



Year Ended
June 30, 2013

Financial
Statements

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CITY OF MARSHALL, MICHIGAN

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INDEPENDENT AUDITORS' REPORT

November 21, 2013

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* (the "City") as of and for the year ended June 30, 2013, 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.

Independent Auditors' 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 City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Marshall, Michigan, as of June 30, 2013 and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the schedules of funding progress and employer contributions for the pension and other postemployment benefit 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's basic financial statements. The combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Restatement

As described in Note 20 to the financial statements, beginning net position of governmental activities, business-type activities, electric, wastewater, water, DART, and Marshall House enterprise funds, motor pool internal service fund and LDFA component unit were restated for the effects of a correction due to an error in the accounting for capital assets that occurred when the City switched software systems.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF MARSHALL, MICHIGAN

Management's Discussion and Analysis

As management of the City of Marshall, Michigan, 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, 2013. We encourage readers to consider the information presented here in conjunction with the basic financial statements.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$42,486,866 (net position). Of this amount, \$14,694,102 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position decreased by \$793,378.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,424,159, an increase of \$1,720,527 in comparison with the prior year. Approximately 40.0 percent of this total amount, or \$2,192,258, 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 \$2,192,258 or 34.1% of total general fund revenues and other financing sources.

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).

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, highways and streets, parks and recreation and community development. The business-type activities of the City include electric, wastewater, water, public transit, solid waste collection, and affordable senior citizen 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.

CITY OF MARSHALL, MICHIGAN

Management's Discussion and Analysis

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, housing and other operations. 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. Because these services predominantly benefit governmental rather than business type functions, they 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, water, Dial-A-Ride, and public housing (Marshall House) funds, which are considered to be major funds of the City. Conversely, all of the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

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.

CITY OF MARSHALL, MICHIGAN

Management's Discussion and Analysis

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 of Marshall, assets and deferred outflows of resources exceeded liabilities by \$42,486,866 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (46.4 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.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 7,007,584	\$ 5,258,905	\$21,022,602	\$19,376,765	\$28,030,186	\$24,635,670
Capital assets, net	17,107,554	17,157,129	17,435,192	15,664,851	34,542,746	32,821,980
Total assets	<u>24,115,138</u>	<u>22,416,034</u>	<u>38,457,794</u>	<u>35,041,616</u>	<u>62,572,932</u>	<u>57,457,650</u>
Deferred outflows of resources	86,539	98,521	48,876	56,075	135,415	154,596
Long-term liabilities	4,753,654	3,394,556	10,512,626	7,391,549	15,266,280	10,786,105
Other liabilities	2,198,099	2,103,792	2,757,102	1,442,105	4,955,201	3,545,897
Total liabilities	<u>6,951,753</u>	<u>5,498,348</u>	<u>13,269,728</u>	<u>8,833,654</u>	<u>20,221,481</u>	<u>14,332,002</u>
Net position:						
Net investment in capital assets	12,672,273	14,112,267	7,186,806	8,528,745	19,859,079	22,641,012
Restricted	2,422,083	787,803	5,511,602	5,285,471	7,933,685	6,073,274
Unrestricted	2,155,568	2,116,137	12,538,534	12,449,821	14,694,102	14,565,958
Total net position	<u>\$17,249,924</u>	<u>\$17,016,207</u>	<u>\$25,236,942</u>	<u>\$26,264,037</u>	<u>\$42,486,866</u>	<u>\$43,280,244</u>

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

An additional portion of the City's net position of \$7,933,685 (18.7 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 \$14,694,102 (34.6 percent) to meet its ongoing obligations to citizens and creditors.

The government's net position decreased by \$793,378 during the current fiscal year as compared to an decrease of \$756,953 for the prior year. The current year decrease in net position reflects the extent by which accrual basis expenses exceeded revenues, including depreciation on governmental capital assets and infrastructure.

CITY OF MARSHALL, MICHIGAN

Management's Discussion and Analysis

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Program revenues:						
Charges for services	\$ 570,357	\$ 1,390,503	\$15,604,981	\$15,247,070	\$16,175,338	\$16,637,573
Operating grants	1,317,998	1,426,002	448,604	554,956	1,766,602	1,980,958
Capital grants	308,299	-	3,300	15,072	311,599	15,072
General revenues:						
Property taxes	3,352,166	3,400,641	94,849	99,887	3,447,015	3,500,528
Grants and contributions not restricted to specific programs	627,376	639,043	-	-	627,376	639,043
Other	11,849	82,489	792,132	29,323	803,981	111,812
Total revenues	6,188,045	6,938,678	16,943,866	15,946,308	23,131,911	22,884,986
Expenses:						
General government	1,536,135	1,555,379	-	-	1,536,135	1,555,379
Public safety	2,662,719	2,675,567	-	-	2,662,719	2,675,567
Public works	1,980,187	1,954,109	-	-	1,980,187	1,954,109
Parks and recreation	591,491	599,987	-	-	591,491	599,987
Community development	148,806	167,198	-	-	148,806	167,198
Interest on long-term debt	178,430	180,263	-	-	178,430	180,263
Electric	-	-	13,118,049	12,814,048	13,118,049	12,814,048
Wastewater	-	-	1,453,850	1,473,051	1,453,850	1,473,051
Water	-	-	1,326,138	1,257,605	1,326,138	1,257,605
Public transit	-	-	397,214	379,829	397,214	379,829
Public housing	-	-	532,270	584,903	532,270	584,903
Total expenses	7,097,768	7,132,503	16,827,521	16,509,436	23,925,289	23,641,939
Change in net position before transfers	(909,723)	(193,825)	116,345	(563,128)	(793,378)	(756,953)
Transfers	1,143,440	236,925	(1,143,440)	(236,925)	-	-
Change in net position	233,717	43,100	(1,027,095)	(800,053)	(793,378)	(756,953)
Net position:						
Beginning of year, as restated	17,016,207	16,973,107	26,264,037	27,064,090	43,280,244	44,037,197
End of year	<u>\$17,249,924</u>	<u>\$17,016,207</u>	<u>\$25,236,942</u>	<u>\$26,264,037</u>	<u>\$42,486,866</u>	<u>\$43,280,244</u>

Governmental activities. Governmental activities increased the City's net position by \$233,717 (as compared to a prior year increase of \$43,100).

Business-type activities. Business-type activities decreased the City's net position by \$1,027,095 as compared to an increase of \$800,053 the prior year.

CITY OF MARSHALL, MICHIGAN

Management's Discussion and Analysis

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 \$5,424,159, an increase of \$1,720,527 in comparison with the prior year. Approximately 40.0% of this total amount (\$2,192,258) 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 \$2,192,258, while the total fund balance was \$2,829,533. As a measure of the general fund's liquidity, it is useful to compare unassigned fund balance to total general fund revenues. Unassigned fund balance represents 34.1 percent of total general fund revenues and other financing sources. As a measure of fiscal stability (when examining the City's ability to maintain public services if a major revenue source is disrupted), the ratio of unassigned fund balance is 36.7 percent of expenditures and transfers out.

It should also be noted that the City has a long-standing policy to maintain a cash reserve of \$500,000 committed for working capital. This amount is included in the committed portion of the total fund balance.

The fund balance of the City's general fund increased by \$458,709 during the current fiscal year, which was \$529,486 more than the total operating deficit that was authorized in the final amended budget (and \$512,815 more than the original budget).

The City has seen a reduction in its overall taxable valuation due to the market decline in property values and a few industrial businesses closing.

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 \$10,793,654. The fund had a decrease in net position for the year of \$1,083,336 as compared to a decrease of \$269,956 in the prior year.

The wastewater fund reported unrestricted net position at the end of the year of \$358,685. For the year, the fund had an increase in net position of \$55,585 as compared to an increase of \$96,433 in the prior year.

The water fund reported unrestricted net position at the end of the year of \$876,380. For the year, the fund had an increase in net position of \$44,149 as compared to an increase of \$24,273 in the prior year.

The Dial-A-Ride fund reported unrestricted net position at the end of the year of \$99,246. For the year, the fund had a decrease in net position of \$69,667 as compared to an increase of \$14,155 in the prior year.

The Marshall House fund reported unrestricted net position at the end of the year of \$481,800. For the year, the fund had an increase in net position of \$32,400 as compared to a decrease of \$17,819 in the prior year.

CITY OF MARSHALL, MICHIGAN

Management's Discussion and Analysis

General Fund Budgetary Highlights

For the year, general fund budgetary estimates for revenues, expenditures and other financing sources and uses differed from actual, resulting in a net increase in fund balance that was \$529,486 more than anticipated in the final amended budget.

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, 2013, amounted to \$34,542,746 (net of accumulated depreciation). This investment in capital assets includes land, improvements, buildings, system, vehicles, equipment, and streets. Net capital assets for governmental activities decreased .3%, and for business-type activities increased by 11%. Overall, total net capital assets for the City increased 5.0%.

	Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 2,078,822	\$ 2,018,823	\$ 159,838	\$ 159,838	\$ 2,238,660	\$ 2,178,661
Construction in progress	320,158	-	2,740,149	-	3,060,307	-
Land improvements	2,100,678	2,096,404	442,303	457,780	2,542,981	2,554,184
Buildings	3,183,407	3,330,625	2,375,757	2,618,288	5,559,164	5,948,913
Vehicles	1,341,988	1,479,951	226,678	273,212	1,568,666	1,753,163
Equipment	775,783	915,935	1,887,422	1,988,922	2,663,205	2,904,857
Systems	-	-	9,603,045	10,166,811	9,603,045	10,166,811
Infrastructure	7,306,718	7,315,391	-	-	7,306,718	7,315,391
Total capital assets, net	<u>\$17,107,554</u>	<u>\$17,157,129</u>	<u>\$17,435,192</u>	<u>\$15,664,851</u>	<u>\$34,542,746</u>	<u>\$32,821,980</u>

Additional information on the City's capital assets can be found in Note 8 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$13,525,000. Of this amount, \$12,970,000 is comprised of debt backed by the full faith and credit of the government. The remainder of the City's bonded debt represents bonds secured solely by specified revenue sources.

	General Obligation and Revenue Bonds					
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 4,030,000	\$ 2,540,000	\$ 8,940,000	\$ 5,815,000	\$12,970,000	\$ 8,355,000
Revenue bonds	-	-	555,000	620,000	555,000	620,000
Total	<u>\$ 4,030,000</u>	<u>\$ 2,540,000</u>	<u>\$ 9,495,000</u>	<u>\$ 6,435,000</u>	<u>\$13,525,000</u>	<u>\$ 8,975,000</u>

The City's total bonded debt increased by \$4,550,000 during the current fiscal year due to the issuance of \$5,615,000 in general obligation bonds.

The following chart depicts the City's credit rating for the various outstanding debt by Standard & Poors:

Electric revenue bonds	BBB+
General obligation limited tax bonds	A+
General obligation unlimited tax bonds	A+

CITY OF MARSHALL, MICHIGAN

Management's Discussion and Analysis

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total state equalized valuation. The current debt limitation for the City is \$24,554,808 which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in Note 11 of this report.

Economic Factors and Next Year's Budget and Rates

The following factors were considered in preparing the City's budget for the next fiscal year:

- Developed target-based budgets within the context of the forecasted revenues;
- Flat in state shared revenue;
- Slight increase in property tax revenues; and
- Expenditure increases generally limited to inflation with a dramatically reduced capital project program.

During the current fiscal year, the unassigned fund balance in the general fund increased by \$486,896 to \$2,192,258. The City has not appropriated any fund balance for fiscal 2013-14 planned expenditures.

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.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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CITY OF MARSHALL, MICHIGAN

Statement of Net Position

June 30, 2013

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 2,195,251	\$ 3,971,128	\$ 6,166,379	\$ 211,693
Investments	4,386,237	681,806	5,068,043	1,921,396
Receivables	204,327	745,986	950,313	5,429
Internal balances	71,231	(71,231)	-	-
Inventories, prepaid items and other assets	150,538	990,945	1,141,483	275
Investment in MSCPA	-	9,192,366	9,192,366	-
Restricted cash and cash equivalents	-	5,511,602	5,511,602	244,818
Capital assets not being depreciated	2,398,980	2,899,987	5,298,967	500,000
Capital assets being depreciated, net	14,708,574	14,535,205	29,243,779	40,790
Total assets	24,115,138	38,457,794	62,572,932	2,924,401
Deferred outflows of resources				
Deferred charge on refunding	86,539	48,876	135,415	-
Liabilities				
Accounts payable and accrued expenses	460,138	2,442,042	2,902,180	3,910
Accrued interest payable	38,848	86,087	124,935	13,321
Unearned revenue	32,384	228,973	261,357	-
Net other postemployment benefit obligation	1,666,729	-	1,666,729	-
Long-term liabilities:				
Due within one year	535,353	813,842	1,349,195	125,000
Due in more than one year	4,218,301	9,698,784	13,917,085	1,465,000
Total liabilities	6,951,753	13,269,728	20,221,481	1,607,231
Net position				
Net investment in capital assets	12,672,273	7,186,806	19,859,079	540,790
Restricted for:				
Highways and streets	1,870,473	5,511,602	7,382,075	244,818
Drug law enforcement	12,572	-	12,572	-
Cemetery perpetual care and operations	539,038	-	539,038	-
Unrestricted	2,155,568	12,538,534	14,694,102	531,562
Total net position	\$ 17,249,924	\$ 25,236,942	\$ 42,486,866	\$ 1,317,170

The accompanying notes are an integral part of these financial statements.

