued Payroll	227	367	-	594
Net Pension Liability	737	4,425	-	5,162
Net Cash Provided (Used in) by Operating Activities	\$ 46,799	\$ 232,424	\$ (1,342)	\$ 277,881
Noncash Items				
Change in Investment in MSCPA	-	-	-	-
Prior Period Adjustment (See Note 15)	(19,214)	(115,285)	-	(134,499)
Total	\$ (19,214)	\$ (115,285)	\$ -	\$ (134,499)

City of Marshall
Combining Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Agency		
	Current Tax	Payroll	Total Agency Funds
ASSETS			
Cash and Cash Equivalents	\$ 28,650	\$ 25,483	\$ 54,133
Accounts Receivable	116,022	--	116,022
<i>Total Assets</i>	144,672	25,483	25,483
LIABILITIES			
Undistributed Receipts	144,672	25,483	170,155
<i>Total Liabilities</i>	144,672	25,483	170,155
NET POSITION			
Held in Trust	\$ --	\$ --	\$ --

City of Marshall
Combined Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2015

Current Tax

	June 30, 2014	Additions	Deductions	June 30, 2015
ASSETS				
Cash and Cash Equivalents	\$ 2,314	\$ 11,772,800	\$ 11,746,464	\$ 28,650
Accounts Receivable	116,289	35,506	35,773	116,022
Total Assets	118,603	11,808,306	11,782,237	144,672
LIABILITIES				
Undistributed Receipts	118,603	11,808,306	11,782,237	144,672
Total Liabilities	\$ 118,603	\$ 11,808,306	\$ 11,782,237	\$ 144,672

Payroll

	June 30, 2014	Additions	Deductions	June 30, 2015
ASSETS				
Cash and Cash Equivalents	\$ 27,016	\$ 2,491,176	\$ 2,492,709	\$ 25,483
Total Assets	27,016	2,491,176	2,492,709	25,483
LIABILITIES				
Undistributed Receipts	27,016	2,491,176	2,492,709	25,483
Total Liabilities	\$ 27,016	\$ 2,491,176	\$ 2,492,709	\$ 25,483

Total

	June 30, 2014	Additions	Deductions	June 30, 2015
ASSETS				
Cash and Cash Equivalents	\$ 29,330	\$ 14,263,976	\$ 14,239,173	\$ 54,133
Accounts Receivable	116,289	35,506	35,773	116,022
Total Assets	145,619	14,299,482	14,274,946	170,155
LIABILITIES				
Undistributed Receipts	145,619	14,299,482	14,274,946	170,155
Total Liabilities	\$ 145,619	\$ 14,299,482	\$ 14,274,946	\$ 170,155

City of Marshall
Statement of Net Position and Downtown Development Authority Fund Balance
Component Unit - Downtown Development Authority (DDA)
June 30, 2015

	<u>Governmental Fund Type</u>		<u>Statement of Net Position</u>
	<u>DDA</u>	<u>Adjustments</u>	
ASSETS			
<i>Current Assets</i>			
Cash and Cash Equivalents	\$ 16,623	\$ --	\$ 16,623
Investments	94,017	--	94,017
Prepays	1,396	--	1,396
Total Current Assets	<u>112,036</u>	<u>--</u>	<u>112,036</u>
<i>Noncurrent Assets</i>			
Restricted Cash and Cash Equivalents	1,680	--	1,680
Total Assets	<u>113,716</u>	<u>--</u>	<u>113,716</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension	--	639	639
Total Deferred Outflows of Resources	<u>--</u>	<u>639</u>	<u>639</u>
LIABILITIES			
<i>Current Liabilities</i>			
Accounts Payable	788	--	788
Accrued Payroll	1,010	--	1,010
Accrued Interest	--	1,753	1,753
Current Portion of Long-term Debt	--	45,000	45,000
Unearned Revenue	26,420	--	26,420
Total Current Liabilities	<u>28,218</u>	<u>46,753</u>	<u>74,971</u>
<i>Noncurrent Liabilities</i>			
Net Pension Liability	--	9,708	9,708
Long-term Debt	--	105,000	105,000
Total Liabilities	<u>28,218</u>	<u>161,461</u>	<u>189,679</u>
FUND BALANCE			
<i>Debt Service</i>	1,680	(1,680)	--
<i>Unrestricted</i>	83,818	(83,818)	--
Total Fund Balance	<u>\$ 85,498</u>	<u>\$ (85,498)</u>	<u>\$ --</u>
NET POSITION			
<i>Debt Service</i>		1,680	1,680
<i>Unrestricted</i>		(77,004)	(77,004)
Total Net Position		<u>\$ (75,324)</u>	<u>\$ (75,324)</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, 2015

	Governmental Fund Type		Statement of Net Position
	DDA	Adjustments	
Expenses			
Community Development	\$ 171,471	\$ 335	\$ 171,806
Debt Service - Principal	310,000	(310,000)	--
Debt Service - Interest	22,918	(907)	22,011
Total Expenses	504,389	(310,572)	193,817
Program Revenues			
Charges for services	--	--	--
Operating grants and contributions	57,214	--	57,214
Capital grants and contributions	--	--	--
Total Program Revenues	57,214	--	57,214
Net Program Revenues (Expenses)	(447,175)	310,572	(136,603)
General Revenue			
Property Taxes	170,752	--	170,752
Investment Earnings	775	--	775
Total General Revenues	171,527	--	171,527
Change in Fund Balance / Net Position	(275,648)	310,572	34,924
<i>Fund Balance / Net Position at Beginning of Period</i>	361,146	(259,632)	101,514
<i>Prior Period Adjustment (See Note 18)</i>	--	--	(8,734)
<i>Fund Balance / Net Position at Beginning of Period - Restated</i>	361,146	(471,394)	(110,248)
Fund Balance / Net Position at End of Period	\$ 85,498	\$ (160,822)	\$ (75,324)

