

CITY OF  
*Marshall*  
MICHIGAN



*Annual Financial Report*

**For the Fiscal Year Ended June 30, 2009**

**CITY OF MARSHALL, MICHIGAN**  
**Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2009**  
**List of Principal City Officials**

**Elected Officials**

**City Council:**

Bruce Smith, Mayor

James Dyer, Ward 1

Nick Metzger, Ward 2

Brent Williams, Ward 3

Ryan Traver, Ward 4

Luanne Miller, Ward 5

Kathy Miller, At Large

**Administration**

Interim City Manager..... Tom Tarkiewicz

Assessors.....Jim and Valerie Lippencott

Clerk-Treasurer / Finance Director..... Sandra Bird

Utilities and Infrastructure Director..... Tom Tarkiewicz

Interim Police Chief..... Scott McDonald

Fire Chief .....Robert Kiessling

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**Annual Financial Report**  
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# FINANCIAL SECTION

**INDEPENDENT AUDITORS' REPORT**

December 8, 2009

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Marshall, Michigan*, as of and for the year ended June 30, 2009, 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 Marshall's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Marshall, Michigan, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3-13 and the Schedules of Fund Progress and Employer Contributions on pages 58-59 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Marshall's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Lehmann Johnson".

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

## Management's Discussion and Analysis

As management of the *City of Marshall, Michigan*, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with the basic financial statements.

### Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$41,672,351 (*net assets*). Of this amount, \$14,410,634 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$1,313,918.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,151,171, a decrease of \$98,059 in comparison with the prior year. Approximately 95.5 percent of this total amount, or \$3,010,442, is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$1,261,838 or 23.8% of total general fund revenues and other financing sources.
- The City's total bonded debt decreased by \$1,135,000 during the current fiscal year; no bonds were issued during the year.

### Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, highways and streets, parks and recreation and community development. The business-type activities of the City include electric, wastewater, water, public transit, solid waste collection, affordable senior citizen housing and other enterprise operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also legally separate entities for which the City is financially accountable. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself. The Building Authority, although also legally separate, functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 14-16 of this report.

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

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

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

The City maintains 17 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the special projects special revenue fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 17-22 of this report.

***Proprietary funds.*** The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its electric, wastewater, water, public transportation, housing and other operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its motor pool, employee safety services, and data processing/computer technology. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric, wastewater, water, Dial-A-Ride, and Marshall House funds, which are considered to be major funds of the City. Conversely, all of the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 23-28 of this report.

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

The basic fiduciary fund financial statements can be found on page 29 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 32-57 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents the combining statements referred to earlier in connection with nonmajor funds. Combining and individual fund financial statements and schedules can be found on pages 58-92 of this report.

## Government-wide Financial Analysis

As noted earlier, net assets may serve, over time, as a useful indicator of a government's financial position. In the case of the City of Marshall, assets exceeded liabilities by \$41,672,351 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (53.3 percent) reflects its investment in capital assets (such as land, buildings, vehicles, equipment, systems and infrastructure), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### City of Marshall's Net Assets

	Governmental activities		Business-type activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 5,006,341	\$ 4,971,382	\$ 17,067,840	\$ 15,625,759	\$ 22,074,181	\$ 20,597,141
Capital assets	17,512,654	17,913,002	16,417,634	17,109,429	33,930,288	35,022,431
Total assets	<u>22,518,995</u>	<u>22,884,384</u>	<u>33,485,474</u>	<u>32,735,188</u>	<u>56,004,469</u>	<u>55,619,572</u>
Long-term liabilities outstanding	4,020,528	4,641,962	8,016,407	8,714,085	12,036,935	13,356,047
Other liabilities	717,452	378,878	1,577,731	1,526,214	2,295,183	1,905,092
Total liabilities	<u>4,737,980</u>	<u>5,020,840</u>	<u>9,594,138</u>	<u>10,240,299</u>	<u>14,332,118</u>	<u>15,261,139</u>
Net assets:						
Invested in capital assets, net of related debt	13,738,175	13,498,671	8,401,227	8,395,344	22,139,402	21,894,015
Restricted	775,833	886,955	4,346,482	3,642,168	5,122,315	4,529,123
Unrestricted	3,267,007	3,477,918	11,143,627	10,457,377	14,410,634	13,935,295
<b>Total net assets</b>	<u>\$ 17,781,015</u>	<u>\$ 17,863,544</u>	<u>\$ 23,891,336</u>	<u>\$ 22,494,889</u>	<u>\$ 41,672,351</u>	<u>\$ 40,358,433</u>

An additional portion of the City's net assets (12.3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (34.4 percent or \$14,410,634) may be used to meet the government's ongoing obligations to citizens and creditors.

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

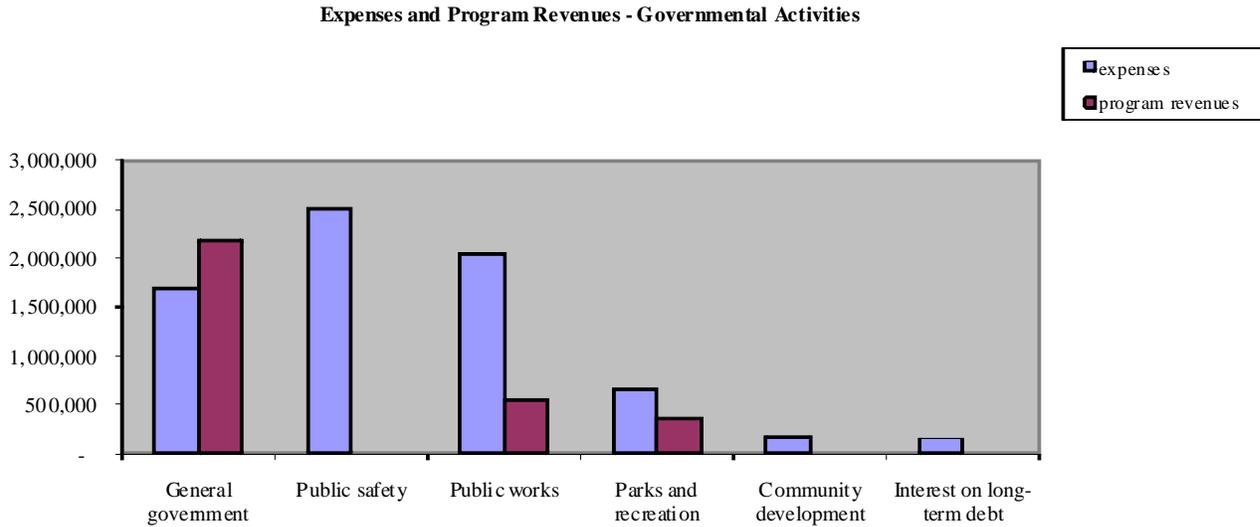
The government's net assets increased by \$1,313,918 during the current fiscal year as compared to an increase of \$1,554,837 for the prior year. The current year increase in net assets reflects the extent by which revenues exceeded accrual basis expenses, including depreciation on governmental capital assets and infrastructure.

**City of Marshall's Changes in Net Assets**

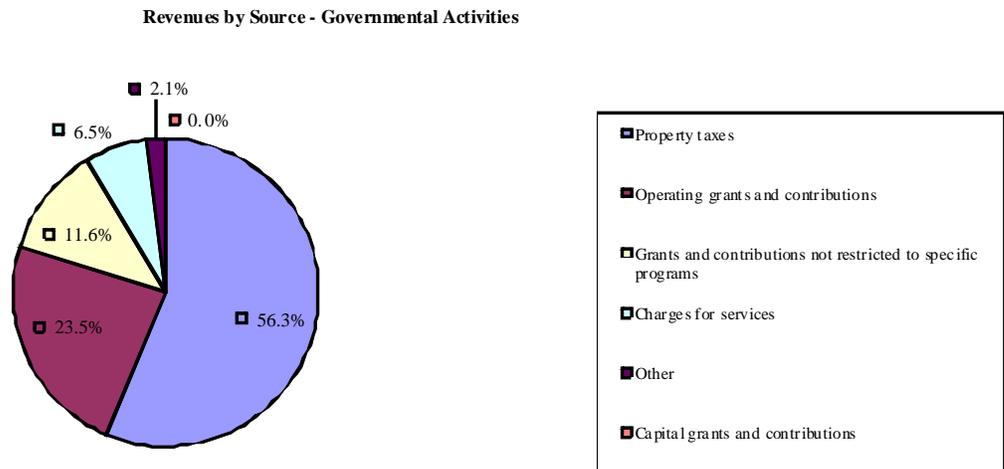
	Governmental activities		Business-type activities		Total	
	2009	2008	2009	2008	2009	2008
Revenue:						
Program revenue:						
Charges for services	\$ 405,607	\$ 423,299	\$ 15,610,708	\$ 15,523,024	\$ 16,016,315	\$ 15,946,323
Operating grants and contributions	1,468,297	1,414,774	2,168,558	1,984,080	3,636,855	3,398,854
Capital grants and contributions	-	-	3,150	9,540	3,150	9,540
General revenue:						
Property taxes	3,512,925	3,457,339	103,966	103,253	3,616,891	3,560,592
Grants and contributions not restricted to specific programs	726,066	728,344	-	-	726,066	728,344
Other	129,880	280,872	64,325	225,278	194,205	506,150
Total revenue	6,242,775	6,304,628	17,950,707	17,845,175	24,193,482	24,149,803
Expenses:						
General government	1,681,749	1,689,006	-	-	1,681,749	1,689,006
Public safety	2,450,835	2,330,377	-	-	2,450,835	2,330,377
Public works	1,992,259	1,930,747	-	-	1,992,259	1,930,747
Parks and recreation	644,071	615,280	-	-	644,071	615,280
Community development	182,485	130,930	-	-	182,485	130,930
Interest on long-term debt	158,971	226,164	-	-	158,971	226,164
Electric	-	-	12,388,402	12,100,696	12,388,402	12,100,696
Wastewater	-	-	1,308,655	1,387,374	1,308,655	1,387,374
Water	-	-	1,201,031	1,254,500	1,201,031	1,254,500
Public transit	-	-	428,501	453,277	428,501	453,277
Marshall House	-	-	442,605	476,615	442,605	476,615
Total expenses	7,110,370	6,922,504	15,769,194	15,672,462	22,879,564	22,594,966
Change in net assets before transfers	(867,595)	(617,876)	2,181,513	2,172,713	1,313,918	1,554,837
Transfers	785,066	778,264	(785,066)	(778,264)	-	-
Change in net assets	(82,529)	160,388	1,396,447	1,394,449	1,313,918	1,554,837
Net assets - beginning of year	17,863,544	17,703,156	22,494,889	21,100,440	40,358,433	38,803,596
<b>Net assets - end of year</b>	\$ 17,781,015	\$ 17,863,544	\$ 23,891,336	\$ 22,494,889	\$ 41,672,351	\$ 40,358,433

**Governmental activities.** Governmental activities decreased the City's net assets by \$82,529 (as compared to a prior year increase of \$160,388). The major element of this decrease and the change from the prior year is mainly due to the increased costs associated with public safety and public works and decline in revenue growth.