CITY OF MARSHALL, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2013

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 1,536,135	\$ 362,535	\$ 757,237	\$ 308,299	\$ (108,064)
Public safety	2,662,719	-	1,198	-	(2,661,521)
Public works	1,980,187	-	559,563	-	(1,420,624)
Parks and recreation	591,491	207,822	-	-	(383,669)
Community development	148,806	-	-	-	(148,806)
Interest on long-term debt	178,430	-	-	-	(178,430)
Total governmental activities	7,097,768	570,357	1,317,998	308,299	(4,901,114)
Business-type activities:					
Electric	13,118,049	12,271,455	-	-	(846,594)
Wastewater	1,453,850	1,471,223	77,274	2,000	96,647
Water	1,326,138	1,429,791	-	1,300	104,953
Public transit	397,214	58,952	181,072	-	(157,190)
Public housing	532,270	373,560	190,258	-	31,548
Total business-type activities	16,827,521	15,604,981	448,604	3,300	(770,636)
Total primary government	\$ 23,925,289	\$ 16,175,338	\$ 1,766,602	\$ 311,599	\$ (5,671,750)
Component units					
Community development	\$ 762,569	\$ -	\$ 344,956	\$ -	\$ (417,613)

continued...

CITY OF MARSHALL, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2013

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net expense	\$ (4,901,114)	\$ (770,636)	\$ (5,671,750)	\$ (417,613)
General revenues:				
Property taxes	3,352,166	94,849	3,447,015	699,616
Grants and contributions not restricted to specific programs	627,376	-	627,376	-
Unrestricted investment earnings	8,912	970,211	979,123	9,378
Gain (loss) on sale of capital assets	2,937	(178,079)	(175,142)	-
Transfers - internal activities	1,143,440	(1,143,440)	-	-
Total general revenues and transfers	5,134,831	(256,459)	4,878,372	708,994
Change in net position	233,717	(1,027,095)	(793,378)	291,381
Net position, beginning of year, as restated	17,016,207	26,264,037	43,280,244	1,025,789
Net position, end of year	\$ 17,249,924	\$ 25,236,942	\$ 42,486,866	\$ 1,317,170

concluded.

The accompanying notes are an integral part of these financial statements.

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FUND FINANCIAL STATEMENTS

CITY OF MARSHALL, MICHIGAN

Balance Sheet

Governmental Funds
June 30, 2013

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 169,052	\$ 1,825,930	\$ 1,994,982
Investments	2,676,631	860,899	3,537,530
Accounts receivable	101,857	9,143	111,000
Interfund receivable	53,864	-	53,864
Due from other governments	-	93,327	93,327
Inventories	-	17,972	17,972
Prepaid items	77,186	2,374	79,560
Total assets	\$ 3,078,590	\$ 2,809,645	\$ 5,888,235
Liabilities			
Accounts payable	\$ 113,130	\$ 213,404	\$ 326,534
Accrued liabilities	103,543	1,615	105,158
Unearned revenue	32,384	-	32,384
Total liabilities	249,057	215,019	464,076
Fund balances			
Nonspendable for:			
Inventories	-	17,972	17,972
Prepaid items	77,186	2,374	79,560
Cemetery perpetual care	-	306,658	306,658
Restricted for:			
Highways and streets	-	1,870,473	1,870,473
Drug law enforcement	-	12,572	12,572
Cemetery operations	-	232,380	232,380
Committed for:			
Working capital reserve	500,000	-	500,000
Fire truck replacement	58,000	-	58,000
Scholarships	2,089	-	2,089
Highways and streets	-	62,131	62,131
Special projects	-	73,860	73,860
Debt service	-	16,206	16,206
Unassigned	2,192,258	-	2,192,258
Total fund balances	2,829,533	2,594,626	5,424,159
Total liabilities and fund balances	\$ 3,078,590	\$ 2,809,645	\$ 5,888,235

The accompanying notes are an integral part of these financial statements.

CITY OF MARSHALL, MICHIGAN

Reconciliation

Fund Balances for Governmental Funds
to Net Position of Governmental Activities
June 30, 2013

Fund balances - total governmental funds	\$ 5,424,159
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets	29,132,316
Accumulated depreciation	(14,026,099)
Internal service funds are used by management to charge the costs of certain equipment usage to individual governmental funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	
Net position of governmental internal service funds	2,551,191
Portion of internal service funds cumulative net operating loss attributed to business-type funds activities	71,231
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Net other postemployment benefit obligation	(1,666,729)
Bonds and installment contracts payable	(4,030,000)
Premium on bonds	(30,900)
Unamortized deferred loss on refunding	86,539
Accrued interest on bonds and installment contracts payable	(29,968)
Compensated absences	(231,816)
Net position of governmental activities	<u>\$ 17,249,924</u>

The accompanying notes are an integral part of these financial statements.

CITY OF MARSHALL, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2013

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property taxes	\$ 3,352,166	\$ -	\$ 3,352,166
Licenses and permits	50,050	-	50,050
Intergovernmental	844,667	599,733	1,444,400
Charges for services	384,468	7,051	391,519
Fines and forfeitures	119,732	9,056	128,788
Investment earnings	13,233	3,650	16,883
Other	438,726	62,248	500,974
Total revenues	5,203,042	681,738	5,884,780
Expenditures			
Current expenditures:			
General government	1,846,530	126,368	1,972,898
Public safety	2,549,093	3,088	2,552,181
Public works	834,956	-	834,956
Highways and streets	-	181,679	181,679
Community development	103,562	-	103,562
Culture and recreation	460,439	-	460,439
Debt service:			
Principal	25,000	339,905	364,905
Interest and fiscal charges	4,365	97,295	101,660
Bond issuance costs	4,259	53,761	58,020
Capital outlay	118,920	409,945	528,865
Total expenditures	5,947,124	1,212,041	7,159,165
Revenues under expenditures	(744,082)	(530,303)	(1,274,385)
Other financing sources (uses)			
Issuance of long-term debt	145,000	1,680,000	1,825,000
Premium on issuance of long-term debt	1,926	24,546	26,472
Transfers in	1,087,753	267,575	1,355,328
Transfers out	(31,888)	(180,000)	(211,888)
Total other financing sources (uses)	1,202,791	1,792,121	2,994,912
Net change in fund balances	458,709	1,261,818	1,720,527
Fund balances, beginning of year	2,370,824	1,332,808	3,703,632
Fund balances, end of year	\$ 2,829,533	\$ 2,594,626	\$ 5,424,159

The accompanying notes are an integral part of these financial statements.

CITY OF MARSHALL, MICHIGAN

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2013

Net change in fund balances - total governmental funds \$ 1,720,527

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	700,137
Depreciation expense	(808,665)
Capital contributions	308,299

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Proceeds from issuance of long-term debt	(1,825,000)
Bond premium	(26,472)
Principal payments on long-term liabilities	364,905
Net amortization of premiums and issuance costs on bonds	(11,581)

Internal service funds are used by management to charge the costs of certain equipment usage to individual governmental funds. The net revenue (expense) attributable to those funds is reported with governmental activities.

Net operating loss from governmental activities in internal service funds	(11,339)
Interest revenue from governmental internal service funds	3,610
Gain on sale of capital assets from governmental internal service funds	2,937
Interest expense from governmental internal service funds	(14,188)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Change in net other postemployment benefit obligation	(183,618)
Change in accrued interest payable on bonds	(4,562)
Change in the accrual for compensated absences	18,727

Change in net position of governmental activities \$ 233,717

The accompanying notes are an integral part of these financial statements.

CITY OF MARSHALL, MICHIGAN

Statement of Revenues, Expenditures, and Changes in Fund Balances

Budget and Actual - General Fund
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 3,282,035	\$ 3,347,635	\$ 3,352,166	\$ 4,531
Licenses and permits	33,600	38,200	50,050	11,850
Intergovernmental	776,429	811,729	844,667	32,938
Charges for services	365,338	365,588	384,468	18,880
Fines and forfeitures	63,320	88,320	119,732	31,412
Investment earnings	12,020	12,020	13,233	1,213
Other	299,843	370,843	438,726	67,883
Total revenues	4,832,585	5,034,335	5,203,042	168,707
Expenditures				
General government:				
Council	3,777	3,757	2,610	(1,147)
Manager	120,350	120,287	121,969	1,682
Assessor	77,529	77,279	78,703	1,424
Attorney	55,000	60,000	88,385	28,385
Human resources	62,536	62,477	58,511	(3,966)
Clerk-Treasurer	292,532	292,377	261,328	(31,049)
City hall	85,550	85,161	74,764	(10,397)
Chapel	2,825	2,825	1,154	(1,671)
Other city property	41,350	47,050	184,556	137,506
Cemetery	187,885	200,951	163,416	(37,535)
Airport	165,029	175,028	174,932	(96)
Compost	58,503	67,714	48,364	(19,350)
Non-departmental	400,906	518,904	587,838	68,934
Total general government	1,553,772	1,713,809	1,846,530	132,721
Public safety:				
Police	1,493,600	1,489,267	1,421,839	(67,428)
Fire	785,469	809,637	810,931	1,294
Dispatch	201,934	201,934	228,654	26,720
Inspection / code enforcement	90,163	84,657	74,292	(10,365)
Crossing guards	12,053	15,539	13,377	(2,162)
Total public safety	2,583,219	2,601,034	2,549,093	(51,941)
Public works:				
Streets	668,987	806,069	720,357	(85,712)
Public services building	108,977	108,746	97,694	(11,052)
Engineering	19,777	19,196	16,905	(2,291)
Total public works	797,741	934,011	834,956	(99,055)

continued...

CITY OF MARSHALL, MICHIGAN

Statement of Revenues, Expenditures, and Changes in Fund Balances

Budget and Actual - General Fund
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (concluded)				
Community development:				
Community development	\$ 14,556	\$ 14,556	\$ 7,311	\$ (7,245)
Planning	92,261	87,692	96,251	8,559
Total community development	<u>106,817</u>	<u>102,248</u>	<u>103,562</u>	<u>1,314</u>
Culture and recreation:				
Parks	90,222	84,472	81,122	(3,350)
Recreation	410,629	410,247	379,317	(30,930)
Total culture and recreation	<u>500,851</u>	<u>494,719</u>	<u>460,439</u>	<u>(34,280)</u>
Debt service:				
Principal	15,000	15,000	25,000	10,000
Interest and fiscal charges	4,365	4,365	4,365	-
Bond issuance costs	-	-	4,259	4,259
Total debt service	<u>19,365</u>	<u>19,365</u>	<u>33,624</u>	<u>14,259</u>
Capital outlay	<u>193,758</u>	<u>253,758</u>	<u>118,920</u>	<u>(134,838)</u>
Total expenditures	<u>5,755,523</u>	<u>6,118,944</u>	<u>5,947,124</u>	<u>(171,820)</u>
Revenues under expenditures	<u>(922,938)</u>	<u>(1,084,609)</u>	<u>(744,082)</u>	<u>340,527</u>
Other financing sources (uses)				
Issuance of long-term debt	-	-	145,000	145,000
Premium on issuance of long-term debt	-	-	1,926	1,926
Transfers in	1,158,672	1,168,672	1,087,753	(80,919)
Transfers out	(289,840)	(154,840)	(31,888)	(122,952)
Total other financing sources (uses)	<u>868,832</u>	<u>1,013,832</u>	<u>1,202,791</u>	<u>(56,945)</u>
Net change in fund balance	(54,106)	(70,777)	458,709	529,486
Fund balance, beginning of year	<u>2,370,824</u>	<u>2,370,824</u>	<u>2,370,824</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,316,718</u>	<u>\$ 2,300,047</u>	<u>\$ 2,829,533</u>	<u>\$ 529,486</u>

concluded.

The accompanying notes are an integral part of these financial statements.

CITY OF MARSHALL, MICHIGAN

Statement of Net Position

Proprietary Funds

June 30, 2013

	Business-type Activities - Enterprise Funds			
	Electric	Wastewater	Water	DART
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,621,889	\$ 1,181,260	\$ 952,614	\$ -
Investments	17,342	232,182	3	113,518
Accounts receivable	456,408	55,470	99,611	32
Inventories	817,128	67,661	81,992	-
Prepaid items	13,036	3,109	3,994	3,835
Total current assets	<u>2,925,803</u>	<u>1,539,682</u>	<u>1,138,214</u>	<u>117,385</u>
Noncurrent assets:				
Restricted cash and cash equivalents	2,916,844	1,436,059	1,158,699	-
Capital assets, net	4,000,409	4,956,017	7,891,772	229,256
Long term special assessments receivable	134,465	-	-	-
Investment in MSCPA	9,192,366	-	-	-
Total noncurrent assets	<u>16,244,084</u>	<u>6,392,076</u>	<u>9,050,471</u>	<u>229,256</u>
Total assets	<u>19,169,887</u>	<u>7,931,758</u>	<u>10,188,685</u>	<u>346,641</u>
Deferred outflows of resources				
Deferred charge on refunding	-	29,601	19,275	-
Liabilities				
Current liabilities:				
Accounts payable	1,021,262	1,111,018	173,051	3,957
Accrued payroll	47,128	14,839	13,033	6,691
Accrued interest payable	15,653	25,131	45,303	-
Interfund payable	-	-	-	481
Unearned revenue	228,973	-	-	-
Current portion of:				
Compensated absences	36,491	7,502	7,612	1,753
Contracts payable	-	-	-	-
Bonds payable	100,000	213,585	446,415	-
Total current liabilities	<u>1,449,507</u>	<u>1,372,075</u>	<u>685,414</u>	<u>12,882</u>
Noncurrent liabilities:				
Compensated absences	109,473	22,507	22,835	5,257
Contracts payable	-	720,000	-	-
Bonds payable	1,085,960	3,227,073	4,504,229	-
Total noncurrent liabilities	<u>1,195,433</u>	<u>3,969,580</u>	<u>4,527,064</u>	<u>5,257</u>
Total liabilities	<u>2,644,940</u>	<u>5,341,655</u>	<u>5,212,478</u>	<u>18,139</u>
Net position				
Net investment in capital assets	2,814,449	824,960	2,960,403	229,256
Restricted for debt service	2,916,844	1,436,059	1,158,699	-
Unrestricted	10,793,654	358,685	876,380	99,246
Total net position	<u>\$ 16,524,947</u>	<u>\$ 2,619,704</u>	<u>\$ 4,995,482</u>	<u>\$ 328,502</u>

The accompanying notes are an integral part of these financial statements.