City of Marshall
Statement of Net Position and Local Development Finance Authority Fund Balance
Component Unit - Local Development Finance Authority (LDFA)
June 30, 2015

	<u>Governmental Fund Type</u>		<u>Statement of Net Position</u>
	<u>LDFA</u>	<u>Adjustments</u>	
ASSETS			
<i>Current Assets</i>			
Cash and Cash Equivalents	\$ 2,864	\$ --	\$ 2,864
Investments	2,113,455	--	2,113,455
Total Current Assets	<u>2,116,319</u>	<u>--</u>	<u>2,116,319</u>
<i>Noncurrent Assets</i>			
Capital Assets not being Depreciated	--	500,000	500,000
Total Assets	<u>2,116,319</u>	<u>500,000</u>	<u>2,616,319</u>
LIABILITIES			
<i>Current Liabilities</i>			
Accounts Payable	23,451	--	23,451
Accrued Interest	--	9,600	9,600
Current Portion of Long-term Debt	--	85,000	85,000
Total Current Liabilities	<u>23,451</u>	<u>94,600</u>	<u>118,051</u>
<i>Noncurrent Liabilities</i>			
Long-term Debt	--	835,000	835,000
Total Liabilities	<u>23,451</u>	<u>929,600</u>	<u>953,051</u>
FUND BALANCE			
Net Investment in Capital Assets	--	--	--
<i>Unrestricted</i>	2,092,868	(2,092,868)	--
Total Fund Balance	<u>\$ 2,092,868</u>	<u>\$ (2,092,868)</u>	<u>\$ --</u>
NET POSITION			
Net Investment in Capital Assets		500,000	500,000
<i>Unrestricted</i>		1,163,268	1,163,268
Total Net Position		<u>\$ 1,663,268</u>	<u>\$ 1,663,268</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, 2015

	Governmental Fund Type		Statement of Net Position
	LDFA	Adjustments	
Expenses			
Community Development	\$ 262,114	\$ 665	\$ 262,779
Debt Service - Principal	85,000	(85,000)	--
Debt Service - Interest	41,715	(829)	40,886
Total Expenses	388,829	(85,164)	303,665
General Revenue			
Property Taxes	411,865	--	411,865
Investment Earnings	7,179	--	7,179
Total General Revenues	419,044	--	419,044
Change in Fund Balance / Net Position	30,215	85,164	115,379
<i>Fund Balance / Net Position at Beginning of Period</i>	2,062,653	(514,764)	1,547,889
<i>Fund Balance / Net Position at End of Period</i>	\$ 2,092,868	\$ (429,600)	\$ 1,663,268

City of Marshall
Statement of Net Position and Economic Development Corporation Fund Balance
Component Unit - Economic Development Corporation (EDC)
June 30, 2015

	<u>Governmental Fund Type</u>		<u>Statement of Net Position</u>
	<u>EDC</u>	<u>Adjustments</u>	
ASSETS			
<i>Current Assets</i>			
Cash and Cash Equivalents	\$ 9,774	\$ --	\$ 9,774
Total Assets	<u>9,774</u>	<u>--</u>	<u>9,774</u>
LIABILITIES			
<i>Current Liabilities</i>			
<i>Noncurrent Liabilities</i>			
Total Liabilities	<u>--</u>	<u>--</u>	<u>--</u>
FUND BALANCE			
Unrestricted	9,774	(9,774)	--
Total Fund Balance	<u>\$ 9,774</u>	<u>\$ (9,774)</u>	<u>\$ --</u>
NET POSITION			
Unrestricted		9,774	9,774
Total Net Position		<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, 2015

	<u>Governmental</u> <u>Fund Type</u>		<u>Statement of Net</u> <u>Position</u>
	<u>EDC</u>	<u>Adjustments</u>	
General Revenue			
Investment Earnings	56	--	56
<i>Total General Revenues</i>	<u>56</u>	<u>--</u>	<u>56</u>
<i>Change in Fund Balance / Net Position</i>	56	--	56
<i>Fund Balance / Net Position at Beginning of Period</i>	9,718	--	9,718
<i>Fund Balance / Net Position at End of Period</i>	<u>\$ 9,774</u>	<u>\$ --</u>	<u>\$ 9,774</u>

**DIAL A RIDE TRANSPORTATION FUND
TRANSIT SCHEDULES**

City of Marshall
Dial-A-Ride Fund
Schedule 1 - Schedule of Operating Revenues
For the Year Ended June 30, 2015

	<u>Jul. 1, 2014 to Sep. 30, 2014</u>	<u>Oct. 1, 2014 to Jun. 30, 2015</u>	<u>Total</u>
Local Revenues			
Demand Response (Farebox)	\$ 11,138	\$ 42,965	\$ 54,103
Advertising	-	2,725	2,725
Tax Levy	92,097	(215)	91,882
Contributions from Local Units	19,205	2,500	21,705
Interest and Other Income	22	132	154
Total Local Revenues	<u>\$ 122,462</u>	<u>\$ 48,107</u>	<u>\$ 170,569</u>

City of Marshall
Dial-A-Ride Fund
Schedule 1A - Schedule of Operating Revenues
For the Year Ended September 30, 2014

	<u>Oct. 1, 2013 to Jun. 30, 2014</u>	<u>Jul. 1, 2014 to Sep. 30, 2014</u>	<u>Total</u>
Local Revenues			
Demand Response (Farebox)	\$ 38,987	\$ 11,138	\$ 50,125
Advertising	5,500	-	5,500
Tax Levy	(141)	92,097	91,956
Contributions from Local Units	-	19,205	19,205
Interest and Other Income	191	22	213
Total Local Revenues	<u>\$ 44,537</u>	<u>\$ 122,462</u>	<u>\$ 166,999</u>

