

# *City of Marlette*

**Sanilac County, Michigan**

Audited Financial Report  
June 30, 2007

*Lehn L. King*

Certified Public Accountant  
Marlette, Michigan

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Marlette	County Sanilac County
Fiscal Year End June 30, 2007	Opinion Date October 11, 2007	Date Audit Report Submitted to State October 13, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

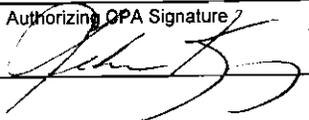
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1.   All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2.   There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3.   The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4.   The local unit has adopted a budget for all required funds.
5.   A public hearing on the budget was held in accordance with State statute.
6.   The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7.   The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8.   The local unit only holds deposits/investments that comply with statutory requirements.
9.   The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10.   There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11.   The local unit is free of repeated comments from previous years.
12.   The audit opinion is UNQUALIFIED.
13.   The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14.   The board or council approves all invoices prior to payment as required by charter or statute.
15.   To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Lehn L. King, C.P.A.	Telephone Number 989-635-3113		
Street Address 3531 Main Street	City Marlette	State MI	Zip 48453
Authorizing CPA Signature 	Printed Name Lehn King	License Number A248871	

**City of Marlette**  
**Annual Financial Report**  
**For The Year Ended June 30, 2007**

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Phone 989-635-3113  
Fax 989-635-5580

Honorable City Council  
**City of Marlette**  
Sanilac County, Michigan

**Independent Auditor's Report**

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marlette, Michigan as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Marlette, Michigan's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that the audit provides a reasonable basis for my opinions.

In my 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, each major fund, and the aggregate remaining fund information of the City of Marlette, Michigan as of June 30, 2007 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2007 on our consideration of the City of Marlette's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.

The Audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Marlette, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Lehn King*

Lehn L. King  
Certified Public Accountant

October 11, 2007

# City of Marlette

## Marlette, Michigan

### MANAGEMENT'S DISCUSSION AND ANALYSIS LETTER

Our discussion and analysis of the City of Marlette's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the City's financial statements.

#### Financial Highlights

The State of Michigan D.E.Q. mandated sewer upgrade was in full swing this fiscal year, resulting in higher utility bills to residents.

The water fund sustained major expenditures this last fiscal year. With three wells in our system, two were worked on this year and the third will be replaced in the future. A new well was drilled and a pump replaced in another. While this was a major expense, the water system will be viable for many years to come and routine maintenance should be the only expense.

Currently, the street funds only allow for annual maintenance with no major construction projects. The voted 2 mills will allow for minor projects each year.

The general fund is headed in the right direction and sound fiscal management should continue this trend.

#### Using this Report

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No.34. GASB Statement 34 implements a new model of financial reporting for state and local governments designed to enhance the usefulness of the City's annual report.

#### The City as a Whole

The following table shows in a condensed format, the net assets as of the current date and compared to the prior year's net assets.

	Governmental Activities		Business-Type Activities		Total	
	6/30/2007	6/30/2006	6/30/2007	6/30/2006	6/30/2007	6/30/2006
Current Assets	\$ 1,321,065	\$ 665,455	\$ 227,449	\$ 218,235	\$ 1,548,514	\$ 883,690
Noncurrent Assets	11,380,648	7,647,130	4,999,317	5,060,263	16,379,965	12,707,393
Total Assets	12,701,713	8,312,585	5,226,766	5,278,498	17,928,479	13,591,083
Current Liabilities	690,112	300,159	49,581	277,692	739,693	577,851
Noncurrent Liabilities	6,340,586	2,540,455	263,278	286,909	6,603,864	2,827,364
Total Liabilities	7,030,698	2,840,614	312,859	564,601	7,343,557	3,405,215
Net Assets:						
Invested in Capital Assets -						
Net of Related Debt	4,844,869	4,954,254	4,677,868	4,716,868	9,522,737	9,671,122
Unrestricted	826,143	517,717	236,039	(2,970)	1,062,182	514,747
Total Net Assets	\$ 5,671,012	\$ 5,471,971	\$ 4,913,907	\$ 4,713,898	\$ 10,584,919	\$ 10,185,869

# City of Marlette

## Marlette, Michigan

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### The City as a Whole – Continued

The City's combined net assets increased 5% from \$10,099,208 to \$10,584,920. As we look at the governmental activities separately from the business-type (water & sewer) we can see that the governmental activities experienced an increase of approximately \$306,645 during the year (a 5.4% increase). The business-type activities (water & sewer) experienced a \$200,010 increase in net assets (a 4.24% increase).

The following table shows the changes of the net assets during the current year:

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u> <u>2006/2007</u>
<b>Revenues</b>			
Program Revenues:			
Charges for Services	\$ 615,220	\$ 596,152	\$ 1,211,372
Operating Grants & Contrib's	239,417	-	239,417
Capital Grants & Contrib's	203,410	-	203,410
General Revenues:			
Property Taxes	754,598	-	754,598
State-Shared Revenues	241,079	-	241,079
Interest	41,049	8,012	49,061
Other Revenues	28,694	343,955	372,649
Transfers In	(8,701)	12,280	3,579
<b>Total Revenues</b>	<b>2,114,766</b>	<b>960,399</b>	<b>3,075,165</b>
<b>Program Expenses</b>			
General Government	\$ 312,571	\$ -	\$ 312,571
Public Safety	375,892	-	375,892
Public Works	818,525	-	818,525
Recreation & Culture	108,977	-	108,977
Interest on Long-Term Debt	213,099	13,632	226,731
Water & Sewer	-	746,757	746,757
<b>Total Program Expenses</b>	<b>1,829,064</b>	<b>760,389</b>	<b>2,589,453</b>
<b>Change in Net Assets</b>	<b>\$ 285,702</b>	<b>\$ 200,010</b>	<b>\$ 485,712</b>

# City of Marlette

## Marlette, Michigan

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

The City of Marlette's 2007/2008 adopted budget is as follows:

	General Fund	
	June 30,	
	2008	2007
<b>Revenue</b>		
Property Taxes	\$ 538,000	\$ 538,000
Intergovernmental Revenue	248,700	248,700
Charges for Services	123,900	123,900
Grant Proceeds	4,500	4,500
Loan Proceeds	-	-
Other	47,500	47,500
Total Revenue Collected	962,600	962,600
<b>Expenditures</b>		
General Government	320,000	320,000
Public Safety	403,500	403,500
Public Works	130,875	130,875
Recreation & Culture	93,100	93,100
Capital Outlay	7,500	7,500
Debt Service	-	-
Transfers	-	-
Total Expenditures	954,975	954,975
<b>Net Over/Under Budget</b>	<b>\$ 7,625</b>	<b>\$ 7,625</b>

### Contacting the City

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City office at the City Hall in Marlette, Michigan or by telephone at (989) 635-7448.

Steve Schaub  
City of Marlette, Manager

# City of Marlette

## Statement of Net Assets (Deficit)

June 30, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b><u>Assets</u></b>			
Cash & Cash Equivalents	\$ 780,346.39	\$ 155,433.25	\$ 935,779.64
Accounts Receivable	530,946.64	68,217.00	599,163.64
Prepaid Expenditures	9,727.27	3,798.32	13,525.59
Due From Other Funds (Net)	41.24	-	41.24
Capital Assets			
Nondepreciable Capital Assets	221,357.50	21,225.00	242,582.50
Net Depreciable Capital Assets	11,159,290.63	4,959,651.41	16,118,942.04
Restricted Cash - Bond Reserve	-	18,440.91	18,440.91
Total Assets	12,701,709.67	5,226,765.89	17,928,475.56
<b><u>Liabilities</u></b>			
Accounts Payable	494,917.96	25,950.00	520,867.96
Due To Others	-	-	-
Due To Other Funds	-	-	-
Current Portion of Long-Term Debt	195,194.00	23,631.00	218,825.00
Noncurrent Liabilities:			
Long-Term Debt	6,340,585.53	263,277.55	6,603,863.08
Total Liabilities	7,030,697.49	312,858.55	7,343,556.04
<b>Net Assets (Deficit)</b>			
Invested in Capital Assets - Net of Related Debt	4,844,868.60	4,677,867.86	9,522,736.46
Unrestricted	826,143.58	236,039.48	1,062,183.06
Total Net Assets (Deficit)	\$ 5,671,012.18	\$ 4,913,907.34	\$ 10,584,919.52

The notes are an integral part of the statements.

# City of Marlette

## Statement of Activities

For the Year Ended June 30, 2007

	Program Revenues			Net (Expense) Revenue & Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government	
					Governmental Activities	Business-type Activities
<b>Functions/Programs</b>						
<b>Primary Government:</b>						
Governmental Activities:						
General Government	\$ 312,571.41	\$ 168,848.06	\$ -	\$ -	\$ (143,723.35)	\$ (143,723.35)
Public Safety	375,891.94	7,595.00	-	12,211.74	(356,085.20)	(356,085.20)
Public Works	818,524.60	428,094.87	239,417.34	191,198.08	40,185.69	40,185.69
Recreation & Culture	108,977.08	10,681.90	-	-	(98,295.18)	(98,295.18)
Interest on Long-Term Debt	213,098.54	-	-	-	(213,098.54)	(213,098.54)
<b>Total Governmental Activities</b>	<u>1,829,063.57</u>	<u>615,219.83</u>	<u>239,417.34</u>	<u>203,409.82</u>	<u>(771,016.58)</u>	<u>(771,016.58)</u>
Business-type Activities	746,757.44	596,152.32	-	-	(150,605.12)	(150,605.12)
Interest on Long-Term Debt	13,632.25	-	-	-	(13,632.25)	(13,632.25)
<b>Total Business-type Activities</b>	<u>760,389.69</u>	<u>596,152.32</u>	<u>-</u>	<u>-</u>	<u>(164,237.37)</u>	<u>(164,237.37)</u>
<b>Total Primary Government</b>	<u>\$ 2,575,821.01</u>	<u>\$ 1,211,372.15</u>	<u>\$ 239,417.34</u>	<u>\$ 203,409.82</u>	<u>\$ (771,016.58)</u>	<u>\$ (935,253.95)</u>
<b>General Revenues:</b>						
Property Taxes					\$ 754,597.62	\$ 754,597.62
State Shared Revenues					241,078.90	241,078.90
Interest					41,048.77	8,011.86
Other Revenues					28,693.98	343,955.27
Transfers					(8,700.87)	12,280.00
Total General Revenues, Special Items & Transfers					<u>1,056,718.40</u>	<u>364,247.13</u>
<b>Change in Net Assets</b>					285,701.82	200,009.76
<b>Net Assets (Deficit) - Beginning of Year</b>					5,385,310.36	4,713,897.58
<b>Net Assets (Deficit) - End of Year</b>					<u>\$ 5,671,012.18</u>	<u>\$ 4,913,907.34</u>

The notes are an integral part of the statements.