Business-type Activities - Enterprise Funds		Governmental Activities -
Marshall House	Total	Internal Service Funds
\$ 215,846	\$ 3,971,609	\$ 199,788
318,761	681,806	848,707
-	611,521	-
-	966,781	-
190	24,164	53,006
<u>534,797</u>	<u>6,255,881</u>	<u>1,101,501</u>
-	5,511,602	-
357,738	17,435,192	2,001,337
-	134,465	-
-	9,192,366	-
<u>357,738</u>	<u>32,273,625</u>	<u>2,001,337</u>
<u>892,535</u>	<u>38,529,506</u>	<u>3,102,838</u>
-	48,876	-
46,291	2,355,579	25,871
4,772	86,463	2,575
-	86,087	8,880
-	481	53,383
-	228,973	-
484	53,842	18
-	-	110,353
-	760,000	-
<u>51,547</u>	<u>3,571,425</u>	<u>201,080</u>
1,450	161,522	-
-	720,000	350,567
-	8,817,262	-
<u>1,450</u>	<u>9,698,784</u>	<u>350,567</u>
<u>52,997</u>	<u>13,270,209</u>	<u>551,647</u>
357,738	7,186,806	1,540,417
-	5,511,602	-
481,800	12,609,765	1,010,774
<u>\$ 839,538</u>	<u>\$ 25,308,173</u>	<u>\$ 2,551,191</u>

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CITY OF MARSHALL, MICHIGAN

Reconciliation

Net Position of Enterprise Funds
to Net Position of Business-type Activities
June 30, 2013

Net position - total enterprise funds	\$ 25,308,173
Amounts reported for <i>business-type activities</i> in the statement of net position are different because:	
Internal service funds are used by management to charge the costs of certain services to individual governmental and business-type funds. The net revenue (expense) of the internal service funds are allocated to governmental and business-type activities.	
Cumulative portion of internal service funds net operating loss attributed to business-type funds	<u>(71,231)</u>
Net position of business-type activities	<u><u>\$ 25,236,942</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF MARSHALL, MICHIGAN

Statement of Revenues, Expenses, and Changes in Fund Net Position

Proprietary Funds
For the Year Ended June 30, 2013

	Business-type Activities - Enterprise Funds		
	Electric	Wastewater	Water
Operating revenues			
Charges for services	\$ 12,203,193	\$ 1,463,175	\$ 1,422,367
Other	68,262	8,048	7,424
Total operating revenues	12,271,455	1,471,223	1,429,791
Operating expenses			
Personal services	1,772,624	539,272	528,459
Materials and supplies	158,393	125,826	80,118
Purchased power	9,079,737	113,306	35,965
Contractual	211,225	115,451	11,768
Insurance	51,680	22,467	7,207
Maintenance	3,225	4,106	287
Administration	7,852	627	2,057
Other expense	323,877	140,774	186,746
Depreciation	440,001	277,269	279,064
Total operating expenses	12,048,614	1,339,098	1,131,671
Operating income (loss)	222,841	132,125	298,120
Nonoperating revenues (expenses)			
Intergovernmental subsidies	-	77,274	-
Property taxes	-	-	-
Investment earnings	956,803	6,017	5,454
Change in investment in MSCPA	(1,006,100)	-	-
Gain (loss) on sale of capital assets	(180,730)	-	-
Interest expense	(56,554)	(115,603)	(193,109)
Total nonoperating revenues (expenses)	(286,581)	(32,312)	(187,655)
Income (loss) before contributions and transfers	(63,740)	99,813	110,465
Capital contributions	-	2,000	1,300
Transfers out	(1,019,596)	(46,228)	(67,616)
Change in net position	(1,083,336)	55,585	44,149
Net position, beginning of year, as restated	17,608,283	2,564,119	4,951,333
Net position, end of year	\$ 16,524,947	\$ 2,619,704	\$ 4,995,482

The accompanying notes are an integral part of these financial statements.

Business-type Activities - Enterprise Funds			Governmental Activities -
DART	Marshall House	Total	Internal Service Funds
\$ 58,952	\$ -	\$ 15,147,687	\$ 803,661
-	373,560	457,294	5,511
<u>58,952</u>	<u>373,560</u>	<u>15,604,981</u>	<u>809,172</u>
272,342	157,873	3,270,570	88,126
34,450	11,260	410,047	229,803
-	116,193	9,345,201	-
1,842	115,256	455,542	49,232
4,394	9,667	95,415	29,144
7,387	48,528	63,533	34,983
12,460	-	22,996	-
17,395	13,391	682,183	51,620
47,271	60,837	1,104,442	343,829
<u>397,541</u>	<u>533,005</u>	<u>15,449,929</u>	<u>826,737</u>
<u>(338,589)</u>	<u>(159,445)</u>	<u>155,052</u>	<u>(17,565)</u>
181,072	190,258	448,604	-
94,849	-	94,849	-
350	1,587	970,211	3,610
-	-	(1,006,100)	-
2,651	-	(178,079)	2,937
-	-	(365,266)	(14,188)
<u>278,922</u>	<u>191,845</u>	<u>(35,781)</u>	<u>(7,641)</u>
(59,667)	32,400	119,271	(25,206)
-	-	3,300	-
<u>(10,000)</u>	<u>-</u>	<u>(1,143,440)</u>	<u>-</u>
(69,667)	32,400	(1,020,869)	(25,206)
<u>398,169</u>	<u>807,138</u>	<u>26,329,042</u>	<u>2,576,397</u>
<u>\$ 328,502</u>	<u>\$ 839,538</u>	<u>\$ 25,308,173</u>	<u>\$ 2,551,191</u>

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CITY OF MARSHALL, MICHIGAN

Reconciliation

Change in Net Position of Enterprise Funds
to Change in Net Position of Business-type Activities
For the Year Ended June 30, 2013

Change in net position - total enterprise funds	\$ (1,020,869)
Amounts reported for <i>business-type activities</i> in the statement of activities are different because:	
Internal service funds are used by management to charge the costs of certain services to individual governmental and business-type funds. The net revenue (expense) of the internal service funds are allocated to governmental and business-type activities.	
Net operating loss from internal service funds related to enterprise funds	<u>(6,226)</u>
Change in net position of business-type activities	<u><u>\$ (1,027,095)</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF MARSHALL, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2013

	Business-type Activities - Enterprise Funds		
	Electric	Wastewater	Water
Cash flows from operating activities			
Receipts from customers and users	\$ 12,761,335	\$ 2,666,616	\$ 1,460,301
Receipts from interfund services	-	-	-
Payments to suppliers	(9,578,751)	(562,238)	(167,370)
Payments to employees	(1,883,557)	(538,547)	(527,775)
Payments for interfund services	(7,852)	(627)	(2,057)
Net cash provided by (used in) operating activities	<u>1,291,175</u>	<u>1,565,204</u>	<u>763,099</u>
Cash flows from noncapital financing activities			
Transfers out	(1,019,596)	(46,228)	(67,616)
Intergovernmental subsidies	-	77,274	-
Property taxes	-	-	-
Net cash provided by (used in) noncapital financing activities	<u>(1,019,596)</u>	<u>31,046</u>	<u>(67,616)</u>
Cash flows from capital and related financing activities			
Cash received on sale of capital assets	-	-	-
Proceeds from issuance of debt	-	2,175,000	1,615,000
Principal, interest and fiscal charges on debt	(153,025)	(272,538)	(595,324)
Purchase of capital assets	(365,277)	(1,751,555)	(935,380)
Net cash provided by (used in) capital and related financing activities	<u>(518,302)</u>	<u>150,907</u>	<u>84,296</u>
Cash flows from investing activities			
Purchase of investments	(14,783)	(195,574)	-
Proceeds from investments	-	-	94
Interest received on investments	956,803	6,017	5,454
Net cash provided by (used in) investing activities	<u>942,020</u>	<u>(189,557)</u>	<u>5,548</u>
Net change in cash and cash equivalents	695,297	1,557,600	785,327
Cash and cash equivalents, beginning of year	<u>3,843,436</u>	<u>1,059,719</u>	<u>1,325,986</u>
Cash and cash equivalents, end of year	<u>\$ 4,538,733</u>	<u>\$ 2,617,319</u>	<u>\$ 2,111,313</u>
Reconciliation to statement of net position			
Cash and cash equivalents	\$ 1,621,889	\$ 1,181,260	\$ 952,614
Restricted cash and cash equivalents	2,916,844	1,436,059	1,158,699
	<u>\$ 4,538,733</u>	<u>\$ 2,617,319</u>	<u>\$ 2,111,313</u>

Business-type Activities - Enterprise Funds			Governmental Activities -
DART	Marshall House	Total	Internal Service Funds
\$ 58,920	\$ 373,560	\$ 17,320,732	\$ -
-	-	-	812,057
(67,420)	(396,815)	(10,772,594)	(398,532)
(274,436)	(158,444)	(3,382,759)	(89,365)
(12,460)	-	(22,996)	-
<u>(295,396)</u>	<u>(181,699)</u>	<u>3,142,383</u>	<u>324,160</u>
(10,000)	-	(1,143,440)	-
181,072	190,258	448,604	-
94,849	-	94,849	-
<u>265,921</u>	<u>190,258</u>	<u>(599,987)</u>	<u>-</u>
2,651	-	2,651	2,937
-	-	3,790,000	-
-	-	(1,020,887)	(123,666)
-	-	(3,052,212)	(94,483)
<u>2,651</u>	<u>-</u>	<u>(280,448)</u>	<u>(215,212)</u>
-	(1,369)	(211,726)	(3,610)
14,697	-	14,791	-
350	1,587	970,211	3,610
<u>15,047</u>	<u>218</u>	<u>773,276</u>	<u>-</u>
(11,777)	8,777	3,035,224	108,948
<u>11,777</u>	<u>207,069</u>	<u>6,447,987</u>	<u>90,840</u>
<u>\$ -</u>	<u>\$ 215,846</u>	<u>\$ 9,483,211</u>	<u>\$ 199,788</u>
\$ -	\$ 215,846	\$ 3,971,609	\$ 199,788
-	-	5,511,602	-
<u>\$ -</u>	<u>\$ 215,846</u>	<u>\$ 9,483,211</u>	<u>\$ 199,788</u>

continued...

CITY OF MARSHALL, MICHIGAN

Statement of Cash Flows

Proprietary Funds
For the Year Ended June 30, 2013

	Business-type Activities - Enterprise Funds		
	Electric	Wastewater	Water
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	\$ 222,841	\$ 132,125	\$ 298,120
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation	440,001	277,269	279,064
Changes in assets and liabilities:			
Accounts receivable	489,880	90,230	30,510
Due from other governments	-	20,029	-
Inventories	(12,630)	(39,958)	(2,290)
Prepaid items	(1,136)	(350)	(420)
Accounts payable	36,126	1,085,134	157,431
Accrued payroll	(122,480)	(1,766)	(2,837)
Compensated absences	11,547	2,491	3,521
Due to other governments	(1,947)	-	-
Interfund payable	-	-	-
Unearned revenue	228,973	-	-
Net cash provided by (used in) operating activities	<u>\$ 1,291,175</u>	<u>\$ 1,565,204</u>	<u>\$ 763,099</u>
Noncash items			
Change in investment in MSCPA	\$ (1,006,100)	\$ -	\$ -
Capital contributions	-	2,000	1,300

The accompanying notes are an integral part of these financial statements.



Business-type Activities - Enterprise Funds			Governmental Activities -
DART	Marshall House	Total	Internal Service Funds

\$ (338,589) \$ (159,445) \$ 155,052 \$ (17,565)

47,271	60,837	1,104,442	343,829
(32)	-	610,588	-
-	-	20,029	-
-	-	(54,878)	-
(304)	(15)	(2,225)	(49,637)
(778)	(82,505)	1,195,408	(3,706)
(624)	(478)	(128,185)	(628)
(1,470)	(93)	15,996	(611)
(1,351)	-	(3,298)	-
481	-	481	52,478
-	-	228,973	-

\$ (295,396) \$ (181,699) \$ 3,142,383 \$ 324,160

\$ - \$ - \$ (1,006,100) \$ -
 - - 3,300 -

concluded.

CITY OF MARSHALL, MICHIGAN

■ Statement of Fiduciary Assets and Liabilities

Agency Funds
June 30, 2013

Assets	
Cash and cash equivalents	\$ 40,797
Delinquent taxes receivable	<u>106,545</u>
Total assets	<u>\$ 147,342</u>
Liabilities	
Undistributed receipts	<u>\$ 147,342</u>

The accompanying notes are an integral part of these financial statements.