City of Marshall
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2015

Federal Grantor / Pass Through Grantor Program Title	Federal CFDA Number	State Grantor Number	Program or Award Amount	Current Year Revenues			Prior Year's Expended
				Total	Federal	State	
Michigan Department of Transportation (MDOT)							
Local Bus Operating Assistance (Act 51)		2012-0128	\$ 1,715	\$ -	\$ -	\$ 1,715	\$ 121,068
Local Bus Operating Assistance (Act 51)		2013-0128	2,433	-	-	2,433	134,361
Local Bus Operating Assistance (Act 51)		2014-0128	(4,114)	-	-	(4,114)	148,318
Local Bus Operating Assistance (Act 51)		2015-0128	39,213	-	39,213	-	105,920
Local Bus Operating Assistance (Act 51)		2016-0128	125,574	-	125,574	-	-
Total State Assistance			<u>164,821</u>	<u>-</u>	<u>164,787</u>	<u>34</u>	<u>509,667</u>
U.S. Department of Transportation							
Passed Through MDOT							
Operating Grant - Section 5311							
Operating Assistance (FY 12)	20.509	12-0128 / P1	\$ 67,779	-	-	-	59,795
Operating Assistance (FY 13)	20.509	13-0128 / P1	60,129	-	-	-	47,829
Operating Assistance (FY 14)	20.509	12-0128 / P4	59,646	27,182	27,182	-	33,281
Operating Assistance (FY 15)	20.509	12-0128 / P6	72,599	47,537	47,537	-	-
Capital Grant - Section 5311 - FY 2014 capital	20.509	12-0128/P5	65,052	65,052	65,052	-	-
Capital Grant - Section 5311 - FY 2010 capital	20.509	07-0253 / Z10	35,000	-	-	-	17,741
Total Federal Assistance			<u>\$ 360,205</u>	<u>139,771</u>	<u>139,771</u>	<u>-</u>	<u>158,646</u>
Total State & Federal Assistance			<u>\$ 304,592</u>	<u>\$ 139,771</u>	<u>\$ 164,787</u>	<u>\$ 34</u>	<u>\$ 668,313</u>

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

	<u>Jul. 1, 2014 to Sep. 30, 2014</u>	<u>Oct. 1, 2014 to Jun. 30, 2015</u>	<u>Total</u>
Michigan Department of Transportation			
Local Bus Operating (Act 51)	\$ 39,213	\$ 125,574	\$ 164,787
Prior Year Settlement	(1,372)	1,406	34
Federal Transit Administration			
Section 5311 - Operating	17,711	57,008	74,719
Section 5311 - Capital	-	65,052	65,052
RTAP reimbursements	-	-	-
Prior Year Settlement	-	-	-
Total	<u>\$ 55,552</u>	<u>\$ 249,040</u>	<u>\$ 304,592</u>

City of Marshall
Dial-A-Ride Fund
Schedule 2B - Schedule of Federal & State Awards
For the Year Ended September 30, 2014

	<u>Oct. 1, 2013 to Jun. 30, 2014</u>	<u>Jul. 1, 2014 to Sep. 30, 2014</u>	<u>Total</u>
Michigan Department of Transportation			
Local Bus Operating (Act 51)	\$ 109,596	\$ 37,841	\$ 147,437
Federal Transit Administration			
Section 5311 - Operating	37,409	17,711	55,120
RTAP Reimbursements	1,221	-	1,221
Prior Year Settlement	-	-	-
Total	<u>\$ 148,226</u>	<u>\$ 55,552</u>	<u>\$ 203,778</u>

City of Marshall
Dial-A-Ride Fund
Schedule 3A - Operating Expenses
For the Year Ended June 30, 2015

	July 1, 2014 to Sept. 30, 2014	Oct. 1, 2014 to June 30, 2015	Total
Expenses			
Labor	\$ 41,432	\$ 164,109	\$ 205,541
Fringe Benefits	21,374	61,403	82,777
Services	6,226	7,506	13,732
Materials & Supplies	17,217	21,415	38,632
Utilities	79	373	452
Insurance	47	3,666	3,713
Taxes and Fees	-	10	10
Operating Lease and Rentals	3,745	16,047	19,792
Miscellaneous	132	2,897	3,029
Depreciation	10,685	38,530	49,215
Total Expenses	\$ 100,937	\$ 315,956	\$ 416,893

City of Marshall
Dial-A-Ride Fund
Schedule 3B - Operating Expenses
For the Year Ended September 30, 2014

	Oct. 1, 2013 to June 30, 2014	July 1, 2014 to Sept. 30, 2014	Total
Expenses			
Labor	\$ 155,785	\$ 41,432	\$ 197,217
Fringe Benefits	57,991	21,374	79,365
Services	9,521	6,226	15,747
Materials & Supplies	36,212	17,217	53,429
Utilities	340	79	419
Insurance	4,471	47	4,518
Taxes and Fees	192	-	192
Operating Lease and Rentals	8,976	3,745	12,721
Miscellaneous	7,000	132	7,132
Depreciation	36,576	10,685	47,261
Total Expenses	\$ 317,064	\$ 100,937	\$ 418,001

City of Marshall
Dial-A-Ride Fund
Schedule 5 - Operating Assistance Calculation
For the Year Ended September 30, 2014

	Nonurban
Total Expenses	\$ 418,001
Less Ineligible Expenses	
Depreciation	47,261
Prior Year Settlements	34,898
Total Ineligible Expenses per R&E Manual	82,159
Total State Eligible Expenses	335,842
Eligible Expenses for State Reimbursement	335,842
Reimbursement Rate	39.30%
State Operating Assistance	131,986
Total Federal Eligible Expenses	
State Eligible Expense (per above)	335,842
Less: Additional Federal Ineligible Expenses per A-87 - Audit Costs	150
Eligible Expenses for Federal Reimbursement	335,692
Reimbursement Rate	16.00%
Federal Operating Assistance	\$ 53,711