**City of Marlette**  
Balance Sheet  
Governmental Funds  
June 30, 2007

	Major Special Revenue Funds					Major Capital Project Funds					Total Governmental Funds	
	General Fund	Major Street	Local Street	Municipal Street	Downtown Development Authority	Development Finance Authority	Country Fair Days	Debt Service Fund	Cemetery Memorial Chapel	Waste Water Treatment Plant		Train Depot Restoration
<b>ASSETS</b>												
Cash & C of D's	\$ 71,558.38	\$ 98,325.17	\$ 18,322.86	\$ 66,226.72	\$ 207,954.60	\$ 174,574.49	\$ 9,664.69	\$ 77,017.89	\$ 3,196.05	\$ 957.26	\$ 513.55	\$ 730,311.66
Receivables												
Accounts Receivable	672.11	-	-	-	-	-	-	40,672.00	-	-	-	41,344.11
Sales Tax	31,572.00	-	-	-	-	-	-	-	-	-	-	31,572.00
Bond Receivable	-	-	-	-	-	-	-	-	-	458,030.53	-	458,030.53
Prepaid Expenditures	9,727.27	-	-	-	-	-	-	-	-	-	-	9,727.27
Due from Other Funds	8,041.24	-	-	-	-	184.40	-	-	-	-	-	8,225.64
<b>Total Assets</b>	<b>123,571.00</b>	<b>98,325.17</b>	<b>18,322.86</b>	<b>66,226.72</b>	<b>207,954.60</b>	<b>174,758.89</b>	<b>9,664.69</b>	<b>117,689.89</b>	<b>3,196.05</b>	<b>458,987.79</b>	<b>513.55</b>	<b>1,279,211.21</b>
<b>LIABILITIES &amp; FUND BALANCE</b>												
<b>LIABILITIES</b>												
Accounts Payable	19,729.71	-	-	-	-	-	-	2,503.34	-	458,030.53	-	480,263.58
Accrued Payroll	14,654.38	-	-	-	-	-	-	-	-	-	-	14,654.38
Due to Others	-	-	-	-	-	-	-	-	-	-	-	-
Due to Other Funds	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>34,384.09</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,503.34</b>	<b>-</b>	<b>458,030.53</b>	<b>-</b>	<b>494,917.96</b>
<b>Fund Balance</b>												
Uncreserved - Undesignated	89,186.91	98,325.17	18,322.86	66,226.72	207,954.60	174,758.89	9,664.69	115,186.55	3,196.05	957.26	513.55	784,293.25
<b>Total Fund Balance</b>	<b>89,186.91</b>	<b>98,325.17</b>	<b>18,322.86</b>	<b>66,226.72</b>	<b>207,954.60</b>	<b>174,758.89</b>	<b>9,664.69</b>	<b>115,186.55</b>	<b>3,196.05</b>	<b>957.26</b>	<b>513.55</b>	<b>784,293.25</b>
<b>Total Liabilities &amp; Fund Balance</b>	<b>123,571.00</b>	<b>98,325.17</b>	<b>18,322.86</b>	<b>66,226.72</b>	<b>207,954.60</b>	<b>174,758.89</b>	<b>9,664.69</b>	<b>117,689.89</b>	<b>3,196.05</b>	<b>458,987.79</b>	<b>513.55</b>	<b>1,279,211.21</b>

The notes are an integral part of the statements

**City of Marlette**  
Governmental Funds  
Reconciliation of Fund Balances to the  
Statement of Net Assets (Deficit)  
For The Year Ended June 30, 2007

<b>Total Fund Balances for Governmental Funds &amp; Equipment Fund</b>	\$ 1,066,250.35
Amounts reported for governmental activities in the statement of net assets (deficit) are different because:	
Capital Assets used in Governmental Activities are not financial resources and are not reported in the Funds	11,140,541.36
Long-term bonds payable are not due and payable in the current period and are not reported in the Funds	<u>(6,535,779.53)</u>
<b>Net Assets of Governmental Activities</b>	<u><u>\$ 5,671,012.18</u></u>

The notes are an integral part of the statements.



**City of Marlette**  
 Governmental Funds  
 Reconciliation of Statement of Revenues, Expenditures,  
 and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 For The Year Ended June 30, 2007

**Net Change in Fund Balances - Total Governmental Funds & Equipment Fund**    \$    295,342.62

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

Governmental Funds report Capital Outlays as Expenditures;  
 in the Statement of Activities, these costs are capitalized and  
 allocated over their estimated useful lives as Depreciation 4,133,779.16

Repayment of Bond Principal is an Expenditure in the Governmental  
 Funds, but not in the Statement of Activities (where it  
 reduces Long-Term Debt) 1,768,963.00

Bond proceeds and loan proceeds are not reported as financing  
 sources on the statement of activities (5,611,030.53)

Depreciation is an Expenditure for the Statement of  
 Activities, but is not reported in the Governmental Funds (301,352.43)

**Net Assets of Governmental Activities** \$    285,701.82

**City of Marlette**  
**Statement of Net Assets (Deficit)**  
**Proprietary Funds**  
**June 30, 2007**

	<u>Enterprise Funds</u>		<u>Totals Enterprise Funds</u>	<u>Internal Service Fund</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>		<u>Equipment</u>
<b>Assets</b>				
<u>Current Assets</u>				
Cash	\$ (16,267.58)	\$ 171,700.83	\$ 155,433.25	\$ 50,034.73
Accounts Receivable	25,468.00	42,749.00	68,217.00	-
Due From Other Funds	-	-	-	-
Prepaid Expenditures	2,421.93	1,376.39	3,798.32	-
<u>Total Current Assets</u>	<u>11,622.35</u>	<u>215,826.22</u>	<u>227,448.57</u>	<u>50,034.73</u>
<u>Capital Assets</u>				
Land	5,125.00	16,100.00	21,225.00	15,857.50
Equipment	-	-	-	685,074.85
Sewer System	-	7,019,909.69	7,019,909.69	-
Water System	1,184,441.18	-	1,184,441.18	-
<u>Total Capital Assets</u>	<u>1,189,566.18</u>	<u>7,036,009.69</u>	<u>8,225,575.87</u>	<u>700,932.35</u>
Less: Accumulated Depreciation	474,133.45	2,770,566.01	3,244,699.46	460,825.58
<u>Net Capital Assets</u>	<u>715,432.73</u>	<u>4,265,443.68</u>	<u>4,980,876.41</u>	<u>240,106.77</u>
Restricted Cash - Bond Reserve	-	18,440.91	18,440.91	-
<b>Total Assets</b>	<b>727,055.08</b>	<b>4,499,710.81</b>	<b>5,226,765.89</b>	<b>290,141.50</b>
<b>Liabilities</b>				
<u>Current Liabilities</u>				
Accounts Payable	-	25,950.00	25,950.00	-
Due To Other Funds	-	-	-	8,184.40
Current Portion of Long-Term Liabilities	19,631.00	4,000.00	23,631.00	-
<u>Total Current Liabilities</u>	<u>19,631.00</u>	<u>29,950.00</u>	<u>49,581.00</u>	<u>8,184.40</u>
<u>Long-Term Liabilities</u>				
Revenue Bonds, Contract Purchases, & Notes Payable	106,908.55	180,000.00	286,908.55	-
Less: Current Portion of Long-Term Debt Shown Above	19,631.00	4,000.00	23,631.00	-
<u>Total Liabilities</u>	<u>106,908.55</u>	<u>205,950.00</u>	<u>312,858.55</u>	<u>8,184.40</u>
<u>Net Assets</u>				
Invested in Capital Assets Net of Related Debt	608,524.18	4,069,343.68	4,677,867.86	240,106.77
Unreserved Earnings	11,622.35	224,417.13	236,039.48	41,850.33
<u>Total Net Assets</u>	<u>\$ 620,146.53</u>	<u>\$ 4,293,760.81</u>	<u>\$ 4,913,907.34</u>	<u>\$ 281,957.10</u>

**City of Marlette**  
Statement of Revenues, Expenses, And Changes in Net Assets  
Proprietary Funds  
June 30, 2007

	<u>Enterprise Funds</u>		<u>Total Enterprise Funds</u>	<u>Internal Service Fund</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>		<u>Equipment</u>
<b><u>Operating Revenues</u></b>				
Charges for Sales & Services	\$ 196,075.97	\$ 367,945.62	\$ 564,021.59	\$ 121,041.14
Tap-in Fees & Installation Fines	3,900.00	3,600.00	7,500.00	-
Penalties & Meter Fines	5,812.02	18,818.71	24,630.73	-
<u>Total Operating Income</u>	<u>205,787.99</u>	<u>390,364.33</u>	<u>596,152.32</u>	<u>121,041.14</u>
<b><u>Operating Expenses</u></b>				
Salaries, Wages, & Administration	68,135.83	43,894.64	112,030.47	19,108.97
Fringe Benefits/Payroll Taxes	42,157.86	27,113.57	69,271.43	9,365.36
Depreciation	26,216.94	137,453.02	163,669.96	41,577.41
Repairs & Maintenance	10,565.12	10,493.22	21,058.34	8,948.09
Chemicals & Supplies	1,762.10	4,043.08	5,805.18	14,896.35
Utilities & Telephone	13,729.50	-	13,729.50	5,513.15
Professional Services & Testing	3,032.96	500.69	3,533.65	250.00
Plant Supervision & Operation	-	311,400.00	311,400.00	-
Insurance & Bonds	800.00	6,613.30	7,413.30	3,405.65
Equipment Rental	29,043.60	4,683.85	33,727.45	-
Miscellaneous	3,889.69	1,228.47	5,118.16	1,354.87
<u>Total Operating Expenses</u>	<u>199,333.60</u>	<u>547,423.84</u>	<u>746,757.44</u>	<u>104,419.85</u>
<b><u>Operating Income (Loss)</u></b>	<b>6,454.39</b>	<b>(157,059.51)</b>	<b>(150,605.12)</b>	<b>16,621.29</b>
<b><u>Non-Operating Revenues (Expenses)</u></b>				
Interest Earned	1,316.87	6,694.99	8,011.86	1,703.89
Bond & Contract Interest	(5,352.25)	(8,280.00)	(13,632.25)	-
Grant Proceeds	-	-	-	-
Sale of Fixed Assets	-	-	-	-
Interfund Transfers In (Out)	-	12,280.00	12,280.00	-
Reimbursements & Other Revenue	34,224.28	309,730.99	343,955.27	2,617.52
<b>Change in Net Assets</b>	<b>36,643.29</b>	<b>163,366.47</b>	<b>200,009.76</b>	<b>20,942.70</b>
<b><u>Net Assets - Beginning of Year</u></b>	<b><u>583,503.24</u></b>	<b><u>4,130,394.34</u></b>	<b><u>4,713,897.58</u></b>	<b><u>261,014.40</u></b>
<b><u>Net Assets - End of Year</u></b>	<b><u>\$ 620,146.53</u></b>	<b><u>\$ 4,293,760.81</u></b>	<b><u>\$ 4,913,907.34</u></b>	<b><u>\$ 281,957.10</u></b>