CITY OF MARSHALL, MICHIGAN

Combining Statement of Net Position

Component Units

June 30, 2013

	Downtown Development Authority	Local Development Finance Authority	Economic Development Corporation	Total
Assets				
Cash and cash equivalents	\$ 153,194	\$ 54,409	\$ 4,090	\$ 211,693
Investments	82,934	1,838,462	-	1,921,396
Accounts receivable	-	-	5,429	5,429
Prepaid items	275	-	-	275
Restricted cash and cash equivalents	88,782	156,036	-	244,818
Capital assets not being depreciated	-	500,000	-	500,000
Capital assets being depreciated, net	-	40,790	-	40,790
Total assets	325,185	2,589,697	9,519	2,924,401
Liabilities				
Accounts payable	1	-	-	1
Accrued liabilities	3,909	-	-	3,909
Accrued interest payable	2,063	11,258	-	13,321
Long-term liabilities:				
Due within one year	40,000	85,000	-	125,000
Due in more than one year	460,000	1,005,000	-	1,465,000
Total liabilities	505,973	1,101,258	-	1,607,231
Net position				
Net investment in capital assets	-	540,790	-	540,790
Restricted for debt service	88,782	156,036	-	244,818
Unrestricted (deficit)	(269,570)	791,613	9,519	531,562
Total net position (deficit)	\$ (180,788)	\$ 1,488,439	\$ 9,519	\$ 1,317,170

The accompanying notes are an integral part of these financial statements.

CITY OF MARSHALL, MICHIGAN

Combining Statement of Activities

Component Units

For the Year Ended June 30, 2013

	Downtown Development Authority	Local Development Finance Authority	Economic Development Corporation	Total
Expenses				
Community development	\$ 509,567	\$ 252,974	\$ 28	\$ 762,569
Program revenues				
Operating grants and contributions	342,056	2,900	-	344,956
Net revenues	167,511	250,074	28	417,613
General revenues				
Property taxes	208,291	491,325	-	699,616
Unrestricted investment earnings	1,461	7,532	385	9,378
Total general revenues	209,752	498,857	385	708,994
Change in net position	42,241	248,783	357	291,381
Net position (deficit), beginning of year	(223,029)	1,239,656	9,162	1,025,789
Net position (deficit), end of year	\$ (180,788)	\$ 1,488,439	\$ 9,519	\$ 1,317,170

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF MARSHALL, MICHIGAN

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CITY OF MARSHALL, MICHIGAN

Notes to Financial Statements

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.

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

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.

CITY OF MARSHALL, MICHIGAN

Notes to Financial Statements

Basis of Presentation

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

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

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

The City reports the following major governmental funds:

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

The 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.

The *Dial-A-Ride transportation (DART) fund* accounts for the operation and maintenance of a local public transportation system.

The *Marshall House fund* accounts for the activities of a lower-income senior citizen housing facility.

CITY OF MARSHALL, MICHIGAN

Notes to Financial Statements

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 insurance activity of the City provided to other departments and funds on a cost reimbursement basis.

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

Measurement Focus / Basis of Accounting

Government-wide, Proprietary and Fiduciary Fund Financial Statements. The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

CITY OF MARSHALL, MICHIGAN

Notes to Financial Statements

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

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues, subject to satisfying any grant program matching provisions.

Assets, Deferred Outflows of Resources, Liabilities and Equity

Deposits and Investments

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

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

Investments are reported at fair value.

Interfund Receivables and Payables

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

Inventories, Prepaid Items and Other Assets

All inventories are valued at cost using the first-in/first-out method. Inventories of governmental funds are recorded as expenditures when purchased.

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

CITY OF MARSHALL, MICHIGAN

Notes to Financial Statements

Restricted Cash and Cash Equivalents

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

Capital Assets

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

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.

Infrastructure acquired or constructed since 1980 has been recorded in the governmental activities of the accompanying statement of net assets.

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

	Years
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 one item that qualifies for reporting in this category, the deferred charge on refunding reported in the government-wide statement of net position. 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.

CITY OF MARSHALL, MICHIGAN

Notes to 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.

Fund Balances

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. *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. *Committed fund balance* is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the City Council. A formal resolution of the City Council is required to establish, modify, or rescind a fund balance commitment. The City currently has no *assigned fund balance* as the City Council has not yet given authority for the making of such assignments; assigned fund balances are neither restricted nor committed. Unassigned fund balance is the residual classification for the general fund.

When the government incurs an expenditure for purposes for which various fund balance classifications can be used, it is the government's policy to use restricted fund balance first, then committed, assigned, and finally unassigned fund balance.

2. BUDGETARY INFORMATION

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

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

CITY OF MARSHALL, MICHIGAN

Notes to Financial Statements

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.

3. EXCESS OF EXPENDITURES OVER BUDGET

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 function 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, 2013, the City incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control in the following funds:

	Final Budget	Actual	Over Budget
General fund			
General government:			
Manager	\$ 120,287	\$ 121,969	\$ 1,682
Assessor	77,279	78,703	1,424
Attorney	60,000	88,385	28,385
Other city property	47,050	184,556	137,506
Non-departmental	518,904	587,838	68,934
Public safety:			
Fire	809,637	810,931	1,294
Dispatch	201,934	228,654	26,720
Community development - planning	87,692	96,251	8,559
Debt service:			
Principal	15,000	25,000	10,000
Bond issuance costs	-	4,259	4,259
Nonmajor special revenue funds			
Special projects fund:			
General government	107,313	126,342	19,029
Debt service - principal	-	29,905	29,905

4. UNRESTRICTED NET POSITION DEFICIT

At June 30, 2013, the Downtown Development Authority had a deficit of \$269,570 in unrestricted net position.

CITY OF MARSHALL, MICHIGAN

Notes to Financial Statements

5. DEPOSITS AND INVESTMENTS

Following is a reconciliation of deposit and investment balances as of June 30, 2013:

	Primary Government	Component Units	Totals
Statement of net position			
Cash and cash equivalents	\$ 6,166,379	\$ 211,693	\$ 6,378,072
Investments	5,068,043	1,921,396	6,989,439
Restricted cash and cash equivalents	5,511,602	244,818	5,756,420
Statement of fiduciary net position			
Cash and cash equivalents	40,797	-	40,797
Total	\$ 16,786,821	\$ 2,377,907	\$ 19,164,728
Deposits and investments			
Bank deposits (checking, savings and certificates of deposit)			\$ 17,975,644
Investments			1,187,884
Cash on hand			1,200
Total			\$ 19,164,728

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, 2013, \$11,761,724 of the City's total bank balance of \$18,205,909 (total book balance was \$17,975,644) 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.

Custodial Credit Risk - Investments. The City's investments as of June 30, 2013 were as follows:

Deposit/Investment	Maturity	Fair Value	Rating
MBIA Investment Fund	n/a	<u>\$ 1,187,884</u>	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.

Credit Risk. As of June 30, 2013, the City's investment in the external local government investment pool was rated AAAM by Standard and Poors. All of the City's investments comply with its policy regarding the types of investments it may hold.

CITY OF MARSHALL, MICHIGAN

Notes to Financial Statements

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. All investments held at year-end consisted of amounts in the MBIA external investment pool.

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, 2013.

6. RECEIVABLES

Receivables in the governmental activities are 54 percent accounts receivables and 46 percent due from other governments. Business-type activities receivables are 100 percent accounts receivable.

7. 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:

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>

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.

CITY OF MARSHALL, MICHIGAN

Notes to Financial Statements

The City accounts for its investment in the MSCPA as a joint venture in accordance with GASB Statement No. 14. Information presented below is taken from financial statements of the MSCPA for the year ended June 30, 2013, which was audited by other auditors whose report dated August 19, 2013, expressed an unmodified opinion on those financial statements.

Summary information of the City's equity interest in the MSCPA as of June 30, 2013, is as follows:

	MSCPA	City of Marshall (24.0%)
Assets		
Current	\$ 21,991,476	\$ 5,277,954
Noncurrent	12,414,448	2,979,468
Capital assets, net	19,360,902	4,646,616
Total assets	<u>53,766,826</u>	<u>12,904,038</u>
Liabilities		
Current	15,267,372	3,664,169
Long-term	197,929	47,503
Total liabilities	<u>15,465,301</u>	<u>3,711,672</u>
Net position	<u>\$ 38,301,525</u>	<u>\$ 9,192,366</u>
Revenues	\$ 54,805,738	\$ 13,153,377
Expenses	<u>53,896,853</u>	<u>12,935,245</u>
Operating income	908,885	218,132
Nonoperating expenses	<u>(5,100,969)</u>	<u>(1,224,233)</u>
Change in net position	(4,192,084)	(1,006,100)
Net position, beginning of year	<u>42,493,609</u>	<u>10,198,466</u>
Net position, end of year	<u>\$ 38,301,525</u>	<u>\$ 9,192,366</u>

CITY OF MARSHALL, MICHIGAN

Notes to Financial Statements

8. CAPITAL ASSETS

Primary government

Capital asset activity for the primary government for the year ended June 30, 2013, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 2,018,823	\$ 59,999	\$ -	\$ 2,078,822
Construction in progress	-	320,158	-	320,158
	<u>2,018,823</u>	<u>380,157</u>	<u>-</u>	<u>2,398,980</u>
Capital assets being depreciated:				
Land improvements	5,627,642	308,300	-	5,935,942
Buildings	9,241,590	67,595	-	9,309,185
Vehicles	3,664,912	66,286	(20,670)	3,710,528
Equipment	2,423,769	46,819	-	2,470,588
Infrastructure	10,377,158	233,762	-	10,610,920
	<u>31,335,071</u>	<u>722,762</u>	<u>(20,670)</u>	<u>32,037,163</u>
Less accumulated depreciation for:				
Land improvements	(3,531,238)	(304,026)	-	(3,835,264)
Buildings	(5,910,965)	(214,813)	-	(6,125,778)
Vehicles	(2,184,961)	(204,249)	20,670	(2,368,540)
Equipment	(1,507,834)	(186,971)	-	(1,694,805)
Infrastructure	(3,061,767)	(242,435)	-	(3,304,202)
	<u>(16,196,765)</u>	<u>(1,152,494)</u>	<u>20,670</u>	<u>(17,328,589)</u>
Total capital assets being depreciated, net	<u>15,138,306</u>	<u>(429,732)</u>	<u>-</u>	<u>14,708,574</u>
Governmental activities capital assets, net	<u>\$ 17,157,129</u>	<u>\$ (49,575)</u>	<u>\$ -</u>	<u>\$ 17,107,554</u>

CITY OF MARSHALL, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Ending Balance
Business-type activities				
Capital assets not being depreciated:				
Land	\$ 159,838	\$ -	\$ -	\$ 159,838
Construction in progress	-	2,740,149	-	2,740,149
	<u>159,838</u>	<u>2,740,149</u>	<u>-</u>	<u>2,899,987</u>
Capital assets being depreciated:				
Land improvements	593,314	-	-	593,314
Buildings	7,690,987	-	-	7,690,987
Vehicles	764,996	-	(80,319)	684,677
Equipment	12,298,060	282,700	(258,184)	12,322,576
Systems	20,949,797	32,663	-	20,982,460
	<u>42,297,154</u>	<u>315,363</u>	<u>(338,503)</u>	<u>42,274,014</u>
Less accumulated depreciation for:				
Land improvements	(135,534)	(15,477)	-	(151,011)
Buildings	(5,072,699)	(242,531)	-	(5,315,230)
Vehicles	(491,784)	(46,534)	80,319	(457,999)
Equipment	(10,309,138)	(203,471)	77,455	(10,435,154)
Systems	(10,782,986)	(596,429)	-	(11,379,415)
	<u>(26,792,141)</u>	<u>(1,104,442)</u>	<u>157,774</u>	<u>(27,738,809)</u>
Total capital assets being depreciated, net	<u>15,505,013</u>	<u>(789,079)</u>	<u>(180,729)</u>	<u>14,535,205</u>
Business-type activities capital assets, net	<u>\$ 15,664,851</u>	<u>\$ 1,951,070</u>	<u>\$ (180,729)</u>	<u>\$ 17,435,192</u>
Component unit capital assets activity for the year ended June 30, 2013, was as follows:				
Local Development Finance Authority				
Capital assets not being depreciated -				
Land	\$ 500,000	\$ -	\$ -	\$ 500,000
Capital assets being depreciated:				
Land improvements	40,940	-	-	40,940
Equipment	91,640	-	-	91,640
Total capital assets being depreciated	<u>132,580</u>	<u>-</u>	<u>-</u>	<u>132,580</u>
Less accumulated depreciation for:				
Land improvements	(9,006)	(1,638)	-	(10,644)
Equipment	(62,818)	(18,328)	-	(81,146)
Total accumulated depreciation	<u>(71,824)</u>	<u>(19,966)</u>	<u>-</u>	<u>(91,790)</u>
Total capital assets being depreciated, net	<u>60,756</u>	<u>(19,966)</u>	<u>-</u>	<u>40,790</u>
LDFA component unit capital assets, net	<u>\$ 560,756</u>	<u>\$ (19,966)</u>	<u>\$ -</u>	<u>\$ 540,790</u>

CITY OF MARSHALL, MICHIGAN

Notes to Financial Statements

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

Depreciation of governmental activities by function	
General government	\$ 135,700
Public safety	53,990
Public works, including general infrastructure assets	449,877
Parks and recreation	123,722
Community development	45,376
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	343,829
Total governmental activities depreciation expense	\$ 1,152,494
Business-type activities	
Electric	\$ 440,001
Wastewater	277,269
Water	279,064
Public transit	47,271
Public housing	60,837
Total business-type activities depreciation expense	\$ 1,104,442

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

9. PAYABLES

Payables in the governmental activities are 77 percent vendors and 23 percent accrued payroll. Business-type activities are 96 percent vendors and 4 percent accrued payroll.

10. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At June 30, 2013, the interfund receivables and payables, which resulted from negative cash balances, consisted of the following:

	Receivable	Payable
General fund	\$ 53,864	\$ -
DART fund	-	481
Internal service funds	-	53,383
	-	53,383
Totals	\$ 53,864	\$ 53,864

CITY OF MARSHALL, MICHIGAN

Notes to Financial Statements

For the year ended June 30, 2013, interfund transfers consisted of the following:

	Transfers In	Transfers Out
General fund	\$ 1,087,753	\$ 31,888
Nonmajor governmental funds	267,575	180,000
Electric fund	-	1,019,596
Waste water fund	-	46,228
Water fund	-	67,616
DART fund	-	10,000
	<hr/>	<hr/>
Totals	<u>\$ 1,355,328</u>	<u>\$ 1,355,328</u>

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.

11. 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. During the year, the City issued \$5,615,000 in general obligation bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. 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 Rates	Amount
Governmental activities		
1999 transportation bonds	4.05%-4.60%	\$ 140,000
2004 improvements	3.00%-4.40%	90,000
2005 building authority refunding	3.00%-4.25%	1,985,000
2012 improvements	2.00%-3.30%	135,000
2013 transportation bonds	2.00%-3.00%	1,680,000
Total governmental activities		<u>\$ 4,030,000</u>

CITY OF MARSHALL, MICHIGAN

Notes to Financial Statements

Purpose	Interest Rates	Amount
Business-type activities		
2004 improvements	3.00%-4.70%	\$ 365,000
2006 refunding	3.65%-3.80%	1,865,000
2007 electric	3.10%-3.95%	630,000
2008 refunding	3.00%-4.00%	1,200,000
2009 water main	4.00%-5.10%	1,140,000
2012 improvements	2.00%-3.30%	3,740,000
Total business-type activities		<u>\$ 8,940,000</u>
Discretely presented component unit		
2002 downtown development	4.20%-5.10%	<u>\$ 500,000</u>

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

Year Ending June 30,	Governmental Activities		Business-type Activities		Component Unit	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 355,000	\$ 121,522	\$ 695,000	\$ 333,633	\$ 40,000	\$ 24,758
2015	320,000	117,657	710,000	306,655	40,000	22,918
2016	330,000	107,256	740,000	279,100	45,000	21,038
2017	425,000	96,301	620,000	249,550	50,000	18,878
2018	450,000	81,320	630,000	226,200	55,000	16,428
2019-2023	1,405,000	192,515	2,210,000	817,683	270,000	35,576
2024-2028	610,000	82,931	2,015,000	437,825	-	-
2029-2032	135,000	2,025	1,320,000	105,755	-	-
	<u>\$ 4,030,000</u>	<u>\$ 801,527</u>	<u>\$ 8,940,000</u>	<u>\$ 2,756,401</u>	<u>\$ 500,000</u>	<u>\$ 139,596</u>

Revenue bonds. The City also issues bonds where the income derived from the acquired or constructed assets is pledged to pay debt service. Revenue bonds outstanding at year-end are as follows:

Purpose	Interest Rates	Amount
Business-type activities		
1999 electric	4.25%-5.20%	<u>\$ 555,000</u>
Discretely presented component unit		
2005 local development	3.50%-4.30%	<u>\$ 1,090,000</u>

CITY OF MARSHALL, MICHIGAN

Notes to Financial Statements

Revenue bond debt service requirements to maturity are as follows:

Year Ending June 30,	Business-type Activities		Component Unit	
	Principal	Interest	Principal	Interest
2014	\$ 65,000	\$ 27,068	\$ 85,000	\$ 45,030
2015	70,000	23,625	85,000	41,715
2016	75,000	19,890	85,000	38,400
2017	80,000	15,860	90,000	35,085
2018	85,000	11,570	90,000	31,575
2019-2023	180,000	9,360	465,000	100,545
2024-2026	-	-	190,000	12,255
	<u>\$ 555,000</u>	<u>\$ 107,373</u>	<u>\$ 1,090,000</u>	<u>\$ 304,605</u>

Installment obligations. The government has entered into various long-term installment payment agreements. Installment obligations outstanding at year-end are as follows:

Purpose	Interest Rates	Amount
Governmental activities		
2012 motor pool equipment	2.89%	<u>\$ 460,920</u>
Business-type activities		
2002 public improvement (State Farm)	0.00%	<u>\$ 720,000</u>

Repayment of the 2002 public improvement (State Farm) is contingent upon the company constructing a new building in the City. While this agreement matures October 1, 2015, repayment is unlikely since the company has closed its existing offices in the City and consolidated its operations in another location.

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

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 110,353	\$ 13,321	\$ -	\$ -
2015	113,543	10,131	-	-
2016	116,824	6,850	-	-
2017	120,200	3,474	-	-
State Farm	-	-	720,000	-
	<u>\$ 460,920</u>	<u>\$ 33,776</u>	<u>\$ 720,000</u>	<u>\$ -</u>

CITY OF MARSHALL, MICHIGAN

Notes to Financial Statements

Changes in Long-term Debt. Long-term liability activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Additions	Deductions (Including Forgiveness)	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	\$ 2,540,000	\$ 1,825,000	\$ (335,000)	\$ 4,030,000	\$ 355,000
Installment contracts	598,552	-	(137,632)	460,920	110,353
Compensated absences	251,172	83,000	(102,338)	231,834	70,000
Add (deduct) deferred amounts:					
For issuance premiums	4,831	26,472	(403)	30,900	-
Total governmental activities	\$ 3,394,555	\$ 1,934,472	\$ (575,373)	\$ 4,753,654	\$ 535,353
Business-type activities					
General obligation bonds	\$ 5,815,000	\$ 3,790,000	\$ (665,000)	\$ 8,940,000	\$ 695,000
Revenue bonds	620,000	-	(65,000)	555,000	65,000
Installment contracts	720,000	-	-	720,000	-
Compensated absences	199,368	15,996	-	215,364	53,842
Add (deduct) deferred amount:					
For issuance premiums	37,181	50,356	(5,275)	82,262	-
Total business-type activities	\$ 7,391,549	\$ 3,856,352	\$ (735,275)	\$ 10,512,626	\$ 813,842
Component unit - LDFA					
Revenue bonds	\$ 1,170,000	\$ -	\$ (80,000)	\$ 1,090,000	\$ 85,000
Component unit - DDA					
General obligation bonds	\$ 535,000	\$ -	\$ (35,000)	\$ 500,000	\$ 40,000

For the governmental activities, compensated absences are generally liquidated by the general fund.

12. 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.

13. 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, 2013, 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, MICHIGAN

Notes to Financial Statements

14. PROPERTY TAXES

The government's property taxes are levied each July 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 2012 levy, including industrial facilities, was \$224,864,108. The government's general operating tax rate for fiscal 2012-13 was 15.4629 mills with an additional 0.9393 mills for recreation, 0.4840 for public transportation, and 1.6129 for DDA (based on \$10,703,615 taxable value).

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.

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

15. 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.

16. DEFINED BENEFIT PENSION PLAN

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.

Funding Policy. The City was required to contribute 0.00% to 6.33% of the annual covered payroll, depending on the applicable bargaining unit, for the year ended June 30, 2013. City employees are required to contribute 7.70% to 12.24% of their annual covered payroll, depending on the applicable bargaining unit. The contribution requirements of the City are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the City, subject to collective bargaining agreements and depending on the MERS contribution program adopted by the City.

CITY OF MARSHALL, MICHIGAN

Notes to Financial Statements

Annual Pension Cost. For the year ended June 30, 2013, the City’s annual pension cost of \$480,936 was equal to the City’s required and actual contributions. The required contribution was determined as part of the December 31, 2010 actuarial valuation using the entry age normal actuarial method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of 8.0%; (b) projected salary increase of 4.5% annually in the long-term (1% annually for calendar years 2011-2014), attributable to inflation; and (c) additional projected salary increases of 0.0% to 8.4% per year, depending on age, attributable to seniority/merit.

Funded Status. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The City’s unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2012, the date of the latest actuarial valuation, was 26 years. Three-year trend information is follows:

Years Ended June 30,	Pension Cost (APC)	Percentage Contributed	Net Pension Obligation
2011	\$ 339,409	100%	\$ -
2012	415,427	100%	-
2013	480,936	100%	-

The funded status of the plan as of December 31, 2012, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio Total	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/10	\$ 23,297,013	\$ 28,320,967	\$ 5,023,954	82.3%	\$ 4,121,120	121.9%
12/31/11	22,830,561	29,133,822	6,303,261	78.4%	4,390,462	143.6%
12/31/12	22,702,847	29,846,291	7,143,444	76.1%	4,165,476	171.5%

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 liability for benefits.

17. OTHER POSTEMPLOYMENT 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, 2012, the date of the last plan valuation, the Plan covered 88 members (23 active plan members, and 65 retirees receiving benefits).

CITY OF MARSHALL, MICHIGAN

Notes to Financial Statements

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, 2013, the City contributed \$586,272 to the Plan, all of which was to fund current year benefits. Retirees receiving benefits contributed \$41,929 or approximately 7.15 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	\$ 750,863
Interest on net OPEB obligation	96,402
Adjustment to annual required contribution	<u>(77,375)</u>
Net OPEB cost	769,890
Contributions made	<u>(586,272)</u>
Increase in net OPEB obligation	183,618
Net OPEB obligation, beginning of year	<u>1,483,111</u>
Net OPEB obligation, end of year	<u><u>\$ 1,666,729</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2013, and the two preceding years, were as follows:

Year Ending June 30,	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 793,484	62%	\$ 1,120,040
2012	790,331	55%	1,483,111
2013	769,890	76%	1,666,729

Funded Status and Funding Progress. As of June 30, 2012, the most recent actuarial valuation date, the Plan was 4.2 percent funded. The actuarial accrued liability for benefits was \$13,835,906, and the actuarial value of assets was \$582,664, resulting in an unfunded actuarially accrued liability of \$13,253,242. The covered payroll (annual payroll of the active employees covered by the Plan) was \$1,254,497 and the ratio of the UAAL to the covered payroll was 1,056.5 percent.

CITY OF MARSHALL, MICHIGAN

Notes to Financial Statements

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 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 2015.

Health insurance premiums - 2010-11 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 4.0 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 6.5 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, 2012, was 30 years.

CITY OF MARSHALL, MICHIGAN

Notes to Financial Statements

18. 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:

	Governmental Activities	Business-type Activities
Capital assets, net	\$ 17,107,554	\$ 17,435,192
Less: capital related bonds and installment contracts	(4,490,920)	(10,215,000)
Less: unamortized premium on bonds	(30,900)	(82,262)
Unamortized loss on refunding	86,539	48,876
	<u>\$ 12,672,273</u>	<u>\$ 7,186,806</u>
Total net investment in capital assets	<u>\$ 12,672,273</u>	<u>\$ 7,186,806</u>

19. 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:

1. Facility costs are allocated based on actual square footage occupied by the Dial-A-Ride program. (BPT reviewed and approved.)
2. 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.

CITY OF MARSHALL, MICHIGAN

Notes to Financial Statements

20. RESTATEMENT

The City adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in the current year. As a result, the beginning net position of the governmental activities was decreased by \$58,681, the business-type activities was decreased by \$275,679, the electric, water and wastewater enterprise funds were decreased by \$16,004, \$188,252 and \$71,423 respectively, and the LDFA component unit was decreased by \$34,857 in order to eliminate unamortized bond issuance costs, which are now required to be recognized as an expense in the period incurred.

The City also had changes that were required in order to properly adjust beginning capital asset balances because of errors that were made in inputting those capital assets in a new accounting software module. As a result, the beginning net position of the governmental activities, the business-type activities, the electric, wastewater, water and DART enterprise funds, the motor pool internal service fund and the LDFA component unit were restated by \$488,712, (\$347,944), (\$445,209), (\$58,584), \$149,687, \$6,163, (\$9,021) and \$1,329, respectively.