## Expenses and Program Revenues - Governmental Activities

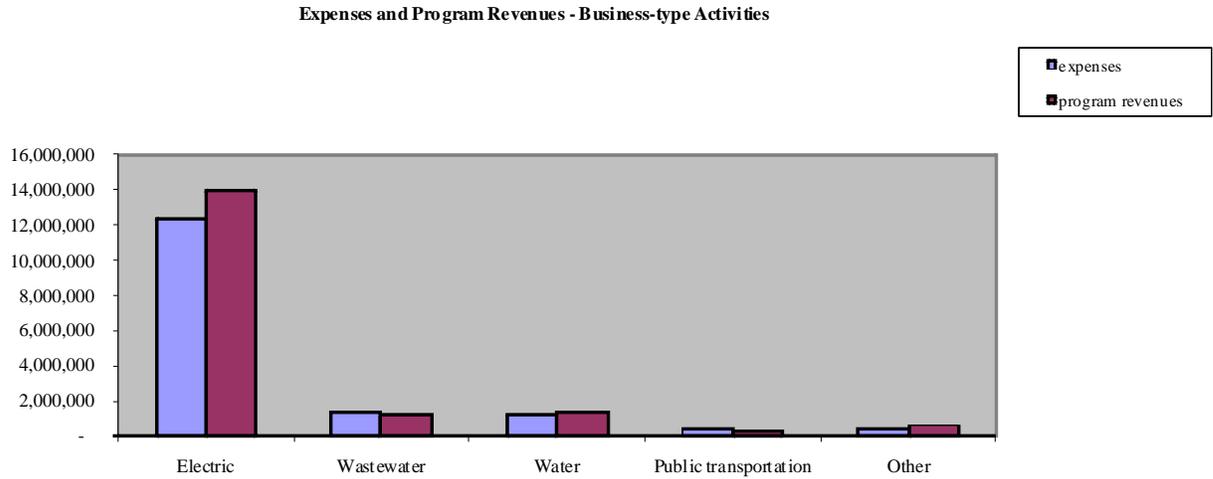


## Revenues by Source - Governmental Activities

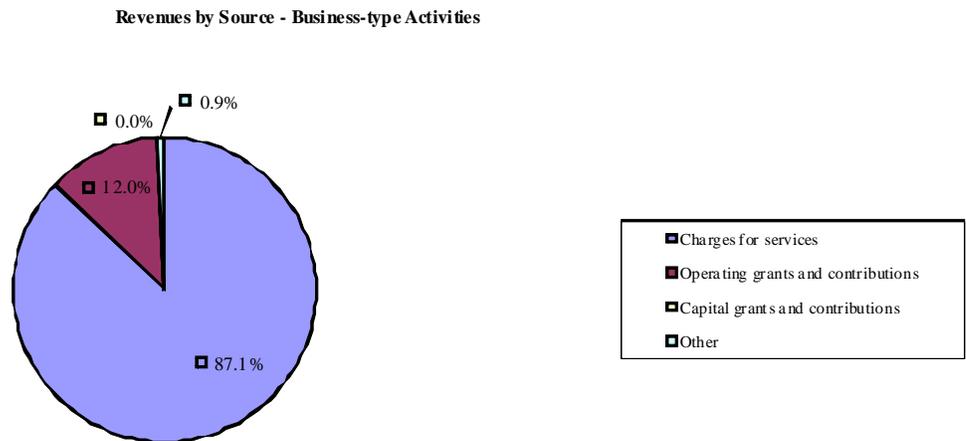


**Business-type activities.** Business-type activities increased the City's net assets by \$1,396,447 as compared to an increase of \$1,394,449 the prior year.

### Expenses and Program Revenues - Business-type Activities



### Revenues by Source - Business-type Activities



## Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,151,171, a decrease of \$98,059 in comparison with the prior year. Approximately 95.5% of this total amount (\$3,010,442) constitutes *unreserved fund balance*, which is available for spending at the City's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed for prepaid expenditures.

The general fund is the chief operating fund of the City. At the end of the 2008-09 fiscal year, unreserved/undesignated fund balance of the general fund was \$1,261,838, while the total fund balance was \$1,925,829. As a measure of the general fund's liquidity, it is useful to compare unreserved/undesignated fund balance to total general fund revenues. Unreserved/undesignated fund balance represents 23.8 percent of total general fund revenues and other financing sources. As a measure of fiscal stability (when examining the City's ability to maintain public services if a major revenue source is disrupted), the ratio of unreserved/undesignated fund balance is 23.7 percent of operating expenses, including the transfers out.

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

The fund balance of the City's general fund decreased by \$19,311 during the current fiscal year, which was \$67,774 less than the total operating deficit that was authorized in the final amended budget (and \$20,308 more than the original budget). While the decrease in the authorized deficit over the course of 2008-09 is a positive outcome, it should be noted that the general fund has incurred operating deficits in three of the last three fiscal years, and that the fiscal year 2008-09 budget was approved with a small operating surplus. It is not expected that the City can sustain this pattern indefinitely, particularly with reduced and/or unchanged revenue streams.

State-shared revenues have also declined steadily in real dollar amounts over the past decade. In fiscal 2008-09, the City received \$718,286, as compared to \$898,489 in fiscal 1999-2000.

The City has also seen a reduction in its overall taxable valuation due to the closure of some industrial and commercial facilities as well as the demolition of structures. There has been industrial investment in fiscal 2008-09, which will help to offset these valuation reductions.

Other governmental funds have utilized their prior years' accumulated fund balances for special projects or normal expenditures. Most of those funds have reached a point where fund balances need to be maintained rather than used for ongoing expenditures.

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

Unrestricted net assets of the electric fund at the end of the year amounted to \$9,843,611. The fund had an increase in net assets for the year of \$1,217,203. Of the current year increase, \$1,524,725 was attributable to the increase in equity of the City's investment in the MSCPA.

The wastewater fund reported unrestricted net assets at the end of the year of (\$119,253). For the year, the fund had a decrease in net assets of \$51,813 as compared to a decrease of \$30,678 in the prior year.

The water fund reported unrestricted net assets at the end of the year of \$913,402. For the year, the fund had an increase in net assets of \$187,942 as compared to an increase of \$197,042 in the prior year.

The Dial-A-Ride fund reported unrestricted net assets at the end of the year of \$125,514. For the year, the fund had an increase in net assets of \$78,445 as compared to a decrease of \$88,436 in the prior year.

The Marshall House fund reported unrestricted net assets at the end of the year of \$381,340. For the year, the fund had a decrease in net assets of \$18,033 as compared to a decrease of \$63,194 in the prior year.

### **General Fund Budgetary Highlights**

Differences between the final amended budgets and actual revenues and expenditures were minor. For the year, general fund budgetary estimates for revenues, expenditures and other financing sources and uses differed from actual, resulting in a net decrease in fund balance that was \$67,774 less than anticipated in the final amended budget.

### **Capital Asset and Debt Administration**

**Capital assets.** The City's investment in capital assets for its governmental and business type activities as of June 30, 2009, amounted to \$33,930,288 (net of accumulated depreciation). This investment in capital assets includes land, improvements, buildings, system, vehicles, equipment, and streets. Net capital assets for governmental activities decreased 2.2%, and for business-type activities decreased by 4.0%. Overall, total net capital assets for the City increased 3.1%.

**City of Marshall's Capital Assets  
(net of depreciation)**

	Governmental activities		Business-type activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 2,232,662	\$ 2,232,662	\$ 164,618	\$ 164,618	\$ 2,397,280	\$ 2,397,280
Construction in process	-	-	279,509	395,631	279,509	395,631
Land improvements	2,811,323	3,114,786	-	-	2,811,323	3,114,786
Buildings	3,933,607	4,137,558	1,943,097	2,087,964	5,876,704	6,225,522
Vehicles	1,047,841	1,385,302	414,911	323,675	1,462,752	1,708,977
Equipment	290,799	175,037	347,138	391,278	637,937	566,315
Systems	-	-	13,268,361	13,746,263	13,268,361	13,746,263
Infrastructure	7,196,422	6,867,657	-	-	7,196,422	6,867,657
<b>Total</b>	\$ 17,512,654	\$ 17,913,002	\$ 16,417,634	\$ 17,109,429	\$ 33,930,288	\$ 35,022,431

Additional information on the City's capital assets can be found in Note 3-D. on pages 44-45 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$10,480,001. Of this amount, \$9,490,000 is comprised of debt backed by the full faith and credit of the government. The remainder of the City's bonded debt represents bonds secured solely by specified revenue sources.

**City of Marshall's Outstanding Debt  
General Obligation and Revenue Bonds**

	Governmental activities		Business-type activities		Total	
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$ 3,435,000	\$ 3,915,000	\$ 6,055,000	\$ 6,465,000	\$ 9,490,000	\$ 10,380,000
Revenue bonds	-	-	990,001	1,235,001	990,001	1,235,001
<b>Total</b>	\$ 3,435,000	\$ 3,915,000	\$ 7,045,001	\$ 7,700,001	\$ 10,480,001	\$ 11,615,001

The City's total bonded debt decreased by \$1,135,000 (9.8 percent) during the current fiscal year; no bonds were issued during the year.

The following chart depicts the City's credit rating for the various outstanding debt and the different rating agencies:

	<u>S&amp;P</u>
Electric revenue bonds	BBB+
General obligation limited tax bonds	A+
General obligation unlimited tax bonds	A+

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total state equalized valuation. The current debt limitation for the City is \$29,488,791 which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in Note 3-G. on pages 47-51 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

The following factors were considered in preparing the City's budget for the 2008-09 fiscal year:

- Developed budgets within the context of the forecasted revenues and expenditures, with a number of positions not being filled;
- No growth in state shared revenue;
- A real decrease in property tax revenues;
- Expenditure increases generally limited to inflation with a dramatically reduced capital project program;

During the current fiscal year, the unreserved undesignated fund balance in the general fund decreased by \$73,934 to \$1,261,838. The City has appropriated \$0 use of prior year fund balance for fiscal 2009-10 planned expenditures.

### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 323 West Michigan Avenue, Marshall, Michigan 49068-1578.

## BASIC FINANCIAL STATEMENTS

# GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CITY OF MARSHALL, MICHIGAN**  
**Statement of Net Assets**  
**June 30, 2009**

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>Assets</b>				
Cash and cash equivalents	\$ 1,812,531	\$ 628,104	\$ 2,440,635	\$ 1,572,344
Investments	2,794,170	1,059,590	3,853,760	54,045
Receivables	176,258	1,168,368	1,344,626	-
Internal balances	987	(987)	-	-
Inventories, prepaid items and other assets	222,395	1,190,016	1,412,411	45,512
Investment in MSCPA	-	8,676,267	8,676,267	-
Restricted cash and cash equivalents	-	4,346,482	4,346,482	184,414
Capital assets not being depreciated	2,232,662	444,127	2,676,789	-
Capital assets being depreciated, net	15,279,992	15,973,507	31,253,499	113,337
<b>Total assets</b>	<b>22,518,995</b>	<b>33,485,474</b>	<b>56,004,469</b>	<b>1,969,652</b>
<b>Liabilities</b>				
Accounts payable and accrued expenses	246,347	1,429,359	1,675,706	4,201
Accrued interest payable	49,018	148,372	197,390	15,260
Unearned revenue	20,621	-	20,621	-
Other non-current liabilities - other post-employment liabilities	401,466	-	401,466	-
Long-term liabilities:				
Due within one year	505,086	667,001	1,172,087	51,923
Due in more than one year	3,515,442	7,349,406	10,864,848	1,815,000
<b>Total liabilities</b>	<b>4,737,980</b>	<b>9,594,138</b>	<b>14,332,118</b>	<b>1,886,384</b>
<b>Net assets</b>				
Invested in capital assets, net of related debt	13,738,175	8,401,227	22,139,402	113,337
Restricted for:				
Debt service	16,287	4,346,482	4,362,769	184,414
Capital projects	91,184	-	91,184	-
Endowment - expendable	668,362	-	668,362	-
Unrestricted (deficit)	3,267,007	11,143,627	14,410,634	(214,483)
<b>Total net assets</b>	<b>\$ 17,781,015</b>	<b>\$ 23,891,336</b>	<b>\$ 41,672,351</b>	<b>\$ 83,268</b>

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

**CITY OF MARSHALL, MICHIGAN**  
**Statement of Activities**  
**For the Year Ended June 30, 2009**

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Primary government</b>					
Governmental activities:					
General government	\$ 1,681,749	\$ 197,666	\$ 926,271	\$ -	\$ (557,812)
Public safety	2,450,835	-	-	-	(2,450,835)
Public works	1,992,259	-	541,724	-	(1,450,535)
Parks and recreation	644,071	207,941	302	-	(435,828)
Community development	182,485	-	-	-	(182,485)
Interest on long-term debt	158,971	-	-	-	(158,971)
Total governmental activities	<u>7,110,370</u>	<u>405,607</u>	<u>1,468,297</u>	<u>-</u>	<u>(5,236,466)</u>
Business-type activities:					
Electric	12,388,402	12,553,654	1,524,725	-	1,689,977
Wastewater	1,308,655	1,261,318	-	2,200	(45,137)
Water	1,201,031	1,427,791	400	950	228,110
Public transit	428,501	54,004	343,754	-	(30,743)
Marshall House	442,605	313,941	299,679	-	171,015
Total business-type activities	<u>15,769,194</u>	<u>15,610,708</u>	<u>2,168,558</u>	<u>3,150</u>	<u>2,013,222</u>
Total primary government	<u>\$ 22,879,564</u>	<u>\$ 16,016,315</u>	<u>\$ 3,636,855</u>	<u>\$ 3,150</u>	<u>\$ (3,223,244)</u>
<b>Component units</b>					
Community development	<u>\$ 665,894</u>	<u>\$ 158,452</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (507,442)</u>

Continued...