**City of Marlette**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For The Year Ended June 30, 2007**

	<u>Enterprise Funds</u>		<u>Totals</u> <u>Enterprise</u> <u>Funds</u>	<u>Internal</u> <u>Service</u> <u>Fund</u>
	<u>Water</u> <u>Fund</u>	<u>Sewer</u> <u>Fund</u>		<u>Equipment</u>
<b><u>Cash Flow From Operating Activities</u></b>				
Receipts from Customers	\$ 201,360.99	\$ 396,671.11	\$ 598,032.10	\$ 121,041.14
Payments for Operation, Maintenance, & Water	(126,478.44)	(339,670.86)	(466,149.30)	(29,607.59)
Payments for General & Administration	(114,983.38)	(78,849.98)	(193,833.36)	(33,234.85)
<b><u>Net Cash Provided by Operating Activity</u></b>	(40,100.83)	(21,849.73)	(61,950.56)	58,198.70
<b><u>Cash Flows from Noncapital Financing Activities</u></b>				
Other Nonoperating Revenues	34,224.28	322,010.99	356,235.27	2,617.52
Interfund Due To/From	80,700.00	(152,039.96)	(71,339.96)	-
<b><u>Net Cash Provided by Noncapital Financing Activities</u></b>	114,924.28	169,971.03	284,895.31	2,617.52
<b><u>Cash Flows from Capital &amp; Related Financing Activities</u></b>				
Interest Expense	(5,352.25)	(8,280.00)	(13,632.25)	-
Receipt of Capital Contributions	-	-	-	-
Increase (Decrease) in Long - Term Debt	(18,829.00)	(4,000.00)	(22,829.00)	-
Purchase of Capital Assets	(101,841.07)	-	(101,841.07)	(28,493.85)
Sale of Fixed Assets	-	-	-	-
Increase in Restricted Assets	-	883.26	883.26	-
<b><u>Net Cash Provided by Capital &amp; Related Financing Activities</u></b>	(126,022.32)	(11,396.74)	(137,419.06)	(28,493.85)
<b><u>Cash Flows from Investing Activities</u></b>				
Increase in Customer Deposits	-	-	-	-
Interest Received on Investments	1,316.87	5,811.73	7,128.60	1,703.89
<b><u>Net Cash Provided by Investing Activities</u></b>	1,316.87	5,811.73	7,128.60	1,703.89
<b><u>Net Increase (Decrease) in Cash &amp; Cash Equivalents</u></b>	(49,882.00)	142,536.29	92,654.29	34,026.26
<b><u>Cash &amp; Cash Equivalents - Beginning of Year</u></b>	33,614.42	47,605.45	81,219.87	16,008.47
<b><u>Cash &amp; Cash Equivalents - End of Year</u></b>	<u>\$ (16,267.58)</u>	<u>\$ 190,141.74</u>	<u>\$ 173,874.16</u>	<u>\$ 50,034.73</u>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</u></b>				
Operating Income (Loss)	6,454.39	(157,059.51)	(150,605.12)	16,621.29
Adjustments to Reconcile Operating Income (Loss) from Operating Activities:				
Depreciation	26,216.94	137,453.02	163,669.96	41,577.41
Changes in Assets & Liabilities:				
Receivables	(4,427.00)	6,306.78	1,879.78	-
Accounts Payable	(68,345.16)	(8,550.02)	(76,895.18)	-
<b><u>Net Cash Provided by Operating Activities</u></b>	<u>\$ (40,100.83)</u>	<u>\$ (21,849.73)</u>	<u>\$ (61,950.56)</u>	<u>\$ 58,198.70</u>

**City of Marlette**  
Statement of Net Assets (Deficit)  
Fiduciary Funds  
June 30, 2007

<u>Assets</u>	<u>Trust Fund</u>	<u>Agency Funds</u>
Cash & Certificate of Deposit	\$ 78,448.42	\$ 41.24
<u>Total Assets</u>	78,448.42	<u>\$ 41.24</u>
<u>Liabilities</u>		
Due To General Fund	-	\$ 41.24
Due To Other Governmental Agencies	-	-
<u>Total Liabilities</u>	-	<u>\$ 41.24</u>
<u>Net Assets</u>		
Held in Trust for Cemetery Perpetual Care	71,808.14	
Unreserved - Undesignated	6,640.28	
<u>Total Net Assets</u>	<u>\$ 78,448.42</u>	

The notes are an integral part of the statements.

**City of Marlette**  
 Other Supplemental Information  
 Statement of Changes in Net Assets  
 Fiduciary Funds  
 June 30, 2007

	<b>Trust Fund</b>
<b><u>Additions</u></b>	
Interest Income - Perpetual Care	\$ 5,544.41
Sale of Lots - Perpetual Care	340.00
<u>Total Additions</u>	5,884.41
<b><u>Deductions</u></b>	
Contribution To (From) Other Funds	3,579.13
<u>Total Deductions</u>	3,579.13
<b><u>Net Increase</u></b>	2,305.28
 <b><u>Net Assets - Beginning of Year</u></b>	 76,143.14
<b><u>Net Assets - End of Year</u></b>	\$ 78,448.42

**City of Marlette**  
Notes to the Financial Statements  
For The Year Ended June 30, 2007

The accounting methods and procedures adopted by the City of Marlette, Sanilac County, Michigan, conform to Generally Accepted Accounting Principles as applied to governmental entities. The following notes to the financial statements are an integral part of the City's Comprehensive Annual Financial Report.

**1. Summary of Significant Accounting Policies**

**Financial Reporting Entity**

The City of Marlette was incorporated under the laws of the State of Michigan and operates as a General Law City, with a City Council form of government. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Marlette (the primary government) and its component units. The component units discussed below are included in the City reporting entity because of the significance of their operational or financial relationships with the City.

**Component Units** - In accordance with generally accepted accounting principles, there are no component units of Government required to be included in the Financial Reporting Entity either as blended component units or discretely presented component units.

**Blended Component Units** - The Downtown Development Authority (DDA) of the City of Marlette, an entity legally separate from the City, is governed by an eight-member board appointed by the City Council. For financial reporting purposes, the DDA is reported as if it were part of the City's operations because its purpose is to finance and provide assistance to businesses and citizens within the DDA District of the City.

**Government-wide and Fund Statements Fund**

The Government-wide Financial Statements (i.e., the Statement of Net Assets (Deficit) and the Statement of Activities) report information on all the nonfiduciary activities of the City (the primary government). The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other revenue items properly excluded from program revenues are reported as general revenue.

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

**City of Marlette**  
Notes to the Financial Statements  
For The Year Ended June 30, 2007

The City reports the following major governmental funds:

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

**Major Street Fund** - The Major Streets Fund accounts for maintenance and improvement activities for streets designated as "major" within the City. Funding is provided primarily through State-shared gas and weight taxes.

**Local Street Fund** - The Local Streets Fund accounts for maintenance and improvement activities for streets designated as "local" within the City. Funding is provided primarily through State-shared gas and weight taxes.

**Municipal Street Fund** - The Municipal Street Fund is funded by a five-year, county-wide millage. Money received is to be used for maintenance and improvement of City streets.

**Downtown Development Authority Fund (a Special Revenue Fund type)** – The Downtown Development Authority's purpose is to finance and provide assistance to businesses and citizens within the DDA District of the City.

**Local Development Finance Authority Fund** – The LDFA captures increment taxes in the LDFA area. These captured taxes are to finance and provide assistance for the development of this given area.

**Debt Service Fund** – The Debt Service Fund accounts for all debt payments made regarding the various notes and bonds of the City.

**Cemetery Memorial Chapel Capital Project Fund** – The Cemetery Memorial Chapel Fund is for the purpose of collecting funds to be used in the construction of a memorial chapel in the Marlette cemetery.

**Waste Water Treatment Plant Capital Project Fund** – This fund is to account for the bond proceeds received and the construction of the WWTP Improvement Project.

**Train Depot Restoration Capital Project Fund** – This fund receives funds from a State Grant for the restoration of the Marlette Train Depot.

The City reports the following major Enterprise Funds & Internal Service Fund:

**Water Fund** - The Water Fund accounts for the activities of the water distribution system. Funding is provided primarily through user charges.

**Sewer Fund** - The Sewer Fund accounts for the activities of the sewage disposal system. Fund is provided primarily through user charges.

**Equipment Fund (Internal Service Fund)** – This fund was established to account for the financing of goods or services provided by one department to other departments of the City on a cost-reimbursement basis.

Additionally, the City reports the following fund types:

**Agency Funds** - The Agency Funds account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, or other governments.

**City of Marlette**  
Notes to the Financial Statements  
For The Year Ended June 30, 2007

**Measurement Focus and Basis of Accounting**

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

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, intergovernmental revenues, special assessments, licenses, charges for services, and interest. All other revenue items are considered to be available only when cash is received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and claims and judgments are recorded only when payment is due.

**Cash** - The City does not pool cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's investments.

**Investments** - Debt securities are valued at cost since it is generally the policy of the City to hold such investments until they mature.

**Due to and Due from Other Funds** - Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

**Property Tax Revenues** - Property taxes are levied on December 1 based on the assessed value of property as listed on the previous December 31. Assessed values are an approximation of market value. A revaluation of all real property must be made every year.

**Vacation, Sick Leave, and Other Compensated Absences** - Vacation days are earned by employees at a rate from five to twenty-five days per year with unused days at year-end being forfeited. Sick days are earned by employees at a rate of ten days per year. Employees are paid half of the accumulated sick days at the end of each year. Sick days are not cumulative from year to year. The estimated maximum contingent liability for these benefits (calculated at current pay rates) as of June 30, 2007 is approximately \$100,410.

**Inventories and Prepaid Items** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both Government-wide and Fund Financial Statements.

**City of Marlette**  
Notes to the Financial Statements  
For The Year Ended June 30, 2007

**Capital Assets** - Capital assets, which include buildings and equipment, are reported in the applicable governmental column in the Government-wide Financial Statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$1,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Infrastructure	20 to 50 years
Buildings & Building Improvements	20 to 40 years
Machinery & Equipment	3 to 20 years

**Long-Term Obligations** - In the Government-wide 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 statement of net assets. Bond premiums and discounts, issuance costs, and the deferred amount on refunding 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 and deferred amount on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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 are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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

**Accounting Changes**

**GASB Statement No. 34** – Effective July 1, 2003, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB No. 34). Changes to the City's financial statements as a result of GASB No. 34 are as follows:

- A management's discussion and analysis (MD&A) section providing analysis of the City's overall financial position and results of operations has been included.
- Government-wide Financial Statements (statement of net assets (deficit) and statement of activities) prepared using full accrual accounting for all of the City's activities have been provided.
- Capital assets in the governmental activities column of the statement of net assets (deficit) includes assets not previously accounted for by the City. In addition, the governmental activities column includes bonds and other long-term obligations previously reported in the General Long-term Debt Account Group.
- The fund financial statements focus on major funds rather than fund types.

**City of Marlette**  
Notes to the Financial Statements  
For The Year Ended June 30, 2007

**2. Stewardship, Compliance, and Accountability**

**Budgetary Information** - The City is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of this Act:

1. Prior to July 1, the City Supervisor submits to the City Council a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior July 1, the budget is legally enacted.
4. The budget is used by the City Council as a management tool during the year for all budgetary funds. The budgets are adopted on a cash basis which is not consistent with generally accepted accounting principles. Budgetary control is exercised at the departmental level.
5. Budget amounts are as originally adopted, and as amended by the City Council.