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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MARSHALL, MICHIGAN

Required Supplementary Information

June 30, 2013

Municipal Employees' Retirement System of Michigan (MERS)
Schedule of Funding Progress

Actuarial Valuation Date December 31,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry Age	(3) Unfunded AAL (Overfunded) (UAAL) (2-1)	(4) Funded Ratio (1/2)	(5) Covered Payroll	(6) UAAL as a % of Covered Payroll (3/5)
2007	\$ 23,486,337	\$ 25,079,823	\$ 1,593,486	93.6%	\$ 4,224,192	37.7%
2008	23,593,050	26,297,585	2,704,535	89.7%	4,216,281	64.1%
2009	23,384,381	27,106,276	3,721,895	86.3%	4,291,122	86.7%
2010	23,297,013	28,320,967	5,023,954	82.3%	4,121,120	121.9%
2011	22,830,561	29,133,822	6,303,261	78.4%	4,390,462	143.6%
2012	22,702,847	29,846,291	7,143,444	76.1%	4,165,476	171.5%

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2007	\$ 171,584	100%
2008	227,379	100%
2009	224,057	100%
2010	247,197	100%
2011	339,409	100%
2012	415,427	100%
2013	480,936	100%

CITY OF MARSHALL, MICHIGAN

Required Supplementary Information

June 30, 2013

Other Postemployment Healthcare Benefits (OPEB)
Schedule of Funding Progress

Actuarial Valuation Date June 30,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry Age	(3) Unfunded AAL (UAAL) (2-1)	(4) Funded Ratio (1/2)	(5) Covered Payroll	(6) UAAL as a % of Covered Payroll (3/5)
2005	\$ 432,046	\$ 12,935,963	\$ 12,503,917	3.3%	\$ 4,132,958	302.5%
2009	432,046	16,431,481	15,999,435	2.6%	1,407,059	1137.1%
2011	582,664	13,775,992	13,193,328	4.2%	1,239,229	1064.6%
2012	582,664	13,835,906	13,253,242	4.2%	1,254,497	1056.5%

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Annual Actual Contribution	Percentage Contributed
2009	\$ 914,127	\$ 512,661	56.08%
2010	952,652	558,368	58.61%
2011	776,921	477,942	61.52%
2012	774,398	427,260	55.17%
2013	750,863	586,272	78.08%

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**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

CITY OF MARSHALL, MICHIGAN

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2013

	Special Revenue	Debt Service	Capital Projects	Permanent	Totals
			Major Streets	Cemetery	
Assets					
Cash and cash equivalents	\$ 1,690,769	\$ 16,206	\$ 9,351	\$ 109,604	\$ 1,825,930
Investments	378,851	-	52,780	429,268	860,899
Accounts receivable	8,977	-	-	166	9,143
Due from other governments	93,327	-	-	-	93,327
Inventories	17,972	-	-	-	17,972
Prepaid items	2,374	-	-	-	2,374
Total assets	\$ 2,192,270	\$ 16,206	\$ 62,131	\$ 539,038	\$ 2,809,645
Liabilities					
Accounts payable	\$ 213,404	\$ -	\$ -	\$ -	\$ 213,404
Accrued liabilities	1,615	-	-	-	1,615
Total liabilities	215,019	-	-	-	215,019
Fund balances					
Nonspendable for:					
Inventories	17,972	-	-	-	17,972
Prepaid items	2,374	-	-	-	2,374
Cemetery perpetual care	-	-	-	306,658	306,658
Restricted for:					
Highways and streets	1,870,473	-	-	-	1,870,473
Drug law enforcement	12,572	-	-	-	12,572
Cemetery operations	-	-	-	232,380	232,380
Committed for:					
Highways and streets	-	-	62,131	-	62,131
Special projects	73,860	-	-	-	73,860
Debt service	-	16,206	-	-	16,206
Total fund balances	1,977,251	16,206	62,131	539,038	2,594,626
Total liabilities and fund balances	\$ 2,192,270	\$ 16,206	\$ 62,131	\$ 539,038	\$ 2,809,645

CITY OF MARSHALL, MICHIGAN

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds
For the Year Ended June 30, 2013

	Special Revenue	Debt Service	Capital Projects Major Streets	Permanent Cemetery	Totals
Revenues					
Intergovernmental	\$ 599,733	\$ -	\$ -	\$ -	\$ 599,733
Charges for services	-	-	-	7,051	7,051
Fines and forfeitures	9,056	-	-	-	9,056
Investment earnings	1,050	-	503	2,097	3,650
Other	62,248	-	-	-	62,248
Total revenues	672,087	-	503	9,148	681,738
Expenditures					
Current expenditures:					
General government	126,342	-	26	-	126,368
Public safety	3,088	-	-	-	3,088
Highways and streets	181,679	-	-	-	181,679
Debt service:					
Principal	164,905	175,000	-	-	339,905
Interest and fiscal charges	10,367	86,928	-	-	97,295
Bond issuance cost	53,761	-	-	-	53,761
Capital outlay	409,945	-	-	-	409,945
Total expenditures	950,087	261,928	26	-	1,212,041
Revenues over (under) expenditures	(278,000)	(261,928)	477	9,148	(530,303)
Other financing sources (uses)					
Issuance of long-term debt	1,680,000	-	-	-	1,680,000
Premium on issuance of long-term debt	24,546	-	-	-	24,546
Transfers in	5,700	261,875	-	-	267,575
Transfers out	-	-	-	(180,000)	(180,000)
Total other financing sources (uses)	1,710,246	261,875	-	(180,000)	1,792,121
Net change in fund balances	1,432,246	(53)	477	(170,852)	1,261,818
Fund balances, beginning of year	545,005	16,259	61,654	709,890	1,332,808
Fund balances, end of year	\$ 1,977,251	\$ 16,206	\$ 62,131	\$ 539,038	\$ 2,594,626

CITY OF MARSHALL, MICHIGAN

Combining Balance Sheet

Nonmajor Special Revenue Funds

June 30, 2013

	Major Street	Local Street	Drug Law Enforcement	Special Projects	Total
Assets					
Cash and cash equivalents	\$ 683,028	\$ 951,923	\$ 14,072	\$ 41,746	\$ 1,690,769
Investments	226,436	111,943	-	40,472	378,851
Accounts receivable	-	-	-	8,977	8,977
Due from other governments	71,774	21,553	-	-	93,327
Inventories	17,972	-	-	-	17,972
Prepaid items	1,231	1,143	-	-	2,374
Total assets	\$ 1,000,441	\$ 1,086,562	\$ 14,072	\$ 91,195	\$ 2,192,270
Liabilities					
Accounts payable	\$ 36,591	\$ 157,978	\$ 1,500	\$ 17,335	\$ 213,404
Accrued liabilities	89	1,526	-	-	1,615
Total liabilities	36,680	159,504	1,500	17,335	215,019
Fund balances					
Nonspendable for:					
Inventories	17,972	-	-	-	17,972
Prepaid items	1,231	1,143	-	-	2,374
Restricted for:					
Highways and streets	944,558	925,915	-	-	1,870,473
Drug law enforcement	-	-	12,572	-	12,572
Committed for special projects	-	-	-	73,860	73,860
Total fund balances	963,761	927,058	12,572	73,860	1,977,251
Total liabilities and fund balances	\$ 1,000,441	\$ 1,086,562	\$ 14,072	\$ 91,195	\$ 2,192,270

CITY OF MARSHALL, MICHIGAN

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Special Revenue Funds
For the Year Ended June 30, 2013

	Major Street	Local Street	Drug Law Enforcement	Special Projects	Total
Revenues					
Intergovernmental	\$ 411,825	\$ 147,738	\$ -	\$ 40,170	\$ 599,733
Fines and forfeitures	-	-	9,056	-	9,056
Investment earnings	168	274	608	-	1,050
Other	-	-	1,198	61,050	62,248
Total revenues	411,993	148,012	10,862	101,220	672,087
Expenditures					
Current expenditures:					
General government	-	-	-	126,342	126,342
Public safety	-	-	3,088	-	3,088
Highways and streets	114,884	66,795	-	-	181,679
Debt service:					
Principal	135,000	-	-	29,905	164,905
Interest and fiscal charges	9,478	-	-	889	10,367
Bond issuance costs	53,761	-	-	-	53,761
Capital outlay	183,525	226,420	-	-	409,945
Total expenditures	496,648	293,215	3,088	157,136	950,087
Revenues over (under) expenditures	(84,655)	(145,203)	7,774	(55,916)	(278,000)
Other financing sources					
Issuance of long-term debt	762,150	917,850	-	-	1,680,000
Premium on issuance of long-term debt	24,546	-	-	-	24,546
Transfers in	-	-	-	5,700	5,700
Total other financing sources	786,696	917,850	-	5,700	1,710,246
Net change in fund balances	702,041	772,647	7,774	(50,216)	1,432,246
Fund balances, beginning of year	261,720	154,411	4,798	124,076	545,005
Fund balances, end of year	\$ 963,761	\$ 927,058	\$ 12,572	\$ 73,860	\$ 1,977,251

CITY OF MARSHALL, MICHIGAN

Schedule of Revenues, Expenditures, and Changes in Fund Balances

Final Budget and Actual - Nonmajor Special Revenue Funds

For the Year Ended June 30, 2013

	Major Street Fund		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Intergovernmental	\$ 403,000	\$ 411,825	\$ 8,825
Fines and forfeitures	-	-	-
Investment earnings	400	168	(232)
Other	-	-	-
Total revenues	403,400	411,993	8,593
Expenditures			
Current expenditures:			
General government	-	-	-
Public safety	-	-	-
Highways and streets	143,929	114,884	(29,045)
Debt service:			
Principal	135,000	135,000	-
Interest and fiscal charges	63,067	9,478	(53,589)
Bond issuance costs	90,000	53,761	(36,239)
Capital outlay	356,150	183,525	(172,625)
Total expenditures	788,146	496,648	(291,498)
Revenues over (under) expenditures	(384,746)	(84,655)	300,091
Other financing sources (uses)			
Issuance of long-term debt	1,600,000	762,150	(837,850)
Premium on issuance of long-term debt	-	24,546	24,546
Transfers in	-	-	-
Transfers out	(917,850)	-	917,850
Total other financing sources (uses)	682,150	786,696	104,546
Net change in fund balances	297,404	702,041	404,637
Fund balances, beginning of year	185,488	261,720	76,232
Fund balances, end of year	\$ 482,892	\$ 963,761	\$ 480,869



Local Street Fund			Drug Law Enforcement Fund		
Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget
\$ 106,000	\$ 147,738	\$ 41,738	\$ -	\$ -	\$ -
-	-	-	5,400	9,056	3,656
300	274	(26)	-	608	608
-	-	-	1,190	1,198	8
<u>106,300</u>	<u>148,012</u>	<u>41,712</u>	<u>6,590</u>	<u>10,862</u>	<u>4,272</u>
-	-	-	-	-	-
-	-	-	6,360	3,088	(3,272)
103,075	66,795	(36,280)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
554,100	226,420	(327,680)	-	-	-
<u>657,175</u>	<u>293,215</u>	<u>(363,960)</u>	<u>6,360</u>	<u>3,088</u>	<u>(3,272)</u>
<u>(550,875)</u>	<u>(145,203)</u>	<u>405,672</u>	<u>230</u>	<u>7,774</u>	<u>7,544</u>
917,850	917,850	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>917,850</u>	<u>917,850</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
366,975	772,647	405,672	230	7,774	7,544
154,411	154,411	-	4,798	4,798	-
<u>\$ 521,386</u>	<u>\$ 927,058</u>	<u>\$ 405,672</u>	<u>\$ 5,028</u>	<u>\$ 12,572</u>	<u>\$ 7,544</u>

continued...

CITY OF MARSHALL, MICHIGAN

Schedule of Revenues, Expenditures, and Changes in Fund Balances

Final Budget and Actual - Nonmajor Special Revenue Funds

For the Year Ended June 30, 2013

	Special Projects Fund		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Intergovernmental	\$ 44,345	\$ 40,170	\$ (4,175)
Fines and forfeitures	-	-	-
Investment earnings	-	-	-
Other	59,800	61,050	1,250
Total revenues	104,145	101,220	(2,925)
Expenditures			
Current expenditures:			
General government	107,313	126,342	19,029
Public safety	-	-	-
Highways and streets	-	-	-
Debt service:			
Principal	-	29,905	29,905
Interest and fiscal charges	1,000	889	(111)
Bond issuance costs	-	-	-
Capital outlay	-	-	-
Total expenditures	108,313	157,136	48,823
Revenues over (under) expenditures	(4,168)	(55,916)	(51,748)
Other financing sources (uses)			
Issuance of long-term debt	-	-	-
Premium on issuance of long-term debt	-	-	-
Transfers in	5,700	5,700	-
Transfers out	-	-	-
Total other financing sources (uses)	5,700	5,700	-
Net change in fund balances	1,532	(50,216)	(51,748)
Fund balances, beginning of year	124,076	124,076	-
Fund balances (deficit), end of year	\$ 125,608	\$ 73,860	\$ (51,748)

concluded.

CITY OF MARSHALL, MICHIGAN

Combining Balance Sheet Nonmajor Debt Service Funds June 30, 2013

	Building Authority	1999 Motor Vehicle Highway	Total
Assets			
Cash and cash equivalents	\$ 9,442	\$ 6,764	\$ 16,206
Fund balances			
Committed for debt service	\$ 9,442	\$ 6,764	\$ 16,206

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CITY OF MARSHALL, MICHIGAN

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Debt Service Funds

For the Year Ended June 30, 2013

	Building Authority	1999 Motor Vehicle Highway	Total
Expenditures			
Debt service:			
Principal retirement	\$ 175,000	\$ -	\$ 175,000
Interest and fiscal charges	86,902	26	86,928
	<hr/>	<hr/>	<hr/>
Total expenditures	261,902	26	261,928
Other financing sources			
Transfers in	261,875	-	261,875
	<hr/>	<hr/>	<hr/>
Net change in fund balances	(27)	(26)	(53)
Fund balances, beginning of year	9,469	6,790	16,259
	<hr/>	<hr/>	<hr/>
Fund balances, end of year	<u>\$ 9,442</u>	<u>\$ 6,764</u>	<u>\$ 16,206</u>

CITY OF MARSHALL, MICHIGAN

Supplemental Schedule of Operating Expenses

Electric, Wastewater, and Water Enterprise Funds
For the Year Ended June 30, 2013