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

	<u>Operations</u>	<u>Maintenance</u>	<u>General & Administrative</u>	<u>Total System</u>
Operating Expenses				
Labor				
Salaries & Wages	\$ 194,887	\$ 91	\$ 10,563	\$ 205,541
Fringe Benefits	46,853	19	808	47,680
Pension	16,857	-	-	16,857
Other Postemployment Benefits	18,240	-	-	18,240
Services				
Audit	150	-	213	363
Advertising	414	-	349	763
Other Services	5,442	5,782	1,382	12,606
Materials & Supplies Consumed				
Fuel & Lubricants	21,311	-	-	21,311
Other Materials & Supplies	4,102	12,422	797	17,321
Insurance	3,713	-	-	3,713
Taxes & Fees	10	-	-	10
Utilities	452	-	-	452
Miscellaneous	2,995	-	34	3,029
Operating Leases & Rentals	9,881	1,252	8,659	19,792
Depreciation	49,215	-	-	49,215
Total Operating Expenses	\$ 374,522	\$ 19,566	\$ 22,805	\$ 416,893

City of Marshall
Dial-A-Ride Fund
Nonurban Regular Service Revenue Report
For the Year Ended June 30, 2015

Revenues

Demand Response (Farebox)	\$ 54,103
Advertising	2,725
Tax Levy	91,882
Contributions from Local Units	21,705
State Operating Assistance	164,821
Federal Section 5311	74,719
Federal Capital	65,052
Interest Income	154
<i>Total Revenues</i>	<u>\$ 475,161</u>

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

	Miles	Hours
Demand Response		
First Quarter (7/1/14 to 9/30/14)	13,943	1,914
Second Quarter (10/1/14 to 12/31/14)	17,954	2,033
Third Quarter (1/1/15 to 3/31/15)	20,076	2,090
Fourth Quarter (4/1/15 to 6/30/15)	19,996	2,046
Total	71,969	8,083

**City of Marshall
Dial-A-Ride Fund
Schedule of Nonfinancial Information
For the Year Ended September 30, 2014**

	Miles	Hours
Demand Response		
First Quarter (10/1/13 to 12/31/13)	15,240	1,891
Second Quarter (1/1/14 to 3/31/14)	15,539	1,897
Third Quarter (4/1/14 to 6/30/14)	15,479	1,987
Fourth Quarter (7/1/14 to 9/30/14)	13,943	1,914
Total	60,201	7,689

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.

Contents	Table
Financial Trends	
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
Revenue Capacity	
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
Debt Capacity	
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
Demographic and Economic Information	
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
Operating Information	
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

	2006	2007	2008	2009	2010	2011	2012	2013	2014*	2015
Governmental activities										
Net investment in capital assets	\$ 11,541,536	\$ 13,070,336	\$ 13,498,671	\$ 13,738,175	\$ 13,551,965	\$ 13,960,325	\$ 13,632,575	\$ 12,672,273	\$ 15,176,566	18,200,417
Restricted	783,884	834,405	886,955	775,833	793,141	772,879	787,803	2,422,083	2,182,533	4,086,071
Unrestricted	3,976,512	3,798,414	3,477,917	3,267,007	2,769,352	2,239,903	2,174,819	2,155,568	(3,815,329)	(1,947,553)
Total governmental activities net position	\$ 16,301,932	\$ 17,703,155	\$ 17,863,543	\$ 17,781,015	\$ 17,114,458	\$ 16,973,107	\$ 16,595,197	\$ 17,249,924	\$ 13,543,770	\$ 20,338,935
Business-type activities										
Net investment in capital assets	\$ 8,813,593	\$ 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
Restricted	2,142,113	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
Unrestricted	7,955,342	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
Total business-type activities net position	\$ 18,911,048	\$ 21,100,440	\$ 22,494,889	\$ 23,891,336	\$ 25,612,156	\$ 27,064,090	\$ 26,987,660	\$ 25,236,942	\$ 21,827,653	\$ 22,134,963
Total primary government										
Net investment in capital assets	\$ 20,355,129	\$ 21,234,010	\$ 21,894,015	\$ 22,139,402	\$ 21,515,993	\$ 22,339,041	\$ 22,509,264	\$ 19,859,079	\$ 24,588,317	27,739,104
Restricted	2,925,997	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
Unrestricted	11,931,854	13,830,048	13,935,294	14,410,634	15,469,423	16,578,077	14,900,319	14,694,102	5,738,476	9,805,140
Total primary government net position	\$ 35,212,980	\$ 38,803,595	\$ 40,358,432	\$ 41,672,351	\$ 42,726,614	\$ 44,037,197	\$ 43,482,857	\$ 42,486,866	\$ 35,371,423	\$ 42,473,898