In the body of the financial statements, the City actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budget was adopted at the department level. Budgets for these funds are shown in the supplemental schedules to this statement.

During the year ended June 30, 2007, the City incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
<b>General Fund</b>			
Council	\$ 9,000	\$ 9,658	\$ 658
Cemetery	64,650	72,453	7,803
Street Lighting	35,000	38,188	3,188
Community Promotion	7,500	10,002	2,502
Capital Outlay	10,000	22,673	12,673
Debt Service - Principal	-	6,067	6,067
Debt Service - Interest	-	1,792	1,792
<b>Local Street Fund</b>			
Administration	8,900	11,186	2,286
Capital Outlay	140,000	149,661	9,661
<b>Municipal Street Fund</b>			
Transfers Out	-	134,808	134,808
<b>Local Development Finance Authority</b>			
Salaries & Administration	20,450	20,963	513
Miscellaneous	500	23,425	22,925
<b>Downtown Development Authority Fund</b>			
Professional Services	5,500	11,213	5,713
<b>Country Fair Days Fund</b>			
Administrative Expense	1,250	3,008	1,758
Contracted Services	6,000	8,466	2,466
Miscellaneous	1,250	6,294	5,044
<b>Debt Service Fund</b>			
Miscellaneous Fees	-	31,032	31,032
Debt Service - Principal	-	1,666,000	1,666,000
Debt Service - Interest	-	164,680	164,680
<b>Cemetery Memorial Chapel</b>			
Miscellaneous	-	1,561	1,561
<b>WWTP Improvement Fund</b>			
Construction in Progress	-	3,953,038	3,953,038
<b>Train Depot Restoration Capital Project Fund</b>			
Construction in Progress	-	115,085	115,085

**City of Marlette**  
Notes to the Financial Statements  
For The Year Ended June 30, 2007

**3. Cash and Investments**

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The City Council has designated three banks for the deposit of City funds. The investment policy adopted by the council was in accordance with Public Act 196 of 1997. The Council has authorized investment in bank accounts and CDs, but not the remainder of State statutory authority as listed above. The City's deposits are in accordance with statutory authority. All cash deposits and investments of the City are held by the City in the City's name.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Fiduciary - Trust &amp; Agency Funds</b>	<b>Total Primary Government</b>
Cash & Cash Equivalents	\$ 780,346	\$ 155,433	\$ 78,490	\$ 1,014,269

The breakdown between deposits and investments is as follows:

	<b>Primary Government</b>
Bank Deposits (Checking & Savings Accounts, CDs)	\$ 1,014,269

The bank balance of the primary government's deposits is \$1,014,269, of which \$200,000 is covered by federal depository insurance and \$-0- is collateralized with U.S. Treasury securities held by the pledging financial institution's trust department in the City's name.

The GASB Statement 3 risk disclosures for the Local Unit's investments are as follows:

	<b>Category</b>			<b>Carrying Value</b>
	<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	
Investments	\$ NONE	\$ NONE	\$ NONE	\$ NONE

The cash and investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

- Category 1      Insured or registered, or securities held by the City or its agent in the City's name.
- Category 2      Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- Category 3      Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City's name.

**City of Marlette**  
Notes to the Financial Statements  
For The Year Ended June 30, 2007

**4. Capital Assets**

Capital Assets activity of the City's governmental activities (and business-type) was as follows:

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Disposals &amp; Adjustments</u>	<u>Balance June 30, 2007</u>
<b>Governmental Activities:</b>				
Capital Assets not being Depreciated	\$ 221,358	\$ -	\$ -	\$ 221,358
Capital Assets Being Depreciated:				
Infrastructure	1,085,015	-	-	1,085,015
Buildings & Improvements	7,703,827	158,068	-	7,861,895
Machinery & Equipment - General	91,152	22,673	20,697	93,128
Equipment - Internal Service Fund	656,581	28,494	-	685,075
Total Capital Assets being Depreciated	<u>9,536,575</u>	<u>209,235</u>	<u>20,697</u>	<u>9,725,113</u>
Accumulated Depreciation:				
Infrastructure	32,482	21,840	-	54,322
Buildings & Improvements	1,697,299	266,689	-	1,963,988
Machinery & Equipment - General	47,598	12,822	20,697	39,723
Equipment - Internal Service Fund	419,248	41,577	-	460,825
Total Accumulated Depreciation	<u>2,196,627</u>	<u>342,928</u>	<u>20,697</u>	<u>2,518,858</u>
<b>Net Capital Assets being Depreciated</b>	<u><u>\$ 7,339,948</u></u>	<u><u>\$ (133,693)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,206,255</u></u>
<b>Business-type Activities:</b>				
Capital Assets not being Depreciated - Sewer	\$ 16,100	\$ -	\$ -	\$ 16,100
Capital Assets not being Depreciated - Water	5,125	-	-	5,125
Capital Assets Being Depreciated:				
Sewer Fund	7,019,910	-	-	7,019,910
Water Fund	1,082,600	101,841	-	1,184,441
Total Capital Assets being Depreciated	<u>8,102,510</u>	<u>101,841</u>	<u>-</u>	<u>8,204,351</u>
Accumulated Depreciation:				
Sewer Fund	2,633,113	137,453	-	2,770,566
Water Fund	447,917	26,217	-	474,134
Total Accumulated Depreciation	<u>3,081,030</u>	<u>163,670</u>	<u>-</u>	<u>3,244,700</u>
<b>Net Capital Assets being Depreciated</b>	<u><u>\$ 5,037,580</u></u>	<u><u>\$ (61,829)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,959,651</u></u>

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

<b>Governmental Activities:</b>	
General Government	\$ 56,679
Public Safety	1,889
Public Works	284,360
Total Governmental Activities	<u><u>\$ 342,928</u></u>
<b>Business-type Activities:</b>	
Sewer Fund	\$ 137,453
Water Fund	26,217
Total Business-type Activities	<u><u>\$ 163,670</u></u>

**City of Marlette**  
Notes to the Financial Statements  
For The Year Ended June 30, 2007

**5. Property Taxes**

The City is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state legislation. Property taxes become a lien on the first day of December of the levy year and might be paid by the following February 14.

Property taxes are recognized in compliance with NCGAI-3 which states that such revenue is recorded when it becomes measurable and available.

The City levied the following taxes:

General Government Services	14.0000	mills
Highway	<u>2.5411</u>	mills
<u>General Operation</u>	<u>16.5411</u>	mills

**6. Due To/From Other Funds**

As of June 30, 2007, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<b>Due From Other Funds</b>		<b>Due To Other Funds</b>
General Fund	\$ 41	Tax Account	\$ 41
Debt Service Fund	12,280	Sewer Fund	12,280
LDFA Fund	8,184	General Fund	8,184
General Fund	<u>8,000</u>	Equipment Fund	<u>8,000</u>
Total	<u>\$ 28,505</u>		<u>\$ 28,505</u>

**City of Marlette**  
Notes to the Financial Statements  
For The Year Ended June 30, 2007

**7. Long Term Debt**

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
<b>Governmental Activities</b>						
General Obligation Bonds & Contracts						
2002 Installment Purchase Contract for City / Township Building						
Amount of Issue - \$62,650		\$2,888 -				
Maturing through 2012	4.46%	\$3,755	\$ 40,873	\$ (6,067)	\$ 34,806	\$ 6,374
1999 Installment Purchase Contract for Euclid & Sterling Street Improv's						
Amount of Issue \$100,000		\$5,174 -				
Maturing through 2003	4.25%	\$5,998	\$ 36,254	\$ (11,072)	\$ 25,182	\$ 11,378
1999 Installment Purchase Contract for 3394 S. Main Street						
Amount of Issue - \$64,500		\$3,303 -				
Maturing through 2009	4.25%	\$3,829	\$ 24,000	\$ (7,031)	\$ 16,969	\$ 7,263
2001 MI Transportation Fund Bonds						
Amount of Issue - \$700,000		\$40,000 -				
Maturing through 2016	4.55%	\$65,000	\$ 555,000	\$ (40,000)	\$ 515,000	\$ 40,000
1999 Installment Purchase Contract for 3391 S. Main Street						
Amount of Issue - \$80,000		\$4,174 -				
Maturing through 2009	4.25%	\$4,851	\$ 27,585	\$ (8,793)	\$ 18,792	\$ 9,179
2006 Waste Water Disposal Limited Tax General						
Amount of Issue - \$3,495,000		\$35,000 -				
Maturing through 2028	3.48%	\$250,000	\$ -	\$ 3,495,000	\$ 3,495,000	\$ 35,000
2006 Waste Water Disposal Limited Tax General						
Amount of Issue - \$1,658,000		\$1,000 -				
Maturing through 2028	3.48%	\$103,000	\$ -	\$ 1,657,000	\$ 1,657,000	\$ 1,000
1999 Waste Water Disposal Limited Tax General						
Amount of Issue - \$2,080,000	3.90% -	\$50,000 -				
Maturing through 2009	5.15%	\$100,000	\$ 1,740,000	\$ (1,630,000)	\$ 110,000	\$ 55,000
Downtown Development Authority Obligations						
1994 Down Development Bond						
Amount of Issue - \$450,000	6.70% -	\$25,000 -				
Maturing through 2013	7.00%	\$50,000	\$ 270,000	\$ (30,000)	\$ 240,000	\$ 30,000
<b>Total Governmental Activities</b>			<b>\$ 2,693,712</b>	<b>\$ 3,419,037</b>	<b>\$ 6,112,749</b>	<b>\$ 195,194</b>
<b>Business-type Activities</b>						
General Obligation Bonds & Contracts						
2001 Purchase Contract for Water Main Installation						
Amount of Issue - \$194,000		\$18,060 -				
Maturing through 2011	4.20%	\$23,194	\$ 125,737	\$ (18,829)	\$ 106,908	\$ 19,631
1994 Sewer Revenue Bonds						
Amount of Issue - \$210,000		\$2,000 -				
Maturing through 2034	4.50%	\$10,000	\$ 184,000	\$ (4,000)	\$ 180,000	\$ 4,000
<b>Total Business-type Activities</b>			<b>\$ 309,737</b>	<b>\$ (22,829)</b>	<b>\$ 286,908</b>	<b>\$ 23,631</b>
<b>Total</b>			<b>\$ 3,003,449</b>	<b>\$ 3,396,208</b>	<b>\$ 6,399,657</b>	<b>\$ 218,825</b>

**City of Marlette**  
Notes to the Financial Statements  
For The Year Ended June 30, 2007

Annual debt service requirements to maturity for the above governmental bond and contract obligations are as follows:

Fiscal Year End June 30,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 195,194	\$ 309,600	\$ 504,794	\$ 23,631	\$ 12,651	\$ 36,779
2009	206,719	263,934	470,653	24,456	11,645	36,101
2010	207,019	252,805	459,824	25,338	10,584	35,922
2011	213,268	242,372	455,640	26,246	9,495	35,741
2012-2016	1,006,549	1,056,425	2,062,974	43,237	36,092	79,329
2017-2021	813,000	851,084	1,664,084	32,000	29,990	61,990
2022-2026	906,000	670,032	1,576,032	40,000	21,600	61,600
2027-2031	1,105,000	460,796	1,565,796	42,000	12,600	54,600
2032-2036	1,144,000	220,938	1,364,938	30,000	2,700	32,700
2037-2038	316,000	16,713	332,713	-	-	-
<b>Total</b>	<b>\$ 6,112,749</b>	<b>\$ 4,344,699</b>	<b>\$ 10,457,448</b>	<b>\$ 286,908</b>	<b>\$ 147,357</b>	<b>\$ 434,762</b>

**8. Deficit Fund Balance or Retained Earnings Balances of Individual Funds**

The following funds had a deficit fund balance as of June 30, 2007:

None

**9. Comparative Data**

Comparative total data for the prior year have not been presented in the accompanying financial statements.