	Electric	Wastewater	Water	Total
Administration				
Personal services	\$ 636,357	\$ 236,684	\$ 261,211	\$ 1,134,252
Materials and supplies	25,177	11,822	9,301	46,300
Contractual	92,206	8,727	9,490	110,423
Insurance	51,680	22,467	7,207	81,354
Maintenance	342	167	167	676
Administration (city allocated costs)	7,852	627	2,057	10,536
Other expense	68,437	35,064	17,836	121,337
Depreciation	16,535	133	-	16,668
Total administration expenses	898,586	315,691	307,269	1,521,546
Powerhouse				
Personal services	367,767	-	-	367,767
Materials and supplies	52,216	-	-	52,216
Purchased power	9,079,737	-	-	9,079,737
Contractual	83,277	-	-	83,277
Maintenance	137	-	-	137
Other expense	16,106	-	-	16,106
Depreciation	131,489	-	-	131,489
Total powerhouse expenses	9,730,729	-	-	9,730,729
Line distribution				
Personal services	768,500	-	206,120	974,620
Materials and supplies	81,000	-	41,207	122,207
Purchased power	-	-	1,631	1,631
Contractual	35,742	-	1,014	36,756
Maintenance	2,746	-	120	2,866
Other expense	239,334	-	45,050	284,384
Depreciation	291,977	-	275,071	567,048
Total line distribution expenses	1,419,299	-	570,213	1,989,512
Operations				
Personal services	-	302,588	-	302,588
Materials and supplies	-	114,004	-	114,004
Purchased power	-	113,306	-	113,306
Contractual	-	106,724	-	106,724
Maintenance	-	3,939	-	3,939
Other expense	-	105,710	118,702	224,412
Depreciation	-	277,136	-	277,136
Total operations expenses	-	1,023,407	118,702	1,142,109

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CITY OF MARSHALL, MICHIGAN

Supplemental Schedule of Operating Expenses
 Electric, Wastewater, and Water Enterprise Funds
 For the Year Ended June 30, 2013

	Electric	Wastewater	Water	Total
Production				
Personal services	\$ -	\$ -	\$ 61,128	\$ 61,128
Materials and supplies	-	-	29,610	29,610
Purchased power	-	-	34,334	34,334
Contractual	-	-	1,264	1,264
Other expense	-	-	5,158	5,158
Depreciation	-	-	3,993	3,993
Total production expenses	-	-	135,487	135,487
Totals				
Personal services	1,772,624	539,272	528,459	2,840,355
Materials and supplies	158,393	125,826	80,118	364,337
Purchased power	9,079,737	113,306	35,965	9,229,008
Contractual	211,225	115,451	11,768	338,444
Insurance	51,680	22,467	7,207	81,354
Maintenance	3,225	4,106	287	7,618
Administration (city allocated costs)	7,852	627	2,057	10,536
Other expense	323,877	140,774	186,746	651,397
Depreciation	440,001	277,269	279,064	996,334
Total expenses	\$ 12,048,614	\$ 1,339,098	\$ 1,131,671	\$ 14,519,383

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CITY OF MARSHALL, MICHIGAN

Supplemental Schedule of Revenues and Expenses

Dial-A-Ride Transportation Fund
For the Year Ended June 30, 2013

Schedule 1 - for the year ended June 30, 2013	7/1/12 to 9/30/12	10/1/12 to 6/30/13	Total
Local revenues:			
Demand response - farebox (nonurban)	\$ 13,315	\$ 45,637	\$ 58,952
Tax levy	94,846	3	94,849
Gain on sale of capital assets	-	2,651	2,651
Interest and other income	135	215	350
Total local revenues	\$ 108,296	\$ 48,506	\$ 156,802

Schedule 1A - based on a September 30, 2012 year end	10/1/11 to 6/30/12	7/1/12 to 9/30/12	Total
Local revenues:			
Demand response - farebox (nonurban)	\$ 36,190	\$ 13,315	\$ 49,505
Tax levy	(244)	94,846	94,602
Interest and other income	170	135	305
Total local revenues	\$ 36,116	\$ 108,296	\$ 144,412

Schedule 2A - for the year ended June 30, 2013	7/1/12 to 9/30/12	10/1/12 to 6/30/13	Total
Michigan Department of Transportation -			
Local bus operating (Act 51)	\$ 33,189	\$ 108,486	\$ 141,675
Prior year settlement	-	-	-
Federal Transit Administration:			
Section 5311 - operating	4,917	28,196	33,113
Section 5311 - capital	-	-	-
Farebox, radio and RTAP reimbursements	-	6,284	6,284
Prior year settlement	-	-	-
Total	\$ 38,106	\$ 142,966	\$ 181,072

Schedule 2B - based on a September 30, 2012 year end	10/1/11 to 6/30/12	7/1/12 to 9/30/12	Total
Michigan Department of Transportation:			
Local bus operating (Act 51)	\$ 99,567	\$ 33,189	\$ 132,756
Prior year settlement	8,218	-	8,218
Federal Transit Administration:			
Section 5311 - operating	45,220	4,917	50,137
Section 5311 - capital	64,930	-	64,930
Farebox, radio and RTAP reimbursements	-	-	-
Prior year settlement	2,993	-	2,993
Total	\$ 220,928	\$ 38,106	\$ 259,034

continued...

CITY OF MARSHALL, MICHIGAN

Supplemental Schedule of Revenues and Expenses

Dial-A-Ride Transportation Fund
For the Year Ended June 30, 2013

Schedule 3 - Operating and Contract Expenses	Nonurban	Total
Expenses:		
Labor	\$ 191,445	\$ 191,445
Fringe benefits	80,897	80,897
Services	15,212	15,212
Materials and supplies	40,986	40,986
Utilities	604	604
Insurance	4,394	4,394
Taxes and fees	302	302
Operating leases and rentals	12,579	12,579
Depreciation	47,271	47,271
Total Expenses	\$ 393,690	\$ 393,690

Schedule 3A - Operating Expenses for June 30, 2013 year end	Nonurban		
	7/1/12 to 9/30/12	10/1/12 to 06/30/13	Total
Expenses:			
Labor	\$ 44,396	\$ 147,049	\$ 191,445
Fringe benefits	20,293	60,604	80,897
Services	7,526	7,686	15,212
Materials and supplies	6,592	34,394	40,986
Utilities	155	449	604
Insurance	-	4,394	4,394
Taxes and fees	200	102	302
Operating leases and rentals	3,332	9,247	12,579
Depreciation	10,695	36,576	47,271
Total Expenses	\$ 93,189	\$ 300,501	\$ 393,690

Schedule 3B - Operating Expenses for September 30, 2012 year end	Nonurban		
	10/1/11 to 6/30/12	7/1/12 to 9/30/12	Total
Expenses:			
Labor	\$ 153,654	\$ 44,396	\$ 198,050
Fringe benefits	53,694	20,293	73,987
Services	10,141	7,526	17,667
Materials and supplies	37,021	6,592	43,613
Utilities	464	155	619
Insurance	4,050	-	4,050
Taxes and fees	1,479	200	1,679
Operating leases and rentals	6,734	3,332	10,066
Depreciation	33,342	10,695	44,037
Total Expenses	\$ 300,579	\$ 93,189	\$ 393,768

continued...

CITY OF MARSHALL, MICHIGAN

Supplemental Schedule of Revenues and Expenses
 Dial-A-Ride Transportation Fund
 For the Year Ended June 30, 2013

Schedule 5 - Operating Assistance Calculation for September 30, 2012 year end	Nonurban
Total expenses	<u>\$ 393,768</u>
Less ineligible expenses	
Depreciation	44,037
RTAP	2,993
Fareboxes	-
Prior year settlements	<u>-</u>
Total ineligible expenses per R&E Manual	<u>47,030</u>
Total state eligible expenses	<u><u>\$ 346,738</u></u>
Eligible expenses for state reimbursement	346,738
x Reimbursement percentage	<u>38.48%</u>
State operating assistance	<u><u>\$ 133,425</u></u>
Total federal eligible expenses	
State eligible expenses (per above)	346,738
Less: additional federal ineligible expenses per A-87 - Audit costs	<u>693</u>
Eligible expenses for federal reimbursement	346,045
x Reimbursement percentage	<u>16.0%</u>
Federal operating assistance	<u><u>\$ 55,367</u></u>

concluded.

CITY OF MARSHALL, MICHIGAN

Supplemental Schedule of Revenues and Expenses

Dial-A-Ride Transportation Fund
For the Year Ended June 30, 2013

Schedule 2 - Expenditures of Federal and State Awards	Federal CFDA Number	Grant No./ Authorization Number	Program Award Amount
<u>U.S. Department of Transportation</u>			
Passed-through Michigan Department of Transportation			
Operating Assistance - Section 5311:			
RTAP	20.509	n/a	\$ 917
Capital assistance	20.509	07-0253 / Z8	162,000
Capital assistance	20.509	07-0253 / Z9	95,000
Capital assistance	20.509	07-0253 / Z10	35,000
Operating assistance (FY 11)	20.509	07-0253 / Z13	60,333
Operating assistance (FY 12)	20.509	12-0128 / P1	67,779
Operating assistance (FY 13)	20.509	13-0128 / P1	60,129
<u>Michigan Department of Transportation</u>			
Operating Assistance - Act 51 Nonurban:			
Operating assistance (FY 13)		2012-0128	132,756
Operating assistance (FY 14)		2013-0128	143,480
Total expenditure of federal and state awards			<u>\$ 757,394</u>



Current Year Revenues					
Total	Federal	State	Settlement	Reported Prior Year	Award Amount Remaining
\$ 917	\$ 917	\$ -	\$ -	\$ -	\$ -
-	-	-	-	143,407	18,593
-	-	-	-	86,646	8,354
-	-	-	-	16,520	18,480
3,454	3,454	-	-	56,879	-
29,659	29,659	-	-	30,136	7,984
-	-	-	-	-	60,129
33,189	-	33,189	-	99,567	-
108,486	-	108,486	-	-	34,994
<u>\$ 175,705</u>	<u>\$ 34,030</u>	<u>\$ 141,675</u>	<u>\$ -</u>	<u>\$ 433,155</u>	<u>\$ 148,534</u>

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CITY OF MARSHALL, MICHIGAN

Dial-A-Ride Transportation Fund

Nonurban Regular Service Revenue Report
For the Year Ended June 30, 2013

Code	Description	Amount
401 :	Farebox Revenue	
40100	Passenger Fares	\$ 58,952
40200	Contract Fares	-
405 :	Charter Service	
40500	Charter Service	-
406 :	Auxiliary Trans Revenues	
40615	Advertising	450
407 :	NonTrans Revenue	
40760	Gains from the Sale of Capital Assets	2,651
408 :	Local Revenue	
40800	Taxes Levied Directly for/by Transit Agency	94,849
409 :	Local Revenue	
40999	Other Local Contracts & Reimbursements	-
411 :	State Formula and Contracts	
41101	State Operating Assistance	141,675
413 :	Federal Contracts	
41301	Federal Section 5311	33,113
41398	RTAP (RTAP for Supervisor Seminar)	208
414 :	Other Revenue	
41400	Interest Income	345
Total revenues:		<u>\$ 332,243</u>

CITY OF MARSHALL, MICHIGAN

Dial-A-Ride Transportation Fund
 Nonurban Regular Service Expense Report
 For the Year Ended June 30, 2013

Code	Description	Operations	Maintenance	Gen. Admin.	Total
501 :	Labor				
50101	Operators' Salaries & Wages	\$ 131,590	\$ -	\$ -	\$ 131,590
50102	Other Salaries & Wages	-	2,441	10,619	13,060
50103	Dispatchers' Salaries & Wages	62,635	-	-	62,635
502 :	Fringe Benefits				
50200	Other Fringe Benefits	52,136	371	1,468	53,975
50201	Pension	12,622	-	-	12,622
50202	Other Postemployment Benefits	10,705	-	-	10,705
503 :	Services				
50302	Advertising Fees	-	-	449	449
50305	Audit Cost	681	-	560	1,241
50399	Other Services	469	637	10,520	11,626
504 :	Materials and Supplies				
50401	Fuel & Lubricants	28,877	-	-	28,877
50402	Tires & Tubes	1,242	-	-	1,242
50499	Other Materials & Supplies	1,611	4,541	236	6,388
505 :	Utilities				
50500	Utilities	604	-	-	604
506 :	Insurance				
50603	Liability Insurance	4,394	-	-	4,394
507 :	Taxes & Fees				
50700	Taxes & Fees	301	-	-	301

continued...

CITY OF MARSHALL, MICHIGAN

Dial-A-Ride Transportation Fund

Nonurban Regular Service Expense Report
For the Year Ended June 30, 2013

509 :	Misc. Expenses				
50902	Travel, Meetings & Training	\$ 610	\$ -	\$ 308	\$ 918
50903	Association Dues & Subscriptions	408	-	-	408

512 :	Operating Leases & Rentals				
51200	Operating Leases & Rentals	9,685	-	2,895	12,580

513 :	Depreciation				
51300	Depreciation	42,780	-	-	42,780

550 :	Ineligible Expenses				
55007	Ineligible Depreciation	42,780	-	-	42,780
55010	Other Ineligible Expense	-	-	-	-

574 :	Ineligible Expenses				
57402	Ineligible RTAP	-	-	208	208

Total expenses:					396,395
Total ineligible expenses:					42,988
Total eligible expenses:					<u>\$ 353,407</u>

concluded.