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental activities:										
General government	\$ 2,205,257	\$ 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
Public safety	2,605,345	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
Public works	1,612,538	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
Parks and recreation	563,411	600,926	615,280	644,071	484,408	623,244	599,982	591,491	588,463	593,371
Community/economic development	127,156	127,613	130,930	182,485	138,669	151,077	167,198	148,806	154,714	202,552
Interest on long-term debt	261,514	233,111	226,164	158,971	325,155	135,294	121,582	178,430	138,467	318,524
Subtotal governmental activities	7,375,221	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
Business-type activities:										
Electric	12,003,051	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
Wastewater	1,262,020	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
Water	1,302,087	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
Public transit	422,032	444,809	453,277	428,501	428,624	401,678	385,992	397,214	398,912	416,893
Public housing	530,229	462,856	476,615	442,605	489,195	521,490	584,902	532,270	565,450	618,134
Subtotal business-type activities	15,519,419	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
Total primary government expenses	22,894,640	21,960,203	22,594,966	22,879,564	23,434,192	23,057,042	23,439,321	23,925,289	23,134,313	24,795,900
Program revenues										
Governmental activities:										
Charges for Services:										
General Government	162,753	204,888	208,970	197,666	752,660	1,248,330	1,173,148	362,535	346,127	536,501
Public Safety	-	-	-	-	-	-	-	-	-	56,895
Public Works	-	-	-	-	-	-	-	-	-	82,703
Parks & Recreation	188,574	198,571	214,329	207,941	213,405	212,962	217,355	207,822	209,400	205,607
Community Development	-	-	-	-	-	-	-	-	-	41,429
Operating grants and contributions	1,580,898	1,209,870	1,414,774	1,468,297	1,034,464	1,311,931	1,426,002	1,317,998	1,799,614	3,118,713
Capital grants and contributions	856,460	1,479,263	-	-	-	91,257	-	308,299	28,658	5,935,265
Subtotal governmental activities	2,788,685	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
Business-type activities:										
Charges for Services, Grants and Contributions										
Electric	13,220,626	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
Wastewater	1,240,336	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
Water	1,601,947	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
Public transit	281,598	280,490	250,762	397,758	481,598	259,904	299,264	240,024	291,195	383,125
Public housing	630,096	614,970	601,102	613,620	622,401	553,654	562,688	563,818	565,867	618,300
Subtotal business-type activities	16,974,603	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
Total primary government program revenues	\$ 19,763,288	\$ 20,590,725	\$ 19,354,717	\$ 19,656,320	\$ 19,827,591	\$ 19,793,957	\$ 18,633,603	\$ 18,253,539	\$ 20,160,815	\$ 27,702,953
Net (expense)/revenues										
Governmental activities	\$ (4,586,536)	\$ (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
Business-type activities	1,455,184	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
Total primary government net (expenses) revenues	\$ (3,131,352)	\$ (1,369,478)	\$ (3,240,249)	\$ (3,223,244)	\$ (3,606,601)	\$ (3,263,085)	\$ (4,805,718)	\$ (5,671,750)	\$ (2,973,498)	\$ 2,907,053

continued...

CITY OF MARSHALL, MICHIGAN

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

Table A-2

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General revenues and other changes										
Governmental activities:										
Property taxes	\$ 3,521,909	\$ 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
Grants and contributions not restricted to specific programs	740,388	739,026	728,344	726,066	625,155	610,106	639,043	627,376	645,432	653,948
Unrestricted investment earnings	219,181	329,126	280,872	129,880	16,266	3,148	11,760	8,912	6,890	19,120
Gain (Loss) on Sale of Capital Assets	-	-	-	-	-	72,609	70,729	2,937	46,366	(278,809)
Transfers	713,913	647,787	778,264	785,066	239,794	237,808	236,925	1,143,440	1,235,502	1,276,620
Subtotal governmental activities	<u>5,195,391</u>	<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>
Business-type activities:										
Property Taxes	104,800	105,500	103,253	103,966	107,787	102,461	99,887	94,849	94,396	91,882
Unrestricted investment earnings	141,671	249,373	225,278	64,325	265,514	49,650	29,323	970,211	21,691	22,111
Gain (Loss) on Sale of Capital Assets	-	-	-	-	6,580	247,959	-	(178,079)	-	14,471
Transfers	(713,913)	(647,787)	(778,264)	(785,066)	(239,794)	(237,808)	(236,925)	(1,143,440)	(1,235,502)	(1,276,620)
Subtotal business-type activities	<u>(467,442)</u>	<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>
Total primary government general revenues	<u>4,727,949</u>	<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>
Change in net position										
Governmental activities	608,855	1,401,223	160,388	(82,529)	(666,557)	(141,351)	(377,905)	233,717	1,006,917	6,795,165
Business-type activities	987,742	2,189,392	1,394,449	1,396,447	1,720,820	1,451,664	(176,430)	(1,027,095)	602,598	307,310
Total primary government change in net position	<u>\$ 1,596,597</u>	<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>

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015*
General Fund										
Nonspendable	\$ 137,110	\$ 124,525	\$ 61,904	\$ 116,527	\$ 39,487	\$ 38,530	\$ 105,373	\$ 77,186	\$ 33,049	44,757
Restricted	-	-	-	-	-	-	-	-	-	1,778,715
Committed	1,258,908	699,290	547,464	547,464	524,796	560,089	560,089	560,089	735,594	163,014
Unassigned	832,871	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
Total general fund	\$ 2,228,889	\$ 2,073,044	\$ 1,945,140	\$ 1,925,829	\$ 1,879,857	\$ 2,252,495	\$ 2,370,824	\$ 2,829,533	\$ 1,608,444	\$ 4,626,660
All Other Governmental Funds										
Nonspendable	21,747	26,014	11,391	24,202	14,728	475,731	487,746	327,004	328,494	360,458
Restricted	436,474	348,628	216,585	169,060	1,257,545	559,297	643,073	2,115,425	1,854,039	1,946,898
Committed	1,122,926	1,082,486	1,076,114	1,032,080	76,528	212,824	201,989	152,197	265,120	140,250
Total all other governmental funds	\$ 1,581,147	\$ 1,457,128	\$ 1,304,090	\$ 1,225,342	\$ 1,348,801	\$ 1,247,852	\$ 1,332,808	\$ 2,594,626	\$ 2,447,653	\$ 2,447,606