**CITY OF MARSHALL, MICHIGAN**  
**Statement of Activities (Concluded)**  
**For the Year Ended June 30, 2009**

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>Changes in net assets</b>				
Net (expense) revenue	\$ (5,236,466)	\$ 2,013,222	\$ (3,223,244)	\$ (507,442)
General revenues:				
Property taxes	3,512,925	103,966	3,616,891	702,597
Grants and contributions not restricted to specific programs	726,066	-	726,066	-
Unrestricted investment earnings	129,880	64,325	194,205	45,065
Transfers - internal activities	785,066	(785,066)	-	-
Total general revenues and transfers	5,153,937	(616,775)	4,537,162	747,662
Change in net assets	(82,529)	1,396,447	1,313,918	240,220
Net assets (deficit), beginning of year	17,863,544	22,494,889	40,358,433	(156,952)
<b>Net assets, end of year</b>	<b>\$ 17,781,015</b>	<b>\$ 23,891,336</b>	<b>\$ 41,672,351</b>	<b>\$ 83,268</b>

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

## FUND FINANCIAL STATEMENTS

**CITY OF MARSHALL, MICHIGAN**

**Balance Sheet  
Governmental Funds  
June 30, 2009**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>			
<b>Assets</b>			
Cash and cash equivalents	\$ 1,080,504	\$ 446,956	\$ 1,527,460
Investments	666,091	876,382	1,542,473
Accounts receivable	19,832	28,036	47,868
Taxes receivable	129	-	129
Interfund receivable	155,092	-	155,092
Due from other governments	18,745	97,938	116,683
Prepaid items	<u>116,527</u>	<u>24,202</u>	<u>140,729</u>
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 2,056,920</u></b>	<b><u>\$ 1,473,514</u></b>	<b><u>\$ 3,530,434</u></b>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 65,482	\$ 59,537	\$ 125,019
Accrued liabilities	65,132	13,322	78,454
Due to other governments	17	60	77
Interfund payable	-	155,092	155,092
Deferred revenue	<u>460</u>	<u>20,161</u>	<u>20,621</u>
Total liabilities	<u>131,091</u>	<u>248,172</u>	<u>379,263</u>
<b>Fund balances</b>			
Reserved for prepaid items	116,527	24,202	140,729
Unreserved:			
Designated for working capital	500,000	-	500,000
Designated for other purposes	25,071	115,208	140,279
Designated for subsequent year expenditures	22,393	53,852	76,245
Undesignated	1,261,838	-	1,261,838
Undesignated, reported in nonmajor:			
Special revenue funds	-	256,247	256,247
Debt service funds	-	16,287	16,287
Capital projects funds	-	91,184	91,184
Permanent fund	<u>-</u>	<u>668,362</u>	<u>668,362</u>
Total fund balances	<u>1,925,829</u>	<u>1,225,342</u>	<u>3,151,171</u>
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b><u>\$ 2,056,920</u></b>	<b><u>\$ 1,473,514</u></b>	<b><u>\$ 3,530,434</u></b>

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

**CITY OF MARSHALL, MICHIGAN**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets of**  
**Governmental Activities on the Statement of Net Assets**  
**June 30, 2009**

**Fund balances - total governmental funds** \$ 3,151,171

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - capital assets	27,432,841
Deduct - accumulated depreciation	(11,051,060)

Internal service funds are used by management to charge the costs of certain equipment usage to individual governmental funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

Add - net assets of governmental internal service funds	2,608,407
Add - portion of internal service funds net operating income attributed to business-type funds	987

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current expenditures.

Add - long-term contracts receivable	5,976
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Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - other non-current liabilities - other postemployment benefits	(401,466)
Deduct - bonds and installment contracts payable	(3,773,128)
Add - unamortized bond issuance costs	78,705
Deduct - premium on bonds	(6,038)
Deduct - accrued interest on bonds and installment contracts payable	(49,018)
Deduct - compensated absences	(216,362)

**Net assets of governmental activities** \$ 17,781,015

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

**CITY OF MARSHALL, MICHIGAN**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2009**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenue</b>			
Property taxes	\$ 3,337,522	\$ 175,403	\$ 3,512,925
Licenses and permits	34,633	-	34,633
Intergovernmental	980,503	556,368	1,536,871
Charges for services	59,398	261,248	320,646
Fines and forfeitures	29,326	21,002	50,328
Investment earnings	83,233	30,180	113,413
Other	421,064	236,428	657,492
	<u>4,945,679</u>	<u>1,280,629</u>	<u>6,226,308</u>
<b>Expenditures</b>			
Current expenditures:			
General government	1,277,888	427,231	1,705,119
Public safety	2,235,887	5,120	2,241,007
Public works	829,809	-	829,809
Highways and streets	-	400,635	400,635
Community development	137,716	-	137,716
Culture and recreation	96,430	378,322	474,752
Debt service:			
Principal	90,097	506,649	596,746
Interest and fiscal charges	33,361	156,199	189,560
Capital outlay	366,145	141,481	507,626
	<u>5,067,333</u>	<u>2,015,637</u>	<u>7,082,970</u>
Revenue over (under) expenditures	<u>(121,654)</u>	<u>(735,008)</u>	<u>(856,662)</u>
<b>Other financing sources (uses)</b>			
Transfers in	361,790	745,066	1,106,856
Transfers out	<u>(259,447)</u>	<u>(88,806)</u>	<u>(348,253)</u>
Total other financing sources (uses)	<u>102,343</u>	<u>656,260</u>	<u>758,603</u>
Net change in fund balances	(19,311)	(78,748)	(98,059)
Fund balances, beginning of year	<u>1,945,140</u>	<u>1,304,090</u>	<u>3,249,230</u>
<b>Fund balances, end of year</b>	<u><u>\$ 1,925,829</u></u>	<u><u>\$ 1,225,342</u></u>	<u><u>\$ 3,151,171</u></u>

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

**CITY OF MARSHALL, MICHIGAN**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2009**

**Net change in fund balances - total governmental funds** \$ (98,059)

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

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

Add - capital outlay	565,546
Deduct - depreciation expense	(776,595)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term liabilities	596,746
Deduct - net amortization of premiums and issuance costs on bonds	(18,254)

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

Deduct - net operating loss from governmental activities in internal service funds	(53,489)
Add - interest revenue from governmental internal service funds	34,722
Deduct - interest expense from governmental internal service funds	(989)
Add - transfers received in governmental internal service funds	26,463

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

Deduct - increase in other non-current liabilities - other post employment benefits	(401,466)
Add - decrease in accrued interest payable on bonds	31,578
Add - decrease in the accrual for compensated absences	11,268
	11,268

**Change in net assets of governmental activities** \$ (82,529)

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

**CITY OF MARSHALL, MICHIGAN**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2009**

	Budget		Actual	Actual
	Original	Final		Over (Under)
				Final Budget
<b>Revenues</b>				
Property taxes	\$ 3,388,529	\$ 3,352,943	\$ 3,337,522	\$ (15,421)
Licenses and permits	52,000	32,908	34,633	1,725
Intergovernmental	829,154	856,287	980,503	124,216
Charges for services	48,000	56,857	59,398	2,541
Fines and forfeitures	26,500	27,162	29,326	2,164
Investment earnings	130,000	78,457	83,233	4,776
Other	377,078	413,509	421,064	7,555
	<u>4,851,261</u>	<u>4,818,123</u>	<u>4,945,679</u>	<u>127,556</u>
<b>Expenditures</b>				
<b>General government</b>				
Council	4,026	6,500	5,815	(685)
Manager	154,901	140,000	133,033	(6,967)
Assessor	96,226	93,000	97,248	4,248
Attorney	75,000	70,000	65,545	(4,455)
Human resources	61,536	63,136	62,705	(431)
Clerk-Treasurer	269,027	267,000	256,651	(10,349)
City hall	79,261	77,760	77,690	(70)
Chapel	2,148	2,478	2,527	49
Other city property	34,207	35,120	35,120	-
Cemetery	162,409	154,000	143,786	(10,214)
Non-departmental	400,657	400,608	397,768	(2,840)
Total general government	<u>1,339,398</u>	<u>1,309,602</u>	<u>1,277,888</u>	<u>(31,714)</u>
<b>Public safety</b>				
Police	1,094,631	1,110,046	1,084,161	(25,885)
Fire	787,120	745,381	731,322	(14,059)
Dispatch	299,552	302,888	295,710	(7,178)
Inspection / code enforcement	105,435	94,000	92,429	(1,571)
Crossing guards	36,228	35,485	32,265	(3,220)
Total public safety	<u>2,322,966</u>	<u>2,287,800</u>	<u>2,235,887</u>	<u>(51,913)</u>
<b>Public works</b>				
Streets	677,730	631,639	646,570	14,931
Public services building	98,511	101,010	100,496	(514)
Engineering	80,416	84,782	82,743	(2,039)
Total public works	<u>856,657</u>	<u>817,431</u>	<u>829,809</u>	<u>12,378</u>

Continued...

**CITY OF MARSHALL, MICHIGAN**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual (Concluded)**  
**General Fund**  
**For the Year Ended June 30, 2009**

	Budget		Actual	Actual
	Original	Final		Over (Under) Final Budget
<b>Expenditures (concluded)</b>				
<b>Community development</b>				
Community development	\$ 37,356	\$ 80,000	\$ 75,731	\$ (4,269)
Planning	65,691	63,653	61,985	(1,668)
Total community development	<u>103,047</u>	<u>143,653</u>	<u>137,716</u>	<u>(5,937)</u>
<b>Culture and recreation - Parks</b>	<u>107,756</u>	<u>90,500</u>	<u>96,430</u>	<u>5,930</u>
<b>Debt service</b>				
Principal	90,653	90,653	90,097	(556)
Interest and fiscal charges	33,406	33,406	33,361	(45)
Total debt service	<u>124,059</u>	<u>124,059</u>	<u>123,458</u>	<u>(601)</u>
<b>Capital outlay</b>	<u>235,000</u>	<u>373,128</u>	<u>366,145</u>	<u>(6,983)</u>
Total expenditures	<u>5,088,883</u>	<u>5,146,173</u>	<u>5,067,333</u>	<u>(78,840)</u>
Revenue over (under) expenditures	<u>(237,622)</u>	<u>(328,050)</u>	<u>(121,654)</u>	<u>206,396</u>
<b>Other financing sources (uses)</b>				
Transfers in	469,268	479,614	361,790	(117,824)
Transfers out	(230,649)	(238,649)	(259,447)	(20,798)
Total other financing (uses)	<u>238,619</u>	<u>240,965</u>	<u>102,343</u>	<u>(138,622)</u>
Net change in fund balances	997	(87,085)	(19,311)	67,774
Fund balance, beginning of year	<u>1,945,140</u>	<u>1,945,140</u>	<u>1,945,140</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 1,946,137</u></u>	<u><u>\$ 1,858,055</u></u>	<u><u>\$ 1,925,829</u></u>	<u><u>\$ 67,774</u></u>