**10. Post Employment Benefits**

The City does not provide any post employment benefits other than the retirement benefits.

**11. Risk Management**

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and workman's compensation benefits provided to employees. The City has purchased commercial insurance for the various risks of loss stated above.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage's obtained through commercial insurance during the past year.

**City of Marlette**  
Notes to the Financial Statements  
For The Year Ended June 30, 2007

**12. Interfund Transfers In (Out)**

During the year ended June 30, 2007 the City's interfund transfers were as follows:

	<u>Operating Transfers In</u>		<u>Operating Transfers Out</u>
Local Street Fund	\$ 134,808	Municipal Street Fund	\$ 134,808
General Fund	<u>3,579</u>	Perpetual Care Fund	<u>3,579</u>
Total	<u>\$ 138,387</u>		<u>\$ 138,387</u>

**13. City of Marlette Economic Development Corporation**

The purpose of this organization is essentially to act in an agent capacity to obtain lower interest government bond financing for labor-oriented organizations in the community or coming into the community for the express purpose of alleviating and preventing conditions of unemployment. Economic Development Revenue Bonds outstanding as of June 30, 2007 were \$-0-. During this fiscal year ended June 30, 2007 minor expenditures of the City of Marlette Economic Development Corporation were absorbed by the General Fund of the reporting entity.

**14. Pension Plan**

The City Provides pension benefits for all of its full-time employees, with one year of service. Employees are eligible to participate from the date of employment. The City contributes an amount equal to 7.89% for full time employees. The City changed from ICMA 401 plan, which was a defined contribution plan, to MERS, which is a defined benefit plan. A defined benefit plan establishes the benefits to be paid at retirement and an actuary determines the contribution amount needed to provide for the employees' retirement benefits. The City contributes 7.89% of gross wages and the employees match with 5.00%. The MERS program started April 1, 2006.

The City's total payroll for the fiscal year ended June 30, 2007, was \$495,581. The City's contributions were calculated using the salary amount of \$424,740. The City made the required 7.89% contribution on \$424,740 of wages for a total of \$33,512.

**15. Deferred Compensation**

The City offers its employees a deferred compensation plan created in accordance with IRC Section 457. The assets of the plan were held in trust, as described in IRC Section 457(g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof of the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The Administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the City's financial statements.

**City of Marlette**  
Notes to the Financial Statements  
For The Year Ended June 30, 2007

**16. Contingencies**

- 1) The City of Marlette and Marlette Township have guaranteed the Marlette Community Fire Department real estate mortgage dated December 22, 1999. The real estate mortgage was used to purchase commercial property and construct a fire hall for the storage of fire equipment. As of June 30, 2007, the outstanding balance of the real estate mortgage is in the amount of \$488,179.

The City of Marlette and Marlette Township have guaranteed the Marlette Community Fire Department commercial promissory note dated December 7, 2001. The promissory note was used to purchase a fire department ladder truck. As of June 30, 2007, the outstanding balance of the promissory note is in the amount of \$31,278.

- 2) The City of Marlette entered into an agreement with the Michigan Department of Transportation. The City is to receive a grant in the amount of \$320,000 for the purpose of restoring the historic Train Depot in Marlette. The City agreed to provide a local match of \$80,000. This match money is to be provided by the Marlette Historical Society. The Historical Society is liable for the balance of the match money and the City will be responsible to properly maintain the Depot in such a manner as to preserve the historical integrity of the features, materials, appearance, workmanship, and environment from the date of the agreement forward. Should the City not preserve the historical integrity of the Depot, the City would be required to repay the grant in full.
- 3) The City of Marlette received a State Community Development Block Grant for the purpose of constructing an Industrial Park. The State Grant received by the City was \$655,350. The grant is expected to create 12 jobs. At least 51 percent of the 66 created jobs or 7 jobs shall be made available to, or held by, low and moderate-income persons. If less than 66 jobs are created, the City shall repay a portion of the grant to the State equal to \$54,612 per job, beginning after the term of work performance ends and official closeout of the grant as of January 1, 2008.

**Required Supplemental Information**

**City of Marlette**  
 Required Supplemental Information  
 Budgetary Comparison Schedule  
 General Fund  
 For The Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<b><u>Revenues</u></b>				
Property Taxes	\$ 539,750.00	\$ 539,750.00	\$ 491,691.18	(48,058.82)
Intergovernmental Revenues	246,200.00	246,200.00	241,078.90	(5,121.10)
Licenses, Permits, & Fines	21,750.00	21,750.00	23,266.92	1,516.92
Cemetery	25,500.00	25,500.00	24,540.00	(960.00)
Park & Recreation	19,150.00	19,150.00	10,561.90	(8,588.10)
Charges for Services				
Rubbish Collection	68,000.00	68,000.00	68,304.68	304.68
Fire Calls / Protection	10,000.00	10,000.00	7,015.00	(2,985.00)
Other Charges for Services	750.00	750.00	580.00	(170.00)
Interest Earnings	5,750.00	5,750.00	16,803.70	11,053.70
Grant Proceeds	4,500.00	4,500.00	12,211.74	7,711.74
Other Revenue	21,250.00	21,250.00	18,076.44	(3,173.56)
<b><u>Total Revenues</u></b>	<b><u>\$ 962,600.00</u></b>	<b><u>\$ 962,600.00</u></b>	<b><u>\$ 914,130.46</u></b>	<b><u>\$ (48,469.54)</u></b>

**City of Marlette**  
 Required Supplemental Information  
 Budgetary Comparison Schedule  
 General Fund  
 For The Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<b><u>Expenditures</u></b>				
<b><u>Legislative</u></b>				
Council	\$ 9,000.00	\$ 9,000.00	\$ 9,658.13	\$ (658.13)
<b><u>General Government</u></b>				
Administration	27,575.00	27,575.00	26,998.40	576.60
Elections	4,100.00	4,100.00	3,323.92	776.08
Professional Services	10,500.00	10,500.00	8,052.10	2,447.90
Assessor	12,500.00	12,500.00	10,157.00	2,343.00
Clerk	99,125.00	99,125.00	86,784.70	12,340.30
Board of Review	600.00	600.00	597.31	2.69
Treasurer	21,700.00	21,700.00	20,783.66	916.34
Building & Grounds	33,750.00	33,750.00	26,815.60	6,934.40
Cemetery	64,650.00	64,650.00	72,453.39	(7,803.39)
Miscellaneous	-	-	-	-
<b><u>Total General Government</u></b>	<u>274,500.00</u>	<u>274,500.00</u>	<u>255,966.08</u>	<u>18,533.92</u>
<b><u>Public Safety</u></b>				
Police Department	315,450.00	315,450.00	277,475.81	37,974.19
Fire Department	60,000.00	60,000.00	51,797.25	8,202.75
Planning Commission	27,550.00	27,550.00	18,778.80	8,771.20
Zoning Board of Appeals	500.00	500.00	30.00	470.00
<b><u>Total Public Safety</u></b>	<u>403,500.00</u>	<u>403,500.00</u>	<u>348,081.86</u>	<u>55,418.14</u>
<b><u>Public Works</u></b>				
Sidewalks	20,900.00	20,900.00	4,806.41	16,093.59
Wellhead Protection	1,375.00	1,375.00	-	1,375.00
Refuse Collection	108,100.00	108,100.00	105,316.09	2,783.91
Street Lighting	35,000.00	35,000.00	38,188.20	(3,188.20)
<b><u>Total Public Works</u></b>	<u>165,375.00</u>	<u>165,375.00</u>	<u>148,310.70</u>	<u>17,064.30</u>
<b><u>Recreation &amp; Culture</u></b>				
Parks & Recreation	85,100.00	85,100.00	81,206.70	3,893.30
Community Promotion	7,500.00	7,500.00	10,001.78	(2,501.78)
<b><u>Total Cemetery, Parks, &amp; Recreation</u></b>	<u>92,600.00</u>	<u>92,600.00</u>	<u>91,208.48</u>	<u>1,391.52</u>
<b><u>Capital Outlay</u></b>				
Debt Service - Principal	10,000.00	10,000.00	22,673.00	(12,673.00)
- Interest	-	-	6,067.00	(6,067.00)
- Interest	-	-	1,792.09	(1,792.09)
Total Expenditures	<u>954,975.00</u>	<u>954,975.00</u>	<u>883,757.34</u>	<u>71,217.66</u>
<b><u>Excess of Revenues Over (Under) Expenditures</u></b>	7,625.00	7,625.00	30,373.12	22,748.12
<b><u>Other Financing Sources (Uses)</u></b>				
Operating Transfers In (Out)	-	-	3,579.13	3,579.13
<b><u>Excess of Revenues &amp; Other Sources Over (Under)</u></b>				
<u>Expenditures &amp; Other Uses</u>	7,625.00	7,625.00	33,952.25	26,327.25
<b><u>Fund Balance - Beginning of Year</u></b>	-	-	55,234.66	55,234.66
<b><u>Fund Balance - End of Year</u></b>	<u>\$ 7,625.00</u>	<u>\$ 7,625.00</u>	<u>\$ 89,186.91</u>	<u>\$ 81,561.91</u>

# City of Mariette

Required Supplemental Information  
 Budgetary Comparison Schedule  
 Major Special Revenue Funds  
 For The Year Ended June 30, 2007