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenue										
Property taxes	\$ 3,521,909	\$ 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
Licenses and permits	70,485	48,432	45,530	34,633	35,117	61,282	41,394	50,050	104,559	123,507
Intergovernmental	2,431,164	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
Charges for services	247,093	309,405	340,362	320,646	339,129	350,782	387,488	391,519	350,833	357,153
Fines and forfeitures	48,892	45,622	37,407	50,328	69,736	66,186	113,861	128,788	100,135	56,895
Investment earnings	182,791	261,553	230,538	113,413	20,180	16,594	32,037	16,883	13,761	19,120
Other	765,934	385,879	315,111	657,492	292,871	597,100	346,975	500,974	720,855	456,372
Total revenue	7,268,268	6,580,389	6,254,294	6,226,308	5,763,343	5,904,346	6,040,466	5,884,780	6,782,572	14,322,880
Expenditures										
General government	2,066,117	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
Public safety	2,900,999	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
Public works	848,198	887,699	910,778	829,809	778,047	868,755	891,416	834,956	829,025	1,385,688
Highways and streets	250,564	314,659	549,865	400,635	305,912	227,098	182,133	181,679	283,544	-
Community development	85,585	85,999	86,488	137,716	96,799	106,995	121,126	103,562	99,855	191,161
Culture and recreation	455,813	479,857	481,232	474,752	351,566	480,477	461,359	460,439	463,674	463,145
Debt service:										
Principal	557,838	569,227	596,847	596,746	402,231	417,580	439,073	364,905	355,000	495,000
Interest and other charges	239,096	243,062	228,691	189,560	323,817	146,302	118,213	101,660	122,391	239,424
Bond Issuance Costs	-	-	-	-	-	-	-	58,020	-	37,275
Capital outlay	279,808	917,498	455,236	507,626	71,039	257,219	335,312	528,865	2,973,015	10,606,331
Total expenditures	7,684,018	7,483,420	7,290,010	7,082,970	5,894,184	5,934,290	6,275,626	7,159,165	9,401,193	17,944,889
Revenues over (under) expenditures	(415,750)	(903,031)	(1,035,716)	(856,662)	(130,841)	(29,944)	(235,160)	(1,274,385)	(2,618,621)	(3,622,009)
Other financing sources (uses)										
Issuance of bonds	181,422	-	-	-	-	63,825	-	1,825,000	-	5,325,000
Premium on bonds	-	-	-	-	-	-	-	26,472	-	173,558
Sale of capital assets	22,000	-	-	-	-	-	201,520	-	15,057	-
Transfers in	978,282	796,696	838,995	1,106,856	413,969	575,216	514,153	1,355,328	1,438,770	1,661,141
Transfers out	(335,119)	(173,529)	(84,221)	(348,253)	(205,641)	(337,408)	(277,228)	(211,888)	(203,268)	(519,521)
Total other financing sources (uses)	846,585	623,167	754,774	758,603	208,328	301,633	438,445	2,994,912	1,250,559	6,640,178
Net change in fund balance	\$ 430,835	\$ (279,864)	\$ (280,942)	\$ (98,059)	\$ 77,487	\$ 271,689	\$ 203,285	\$ 1,720,527	\$ (1,368,062)	\$ 3,018,169
Debt service as a percentage of noncapital expenditures	12.06%	14.12%	13.74%	13.58%	14.24%	11.03%	10.35%	7.64%	8.02%	11.18%

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 Direct Tax Rate
		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	
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
2004	2006	128,860,671	304,965,140	54,412,699	134,264,686	52,837,180	140,677,200	1,771,780	3,612,800	237,882,330	583,519,826	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**

Fiscal Year Ended June 30,	City Direct Rates				Overlapping Rates								
	City	Leaf, Brush and Trash Pickup	Dial -A Ride	Recreation	Marshall Public Schools	State Education Tax	Calhoun County Intermediate School Dist.	County	Marshall Library	Kellogg Community College	Marshall Ambulance Authority	Total Homestead	Total Non-Homestead
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
2005	15.4629	-	0.4840	0.8165	23.5947	6.0000	6.2057	6.3713	2.1411	3.7106	0.5000	47.2868	65.2868

Source: City of Marshall Finance Department

CITY OF MARSHALL, MICHIGAN

Table B-3

Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2015			2006		
	(1) Taxable Valuation	Rank	% of Total City Taxable Value	(1) Taxable Valuation	Rank	% of Total City Taxable Value
Tenneco	\$ 19,963,504	1	9.09%	\$ 7,761,900	3	3.26%
Auto Cam Corp.	5,631,400	2	2.56%	6,476,559	5	2.72%
Consumers Energy	3,711,951	3	1.69%	-	-	-
Borg Warner	2,897,979	4	1.32%	-	-	-
Stelmi America	1,858,426	5	0.85%	-	-	-
Joseph Campbell	1,740,257	6	0.79%	9,525,355	1	4.00%
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	0.60%	-	-	-
Walden Pond Inv.	1,173,750	10	0.53%	-	-	-
Lear Technologies	-	-	-	8,403,600	2	3.53%
Eaton Corporation	-	-	-	6,555,898	4	2.76%
State Farm Insurance	-	-	-	6,451,083	6	2.71%
Marshall Brass Co.	-	-	-	4,411,317	7	1.85%
Marshall Hotels LLC	-	-	-	3,207,437	8	1.35%
Sheridan-McClellan Apt.	-	-	-	2,423,480	9	1.02%
Agree limited (K-Mart)	-	-	-	2,381,937	10	1.00%
	<u>\$ 40,989,494</u>		<u>18.66%</u>	<u>\$ 57,598,566</u>		<u>24.21%</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
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%
2006	3,988,808	3,961,657	99.32%	19,680	3,981,337	99.81%