CITY OF MARSHALL, MICHIGAN

Dial-A-Ride Transportation Fund Nonurban Regular Service Nonfinancial Report For the Year Ended June 30, 2013

Public Service

Code	Description	Weekday	Saturday	Sunday	Total
610	Vehicle Hours	7,888	-	-	7,888
611	Vehicle Miles	68,141	-	-	68,141
615	Passengers - Regular	15,871	-	-	15,871
616	Passengers - Elderly	8,988	-	-	8,988
617	Passengers - Persons w/ Disabilities	1,989	-	-	1,989
618	Passengers - Elderly w/ Disabilities	6,261	-	-	6,261
622	Total Demand-Response Trips	33,109	-	-	33,109

CITY OF MARSHALL, MICHIGAN

Combining Statement of Net Position

Internal Service Funds

June 30, 2013

	Data Processing	Motor Pool	Safety	Health Reimbursement	Total
Assets					
Current assets:					
Cash and cash equivalents	\$ 60,355	\$ 139,433	\$ -	\$ -	\$ 199,788
Investments	168,211	652,622	27,874	-	848,707
Prepaid items	2,866	547	-	49,593	53,006
Total current assets	<u>231,432</u>	<u>792,602</u>	<u>27,874</u>	<u>49,593</u>	<u>1,101,501</u>
Noncurrent assets -					
Capital assets					
being depreciated, net	58,810	1,942,527	-	-	2,001,337
Total assets	<u>290,242</u>	<u>2,735,129</u>	<u>27,874</u>	<u>49,593</u>	<u>3,102,838</u>
Liabilities					
Current liabilities:					
Accounts payable	2,972	22,899	-	-	25,871
Accrued payroll	353	2,222	-	-	2,575
Accrued interest payable	-	8,880	-	-	8,880
Interfund payable	-	-	3,790	49,593	53,383
Compensated absences payable	-	18	-	-	18
Contracts payable, current portion	-	110,353	-	-	110,353
Total current liabilities	<u>3,325</u>	<u>144,372</u>	<u>3,790</u>	<u>49,593</u>	<u>201,080</u>
Noncurrent liabilities -					
Contracts payable	-	350,567	-	-	350,567
Total liabilities	<u>3,325</u>	<u>494,939</u>	<u>3,790</u>	<u>49,593</u>	<u>551,647</u>
Net position					
Net investment in capital assets	58,810	1,481,607	-	-	1,540,417
Unrestricted	228,107	758,583	24,084	-	1,010,774
Total net position	<u>\$ 286,917</u>	<u>\$ 2,240,190</u>	<u>\$ 24,084</u>	<u>\$ -</u>	<u>\$ 2,551,191</u>

CITY OF MARSHALL, MICHIGAN

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position

Internal Service Funds

For the Year Ended June 30, 2013

	Data Processing	Motor Pool	Safety	Health Reimbursement	Total
Operating revenues					
Charges for services	\$ 138,752	\$ 664,909	\$ -	\$ -	\$ 803,661
Other	4,700	811	-	-	5,511
Total operating revenues	143,452	665,720	-	-	809,172
Operating expenses					
Personal services	13,461	74,656	9	-	88,126
Materials and supplies	44,599	183,394	1,810	-	229,803
Contractual	43,025	6,191	16	-	49,232
Insurance	-	29,144	-	-	29,144
Maintenance	-	34,268	715	-	34,983
Other expense	-	51,323	297	-	51,620
Depreciation	23,875	319,954	-	-	343,829
Total operating expenses	124,960	698,930	2,847	-	826,737
Operating income (loss)	18,492	(33,210)	(2,847)	-	(17,565)
Nonoperating revenues (expenses)					
Investment earnings	716	2,773	121	-	3,610
Gain on sale of capital assets	200	2,737	-	-	2,937
Interest expense	-	(14,188)	-	-	(14,188)
Total nonoperating revenues (expenses)	916	(8,678)	121	-	(7,641)
Change in net position	19,408	(41,888)	(2,726)	-	(25,206)
Net position, beginning of year, as restated	267,509	2,282,078	26,810	-	2,576,397
Net position, end of year	\$ 286,917	\$ 2,240,190	\$ 24,084	\$ -	\$ 2,551,191

CITY OF MARSHALL, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2013

	Data Processing	Motor Pool	Safety	Health Reimbursement	Total
Cash flows from operating activities					
Receipts from interfund services	\$ 143,452	\$ 665,720	\$ 2,885	\$ -	\$ 812,057
Payments to suppliers/claimants	(96,744)	(298,910)	(2,878)	-	(398,532)
Payments to employees	(13,578)	(75,778)	(9)	-	(89,365)
Net cash provided by (used in) operating activities	33,130	291,032	(2)	-	324,160
Cash flows from capital and related financing activities					
Cash received on sale of capital assets	200	2,737	-	-	2,937
Principal and interest paid on contract	-	(123,666)	-	-	(123,666)
Purchase of capital assets	(28,198)	(66,285)	-	-	(94,483)
Net cash used in capital and related financing activities	(27,998)	(187,214)	-	-	(215,212)
Cash flows from investing activities					
Purchase of investments	(715)	(2,776)	(119)	-	(3,610)
Interest received on investments	716	2,773	121	-	3,610
Net cash provided by (used in) investing activities	1	(3)	2	-	-
Net change in cash and cash equivalents	5,133	103,815	-	-	108,948
Cash and cash equivalents, beginning of year	55,222	35,618	-	-	90,840
Cash and cash equivalents, end of year	\$ 60,355	\$ 139,433	\$ -	\$ -	\$ 199,788
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ 18,492	\$ (33,210)	\$ (2,847)	\$ -	\$ (17,565)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	23,875	319,954	-	-	343,829
Changes in assets and liabilities:					
Prepaid items	(1)	(43)	-	(49,593)	(49,637)
Accounts payable	(9,119)	5,453	(40)	-	(3,706)
Accrued payroll	(117)	(511)	-	-	(628)
Interfund payable	-	-	2,885	49,593	52,478
Compensated absences payable	-	(611)	-	-	(611)
Net cash provided by (used in) operating activities	\$ 33,130	\$ 291,032	\$ (2)	\$ -	\$ 324,160

CITY OF MARSHALL, MICHIGAN

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds
June 30, 2013

	Current Tax	Imprest Payroll	MAEDA	Total
Assets				
Cash and cash equivalents	\$ 3,353	\$ 28,535	\$ 8,909	\$ 40,797
Delinquent taxes receivable	106,545	-	-	106,545
Total assets	<u>\$ 109,898</u>	<u>\$ 28,535</u>	<u>\$ 8,909</u>	<u>\$ 147,342</u>
Liabilities				
Undistributed receipts	<u>\$ 109,898</u>	<u>\$ 28,535</u>	<u>\$ 8,909</u>	<u>\$ 147,342</u>

CITY OF MARSHALL, MICHIGAN

Statement of Net Position and Governmental Fund Balance Sheet

Downtown Development Authority Component Unit

June 30, 2013

	Special Revenue	Adjustments	Statement of Net Position
Assets			
Cash and cash equivalents	\$ 153,194	\$ -	\$ 153,194
Investments	82,934	-	82,934
Prepaid items	275	-	275
Restricted cash and cash equivalents	88,782	-	88,782
Total assets	\$ 325,185	-	325,185
Liabilities			
Accounts payable	\$ 1	-	1
Accrued liabilities	3,909	-	3,909
Accrued interest payable	-	2,063	2,063
Long-term liabilities:			
Due within one year	-	40,000	40,000
Due in more than one year	-	460,000	460,000
Total liabilities	3,910	502,063	505,973
Fund balance			
Nonspendable	275	(275)	-
Unassigned	321,000	(321,000)	-
Total fund balance	321,275	(321,275)	-
Total liabilities and fund balance	\$ 325,185		
Net position			
Restricted for debt service		88,782	88,782
Unrestricted (deficit)		(269,570)	(269,570)
Total net position (deficit)		\$ (180,788)	\$ (180,788)

CITY OF MARSHALL, MICHIGAN

Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance Downtown Development Authority Component Unit For the Year Ended June 30, 2013

	Special Revenue	Adjustments	Statement of Activities
Revenues			
Property taxes	\$ 208,291	\$ -	\$ 208,291
Investment earnings	1,461	-	1,461
Other	342,056	-	342,056
Total revenues	<u>551,808</u>	<u>-</u>	<u>551,808</u>
Expenditures/expenses			
Community development	472,417	-	472,417
Debt service:			
Principal	35,000	(35,000)	-
Interest and fiscal charges	37,281	(131)	37,150
Total expenditures/expenses	<u>544,698</u>	<u>(35,131)</u>	<u>509,567</u>
Change in fund balance/net position	7,110	35,131	42,241
Fund balance, beginning of year	<u>314,165</u>	<u>(537,194)</u>	<u>(223,029)</u>
Fund balance, end of year	<u>\$ 321,275</u>	<u>\$ (502,063)</u>	<u>\$ (180,788)</u>

CITY OF MARSHALL, MICHIGAN

Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual Downtown Development Authority Component Unit Special Revenue Fund For the Year Ended June 30, 2013

	Budget (Original and Final)	Actual	Actual Over (Under) Final Budget
Revenues			
Property taxes	\$ 208,459	208,291	(168)
Investment earnings	2,000	1,461	(539)
Other	203,450	342,056	138,606
Total revenues	<u>413,909</u>	<u>551,808</u>	<u>137,899</u>
Expenditures			
Community development	444,035	472,417	28,382
Debt service:			
Principal	44,997	35,000	(9,997)
Interest and fiscal charges	37,281	37,281	-
Total expenditures	<u>526,313</u>	<u>544,698</u>	<u>18,385</u>
Net change in fund balance	(112,404)	7,110	119,514
Fund balance, beginning of year	<u>314,165</u>	<u>314,165</u>	<u>-</u>
Fund balance, end of year	<u>\$ 201,761</u>	<u>\$ 321,275</u>	<u>\$ 119,514</u>

CITY OF MARSHALL, MICHIGAN

Statement of Net Position and Governmental Fund Balance Sheet

Local Development Finance Authority Component Unit

June 30, 2013

	Special Revenue	Adjustments	Statement of Net Position
Assets			
Cash and cash equivalents	\$ 54,409	\$ -	\$ 54,409
Investments	1,838,462	-	1,838,462
Restricted cash and cash equivalents	156,036	-	156,036
Capital assets not being depreciated	-	500,000	500,000
Capital assets being depreciated, net	-	40,790	40,790
Total assets	\$ 2,048,907	540,790	2,589,697
Liabilities			
Accrued interest payable	\$ -	11,258	11,258
Long-term liabilities:			
Due within one year	-	85,000	85,000
Due in more than one year	-	1,005,000	1,005,000
Total liabilities	-	1,101,258	1,101,258
Fund balance			
Unassigned	2,048,907	(2,048,907)	-
Total liabilities and fund balance	\$ 2,048,907		
Net position			
Net investment in capital assets		540,790	540,790
Restricted for debt service		156,036	156,036
Unrestricted		791,613	791,613
Total net position		\$ 1,488,439	\$ 1,488,439

CITY OF MARSHALL, MICHIGAN

Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance Local Development Finance Authority Component Unit For the Year Ended June 30, 2013

	Special Revenue	Adjustments	Statement of Activities
Revenues			
Property taxes	\$ 491,325	\$ -	\$ 491,325
Investment earnings	7,532	-	7,532
Other	2,900	-	2,900
Total revenues	501,757	-	501,757
Expenditures/expenses			
Community development	185,534	19,966	205,500
Capital outlay	44	-	44
Debt service:			
Principal	80,000	(80,000)	-
Interest and fiscal charges	48,230	(800)	47,430
Total expenditures/expenses	313,808	(60,834)	252,974
Net change in fund balance/net position	187,949	60,834	248,783
Fund balance, beginning of year, as restated	1,860,958	(621,302)	1,239,656
Fund balance, end of year	\$ 2,048,907	\$ (560,468)	\$ 1,488,439

CITY OF MARSHALL, MICHIGAN

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual
 Local Development Finance Authority Component Unit
 Special Revenue Fund
 For the Year Ended June 30, 2013

	Budget (Original and Final)	Actual	Actual Over (Under) Final Budget
Revenues			
Property taxes	\$ 491,327	491,325	(2)
Investment earnings	11,000	7,532	(3,468)
Other	1,500	2,900	1,400
Total revenues	503,827	501,757	(2,070)
Expenditures			
Community development	268,986	185,534	(83,452)
Capital outlay	44	44	-
Debt service:			
Principal	80,000	80,000	-
Interest and fiscal charges	48,230	48,230	-
Total expenditures	397,260	313,808	(83,452)
Net change in fund balance	106,567	187,949	81,382
Fund balance, beginning of year	1,860,958	1,860,958	-
Fund balance, end of year	\$ 1,967,525	\$ 2,048,907	\$ 81,382

CITY OF MARSHALL, MICHIGAN

Statement of Net Position and Governmental Fund Balance Sheet

Economic Development Corporation Component Unit

June 30, 2013

	Special Revenue	Adjustments	Statement of Net Position
Assets			
Cash and cash equivalents	\$ 4,090	\$ -	\$ 4,090
Accounts receivable	5,429	-	5,429
Total assets	<u>\$ 9,519</u>	<u>-</u>	<u>9,519</u>
Fund balance			
Unassigned	<u>9,519</u>	<u>(9,519)</u>	<u>-</u>
Net position			
Unrestricted		<u>\$ 9,519</u>	<u>\$ 9,519</u>

CITY OF MARSHALL, MICHIGAN

Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance Economic Development Corporation Component Unit For the Year Ended June 30, 2013

	Special Revenue	Adjustments	Statement of Activities
Revenues			
Investment earnings	\$ 385	\$ -	\$ 385
Expenditures/expenses			
Community development	28	-	28
Change in fund balance/net position	357	-	357
Fund balance, beginning of year	9,162	-	9,162
Fund balances, end of year	<u>\$ 9,519</u>	<u>\$ -</u>	<u>\$ 9,519</u>

CITY OF MARSHALL, MICHIGAN

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual
 Economic Development Corporation Component Unit
 Special Revenue Fund
 For the Year Ended June 30, 2013

	Budget (Original and Final)	Actual	Actual Over (Under) Final Budget
Revenues			
Investment earnings	\$ -	\$ 385	\$ 385
Expenditures			
Community development	-	28	28
Net change in fund balance	-	357	357
Fund balance, beginning of year	9,162	9,162	-
Fund balance, end of year	\$ 9,162	\$ 9,519	\$ 357

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