	Major Street Fund			Local Street Fund			Variance with Amended Budget
	Original Budget	Amended Budget	Actual	Original Budget	Amended Budget	Actual	
<b>Revenues</b>							
Property Taxes	\$ 37,200.00	\$ 37,200.00	\$ 33,598.31	\$ 55,000.00	\$ 55,000.00	\$ 50,397.52	\$ (4,602.48)
State Shared Revenue - Gas & Weight Tax	115,000.00	115,000.00	112,989.76	38,000.00	38,000.00	36,399.10	(1,600.90)
State Truck Line Maintenance	12,500.00	12,500.00	10,765.74	-	-	-	-
Build MI Local Roads Program	500.00	500.00	3,901.47	1,000.00	1,000.00	1,256.46	256.46
Interest Income	1,000.00	1,000.00	3,321.21	500.00	500.00	1,446.12	946.12
Miscellaneous	-	-	-	-	-	4,232.32	4,232.32
<b>Total Revenues</b>	<u>166,200.00</u>	<u>166,200.00</u>	<u>164,576.49</u>	<u>94,500.00</u>	<u>94,500.00</u>	<u>93,731.52</u>	<u>(768.48)</u>
<b>Expenditures</b>							
Routine Maintenance	39,400.00	39,400.00	19,826.89	38,600.00	38,600.00	36,847.23	1,752.77
Snow & Ice Removal	11,000.00	11,000.00	7,703.84	8,475.00	8,475.00	8,168.08	306.92
Traffic Services	2,325.00	2,325.00	2,111.74	2,375.00	2,375.00	471.48	1,903.52
Street Sweeping	5,325.00	5,325.00	2,846.36	5,500.00	5,500.00	3,552.55	1,947.45
Trunk Line Maintenance	14,100.00	14,100.00	8,646.34	-	-	-	-
Administration	17,300.00	17,300.00	12,963.29	8,900.00	8,900.00	11,185.50	(2,285.50)
Capital Outlay	-	-	-	140,000.00	140,000.00	149,661.14	(9,661.14)
Debt Service - Principal	40,000.00	40,000.00	40,000.00	-	-	-	-
Debt Service - Interest	30,000.00	30,000.00	24,342.50	-	-	-	-
<b>Total Expenditures</b>	<u>159,450.00</u>	<u>159,450.00</u>	<u>118,440.96</u>	<u>203,850.00</u>	<u>203,850.00</u>	<u>209,885.98</u>	<u>(6,035.98)</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	6,750.00	6,750.00	46,135.53	(109,350.00)	(109,350.00)	(116,154.46)	(6,804.46)
<b>Other Financing Sources (Uses)</b>							
Operating Transfers In (Out)	-	-	-	-	-	134,808.33	134,808.33
<b>Excess of Revenues &amp; Other Sources Over (Under) Expenditures &amp; Other Uses</b>	6,750.00	6,750.00	46,135.53	(109,350.00)	(109,350.00)	18,653.87	128,003.87
<b>Fund Balance - Beginning of Year</b>	-	-	52,189.64	-	-	(331.01)	(331.01)
<b>Fund Balance - End of Year</b>	<u>\$ 6,750.00</u>	<u>\$ 6,750.00</u>	<u>\$ 98,325.17</u>	<u>\$ (109,350.00)</u>	<u>\$ (109,350.00)</u>	<u>\$ 18,322.86</u>	<u>\$ 127,672.86</u>

**City of Marlette**  
 Required Supplemental Information  
 Budgetary Comparison Schedule  
 Municipal Street Fund  
 For The Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<b><u>Revenues</u></b>				
Intergovernmental Revenues	\$ 68,000.00	\$ 68,000.00	\$ 66,150.96	\$ (1,849.04)
Interest Earnings	1,200.00	1,200.00	2,634.18	1,434.18
<u>Total Revenues</u>	<u>69,200.00</u>	<u>69,200.00</u>	<u>68,785.14</u>	<u>(414.86)</u>
<b><u>Expenditures</u></b>				
Salaries & Fringes	-	-	-	-
Capital Outlay	-	-	-	-
<u>Total Expenditures</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	69,200.00	69,200.00	68,785.14	(414.86)
<u>Other Financing Sources (Uses) Operating</u>				
<b><u>Other Financing Sources (Uses)</u></b>				
Operating Transfers In (Out)	-	-	(134,808.33)	(134,808.33)
<u>Excess of Revenues &amp; Other Sources Over (Under) Expenditures &amp; Other Uses</u>	69,200.00	69,200.00	(66,023.19)	(135,223.19)
<b><u>Fund Balance - Beginning of Year</u></b>	<u>-</u>	<u>-</u>	<u>132,249.91</u>	<u>132,249.91</u>
<b><u>Fund Balance - End of Year</u></b>	<u>\$ 69,200.00</u>	<u>\$ 69,200.00</u>	<u>\$ 66,226.72</u>	<u>\$ (2,973.28)</u>

**City of Marlette**  
 Required Supplemental Information  
 Budgetary Comparison Schedule  
 Local Development Finance Authority Fund  
 For The Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<b><u>Revenues</u></b>				
Property Taxes	\$ 35,000.00	\$ 35,000.00	\$ 52,741.04	\$ 17,741.04
Grant Proceeds	750.00	750.00	70,525.00	69,775.00
Interest Earnings	-	-	5,426.49	5,426.49
Other Revenue	-	-	-	-
<u>Total Revenues</u>	<u>35,750.00</u>	<u>35,750.00</u>	<u>128,692.53</u>	<u>92,942.53</u>
<b><u>Expenditures</u></b>				
Salaries & Administration	20,450.00	20,450.00	20,962.76	(512.76)
Office Supplies	8,000.00	8,000.00	400.00	7,600.00
Professional Services	750.00	750.00	250.00	500.00
Education, Training & Meetings	250.00	250.00	-	250.00
Miscellaneous	500.00	500.00	23,425.20	(22,925.20)
Capital Outlay	1,000.00	1,000.00	-	1,000.00
Debt Service - Principal	27,440.00	27,440.00	26,896.00	544.00
Debt Service - Interest	3,560.00	3,560.00	3,481.78	78.22
<u>Total Expenditures</u>	<u>61,950.00</u>	<u>61,950.00</u>	<u>75,415.74</u>	<u>(13,465.74)</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	(26,200.00)	(26,200.00)	53,276.79	79,476.79
<b><u>Other Financing Sources (Uses)</u></b>				
Operating Transfers In (Out)	-	-	-	-
<u>Excess of Revenues &amp; Other Sources Over (Under) Expenditures &amp; Other Uses</u>	(26,200.00)	(26,200.00)	53,276.79	79,476.79
<b><u>Fund Balance - Beginning of Year</u></b>	<u>-</u>	<u>-</u>	<u>121,482.10</u>	<u>121,482.10</u>
<b><u>Fund Balance - End of Year</u></b>	<u>\$ (26,200.00)</u>	<u>\$ (26,200.00)</u>	<u>\$ 174,758.89</u>	<u>\$ 200,958.89</u>

**City of Marlette**  
 Required Supplemental Information  
 Budgetary Comparison Schedule  
 Downtown Development Authority Fund  
 For The Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<b><u>Revenues</u></b>				
Property Taxes	\$ 120,000.00	\$ 120,000.00	\$ 126,169.57	\$ 6,169.57
CDBG Grant	-	-	-	-
Interest Income	1,000.00	1,000.00	4,633.08	3,633.08
Other Revenue	-	-	-	-
<u>Total Revenues</u>	<u>121,000.00</u>	<u>121,000.00</u>	<u>130,802.65</u>	<u>9,802.65</u>
<b><u>Expenditures</u></b>				
Administration	18,700.00	18,700.00	13,333.62	5,366.38
Office Supplies	2,600.00	2,600.00	1,992.00	608.00
Professional Services	5,500.00	5,500.00	11,213.08	(5,713.08)
Legal & Accounting	750.00	750.00	500.00	250.00
Education, Training, & Meetings	-	-	-	-
Miscellaneous	700.00	700.00	611.95	88.05
Equipment Rent - Interdepartment	8,000.00	8,000.00	4,509.07	3,490.93
Capital Outlay	10,000.00	10,000.00	8,406.89	1,593.11
Debt Service - Principal	30,747.00	30,747.00	30,000.00	747.00
Debt Service - Interest	18,803.00	18,803.00	18,802.50	0.50
<u>Total Expenditures</u>	<u>95,800.00</u>	<u>95,800.00</u>	<u>89,369.11</u>	<u>6,430.89</u>
<b><u>Excess of Revenues Over (Under) Expenditures</u></b>				
<u>Other Financing Sources (Uses) Operating</u>	25,200.00	25,200.00	41,433.54	7,177.89
<b><u>Other Financing Sources (Uses)</u></b>				
Operating Transfers In (Out)	-	-	-	-
<b><u>Excess of Revenues &amp; Other Sources Over (Under) Expenditures &amp; Other Uses</u></b>				
	25,200.00	25,200.00	41,433.54	7,177.89
<b><u>Fund Balance - Beginning of Year</u></b>				
	-	-	166,521.06	166,521.06
<b><u>Fund Balance - End of Year</u></b>				
	<u>\$ 25,200.00</u>	<u>\$ 25,200.00</u>	<u>\$ 207,954.60</u>	<u>\$ 173,698.95</u>

**City of Marlette**  
 Required Supplemental Information  
 Budgetary Comparison Schedule  
 Country Fair Days Fund  
 For The Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<b><u>Revenues</u></b>				
Donations	\$ 4,000.00	\$ 4,000.00	\$ 7,953.85	\$ 3,953.85
Charges For Services	350.00	350.00	120.00	(230.00)
Interest Income	100.00	100.00	457.56	357.56
Other Revenue	1,500.00	1,500.00	2,515.56	1,015.56
<u>Total Revenues</u>	<u>5,950.00</u>	<u>5,950.00</u>	<u>11,046.97</u>	<u>5,096.97</u>
<b><u>Expenditures</u></b>				
Administrative Expense	1,250.00	1,250.00	3,008.23	(1,758.23)
Contracted Services	6,000.00	6,000.00	8,466.00	(2,466.00)
Miscellaneous	1,250.00	1,250.00	6,294.37	(5,044.37)
<u>Total Expenditures</u>	<u>8,500.00</u>	<u>8,500.00</u>	<u>17,768.60</u>	<u>(9,268.60)</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>(2,550.00)</u>	<u>(2,550.00)</u>	<u>(6,721.63)</u>	<u>(4,171.63)</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Operating Transfers In (Out)	-	-	-	-
<u>Excess of Revenues &amp; Other Sources Over (Under) Expenditures &amp; Other Uses</u>	<u>(2,550.00)</u>	<u>(2,550.00)</u>	<u>(6,721.63)</u>	<u>(4,171.63)</u>
<b><u>Fund Balance - Beginning of Year</u></b>	<u>-</u>	<u>-</u>	<u>16,386.32</u>	<u>16,386.32</u>
<b><u>Fund Balance - End of Year</u></b>	<u>\$ (2,550.00)</u>	<u>\$ (2,550.00)</u>	<u>\$ 9,664.69</u>	<u>\$ 12,214.69</u>