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

**CITY OF MARSHALL, MICHIGAN**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2009**

	<b>Business-type Activities - Enterprise Funds</b>						<b>Governmental Activities - Internal Service Funds</b>
	<b>Electric</b>	<b>Wastewater</b>	<b>Water</b>	<b>DART</b>	<b>Marshall House</b>	<b>Total</b>	
<b>Assets</b>							
Current assets:							
Cash and cash equivalents	\$ 485,977	\$ -	\$ 37,070	\$ -	\$ 105,057	\$ 628,104	\$ 285,071
Investments	14,958	2,532	617,160	117,821	307,119	1,059,590	1,251,697
Accounts receivable	858,768	88,448	92,466	40	-	1,039,722	-
Taxes receivable	-	-	-	4	-	4	-
Due from other governments	-	-	-	128,642	-	128,642	5,602
Due from other funds	-	7,122	7,933	-	-	15,055	-
Interfund receivable	313,918	-	-	-	-	313,918	-
Inventory	705,717	2,503	72,339	-	-	780,559	-
Prepaid items	48,826	12,834	19,530	10,300	3,042	94,532	2,961
Total current assets	<u>2,428,164</u>	<u>113,439</u>	<u>846,498</u>	<u>256,807</u>	<u>415,218</u>	<u>4,060,126</u>	<u>1,545,331</u>
Noncurrent assets:							
Restricted cash and cash equivalents	2,018,300	1,189,835	1,138,347	-	-	4,346,482	-
Capital assets, net	5,341,843	4,273,985	6,407,237	120,383	274,186	16,417,634	1,130,873
Investment in MSCPA	8,676,267	-	-	-	-	8,676,267	-
Unamortized bond issuance costs	23,200	99,292	192,433	-	-	314,925	-
Total noncurrent assets	<u>16,059,610</u>	<u>5,563,112</u>	<u>7,738,017</u>	<u>120,383</u>	<u>274,186</u>	<u>29,755,308</u>	<u>1,130,873</u>
Total assets	<u>18,487,774</u>	<u>5,676,551</u>	<u>8,584,515</u>	<u>377,190</u>	<u>689,404</u>	<u>33,815,434</u>	<u>2,676,204</u>
<b>Liabilities</b>							
Current liabilities:							
Accounts payable	1,095,728	11,832	31,475	4,218	29,597	1,172,850	38,343
Accrued payroll and compensated absences	127,181	62,065	43,485	15,936	4,248	252,915	4,454
Accrued interest payable	44,109	53,773	50,490	-	-	148,372	-
Due to other governments	1,947	7	79	1,528	33	3,594	-
Due to other funds	15,055	-	-	-	-	15,055	-
Interfund payable	-	204,307	-	109,611	-	313,918	-
Current portion of:							
Contracts payable	37,000	-	-	-	-	37,000	25,000
Bonds payable	85,000	284,745	260,256	-	-	630,001	-
Total current liabilities	<u>1,406,020</u>	<u>616,729</u>	<u>385,785</u>	<u>131,293</u>	<u>33,878</u>	<u>2,573,705</u>	<u>67,797</u>
Noncurrent liabilities:							
Contracts payable	-	781,477	177,599	-	-	959,076	-
Bonds payable	1,461,313	1,763,522	3,165,495	-	-	6,390,330	-
Total noncurrent liabilities	<u>1,461,313</u>	<u>2,544,999</u>	<u>3,343,094</u>	<u>-</u>	<u>-</u>	<u>7,349,406</u>	<u>-</u>
Total liabilities	<u>2,867,333</u>	<u>3,161,728</u>	<u>3,728,879</u>	<u>131,293</u>	<u>33,878</u>	<u>9,923,111</u>	<u>67,797</u>
<b>Net assets</b>							
Invested in capital assets, net of related debt	3,758,530	1,444,241	2,803,887	120,383	274,186	8,401,227	1,105,873
Restricted for debt service	2,018,300	1,189,835	1,138,347	-	-	4,346,482	-
Unrestricted	9,843,611	(119,253)	913,402	125,514	381,340	11,144,614	1,502,534
Total net assets	<u>\$ 15,620,441</u>	<u>\$ 2,514,823</u>	<u>\$ 4,855,636</u>	<u>\$ 245,897</u>	<u>\$ 655,526</u>	<u>\$ 23,892,323</u>	<u>\$ 2,608,407</u>

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

**CITY OF MARSHALL, MICHIGAN**  
**Reconciliation of Net Assets on the Statement of**  
**Net Assets for Enterprise Funds to Net Assets of**  
**Business-type Activities on the Statement of Net Assets**  
**June 30, 2009**

**Net assets - total enterprise funds** \$ 23,892,323

Amounts reported for *business-type activities* in the statement of net assets are different because:

Internal service funds are used by management to charge the costs of certain services to individual governmental and business-type funds. The net revenue (expense) of the internal service funds are allocated to governmental and business-type activities.

Add - cumulative portion of internal service funds net operating income attributed to business-type funds (987)

**Net assets of business-type activities** \$ 23,891,336

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

**CITY OF MARSHALL, MICHIGAN**  
**Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2009**

	<b>Business-type Activities - Enterprise Funds</b>					<b>Total</b>	<b>Governmental Activities - Internal Service Funds</b>
	<b>Electric</b>	<b>Wastewater</b>	<b>Water</b>	<b>DART</b>	<b>Marshall House</b>		
<b>Operating revenues</b>							
Charges for services	\$ 12,352,394	\$ 1,261,112	\$ 1,367,818	\$ 54,004	\$ -	\$ 15,035,328	\$ 815,337
Property taxes	-	-	-	103,966	-	103,966	-
Other	201,260	206	59,973	-	313,941	575,380	9,682
Total operating revenues	<u>12,553,654</u>	<u>1,261,318</u>	<u>1,427,791</u>	<u>157,970</u>	<u>313,941</u>	<u>15,714,674</u>	<u>825,019</u>
<b>Operating expenses</b>							
Personal services	1,401,620	400,122	450,108	265,315	111,928	2,629,093	98,092
Materials and supplies	283,644	158,642	141,067	36,298	7,812	627,463	221,197
Purchased power	9,414,498	110,210	50,162	-	99,027	9,673,897	-
Contractual	186,912	128,795	23,076	7,275	94,959	441,017	40,971
Insurance	152,393	44,241	29,973	6,829	23,215	256,651	39,146
Maintenance	3,900	7,458	867	53,338	43,305	108,868	77,063
Other expense	267,327	23,608	56,179	24,585	10,322	382,021	55,166
Depreciation	579,872	327,606	293,179	34,501	51,135	1,286,293	364,170
Total operating expenses	<u>12,290,166</u>	<u>1,200,682</u>	<u>1,044,611</u>	<u>428,141</u>	<u>441,703</u>	<u>15,405,303</u>	<u>895,805</u>
Operating income (loss)	<u>263,488</u>	<u>60,636</u>	<u>383,180</u>	<u>(270,171)</u>	<u>(127,762)</u>	<u>309,371</u>	<u>(70,786)</u>
<b>Nonoperating revenues (expenses)</b>							
Intergovernmental subsidies	-	-	400	343,754	299,679	643,833	-
Investment earnings	34,021	5,251	10,461	4,862	9,730	64,325	34,722
Change in investment in MSCPA	1,524,725	-	-	-	-	1,524,725	-
Interest expense	(87,940)	(106,420)	(152,234)	-	-	(346,594)	(989)
Total nonoperating revenues (expenses)	<u>1,470,806</u>	<u>(101,169)</u>	<u>(141,373)</u>	<u>348,616</u>	<u>309,409</u>	<u>1,886,289</u>	<u>33,733</u>
Income (loss) before contributions and transfers	1,734,294	(40,533)	241,807	78,445	181,647	2,195,660	(37,053)
<b>Capital contributions</b>	-	2,200	950	-	-	3,150	-
<b>Transfers in</b>	-	-	-	-	-	-	26,463
<b>Transfers out</b>	(517,091)	(13,480)	(54,815)	-	(199,680)	(785,066)	-
Change in net assets	1,217,203	(51,813)	187,942	78,445	(18,033)	1,413,744	(10,590)
Net assets, beginning of year	14,403,238	2,566,636	4,667,694	167,452	673,559	22,478,579	2,618,997
<b>Net assets, end of year</b>	<u>\$ 15,620,441</u>	<u>\$ 2,514,823</u>	<u>\$ 4,855,636</u>	<u>\$ 245,897</u>	<u>\$ 655,526</u>	<u>\$ 23,892,323</u>	<u>\$ 2,608,407</u>

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

**CITY OF MARSHALL, MICHIGAN**  
**Reconciliation of the Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets of Enterprise Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2009**

**Change in net assets - total enterprise funds** \$ 1,413,744

Amounts reported for *business-type activities* in the statement of activities are different because:

Internal service funds are used by management to charge the costs of certain services to individual governmental and business-type funds. The net revenue (expense) of the internal service funds are allocated to governmental and business-type activities.

Deduct - net operating loss from internal service funds related to enterprise funds (17,297)

**Change in net assets of business-type activities** \$ 1,396,447

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

**CITY OF MARSHALL, MICHIGAN**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2009**

	<b>Business-type Activities - Enterprise Funds</b>						<b>Governmental Activities - Internal Service Funds</b>
	<b>Electric</b>	<b>Wastewater</b>	<b>Water</b>	<b>DART</b>	<b>Marshall House</b>	<b>Total</b>	
<b>Cash flows from operating activities</b>							
Receipts from customers and users	\$ 12,659,981	\$ 1,272,275	\$ 1,418,810	\$ (73,332)	\$ 310,787	\$ 15,588,521	\$ -
Receipts from property taxes	-	-	-	103,966	-	103,966	-
Receipts from interfund services	-	-	-	-	-	-	825,019
Payments to suppliers	(10,366,396)	(308,301)	(238,302)	(47,683)	(270,950)	(11,231,632)	(394,816)
Payments to employees	(1,406,442)	(401,648)	(440,860)	(266,852)	(111,428)	(2,627,230)	(96,986)
Payments for interfund services	(112,660)	(13,985)	(41,204)	(1,993)	(3,917)	(173,759)	-
Net cash provided by (used in) operating activities	<u>774,483</u>	<u>548,341</u>	<u>698,444</u>	<u>(285,894)</u>	<u>(75,508)</u>	<u>1,659,866</u>	<u>333,217</u>
<b>Cash flows from non-capital financing activities</b>							
Transfers in	-	-	-	-	-	-	26,463
Transfers out	(517,091)	(13,480)	(54,815)	-	(199,680)	(785,066)	-
Intergovernmental subsidies	-	-	400	343,754	299,679	643,833	-
Net cash provided by (used in) non-capital financing activities	<u>(517,091)</u>	<u>(13,480)</u>	<u>(54,415)</u>	<u>343,754</u>	<u>99,999</u>	<u>(141,233)</u>	<u>26,463</u>
<b>Cash flows from capital and related financing activities</b>							
Cash received on sale of capital assets	-	-	-	-	-	-	-
Proceeds from issuance of debt	-	-	-	-	-	-	-
Payment of debt issuance costs	-	-	-	-	-	-	-
Principal and interest paid on debt	(226,038)	(398,180)	(436,979)	-	-	(1,061,197)	(26,413)
Purchase of capital assets	(345,117)	(26,077)	952	(116,791)	(104,315)	(591,348)	(174,870)
Receipts from capital grants	-	-	-	-	-	-	-
Net cash used in capital and related financing activities	<u>(571,155)</u>	<u>(424,257)</u>	<u>(436,027)</u>	<u>(116,791)</u>	<u>(104,315)</u>	<u>(1,652,545)</u>	<u>(201,283)</u>
<b>Cash flows from investing activities</b>							
Purchase of investments	(904)	(31)	-	-	-	(935)	(28,688)
Proceeds from investments	-	-	74,162	54,069	40,675	168,906	27,140
Interest received on investments	34,021	5,251	10,461	4,862	9,730	64,325	34,722
Net cash provided by (used in) investing activities	<u>33,117</u>	<u>5,220</u>	<u>84,623</u>	<u>58,931</u>	<u>50,405</u>	<u>232,296</u>	<u>33,174</u>
Net increase (decrease) in cash and cash equivalents	(280,646)	115,824	292,625	-	(29,419)	98,384	191,571
<b>Cash and cash equivalents</b>							
Beginning of year	<u>2,784,923</u>	<u>1,074,011</u>	<u>882,792</u>	<u>-</u>	<u>134,476</u>	<u>4,876,202</u>	<u>93,500</u>
<b>End of year</b>	<u>\$ 2,504,277</u>	<u>\$ 1,189,835</u>	<u>\$ 1,175,417</u>	<u>\$ -</u>	<u>\$ 105,057</u>	<u>\$ 4,974,586</u>	<u>\$ 285,071</u>
<b>Reconciliation to statement of net assets</b>							
Cash and cash equivalents	\$ 485,977	\$ -	\$ 37,070	\$ -	\$ 105,057	\$ 628,104	\$ 285,071
Restricted cash and cash equivalents	<u>2,018,300</u>	<u>1,189,835</u>	<u>1,138,347</u>	<u>-</u>	<u>-</u>	<u>4,346,482</u>	<u>-</u>
	<u>\$ 2,504,277</u>	<u>\$ 1,189,835</u>	<u>\$ 1,175,417</u>	<u>\$ -</u>	<u>\$ 105,057</u>	<u>\$ 4,974,586</u>	<u>\$ 285,071</u>

Continued...