(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**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
General obligation bonds	\$ 4,865,000	\$ 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
Installment contracts	895,421	771,193	639,346	497,600	355,369	146,532	598,552	460,920	350,567	237,024
Insurance premium/discount(net)	(177,179)	(151,586)	(140,015)	(128,434)	(116,854)	(105,271)	(93,690)	30,900	28,963	193,642
Total governmental activities	5,583,242	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
Business-type activities										
General obligation bonds	4,255,000	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
Revenue bonds	3,720,000	1,535,001	1,235,001	990,001	740,000	680,000	620,000	555,000	490,000	420,000
Installment contracts	1,123,300	1,084,143	1,040,678	996,075	947,070	720,000	720,000	720,000	-	-
Insurance premium/discount (net)	3,717	(52,181)	(26,594)	(24,669)	(22,743)	(20,819)	(18,894)	82,262	74,470	66,677
Total business-type activities	9,102,017	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
Total primary government outstanding debt	\$ 14,685,259	\$ 14,346,570	\$ 13,128,416	\$ 11,820,573	\$ 12,012,842	\$ 10,675,442	\$ 10,180,968	\$ 14,819,082	\$ 12,864,000	\$ 16,957,343
Ratio of total debt to taxable value	3.74%	3.65%	3.22%	2.91%	4.81%	4.52%	4.47%	6.78%	5.86%	6.77%
Total population	7,459	7,459	7,459	7,459	7,088	7,088	7,088	7,088	7,088	7,088
Total debt per capita	\$ 1,969	\$ 1,923	\$ 1,760	\$ 1,585	\$ 1,695	\$ 1,506	\$ 1,436	\$ 2,091	\$ 1,815	\$ 2,392
% of personal income	66.68%	65.14%	48.27%	43.46%	44.16%	39.25%	37.43%	53.43%	46.39%	61.15%
Personal Income per capita	\$ 22,023	\$ 22,023	\$ 27,200	\$ 27,200	\$ 27,200	\$ 27,200	\$ 27,200	\$ 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**

Year	Governmental General Obligation Bonds	Business-type General Obligation Bonds	Total	Amounts Available in Debt Service Funds	Net General Bonded Debt Outstanding	% of Total Personal Income	% of Actual Taxable Value of Property	Per Capita
2015	\$ 8,698,642	\$ 7,601,677	\$ 16,300,319	\$ -	\$ 16,300,319	9.04%	7.63%	2,317.03
2014	3,703,963	8,319,470	12,023,433	(9,404)	12,014,029	6.66%	5.47%	1,707.75
2013	4,060,900	9,022,262	13,083,162	(29,365)	13,053,797	7.23%	5.98%	1,854.23
2012	2,446,310	5,796,106	8,242,416	(108,631)	8,133,785	4.48%	3.57%	1,147.54
2011	2,744,729	6,384,181	9,128,910	(123,823)	9,005,087	4.96%	3.82%	1,270.83
2010	3,033,146	6,937,257	9,970,403	(123,779)	9,846,624	5.99%	3.95%	1,320.10
2009	3,306,566	6,030,331	9,336,897	(123,458)	9,213,439	5.61%	3.84%	1,235.21
2008	3,774,985	6,438,406	10,213,391	(124,484)	10,088,907	6.14%	4.26%	1,352.58
2007	4,248,404	6,707,819	10,956,223	(134,602)	10,821,621	6.59%	4.46%	1,450.81
2006	4,687,821	4,258,717	8,946,538	(135,671)	8,810,867	5.36%	3.70%	1,181.24

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, 2015**

		<u>Gross Amount Outstanding</u>	<u>Self-Supporting or Paid by Benefited Entity</u>	<u>Net Amount Outstanding</u>
Direct debt				
General obligation bonds (1)		\$8,698,842	\$ -	\$ 8,698,842
Installment contracts		237,024	-	237,024
		<u> </u>	<u> </u>	<u> </u>
Net direct debt		<u>\$ 8,935,866</u>	<u>\$ -</u>	<u>8,935,866</u>
Overlapping debt				
	City Share of Debt (2)			
Marshall School District	43.20%	50,560,000		21,841,920
Calhoun County	5.86%	20,697,200		1,212,856
Marshall District Library	39.56%	180,000		71,208
Kellogg Community College	5.88%	8,730,000		513,324
				<u>23,639,308</u>
Net overlapping debt				<u>23,639,308</u>
Net direct and overlapping debt				<u>\$ 32,575,174</u>

(1) Governmental activity debt only

(2) Based on Taxable Value of the City of Marshall (\$213,548,973) 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 2015

Assessed value (including IFT values)	<u>\$ 250,588,600</u>
Debt limit (10% of assessed value)	25,058,860
Less: net debt applicable to limit	<u>(16,957,343)</u>
Legal debt margin	<u>\$ 8,101,517</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>
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%
2006	29,175,991	14,685,258	14,490,733	50.33%

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>
Water Revenue Bonds (3)					
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
2006	1,605,934	760,370	845,564	61,569	13.73
Sewer Revenue Bonds (4)					
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
2008	1,353,120	896,492	456,628	204,182	2.24
2007	1,238,268	781,399	456,869	304,799	1.50
2006	1,240,615	768,797	471,818	309,523	1.52
Electric Revenue Bonds (5)					
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
2006	12,742,648	11,324,075	1,418,573	93,329	15.20

(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**

Year	Population	(1) Total Personal Income (in thousands)	Per Capita Personal Income	(2) Unemployment Rate
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%
2006	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 6/30/2015.