**City of Marlette**  
 Required Supplemental Information  
 Budgetary Comparison Schedule  
 Debt Service Fund  
 For The Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<b><u>Revenues</u></b>				
Bond Recovery Fees	\$ -	\$ -	\$ 359,790.19	\$ 359,790.19
Bond Proceeds	-	-	1,658,000.00	1,658,000.00
Interest Earnings	-	-	4,471.60	4,471.60
<b><u>Total Revenues</u></b>	<u>-</u>	<u>-</u>	<u>2,022,261.79</u>	<u>4,471.60</u>
<b><u>Expenditures</u></b>				
Miscellaneous Fees	-	-	31,031.60	(31,031.60)
Debt Service - Principal	-	-	1,666,000.00	(1,666,000.00)
Debt Service - Interest	-	-	164,679.67	(164,679.67)
<b><u>Total Expenditures</u></b>	<u>-</u>	<u>-</u>	<u>1,861,711.27</u>	<u>(1,861,711.27)</u>
<b><u>Excess of Revenues Over (Under) Expenditures</u></b>	<u>-</u>	<u>-</u>	<u>160,550.52</u>	<u>(1,857,239.67)</u>
<b><u>Other Financing Sources (Uses) Operating</u></b>				
<b><u>Other Financing Sources (Uses)</u></b>				
Operating Transfers In (Out)	-	-	(12,280.00)	(12,280.00)
<b><u>Excess of Revenues &amp; Other Sources Over (Under) Expenditures &amp; Other Uses</u></b>	<u>-</u>	<u>-</u>	<u>148,270.52</u>	<u>(1,869,519.67)</u>
<b><u>Fund Balance - Beginning of Year</u></b>	<u>-</u>	<u>-</u>	<u>(33,083.97)</u>	<u>(33,083.97)</u>
<b><u>Fund Balance - End of Year</u></b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 115,186.55</u>	<u>\$ (1,902,603.64)</u>

**City of Marlette**  
 Required Supplemental Information  
 Budgetary Comparison Schedule  
 Cemetery Memorial Chapel Capital Project Fund  
 For The Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<b><u>Revenues</u></b>				
Donations & Contributions	\$ -	\$ -	\$ 2,103.00	\$ 2,103.00
Interest Income	-	-	150.94	150.94
<u>Total Revenues</u>	<u>-</u>	<u>-</u>	<u>2,253.94</u>	<u>2,253.94</u>
<b><u>Expenditures</u></b>				
Miscellaneous	-	-	1,561.00	(1,561.00)
Capital Outlay - Construction in Progress	-	-	-	-
<u>Total Expenditures</u>	<u>-</u>	<u>-</u>	<u>1,561.00</u>	<u>(1,561.00)</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>-</u>	<u>-</u>	<u>692.94</u>	<u>692.94</u>
<b><u>Other Financing Sources (Uses) Operating</u></b>				
<b><u>Other Financing Sources (Uses)</u></b>				
Operating Transfers In (Out)	-	-	-	-
<u>Excess of Revenues &amp; Other Sources Over (Under) Expenditures &amp; Other Uses</u>	<u>-</u>	<u>-</u>	<u>692.94</u>	<u>692.94</u>
<b><u>Fund Balance - Beginning of Year</u></b>	<u>-</u>	<u>-</u>	<u>2,503.11</u>	<u>2,503.11</u>
<b><u>Fund Balance - End of Year</u></b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,196.05</u>	<u>\$ 3,196.05</u>

**City of Marlette**  
 Required Supplemental Information  
 Budgetary Comparison Schedule  
 Waste Water Treatment Plant Capital Project Fund  
 For The Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<b><u>Revenues</u></b>				
Bond Proceeds	\$ -	\$ -	\$ 3,953,030.53	\$ 3,953,030.53
Miscellaneous Revenues	-	-	964.86	964.86
<u>Total Revenues</u>	<u>-</u>	<u>-</u>	<u>3,953,995.39</u>	<u>3,953,995.39</u>
<b><u>Expenditures</u></b>				
Miscellaneous	-	-	-	-
Capital Outlay - Construction in Progress	-	-	3,953,038.13	(3,953,038.13)
<u>Total Expenditures</u>	<u>-</u>	<u>-</u>	<u>3,953,038.13</u>	<u>(3,953,038.13)</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>-</u>	<u>-</u>	<u>957.26</u>	<u>957.26</u>
<u>Other Financing Sources (Uses) Operating</u>				
<b><u>Other Financing Sources (Uses)</u></b>				
Operating Transfers In (Out)	-	-	-	-
<u>Excess of Revenues &amp; Other Sources</u>				
<u>Over (Under) Expenditures &amp; Other Uses</u>	<u>-</u>	<u>-</u>	<u>957.26</u>	<u>957.26</u>
<b><u>Fund Balance - Beginning of Year</u></b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>Fund Balance - End of Year</u></b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 957.26</u>	<u>\$ 957.26</u>

**City of Marlette**  
 Required Supplemental Information  
 Budgetary Comparison Schedule  
 Train Depot Restoration Capital Project Fund  
 For The Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<b>Revenues</b>				
Grant Proceeds	\$ -	\$ -	\$ 118,570.08	\$ 118,570.08
Interest Earnings	-	-	287.28	287.28
<b>Total Revenues</b>	<u>-</u>	<u>-</u>	<u>118,857.36</u>	<u>118,857.36</u>
<b>Expenditures</b>				
Construction in Progress	-	-	115,085.32	(115,085.32)
<b>Total Expenditures</b>	<u>-</u>	<u>-</u>	<u>115,085.32</u>	<u>(115,085.32)</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	-	-	3,772.04	3,772.04
<u>Other Financing Sources (Uses) Operating</u>				
<b>Other Financing Sources (Uses)</b>				
Operating Transfers In (Out)	-	-	-	-
<u>Excess of Revenues &amp; Other Sources Over (Under) Expenditures &amp; Other Uses</u>	-	-	3,772.04	3,772.04
<b>Fund Balance - Beginning of Year</b>	<u>-</u>	<u>-</u>	<u>(3,258.49)</u>	<u>(3,258.49)</u>
<b>Fund Balance - End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 513.55</u>	<u>\$ 513.55</u>

**Other Supplemental Information**

# City of Marlette

Other Supplemental Information  
 Combining Statement of Net Assets  
 Fiduciary Funds  
 June 30, 2007

	<u>Pension &amp; Other Trust Funds</u>		<u>Agency Funds</u>	
	<u>Cemetery Perpetual Care Expendable Trust</u>	<u>Nonexpendable Trust</u>	<u>Payroll Agency Fund</u>	<u>Tax Collection Fund</u>
<u>Assets</u>	<u>Totals</u>		<u>Totals</u>	
Cash & Certificate of Deposit	\$ 6,640.28	\$ 71,808.14	\$ -	\$ 41.24
<u>Total Assets</u>	<u>6,640.28</u>	<u>71,808.14</u>	<u>-</u>	<u>41.24</u>
<u>Liabilities &amp; Fund Balance</u>				
<u>Liabilities</u>				
Due To General Fund	-	-	-	41.24
Due To Other Governmental Agencies	-	-	-	-
<u>Total Liabilities</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41.24</u>
<u>Net Assets</u>				
Held in Trust for Cemetery Perpetual Care	-	71,808.14		
Unreserved - Undesignated	6,640.28	-		
<u>Total Liabilities &amp; Net Assets</u>	<u>\$ 6,640.28</u>	<u>\$ 71,808.14</u>	<u>\$ -</u>	<u>\$ 41.24</u>

# City of Mariette

Other Supplemental Information  
 Combining Statement of Changes in Net Assets  
 Fiduciary Funds  
 June 30, 2007

	Pension & Other Trust Funds		
	Cemetery Perpetual Care	Nonexpendable Trust	Totals
	Expendable Trust		
<u>Additions</u>			
Interest Income - Perpetual Care	\$ 5,544.41	-	\$ 5,544.41
Sale of Lots - Perpetual Care	-	340.00	340.00
<u>Total Additions</u>	5,544.41	340.00	5,884.41
<u>Deductions</u>			
Contribution To (From) Other Funds	3,579.13	-	3,579.13
<u>Total Deductions</u>	3,579.13	-	3,579.13
<u>Net Increase</u>	1,965.28	340.00	2,305.28
<u>Net Assets - Beginning of Year</u>	4,675.00	71,468.14	76,143.14
<u>Net Assets - End of Year</u>	\$ 6,640.28	\$ 71,808.14	\$ 78,448.42

**City of Marlette**  
 Other Supplemental Information  
 Schedule of Indebtedness  
 June 30, 2007

**General Obligation Bonds / Installment Contracts**

2006 General Obligation Limited Tax Bond

Obligation Refunding Bonds - 2006 Series Dated October 11, 2006

Interest Payable July 1, and January 1, Authorized Issue \$5,679,000

Interest Rate	Date of Maturity	Principal Outstanding		Remaining Interest Payable
		June 30, 2007	June 30, 2006	
4.375%	07/01/08	\$ 35,000	\$ -	\$ 152,906
4.375%	07/01/09	35,000	-	151,375
4.375%	07/01/10	50,000	-	149,844
4.375%	07/01/11	50,000	-	147,656
4.375%	07/01/12	50,000	-	145,469
4.375%	07/01/13	50,000	-	143,281
4.375%	07/01/14	50,000	-	141,094
4.375%	07/01/15	55,000	-	138,906
4.375%	07/01/16	55,000	-	136,500
4.375%	07/01/17	55,000	-	134,094
4.375%	07/01/18	55,000	-	131,688
4.375%	07/01/19	55,000	-	129,281
4.375%	07/01/20	55,000	-	126,875
4.375%	07/01/21	65,000	-	124,469
4.375%	07/01/22	75,000	-	121,625
4.375%	07/01/23	75,000	-	118,344
4.375%	07/01/24	85,000	-	115,063
4.375%	07/01/25	85,000	-	111,344
4.375%	07/01/26	90,000	-	107,625
4.375%	07/01/27	95,000	-	103,688
4.375%	07/01/28	180,000	-	99,531
4.375%	07/01/29	185,000	-	91,656
4.375%	07/01/30	225,000	-	83,563
4.375%	07/01/31	225,000	-	73,719
4.375%	07/01/32	225,000	-	63,875
4.375%	07/01/33	225,000	-	54,031
4.375%	07/01/34	225,000	-	44,188
4.375%	07/01/35	225,000	-	34,344
4.375%	07/01/36	244,000	-	24,500
4.375%	07/01/37	250,000	-	13,825
4.375%	07/01/38	66,000	-	2,888
4.375%	07/01/39	-	-	-
4.375%	07/01/40	-	-	-
4.375%	07/01/41	-	-	-
4.375%	07/01/42	-	-	-
4.375%	07/01/43	-	-	-
4.375%	07/01/44	-	-	-
4.375%	07/01/45	-	-	-
4.375%	07/01/46	-	-	-
Total - 2006 Waste Water Disposal Bonds		\$ 3,495,000	\$ -	\$ 3,217,244

**City of Marlette**  
 Other Supplemental Information  
 Schedule of Indebtedness  
 June 30, 2007

**General Obligation Bonds / Installment Contracts**

**1994 Downtown Development Bond**

Dated November 1, 1994, Interest Payable March 1, & September 1,  
 Authorized Issue \$450,000

Interest Rate	Date of Maturity	Principal Outstanding		Remaining Interest Payable
		June 30, 2007	June 30, 2007	
6.90%	3-1-07	\$ -	\$ 30,000	\$ -
6.90%	3-1-08	30,000	30,000	16,733
6.95%	3-1-09	35,000	35,000	14,633
6.95%	3-1-10	40,000	40,000	12,230
7.00%	3-1-11	40,000	40,000	9,450
7.00%	3-1-12	45,000	45,000	6,650
7.00%	3-1-13	50,000	50,000	3,500
Total - Limited G.O. Bonds		\$ 240,000	\$ 270,000	\$ 63,196