**CITY OF MARSHALL, MICHIGAN**  
**Statement of Cash Flows (Concluded)**  
**Proprietary Funds**  
**For the Year Ended June 30, 2009**

	<u>Business-type Activities - Enterprise Funds</u>						<u>Governmental Activities - Internal Service Funds</u>
	<u>Electric</u>	<u>Wastewater</u>	<u>Water</u>	<u>DART</u>	<u>Marshall House</u>	<u>Total</u>	
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>							
Operating income (loss)	\$ 263,488	\$ 60,636	\$ 383,180	\$(270,171)	\$(127,762)	\$ 309,371	\$ (70,786)
Adjustments to reconcile operating income (loss) to net cash from operating activities:							
Depreciation	579,872	327,606	293,179	34,501	51,135	1,286,293	364,170
Amortization of bond premiums, issuance costs, and loss on refunding.	2,733	9,290	21,509	-	-	33,532	-
Changes in assets and liabilities:							
Accounts receivable	103,099	10,957	(8,981)	110	(3,154)	102,031	-
Taxes receivable	-	-	-	-	-	-	-
Due from other governments	3,228	-	-	(127,446)	-	(124,218)	6,019
Due from other funds	-	(3,674)	(3,382)	-	-	(7,056)	-
Interfund receivable	(209,062)	-	-	-	-	(209,062)	-
Inventory	18,429	21,100	(7,599)	-	-	31,930	-
Prepaid items	(27,266)	(5,823)	(11,043)	(2,343)	(1,040)	(47,515)	(1,898)
Accounts payable	37,728	2,492	22,333	(787)	4,813	66,579	34,606
Accrued payroll and compensated absences	(4,822)	(1,526)	9,248	(1,537)	500	1,863	1,106
Due to other governments	-	-	-	-	-	-	-
Due to other funds	7,056	-	-	-	-	7,056	-
Interfund payable	-	127,283	-	81,779	-	209,062	-
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 774,483</u>	<u>\$ 548,341</u>	<u>\$ 698,444</u>	<u>\$(285,894)</u>	<u>\$ (75,508)</u>	<u>\$ 1,659,866</u>	<u>\$ 333,217</u>
<b>Non-Cash Items:</b>							
Change in investment in MSCPA	\$ 1,524,725	\$ -	\$ -	\$ -	\$ -	\$ 1,524,725	\$ -
Capital contributions	-	2,200	950	-	-	3,150	-

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

**CITY OF MARSHALL, MICHIGAN**  
**Statement of Fiduciary Assets and Liabilities**  
**Agency Funds**  
**June 30, 2009**

**Assets**

Cash and cash equivalents	\$ 37,134
Delinquent taxes receivable	<u>117,663</u>

Total assets	<u><u>\$ 154,797</u></u>
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**Liabilities**

Undistributed receipts	<u><u>\$ 154,797</u></u>
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The accompanying notes are an integral part of these financial statements.

**COMPONENT UNITS  
FINANCIAL STATEMENTS**

**CITY OF MARSHALL, MICHIGAN**  
**Combining Statement of Net Assets**  
**Component Units**  
**June 30, 2009**

	<b>Downtown Development Authority</b>	<b>Local Development Finance Authority</b>	<b>Economic Development Corporation</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 66,885	\$ 1,496,491	\$ 8,968	\$ 1,572,344
Investments	54,045	-	-	54,045
Prepaid items	2,611	-	-	2,611
Unamortized bond issuance costs	-	42,901	-	42,901
Restricted cash and cash equivalents	61,078	123,336	-	184,414
Capital assets being depreciated, net	-	76,491	36,846	113,337
<b>Total assets</b>	<b>184,619</b>	<b>1,739,219</b>	<b>45,814</b>	<b>1,969,652</b>
<b>Liabilities</b>				
Accounts payable	1,556	1,196	-	2,752
Accrued liabilities	1,449	-	-	1,449
Accrued interest payable	2,499	12,761	-	15,260
Long-term liabilities:				
Due within one year	26,923	25,000	-	51,923
Due in more than one year	595,000	1,220,000	-	1,815,000
<b>Total liabilities</b>	<b>627,427</b>	<b>1,258,957</b>	<b>-</b>	<b>1,886,384</b>
<b>Net assets</b>				
Invested in capital assets	-	76,491	36,846	113,337
Restricted for debt service	61,078	123,336	-	184,414
Unrestricted (deficit)	(503,886)	280,435	8,968	(214,483)
<b>Total net assets (deficit)</b>	<b>\$ (442,808)</b>	<b>\$ 480,262</b>	<b>\$ 45,814</b>	<b>\$ 83,268</b>

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

**CITY OF MARSHALL, MICHIGAN**  
**Combining Statement of Activities**  
**Component Units**  
**For the Year Ended June 30, 2009**

	<u>Downtown Development Authority</u>	<u>Local Development Finance Authority</u>	<u>Economic Development Corporation</u>	<u>Total</u>
<b>Expenses</b>				
Community development	\$ 268,094	\$ 396,118	\$ 1,682	\$ 665,894
<b>Program revenues</b>				
Operating grants and contributions	157,950	502	-	158,452
Net program expense	110,144	395,616	1,682	507,442
<b>General revenues</b>				
Property taxes	191,114	511,483	-	702,597
Unrestricted investment earnings	2,091	42,945	29	45,065
Total general revenues	193,205	554,428	29	747,662
Change in net assets	83,061	158,812	(1,653)	240,220
Net assets (deficit), beginning of year	(525,869)	321,450	47,467	(156,952)
<b>Net assets (deficit), end of year</b>	<u>\$ (442,808)</u>	<u>\$ 480,262</u>	<u>\$ 45,814</u>	<u>\$ 83,268</u>

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

## NOTES to the FINANCIAL STATEMENTS

**CITY OF MARSHALL, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

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# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### 1-A Reporting Entity

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

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

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

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

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### 1-B Basis of Presentation

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

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

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

The City reports the following major governmental funds:

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

The City reports the following major enterprise funds:

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

The *wastewater fund* accounts for the activities of the government's sewage disposal and treatment system.

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

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

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

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

Additionally, the City reports the following fund types:

*Special revenue funds.* These funds account for revenue sources that are legally restricted to expenditures for specific purposes not including major capital projects.

*Debt service funds.* These funds account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

*Capital projects funds.* These funds account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.

*Permanent fund.* This fund accounts for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs.

*Internal service funds.* These funds account for operations that provide services to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. This includes machinery, equipment and building space management services; liability, auto, and workers' compensation self-insurance; information technology services; and printing, mailing and reproduction services.

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

### **1-C Measurement Focus / Basis of Accounting**

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

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

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

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

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

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

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

All governmental and business-type activities and enterprise funds of the City follow private-sector standards of accounting and financial reported issued prior to December 1, 1989, unless those standards conflict with guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

### **1-D Assets, Liabilities and Equity**

#### **Deposits and Investments**

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

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

Investments are reported at fair value.

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

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### **Interfund Receivables and Payables**

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

### **Inventories, Prepaid Items and Other Assets**

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

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

The City's unamortized bond issuance costs are recorded as other assets in the government-wide financial statements.

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

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

### **Capital Assets**

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

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

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

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

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

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

<u>Assets</u>	<u>Years</u>
Land improvements	5-50
Buildings and building improvements	5-50
Public domain infrastructure	50
Systems infrastructure	25-50
Machinery and equipment	3-15

### Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits, subject to certain limitations. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

### Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, 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. 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 on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

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### 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 a specific purpose. Fund balance designations represent tentative management plans that are subject to change.

### Subsequent Events

In preparing these financial statements, we have evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to June 30, 2009, the most recent balance sheet presentation herein, through the auditors' report date, the date of these financial statements were available to be issued. No significant such events or transactions were identified.

## NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### **2-A Budgetary Information**

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

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

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

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

### **2-B Excess of Expenditures over Appropriations**

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the City were adopted on a function level basis, although budget and actual information in the fund financial statements have been presented at a level of detail greater than the level of legal budgetary control.

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

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During the year ended June 30, 2009, the City incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control in the following funds:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Over Budget</u>
<b>General fund</b>			
Public works	\$ 817,431	\$ 829,809	\$ 12,378
Culture and recreation	90,500	96,430	5,930
<b>Nonmajor special revenue funds</b>			
Major street fund -			
Highways and streets	190,251	221,316	31,065
Local street fund -			
Highways and streets	150,056	179,319	29,263
Drug law enforcement fund -			
General government	-	330	330
Recreational fund -			
Capital outlay	12,555	23,559	11,004
Airport fund -			
General government	115,135	115,698	563
<b>Discretely presented component units</b>			
Local development financing authority fund -			
Capital outlay	66,730	84,990	18,260
Economic development corporation fund -			
Community development	-	44	44

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

### NOTE 3 – DETAILED NOTES ON ACCOUNT BALANCES

#### 3-A Deposits and Investments

Following is a reconciliation of deposit and investment balances as of June 30, 2009:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Total</u>
<b>Statement of Net Assets:</b>			
Cash and cash equivalents	\$ 2,440,635	\$ 1,572,344	\$ 4,012,979
Investments	3,853,760	54,045	3,907,805
Restricted cash and cash equivalents	4,346,482	184,414	4,530,896
<b>Statement of Fiduciary Net Assets:</b>			
Cash and cash equivalents	37,134	-	37,134
<b>Total</b>	<b><u>\$ 11,678,011</u></b>	<b><u>\$ 1,810,803</u></b>	<b><u>\$ 12,488,814</u></b>
 <b>Deposits and Investments:</b>			
Bank deposits (checking, savings and certificates of deposit)			\$ 4,049,804
Investments (securities, commercial paper and money market accounts)			8,438,140
Cash on hand			870
<b>Total</b>			<b><u>\$ 12,488,814</u></b>

*Custodial Credit Risk - Deposits.* For deposits, custodial credit risk is the risk, that in the event of a bank failure, the City's deposits may not be returned to the government. As of June 30, 2009, \$2,998,637 of the City's total bank balance of \$4,317,475 (total book balance was \$4,049,804) was exposed to custodial credit risk as it was uninsured and uncollateralized.

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

*Custodial Credit Risk - Investments.* Following is a summary of the City's investments as of June 30, 2009:

U.S. agencies	\$ 360,085
Money market accounts	6,651,475
External governmental investment fund	1,426,580
<b>Total</b>	<b><u>\$ 8,438,140</u></b>

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

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For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that investment securities be held in third-party safekeeping by a designated institution and that the safekeeping agent follow the procedure of delivery vs. payment. As of June 30, 2009, none of the City's investments, excluding the money market accounts which are not subject to custodial credit risk, were exposed to risk since the securities are held in the City's name by the counterparty.

*Credit Risk.* As of June 30, 2009, all of the City's investments in securities of U.S. agencies were rated AAA by Standard & Poor's and its investment in the external local government investment pool was rated AAA/V1 by Fitch. The City also held investments in money market accounts which are not rated. All of the City's investments comply with its policy regarding the types of investments it may hold.