Sources:

United State Census - Quick Facts Marshall (City)

CITY OF MARSHALL, MICHIGAN

Table D-2

Principal Employers
Current Year and Nine Years Ago

Employer	2015			2006		
	Employees	Rank	Percentage of Total	Employees	Rank	Percentage of Total
Oaklawn Hospital	972	1	18.19%	644	1	12.91%
Tenneco Auto.	740	2	13.85%	427	5	8.56%
Marshall Schools	270	3	5.05%	185	6	3.71%
Eaton Auto.	223	4	4.17%	467	4	9.36%
Marshall Excelsior	190	5	3.56%	*		
Michigan Kitchen Distributors	140	6	2.62%	*		
Oaklawn Medical Group	126	7	2.36%	*		
Medilodge of Marshall	107	8	2.00%	*		
Autocam Corp.	89	9	1.67%	99	10	1.99%
City of Marshall	86	10	1.61%	97	11	1.95%
Tribal Manuf.	85	11	1.59%	*		
Progressive Dynamics				104	9	2.09%
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>3,028</u>		<u>56.67%</u>	<u>3,449</u>		<u>69.16%</u>
Estimated total city employment	<u>5,343</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**

Function/Program	Full Time Equivalent Employees as of June 30									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government	10.0	10.00	9.0	8.0	7.5	7.4	7.1	6.7	10.0	14.5
Community & Economic Development	3.0	2.50	2.0	2.0	1.6	1.6	1.6	1.1	1.2	-
Public Safety (Police & Fire)	27.5	26.00	24.0	22.0	21.0	21.0	22.0	21.0	21.0	21.0
Transportation	5.0	4.50	4.0	3.5	3.1	3.1	3.1	3.0	3.0	3.0
Public Works										
Streets & Roads	9.3	8.00	7.5	7.0	6.8	6.7	6.7	6.4	9.0	11.0
Electric	11.3	12.00	14.0	17.0	19.3	19.3	19.4	21.7	20.7	16.4
Wastewater	6.0	6.50	7.0	7.0	7.3	7.3	6.2	7.3	7.3	9.5
Water	6.6	6.50	6.5	6.5	6.5	6.6	6.6	6.6	6.6	6.6
Parks and Recreation	4.0	4.00	4.0	4.0	4.0	3.0	3.0	3.0	3.3	4.0
Total	83	80	78	77	77	76	76	77	82	86

Source: City of Marshall Human Resources Department

CITY OF MARSHALL, MICHIGAN

Table E-2

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

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Election Data (Even Election Years)										
Registered Voters	5,551	-	5,673	-	5,303	-	5,460	-	5,452	5,544
Voters (at the polls or absentee) [November Elections]	2,741	-	3,575	-	2,502	-	3,444	-	2,331	N/A
Percent Participating	49.4%	-	63.0%	-	47.2%	-	63.1%	-	42.8%	N/A
Police										
Traffic citations	*	*	*	*	*	1,478	2,254	614	614	920
Arrests	601	630	815	696	745	835	959	688	701	525
Crime Rate (U.S. Ave 297.7)	203.7	271.8	241.0	241.0	160.0	170.2	136.1	136.1	136.1	169.6
Calls for service	10,440	10,212	12,671	10,802	5,256 (1)	6,438	5,189	4,886	4,886	6,947
Community & Economic Development										
Building Inspections Performed	664	459	370	473	454	398	456	1,188	207	172
Building Permits Issued	75	75	77	63	83	79	80	121	118	75
Dollar Value of Building Permits Issued (e)	\$ 500,000	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
Public Services										
Energy Billed (kwh)	116,474,094	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
Water Pumped (gallons)	484,753,408	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
Water Treated (gallons)	522,916,000	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
Expenditures on Major Street const. & preser	233,766	246,552	208,567	321,913	167,097	162,097	134,120	298,409	311,912	368,205
Expenditures on Local Street const. & preser	196,019	254,442	429,463	196,644	236,251	236,251	300,161	293,215	673,732	234,230
Recreation										
Programs Offered	75	73	87	71	80	61	56	55	63	71
Youth Participation in Rec. Activity	6,559	3,845	2,887	3,567	3,529	2,372	2,380	2,521	1,833	1,854
Adult Participation in Rec. Activity	3,027	2,329	3,823	1,865	2,038	2,204	1,850	1,895	1,811	1,619
Senior Participation in Rec. Activity	5,085	4,248	1,951	2,802	3,529	1,321	127	50	55	46
Family Participatiopin in Rec. Activity	1,243	1,189	1,679	1,058	559	1,704	1,705	1,504	1,645	1,747

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 2 Fiscal Years**

Function/Program	2015 *	2014
Police		
Police department building	1	1
Vehicle patrol units	7	7
Fire (1)		
Number of stations serving City	1	1
Fire units serving City:		
Fire engines	2	1
Ladder trucks	1	1
Rescue vehicles	1	1
Brush trucks	1	1
Boats		
Public Works		
City streets:		
Miles of major streets	14.38	14.38
Miles of local streets	25.76	25.70
Miles of Trunkline	16.00	16.00
Miles of sidewalks	34.00	34.00
Number of Street Lights	1375	1375
Sewer:		
Miles of sanitary mains	49.40	49.35
Miles of storm sewers	38.10	38.05
Treatment capacity	2.62/mgd	2.62/mgd
Water:		
Miles of water mains	59.10	59.07
Number of fire hydrants	496.00	496.00
Treatment capacity	3.86/mgd	3.86/mgd
Parks and Recreation		
Parks:		
City	6	6
Skate	1	1
Park acreage	235	235
Play structures	3	2
Pavilions	4	4
Adult Softball Fields	2	2
Youth Softball Fields	2	2
Sand Volleyball Courts	3	3

* This is the second 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

October 30, 2015

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 discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Marshall for the year ended June 30, 2015. 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 July 8, 2015. 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. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2015. We noted no transactions entered into by the governmental unit 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 estimates affecting the City of Marshall'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 plans are based on historical trends and industry standards.

We evaluated key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

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 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, professional standards define a disagreement with management as 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 October 30, 2015.

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 governmental unit'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 governmental unit'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, schedules of funding progress, 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 the combining and individual fund financial statements and schedules, 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 the introductory or statistical sections, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Communication Regarding Internal Control

In planning and performing our audit of 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 as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable

possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

Restriction on Use

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

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 firm.

Gabridge & Company, PLC
Grand Rapids, MI