**September 24, 1999 Installment Purchase Contract**

Euclid & Sterling Street Improvements  
 Principal and Interest Payable June 24 and December 24  
 Authorized Issue \$100,000

4.25%	12-24-06	\$ -	\$ 5,481	\$ -
4.25%	6-24-07	-	5,591	-
4.25%	12-24-07	5,629	5,629	626
4.25%	6-24-08	5,749	5,749	506
4.25%	12-24-08	5,872	5,872	383
4.25%	6-24-09	5,998	5,998	257
4.25%	12-24-09	1,934	1,934	131
Total - Installment Loan		\$ 25,182	\$ 36,254	\$ 1,903

**General Obligation Bonds / Installment Contracts**

**December 1, 1999 Installment Purchase Contract**

3394 S. Main Street  
 Principal and Interest Payable June 1, and December 1  
 Authorized Issue \$64,500

Interest Rate	Date of Maturity	Principal Outstanding		Remaining Interest Payable
		June 30, 2007	June 30, 2006	
4.25%	12-1-06	\$ -	\$ 3,477	\$ -
4.25%	06-1-07	-	3,554	-
4.25%	12-1-07	3,593	3,593	400
4.25%	06-1-08	3,670	3,670	323
4.25%	12-1-08	3,748	3,748	245
4.25%	06-1-09	3,829	3,829	164
4.25%	12-1-09	2,129	2,129	83
Total - Series A Bonds		\$ 16,969	\$ 24,000	\$ 1,215

**City of Marlette**  
 Other Supplemental Information  
 Schedule of Indebtedness  
 June 30, 2007

**General Obligation Bonds / Installment Contracts**

**May 8, 1999 Installment Purchase Contract**

3391 S. Main Street

Principal and Interest payable April 15 and October 15

Authorized issue \$80,000

Interest Rate	Date of Maturity	Principal Outstanding		Remaining Interest Payable
		June 30, 2007	June 30, 2006	
4.25%	10-15-06	\$ -	\$ 4,349	\$ -
4.25%	04-15-07	-	4,444	-
4.25%	10-15-07	4,541	4,541	400
4.25%	04-15-08	4,638	4,638	303
4.25%	10-15-08	4,737	4,737	204
4.25%	04-15-09	4,876	4,876	90
Total -3391 S. Main Street Install Purch Contract		\$ 18,792	\$ 27,585	\$ 997

**City/Twp. Building - Tri-County Bank**

**May 7, 2002 Installment Purchase Contract**

Principal and Interest payable Nov. 7 and May 7

Authorized issue \$62,650

4.46%	11-7-06	\$ -	\$ 2,983	\$ -
4.46%	5-7-07	-	3,084	-
4.46%	11-7-07	3,152	3,152	778
4.46%	5-7-08	3,222	3,222	708
4.46%	11-7-08	3,293	3,293	637
4.46%	5-7-09	3,366	3,366	564
4.46%	11-7-09	3,440	3,440	490
4.46%	5-7-10	3,516	3,516	414
4.46%	11-7-10	3,594	3,594	336
4.46%	5-7-11	3,674	3,674	256
4.46%	11-7-11	3,755	3,755	175
4.46%	5-7-12	3,794	3,794	81
Total City/Twsp. Building Purchase Contract		\$ 34,806	\$ 40,873	\$ 4,439

**2001 MI Transportation Fund Bonds**

Bond Date - September 01, 2001

Interest Payable Sept. 1 & March 1

Authorized Issue \$700,000

4.55%	9-1-06	\$ -	\$ 40,000	\$ -
4.55%	9-1-07	40,000	40,000	22,523
4.55%	9-1-08	45,000	45,000	20,589
4.55%	9-1-09	45,000	45,000	18,541
4.55%	9-1-10	50,000	50,000	16,380
4.55%	9-1-11	50,000	50,000	14,105
4.55%	9-1-12	50,000	50,000	11,830
4.55%	9-1-13	55,000	55,000	9,441
4.55%	9-1-14	55,000	55,000	6,939
4.55%	9-1-15	60,000	60,000	4,323
4.55%	9-1-16	65,000	65,000	1,479
Total 2001 MI Transportation Bond		\$ 515,000	\$ 555,000	\$ 126,150

**City of Marlette**  
 Other Supplemental Information  
 Schedule of Indebtedness  
 June 30, 2007

**General Obligation Bonds / Installment Contracts**

**1999 Waste Water Disposal Limited Tax General**

Obligation Refunding Bonds - 1999 Series Dated March 1, 1999

Interest Payable July 1, and January 1, Authorized Issue \$2,080,000

Interest Rate	Date of Maturity	Principal Outstanding		Remaining Interest Payable
		June 30, 2007	June 30, 2006	
4.10%	7-1-07	\$ -	\$ 50,000	\$ -
4.20%	7-1-08	55,000	55,000	4,675
4.30%	7-1-09	55,000	55,000	2,365
4.75%	7-1-10	-	55,000	-
4.75%	7-1-11	-	60,000	-
4.75%	7-1-12	-	65,000	-
4.75%	7-1-13	-	70,000	-
4.75%	7-1-14	-	65,000	-
5.00%	7-1-15	-	70,000	-
5.00%	7-1-16	-	75,000	-
5.00%	7-1-17	-	80,000	-
5.00%	7-1-18	-	85,000	-
5.00%	7-1-19	-	90,000	-
5.00%	7-1-20	-	90,000	-
5.00%	7-1-21	-	95,000	-
5.00%	7-1-22	-	100,000	-
5.00%	7-1-23	-	100,000	-
5.10%	7-1-24	-	95,000	-
5.10%	7-1-25	-	95,000	-
5.15%	7-1-26	-	95,000	-
5.15%	7-1-27	-	95,000	-
5.15%	7-1-28	-	100,000	-
<b>Total - Waste Water Disposal Bonds</b>		<b>\$ 110,000</b>	<b>\$ 1,740,000</b>	<b>\$ 7,040</b>
<b>Total Governmental-type Bonds &amp; Contracts Payable</b>		<b>\$ 6,112,749</b>	<b>\$ 2,693,712</b>	<b>\$ 4,344,696</b>

**City of Marlette**  
 Other Supplemental Information  
 Schedule of Indebtedness  
 June 30, 2007

**Business-type General Obligation Bonds & Purchase Contracts**

**Revenue Bonds**

**Sewer Revenue Bonds, Series 1994**

Dated August 1, 1994; Interest payable July 1, & January 1

Authorized issue \$210,000

Interest Rate	Date of Maturity	Principal Outstanding		Remaining Interest Payable
		June 30, 2007	June 30, 2006	
4.50%	7-1-07	\$ -	\$ 4,000	\$ -
4.50%	7-1-08	4,000	4,000	8,100
4.50%	7-1-09	4,000	4,000	7,920
4.50%	7-1-10	4,000	4,000	7,740
4.50%	7-1-11	4,000	4,000	7,560
4.50%	7-1-12	4,000	4,000	7,380
4.50%	7-1-13	4,000	4,000	7,200
4.50%	7-1-14	4,000	4,000	7,020
4.50%	7-1-15	4,000	4,000	6,840
4.50%	7-1-16	4,000	4,000	6,660
4.50%	7-1-17	4,000	4,000	6,480
4.50%	7-1-18	6,000	6,000	6,300
4.50%	7-1-19	6,000	6,000	6,030
4.50%	7-1-20	8,000	8,000	5,760
4.50%	7-1-21	8,000	8,000	5,400
4.50%	7-1-22	8,000	8,000	5,040
4.50%	7-1-23	8,000	8,000	4,680
4.50%	7-1-24	8,000	8,000	4,320
4.50%	7-1-25	8,000	8,000	3,960
4.50%	7-1-26	8,000	8,000	3,600
4.50%	7-1-27	8,000	8,000	3,240
4.50%	7-1-28	8,000	8,000	2,880
4.50%	7-1-29	8,000	8,000	2,520
4.50%	7-1-30	8,000	8,000	2,160
4.50%	7-1-31	10,000	10,000	1,800
4.50%	7-1-32	10,000	10,000	1,350
4.50%	7-1-33	10,000	10,000	900
4.50%	7-1-34	10,000	10,000	450
<b>Total Sewer Revenue Bond</b>		<b>\$ 180,000</b>	<b>\$ 184,000</b>	<b>\$ 133,290</b>

**Municipal Purchase Contract**

**Water Main Installation - Fenner St.**

Contract Date - November 26, 2001, Principal and Interest Payable November 8

Authorized Issue \$194,000

4.20%	11-1-06	\$ -	\$ 18,829	\$ -
4.20%	11-1-07	19,631	19,631	4,551
4.20%	11-1-08	20,456	20,456	3,725
4.20%	11-1-09	21,338	21,338	2,844
4.20%	11-1-10	22,246	22,246	1,935
4.20%	11-1-11	23,237	23,237	992
<b>Total Municipal Purchase Contract</b>		<b>\$ 106,908</b>	<b>\$ 125,737</b>	<b>\$ 14,047</b>
<b>Total Business-type Bonds &amp; Purchase Contracts</b>		<b>\$ 286,908</b>	<b>\$ 309,737</b>	<b>\$ 147,337</b>

**Report on Compliance and on Internal Control over Financial  
Reporting Based on an Audit of Financial Statements Performed  
In Accordance with *Government Auditing Standards***

To the City Council  
**City of Marlette**  
Marlette, Michigan 48453

I have audited the general purpose financial statements of the City of Marlette, Michigan, as of and for the year ended June 30, 2007, and have issued my report thereon dated October 11, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Marlette, Michigan's general purpose financial statements are free of material misstatements, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of our tests disclosed no instances on noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing my audit, I considered the City of Marlette, Michigan's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the management and the City Council and Federal and State agencies and is not intended to be an should not be used by anyone other than these specified parties.

*Lehn King*

Lehn L. King

**Certified Public Accountant**

October 11, 2007

LEHN L. KING  
CERTIFIED PUBLIC ACCOUNTANT

3531 MAIN STREET  
MARLETTE, MICHIGAN 48453

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Phone 989-635-3113  
Fax 989-635-5580

October 11, 2007

Honorable Mayor and  
Members of the City Council  
**City of Marlette**  
City of Marlette, Michigan

In accordance with your request, I have made an examination of the financial statements of the City of Marlette for the fiscal year ended June 30, 2007. During the course of my examination an item came to my attention on which I would like to comment and offer my recommendation.

- a. Per P.A. 621 of 1968, the council does not have authorization to spend money until the budget is officially enacted by the Council. This must be done prior to July 1. This budget should be included with the minutes of the City. The budget must be amended prior to the expenditure exceeding the budgeted item.

I thank the City officials and employees for the cooperation I received in the completion of this examination.

Sincerely,

*Lehn King*

Lehn L. King  
Certified Public Accountant