*Concentration of Credit Risk.* The City's investment policy provides that, except for U.S. treasuries and authorized investment pools, no more than 50 percent of the total investment portfolio may be invested in a single security type or with a single financial institution. At June 30, 2009 money market funds constituted 75% of the City's investment portfolio.

*Interest Rate Risk.* As of June 30, 2009, all of the City's debt securities were due within one year. The City assumes that its U.S. agency securities, all of which are callable, will not be called.

It is the City's policy that, unless matched to a specific cash flow, the government will not directly invest in securities maturing more than three years from the date of purchase. Reserve funds may be invested in securities exceeding three years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the funds. The City's investments comply with this policy.

### **3-B Receivables**

Receivables in the governmental activities are 30.6 percent accounts receivables and 69.4 percent due from other governments. Business-type activities receivables are 88.9 percent accounts receivable and 11.1 percent due from other governments.

The governmental activities accounts receivable includes \$5,976 due from the local ambulance service for its share of the purchase price of emergency vehicles.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
<b>Deferred revenue reported by:</b>			
General fund	\$ -	\$ 460	\$ 460
Nonmajor governmental funds	-	20,161	20,161
<b>Total</b>	\$ -	\$ 20,621	\$ 20,621

### 3-C Investment in the Michigan South Central Power Agency

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

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

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

The City accounts for its investment in the MSCPA as a joint venture in accordance with GASB Statement No. 14. Information presented below is taken from financial statements of the MSCPA for the year ended June 30, 2009, which was audited by other auditors whose report dated August 28, 2009, expressed an unqualified opinion on those financial statements.

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

Summary information of the City's equity interest in the MSCPA as of June 30, 2009, is as follows:

	<u>MSCPA</u>	<u>City of Marshall (24.0%)</u>
<b>Assets</b>		
Current assets	\$ 22,783,628	\$ 5,468,070
Non-current assets	18,215,425	4,371,702
Capital assets, net	<u>31,194,757</u>	<u>7,486,742</u>
Total assets	<u>72,193,810</u>	<u>17,326,514</u>
<b>Liabilities</b>		
Current liabilities	15,347,460	3,683,390
Long-term debt	<u>20,695,239</u>	<u>4,966,857</u>
Total liabilities	<u>36,042,699</u>	<u>8,650,247</u>
<b>Net assets</b>	<u>\$ 36,151,111</u>	<u>\$ 8,676,267</u>
<b>Revenues</b>	\$ 47,987,421	\$ 11,516,981
<b>Expenses</b>	<u>40,251,493</u>	<u>9,660,358</u>
Operating income	7,735,928	1,856,623
<b>Nonoperating expenses</b>	<u>1,382,910</u>	<u>331,898</u>
Change in net assets	6,353,018	1,524,725
Net assets, beginning of year	<u>29,798,093</u>	<u>7,151,542</u>
<b>Net assets, end of year</b>	<u>\$ 36,151,111</u>	<u>\$ 8,676,267</u>

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

### 3-D Capital Assets

Capital assets activity of the primary government for the year ended June 30, 2009, was as follows:

#### Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Land	\$ 2,232,662	\$ -	\$ -	\$ 2,232,662
Capital assets, being depreciated:				
Land improvements	5,325,981	-	-	5,325,981
Buildings	9,203,270	11,750	-	9,215,020
Vehicles	2,768,925	-	(19,405)	2,749,520
Equipment	1,906,884	205,127	(15,000)	2,097,011
Infrastructure	9,016,908	523,540	-	9,540,448
Total capital assets being depreciated	<u>28,221,968</u>	<u>740,417</u>	<u>(34,405)</u>	<u>28,927,980</u>
Less accumulated depreciation for:				
Land improvements	(2,211,195)	(303,463)	-	(2,514,658)
Buildings	(5,065,712)	(215,701)	-	(5,281,413)
Vehicles	(1,383,623)	(337,461)	19,405	(1,701,679)
Equipment	(1,731,847)	(89,365)	15,000	(1,806,212)
Infrastructure	(2,149,251)	(194,775)	-	(2,344,026)
Total accumulated depreciation	<u>(12,541,628)</u>	<u>(1,140,765)</u>	<u>34,405</u>	<u>(13,647,988)</u>
Total capital assets, being depreciated, net	<u>15,680,340</u>	<u>(400,348)</u>	<u>-</u>	<u>15,279,992</u>
<b>Governmental activities capital assets, net</b>	<b><u>\$ 17,913,002</u></b>	<b><u>\$ (400,348)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 17,512,654</u></b>
<b>Business-type activities</b>				
Capital assets, not being depreciated:				
Land	\$ 164,618	\$ -	\$ -	\$ 164,618
Construction in process	395,631	279,509	(395,631)	279,509
Total capital assets not being depreciated	<u>560,249</u>	<u>279,509</u>	<u>(395,631)</u>	<u>444,127</u>
Capital assets, being depreciated:				
Buildings	4,947,639	104,317	-	5,051,956
Vehicles	854,908	116,790	-	971,698
Equipment	1,340,351	17,715	-	1,358,066
Systems	31,489,424	471,798	-	31,961,222
Total capital assets being depreciated	<u>38,632,322</u>	<u>710,620</u>	<u>-</u>	<u>39,342,942</u>
Less accumulated depreciation for:				
Buildings	(2,859,675)	(249,184)	-	(3,108,859)
Vehicles	(531,233)	(25,554)	-	(556,787)
Equipment	(949,073)	(61,855)	-	(1,010,928)
Systems	(17,743,161)	(949,700)	-	(18,692,861)
Total accumulated depreciation	<u>(22,083,142)</u>	<u>(1,286,293)</u>	<u>-</u>	<u>(23,369,435)</u>
Total capital assets, being depreciated, net	<u>16,549,180</u>	<u>(575,673)</u>	<u>-</u>	<u>15,973,507</u>
<b>Business-type activities capital assets, net</b>	<b><u>\$ 17,109,429</u></b>	<b><u>\$ (296,164)</u></b>	<b><u>\$ (395,631)</u></b>	<b><u>\$ 16,417,634</u></b>

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

Component unit capital assets activity for the year ended June 30, 2009, was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balances</b>
Capital assets being depreciated:				
Land improvements	\$ 40,940	\$ -	\$ -	\$ 40,940
Equipment	-	84,990	-	84,990
Total capital assets being depreciated	40,940	84,990	-	125,930
Less accumulated depreciation:				
Land improvements	(2,456)	(10,137)	-	(12,593)
Equipment	-	-	-	-
Total accumulated depreciation	(2,456)	(10,137)	-	(12,593)
<b>Discretely presented component unit capital assets, net</b>	<b>\$ 38,484</b>	<b>\$ 74,853</b>	<b>\$ -</b>	<b>\$ 113,337</b>

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

Governmental activities:	
General government	\$ 129,223
Public safety	72,724
Public works, including depreciation of general infrastructure assets	407,216
Parks and recreation	126,458
Community development	40,974
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	364,170
<b>Total depreciation expense - governmental activities</b>	<b>\$ 1,140,765</b>
Business-type activities:	
Electric	\$ 579,872
Wastewater	327,606
Water	293,179
Public transit	34,501
Marshall House	51,135
<b>Total depreciation expense - business-type activities</b>	<b>\$ 1,286,293</b>

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

### 3-E Payables

Payables in the governmental activities are 66.3 percent vendors and 33.7 percent accrued payroll. Business-type activities are 82.3 percent vendors and 17.7 percent accrued payroll and compensated absences.

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

### 3-F Interfund Receivables, Payables and Transfers

At June 30, 2009, the following interfund balances consisted of the following:

	<b>Receivable</b>	<b>Payable</b>
General fund	\$ 155,092	\$ -
Nonmajor governmental funds	-	155,092
Electric fund	313,918	-
Wastewater fund	-	204,307
DART	-	109,611
	<b>\$ 469,010</b>	<b>\$ 469,010</b>

The above balances generally resulted from a time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

For the year ended June 30, 2009, the Wastewater and Water funds had amounts due from the Electric fund in the amount of \$7,122 and \$7,933, respectively.

For the year ended June 30, 2009, interfund transfers consisted of the following:

	<b>Transfers In</b>	<b>Transfers Out</b>
Governmental funds:		
General fund	\$ 361,790	\$ 259,447
Nonmajor governmental funds	745,066	88,806
Enterprise funds:		
Electric fund	-	517,091
Wastewater fund	-	13,480
Water fund	-	54,815
Marshall House Fund	-	199,680
Internal service funds	26,463	-
	<b>\$ 1,133,319</b>	<b>\$ 1,133,319</b>

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

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

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### 3-G Long-term Debt

*General obligation bonds.* The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. No new or refunding general obligation bonds were issued during the year.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are issued as 10 to 20-year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
<b>Governmental activities</b>		
1999 transportation fund bonds	4.05% - 4.60%	\$ 650,000
2000 building authority	5.40%	135,000
2004 improvements	3.00% - 4.40%	135,000
2005 building authority refunding	3.00% - 4.25%	<u>2,515,000</u>
		<b><u>\$ 3,435,000</u></b>
<b>Business-type activities</b>		
2004 improvements	3.00% - 4.70%	\$ 465,000
2004 refunding	3.00% - 3.75%	50,000
2006 refunding	3.65% - 3.80%	2,790,000
2007 electric	3.10% - 3.95%	750,000
2008 refunding	3.00% - 4.00%	<u>2,000,000</u>
		<b><u>\$ 6,055,000</u></b>
<b>Discretely presented component unit</b>		
2002 downtown development	4.20% - 5.10%	<u>\$ 620,000</u>

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

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

Year Ending June 30,	Governmental		Business-type		Component Unit	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 285,000	\$ 267,882	\$ 380,000	\$ 241,680	\$ 25,000	\$ 29,993
2011	300,000	125,752	510,000	228,756	30,000	28,943
2012	310,000	114,069	540,000	210,056	30,000	27,653
2013	325,000	101,615	565,000	189,548	35,000	26,333
2014	340,000	83,194	590,000	167,218	40,000	24,758
2015-2019	1,425,000	284,757	2,670,000	484,270	250,000	92,940
2020-2024	450,000	19,125	630,000	105,028	210,000	21,898
2025-2027	-	-	170,000	15,180	-	-
	<u>\$ 3,435,000</u>	<u>\$ 996,394</u>	<u>\$ 6,055,000</u>	<u>\$ 1,641,736</u>	<u>\$ 620,000</u>	<u>\$ 252,518</u>

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

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
<b>Business-type activities</b>		
1989 wastewater	2.00%	\$ 140,000
1999 electric	4.25% - 5.20%	795,000
1999 water and wastewater	5.13% - 5.20%	<u>55,001</u>
		<u><b>\$ 990,001</b></u>
<b>Discretely presented component unit</b>		
2005 local development	3.50% - 4.30%	<u><b>\$ 1,245,000</b></u>

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

Revenue bond debt service requirements to maturity are as follows:

Year Ending June 30,	Business-type		Component Unit	
	Principal	Interest	Principal	Interest
2010	\$ 250,001	\$ 41,987	\$ 25,000	\$ 51,042
2011	60,000	36,430	25,000	50,105
2012	60,000	33,475	25,000	49,167
2013	65,000	30,350	80,000	48,230
2014	65,000	27,068	85,000	45,030
2015-2019	400,000	77,965	440,000	174,570
2020-2024	90,000	2,340	470,000	80,920
2025	-	-	95,000	4,085
	<b><u>\$ 990,001</u></b>	<b><u>\$ 249,615</u></b>	<b><u>\$ 1,245,000</u></b>	<b><u>\$ 503,149</u></b>

*Installment Obligations.* The government has entered into various long-term installment payment agreements. No new installment obligations were entered into during the current year. Installment obligations outstanding at year-end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
<b>Governmental activities</b>		
1996 public improvement (Stanton)	9.00%	\$ 102,460
1999 emergency rescue	5.65%	25,000
2002 land contract (Quigley)	5.43%	253,607
2004 ambulance	3.29%	5,976
2006 communication equipment	4.00%	<u>110,557</u>
		<b><u>\$ 497,600</u></b>
<b>Business-type activities</b>		
1996 public improvement (Stanton)	9.00%	\$ 239,075
2000 fuel tanks	5.25%	37,000
2002 public improvement (State Farm)	0.00%	<u>720,000</u>
		<b><u>\$ 996,075</u></b>

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

The annual principal maturities for the amounts payable on the 1996 public improvements (Stanton) are determined each year based on the following formula: taxable value of certain properties times the City operating millage rate (less 4 mills for public safety and township) less interest calculated on the outstanding principal balance. Any unpaid principal as of December 31, 2010 will be forgiven by the terms of the agreement.

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

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

<b>Year Ending June 30,</b>	<b>Governmental</b>		<b>Business-type</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2010	\$ 137,086	\$ 18,477	\$ 37,000	\$ 1,943
2011	111,522	12,262	-	-
2012	117,213	6,571	-	-
2013	29,319	586	-	-
	<u>395,140</u>	<u>37,896</u>	<u>37,000</u>	<u>1,943</u>
Stanton	102,460	-	239,075	-
State Farm	-	-	720,000	-
	<u><b>\$ 497,600</b></u>	<u><b>\$ 37,896</b></u>	<u><b>\$ 996,075</b></u>	<u><b>\$ 1,943</b></u>

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

*Changes in Long-Term Debt.* Long-term liability activity for the year ended June 30, 2009, was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b><u>Primary Government</u></b>					
<b>Governmental activities</b>					
General obligation bonds	\$ 3,915,000	\$ -	\$ (480,000)	\$ 3,435,000	\$ 285,000
Installment contracts	639,346	-	(141,746)	497,600	137,086
Compensated absences	227,631	83,000	(94,269)	216,362	83,000
Add (deduct) deferred amounts:					
For issuance premiums	6,441	-	(403)	6,038	-
On refunding	(146,456)	-	11,984	(134,472)	-
	<b>\$ 4,641,962</b>	<b>\$ 83,000</b>	<b>\$ (704,434)</b>	<b>\$ 4,020,528</b>	<b>\$ 505,086</b>
<b>Business-type activities</b>					
General obligation bonds	\$ 6,465,000	\$ -	\$ (410,000)	\$ 6,055,000	\$ 380,000
Revenue bonds	1,235,001	-	(245,000)	990,001	250,001
Installment contracts	1,040,678	-	(44,603)	996,075	37,000
Add (deduct) deferred amounts:					
For issuance premiums	58,285	-	(5,276)	53,009	-
On refunding	(84,879)	-	7,201	(77,678)	-
	<b>\$ 8,714,085</b>	<b>\$ -</b>	<b>\$ (697,678)</b>	<b>\$ 8,016,407</b>	<b>\$ 667,001</b>
<b><u>Component Unit - LDFA</u></b>					
Revenue bonds	<b>\$ 1,270,000</b>	<b>\$ -</b>	<b>\$ (25,000)</b>	<b>\$ 1,245,000</b>	<b>\$ 25,000</b>
<b><u>Component Unit - DDA</u></b>					
General obligation bonds	\$ 645,000	\$ -	\$ (25,000)	\$ 620,000	\$ 25,000
Compensated absences	1,554.00	369	-	1,923	1,923
	<b>\$ 646,554</b>	<b>\$ 369</b>	<b>\$ (25,000)</b>	<b>\$ 621,923</b>	<b>\$ 26,923</b>

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

### 3-H Segment Information – Enterprise Funds

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

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

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### NOTE 4 – OTHER INFORMATION

#### 4-A Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2009, the government carried insurance through various commercial carriers, including the Michigan Municipal League, to cover all risks of losses. The government has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

#### 4-B Property Taxes

The government's property taxes are levied each July 1 on the taxable valuation of property located in the City as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through September 15; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Calhoun County. Assessed values, as established annually by the government and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value. The taxable value of real and personal property in the City for the 2008 levy, including industrial facilities, was \$250,207,172. The government's general operating tax rate for fiscal 2008-09 was 15.4629 mills with an additional 0.8165 mills for recreation, 0.4840 for public transportation, and 1.6129 for DDA (based on \$10,128,548 taxable value).

Property taxes for the DDA and LDFA are derived from tax increment financing agreements with the various applicable taxing authorities. Under these arrangements, the DDA and LDFA receives the property taxes levied on the increment of current taxable values over the base year values on those properties located within the established tax increment financing district.

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

#### 4-C Contingent Liabilities

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

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

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

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### 4-D Postemployment Benefits

*Plan Description.* The City participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan, to provide postemployment healthcare benefits to eligible retirees and their dependents upon retirement. Retirees who were hired prior to July 15, 1986 are eligible for the benefits subject to length of service criteria at the same level and cost sharing as active employees. Retirees who were hired on or after July 15, 1986 are similarly eligible for the benefits except a sliding scale for sharing the cost of the annual insurance premium between the City and retiree also applies. Finally, for employees hired after January 1, 1997, the City pays no portion of the benefit. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing MI 48917.

*Plan Membership.* The City had 65 retirees that were eligible for and receiving the benefit during the year ended June 30, 2009.

*Funding Policy.* The City has no obligation to make contributions in advance of when the insurance premiums or benefits are due for payment; in other words, the plan may be financed on a *pay-as-you-go* basis. Administrative costs of the plan are paid for by the City's general fund. Plan participants are not required to contribute to the plan. For the year ended June 30, 2009, the City paid benefits and made contributions to advance-fund the plan totaling \$512,661.

*Funding Progress.* For the year ended June 30, 2009, the City estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2005. Such a valuation computes an *annual required contribution (ARC)* that represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The current combined ARC is 18.96% of annual covered payroll.

*Annual OPEB Cost and Net OPEB Obligation.* For fiscal 2009, the components of the City's annual OPEB (other postemployment benefit) cost for the year, the amount actually contributed to the plan (including *pay-as-you-go* amounts), and changes in the City's net OPEB obligation to the plan are as follows:

Annual required contribution	\$ 914,127
Payments of current costs	<u>(512,661)</u>
Increase in net OPEB obligation	401,466
Net OPEB obligation, beginning of year	<u>-</u>
Net OPEB obligation, end of year	<u>\$ 401,466</u>

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last year were as follows:

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage of ARC Contributed</u>	<u>Net OPEB Obligation</u>
6/30/09	\$ 914,127	\$ 512,661	56.1%	\$ 401,466

*Funded Status.* The funded status of the plan as of December 31, 2005, the date of the latest actuarial valuation, was as follows:

Actuarial accrued liabilities (AAL)	\$ 12,935,963
Actuarial value of plan assets	<u>432,046</u>
<b>Unfunded actuarial accrued liability (UAAL)</b>	<b><u><u>\$ 12,503,917</u></u></b>
Funded ratio	3.3%
Covered payroll (active plan members)	\$ 4,132,958
UAAL as a percentage of covered payroll	302.5%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

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Significant methods and assumptions were as follows:

Actuarial valuation date	12/31/05
Actuarial cost method	Individual entry age
Amortization method	Level percent of payroll open
Remaining amortization period	30 years
Asset valuation method	Market value
Discount rate	8.0%
Projected salary increases	4.50%
Healthcare inflation rate	11.0% grading to 4.5% ultimately

### 4-E Defined Benefit Pension Plan

*Plan Description.* The City participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the Retirement Board of MERS. The Plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to Plan members and beneficiaries. The MERS Retirement Board establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917, or by calling (800) 767-6377.

*Funding Policy.* The City was required to contribute 0.00% to 6.87% of the annual covered payroll, depending on the applicable bargaining unit, for the year ended June 30, 2009. City employees are required to contribute 7.70% to 12.24% of their annual covered payroll, depending on the applicable bargaining unit. The contribution requirements of the City are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the City, subject to collective bargaining agreements and depending on the MERS contribution program adopted by the City.

*Annual Pension Cost.* For the year ended June 30, 2009, the City's annual pension cost of \$224,057 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of 8.0%; (b) projected salary increase of 4.5% per year compounded annually, attributable to inflation; and (c) additional projected salary increases of 0.0% to 8.4% per year, depending on age, attributable to seniority/merit.

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

*Funded Status.* The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2008, the date of the latest actuarial valuation, was 30 years.

### Three-Year Trend Information

<u>Annual Years Ended June 30,</u>	<u>Pension Cost (APC)</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
2007	\$ 171,584	100%	\$ -
2008	227,379	100%	-
2009	224,057	100%	-

### Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Actuarial Liability (AAL) Entry Age</u>	<u>(b-a) Unfunded AAL (UAAL)</u>	<u>Funded Ratio Total</u>	<u>(c) Covered Payroll</u>	<u>((b-a)/c) UAAL as a Percentage of Covered Payroll</u>
12/31/06	\$22,495,650	\$24,022,685	\$1,527,035	94%	\$4,091,944	37%
12/31/07	23,486,337	25,079,823	1,593,486	94%	4,224,192	38%
12/31/08	23,593,050	26,297,585	2,704,535	90%	4,216,281	64%

#### 4-F Subsequent Event

On July 9, 2009, the City issued bonds for \$1,345,000 for water improvement projects. The notes bear interest at 4%, and are due at various maturity dates.

#### 4-G Dial-A-Ride Disclosures

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

##### Cost Allocation Plans / Eligible Costs

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

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

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

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

### **Nonfinancial Data**

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

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## REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF MARSHALL, MICHIGAN**  
**Municipal Employees Retirement System of Michigan**

**Required Supplementary Information**

**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date December 31,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry Age	(3) Unfunded AAL (Overfunded) (UAAL) (2-1)	(4) Funded Ratio (1/2)	(5) Covered Payroll	(6) UAAL as a % of Covered Payroll (3/5)
2003	\$ 20,517,832	\$ 19,935,535	\$ (582,297)	102.9%	\$ 3,839,753	-15.2%
2004	21,006,550	21,189,467	182,917	99.1%	4,102,546	4.5%
2005	21,572,620	23,110,895	1,538,275	93.3%	4,132,958	37.2%
2006	22,495,650	24,022,685	1,527,035	93.6%	4,091,944	37.3%
2007	23,486,337	25,079,823	1,593,486	93.6%	4,224,192	37.7%
2008	23,593,050	26,297,585	2,704,535	89.7%	4,216,281	64.1%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Year Ended June 30,	Annual Required Contribution	Annual Actual Contribution	Percentage Contributed
2007	\$ 171,584	\$ 171,584	100.00%
2008	227,379	227,379	100.00%
2009	224,057	224,057	100.00%

**CITY OF MARSHALL, MICHIGAN**  
**Other Postemployment Health Care Benefits**

**Required Supplementary Information**

**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date <u>December 31,</u>	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry Age	(3) Unfunded AAL (UAAL) (2-1)	(4) Funded Ratio (1/2)	(5) Covered Payroll	(6) UAAL as a % of Covered Payroll (3/5)
2005	\$ 432,046	\$ 12,935,963	\$ 12,503,917	3.3%	\$ 4,132,958	302.5%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Year Ended June 30,	Annual Required Contribution	Annual Actual Contribution	Percentage Contributed	Net OPEB Obligation
2009	\$ 914,127	\$ 512,661	56.08%	\$ 401,466

COMBINING and INDIVIDUAL FUND FINANCIAL  
STATEMENTS and SCHEDULES

**CITY OF MARSHALL, MICHIGAN**  
**Combining Balance Sheet - Nonmajor Governmental Funds**  
**June 30, 2009**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent Cemetery</u>	<u>Totals</u>
<b><u>ASSETS</u></b>					
<b>Assets</b>					
Cash and cash equivalents	\$ 179,024	\$ 16,287	\$ 91,515	\$ 160,130	\$ 446,956
Investments	369,326	-	-	507,056	876,382
Accounts receivable	26,860	-	-	1,176	28,036
Due from other governments	97,938	-	-	-	97,938
Prepaid items	24,202	-	-	-	24,202
	<u>\$ 697,350</u>	<u>\$ 16,287</u>	<u>\$ 91,515</u>	<u>\$ 668,362</u>	<u>\$ 1,473,514</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 59,206	\$ -	\$ 331	\$ -	\$ 59,537
Accrued liabilities	13,322	-	-	-	13,322
Due to other governments	60	-	-	-	60
Interfund payable	155,092	-	-	-	155,092
Deferred revenue	20,161	-	-	-	20,161
	<u>247,841</u>	<u>-</u>	<u>331</u>	<u>-</u>	<u>248,172</u>
<b>Fund balances</b>					
Reserved for prepaid items	24,202	-	-	-	24,202
Unreserved:					
Designated for other purposes	115,208	-	-	-	115,208
Designated for subsequent year expenditures	53,852	-	-	-	53,852
Undesignated	256,247	16,287	91,184	668,362	1,032,080
	<u>449,509</u>	<u>16,287</u>	<u>91,184</u>	<u>668,362</u>	<u>1,225,342</u>
	<u>\$ 697,350</u>	<u>\$ 16,287</u>	<u>\$ 91,515</u>	<u>\$ 668,362</u>	<u>\$ 1,473,514</u>

**CITY OF MARSHALL, MICHIGAN**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2009**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent Cemetery</u>	<u>Totals</u>
<b>Revenues</b>					
Property taxes	\$ 175,403	\$ -	\$ -	\$ -	\$ 175,403
Intergovernmental	556,368	-	-	-	556,368
Charges for services	249,768	-	-	11,480	261,248
Fines and forfeitures	21,002	-	-	-	21,002
Investment earnings	9,852	58	5,828	14,442	30,180
Other	236,428	-	-	-	236,428
	<u>1,248,821</u>	<u>58</u>	<u>5,828</u>	<u>25,922</u>	<u>1,280,629</u>
<b>Expenditures</b>					
Current expenditures:					
General government	356,063	-	70,972	196	427,231
Public safety	5,120	-	-	-	5,120
Highways and streets	400,635	-	-	-	400,635
Culture and recreation	378,322	-	-	-	378,322
Debt service:					
Principal	166,649	340,000	-	-	506,649
Interest and fiscal charges	36,968	119,231	-	-	156,199
Capital outlay	141,481	-	-	-	141,481
	<u>1,485,238</u>	<u>459,231</u>	<u>70,972</u>	<u>196</u>	<u>2,015,637</u>
Revenues over (under) expenditures	<u>(236,417)</u>	<u>(459,173)</u>	<u>(65,144)</u>	<u>25,726</u>	<u>(735,008)</u>
<b>Other financing sources (uses)</b>					
Transfers in	285,835	459,231	-	-	745,066
Transfers out	(17,044)	-	(71,762)	-	(88,806)
Total other financing sources (uses)	<u>268,791</u>	<u>459,231</u>	<u>(71,762)</u>	<u>-</u>	<u>656,260</u>
Net change in fund balances	32,374	58	(136,906)	25,726	(78,748)
Fund balances, beginning of year	<u>417,135</u>	<u>16,229</u>	<u>228,090</u>	<u>642,636</u>	<u>1,304,090</u>
<b>Fund balances, end of year</b>	<u><u>\$ 449,509</u></u>	<u><u>\$ 16,287</u></u>	<u><u>\$ 91,184</u></u>	<u><u>\$ 668,362</u></u>	<u><u>\$ 1,225,342</u></u>

**CITY OF MARSHALL, MICHIGAN**  
**Combining Balance Sheet - Nonmajor Special Revenue Funds**  
**June 30, 2009**

	<u>Major Street</u>	<u>Local Street</u>	<u>Composting</u>	<u>Parking System</u>	<u>Drug Law Enforcement</u>	<u>Recreation</u>	<u>Airport</u>	<u>Special Projects</u>	<u>Total</u>
<b><u>ASSETS</u></b>									
<b>Assets</b>									
Cash and cash equivalents:	\$ 2,504	\$ -	\$ 52,297	\$ 10,991	\$ 6,240	\$ 15,943	\$ 2,496	\$ 88,553	\$ 179,024
Investments:	1,770	176,461	-	9	-	190,323	444	319	369,326
Accounts receivable:	-	-	-	553	-	809	-	25,498	26,860
Due from other government:	64,932	20,959	-	-	-	-	-	12,047	97,938
Prepaid items:	2,922	2,707	927	17	-	16,824	764	41	24,202
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 72,128</u></b>	<b><u>\$ 200,127</u></b>	<b><u>\$ 53,224</u></b>	<b><u>\$ 11,570</u></b>	<b><u>\$ 6,240</u></b>	<b><u>\$ 223,899</u></b>	<b><u>\$ 3,704</u></b>	<b><u>\$ 126,458</u></b>	<b><u>\$ 697,350</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>									
<b>Liabilities</b>									
Accounts payable:	\$ 39,565	\$ 209	\$ 103	\$ -	\$ -	\$ 2,907	\$ 1,105	\$ 15,317	\$ 59,206
Accrued liabilities:	367	2,683	542	282	-	8,604	844	-	13,322
Due to other government:	-	-	-	-	-	60	-	-	60
Interfund payable:	-	155,092	-	-	-	-	-	-	155,092
Deferred revenue:	-	-	-	-	-	20,161	-	-	20,161
Total liabilities:	39,932	157,984	645	282	-	31,732	1,949	15,317	247,841
<b>Fund balances</b>									
Reserved for prepaid item:	2,922	2,707	927	17	-	16,824	764	41	24,202
Unreserved:									
Designated for other purpose:	-	-	-	-	-	4,108	-	111,100	115,208
Designated for subsequent year expenditures:	29,274	-	-	-	-	24,578	-	-	53,852
Undesignated (deficit):	-	39,436	51,652	11,271	6,240	146,657	991	-	256,247
Total fund balances:	32,196	42,143	52,579	11,288	6,240	192,167	1,755	111,141	449,509
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b><u>\$ 72,128</u></b>	<b><u>\$ 200,127</u></b>	<b><u>\$ 53,224</u></b>	<b><u>\$ 11,570</u></b>	<b><u>\$ 6,240</u></b>	<b><u>\$ 223,899</u></b>	<b><u>\$ 3,704</u></b>	<b><u>\$ 126,458</u></b>	<b><u>\$ 697,350</u></b>

**CITY OF MARSHALL, MICHIGAN**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Nonmajor Special Revenue Funds**  
**For the Year Ended June 30, 2009**

	<u>Major Street</u>	<u>Local Street</u>	<u>Composting</u>	<u>Parking System</u>	<u>Drug Law Enforcement</u>	<u>Recreation</u>	<u>Airport</u>	<u>Special Projects</u>	<u>Total</u>
<b>Revenues</b>									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 175,403	\$ -	\$ -	\$ 175,403
Intergovernmental	394,909	146,815	14,200	-	-	-	444	-	556,368
Charges for services	-	-	10,936	-	-	207,941	30,891	-	249,768
Fines and forfeitures	-	-	-	19,890	1,112	-	-	-	21,002
Investment earnings	2,133	1,128	115	1	17	5,148	2	1,308	9,852
Other	-	-	-	-	-	302	9,651	226,475	236,428
<b>Total revenues</b>	<u>397,042</u>	<u>147,943</u>	<u>25,251</u>	<u>19,891</u>	<u>1,129</u>	<u>388,794</u>	<u>40,988</u>	<u>227,783</u>	<u>1,248,821</u>
<b>Expenditures</b>									
Current expenditures:									
General government	-	-	36,704	11,468	330	-	115,698	191,863	356,063
Public safety	-	-	-	-	-	-	-	5,120	5,120
Highways and streets	221,316	179,319	-	-	-	-	-	-	400,635
Culture and recreation	-	-	-	-	-	378,322	-	-	378,322
Debt service:									
Principal	130,000	-	-	-	-	-	-	36,649	166,649
Interest and fiscal charges	33,034	-	-	-	-	-	-	3,934	36,968
Capital outlay	100,597	17,325	-	-	-	23,559	-	-	141,481
<b>Total expenditures</b>	<u>484,947</u>	<u>196,644</u>	<u>36,704</u>	<u>11,468</u>	<u>330</u>	<u>401,881</u>	<u>115,698</u>	<u>237,566</u>	<u>1,485,238</u>
Revenues over (under) expenditures	<u>(87,905)</u>	<u>(48,701)</u>	<u>(11,453)</u>	<u>8,423</u>	<u>799</u>	<u>(13,087)</u>	<u>(74,710)</u>	<u>(9,783)</u>	<u>(236,417)</u>
<b>Other financing sources (uses)</b>									
Transfers in	63,123	103,067	43,180	-	-	-	76,465	-	285,835
Transfers out	(17,044)	-	-	-	-	-	-	-	(17,044)
<b>Total other financing sources (uses)</b>	<u>46,079</u>	<u>103,067</u>	<u>43,180</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,465</u>	<u>-</u>	<u>268,791</u>
Net change in fund balances	(41,826)	54,366	31,727	8,423	799	(13,087)	1,755	(9,783)	32,374
Fund balances (deficit), beginning of year	74,022	(12,223)	20,852	2,865	5,441	205,254	-	120,924	417,135
<b>Fund balances, end of year</b>	<u>\$ 32,196</u>	<u>\$ 42,143</u>	<u>\$ 52,579</u>	<u>\$ 11,288</u>	<u>\$ 6,240</u>	<u>\$ 192,167</u>	<u>\$ 1,755</u>	<u>\$ 111,141</u>	<u>\$ 449,509</u>

**CITY OF MARSHALL, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**Final Budget and Actual - Nonmajor Special Revenue Funds**  
**For the Year Ended June 30, 2009**

	<u>Major Street Fund</u>			<u>Local Street Fund</u>		
	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<b>Revenues</b>						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	394,000	394,909	909	160,456	146,815	(13,641)
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Investment earnings	3,000	2,133	(867)	500	1,128	628
Other	-	-	-	-	-	-
<b>Total revenues</b>	<u>397,000</u>	<u>397,042</u>	<u>42</u>	<u>160,956</u>	<u>147,943</u>	<u>(13,013)</u>
<b>Expenditures</b>						
Current expenditures:						
General government	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Highways and streets	190,251	221,316	31,065	150,056	179,319	29,263
Parks and recreation	-	-	-	-	-	-
Debt service:						
Principal	130,000	130,000	-	-	-	-
Interest and fiscal charges	33,380	33,034	(346)	-	-	-
Capital outlay	119,325	100,597	(18,728)	24,944	17,325	(7,619)
<b>Total expenditures</b>	<u>472,956</u>	<u>484,947</u>	<u>11,991</u>	<u>175,000</u>	<u>196,644</u>	<u>21,644</u>
Revenues over (under) expenditures	<u>(75,956)</u>	<u>(87,905)</u>	<u>(11,949)</u>	<u>(14,044)</u>	<u>(48,701)</u>	<u>(34,657)</u>
<b>Other financing sources (uses)</b>						
Transfers in	-	63,123	63,123	87,044	103,067	16,023
Transfers out	(17,044)	(17,044)	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>(17,044)</u>	<u>46,079</u>	<u>63,123</u>	<u>87,044</u>	<u>103,067</u>	<u>16,023</u>
Net change in fund balances	(93,000)	(41,826)	51,174	73,000	54,366	(18,634)
Fund balances, beginning of year	185,488	74,022	111,466	(12,223)	(12,223)	-
<b>Fund balances (deficit), end of year</b>	<u>\$ 92,488</u>	<u>\$ 32,196</u>	<u>\$ (60,292)</u>	<u>\$ 60,777</u>	<u>\$ 42,143</u>	<u>\$ (18,634)</u>

Composting Fund			Parking System Fund			Drug Law Enforcement Fund		
Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
14,200	14,200	-	5,000	-	(5,000)	-	-	-
10,123	10,936	813	-	-	-	-	-	-
-	-	-	12,000	19,890	7,890	-	1,112	1,112
500	115	(385)	-	1	1	-	17	17
-	-	-	-	-	-	-	-	-
24,823	25,251	428	17,000	19,891	2,891	-	1,129	1,129
46,000	36,704	(9,296)	11,660	11,468	(192)	-	330	330
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
46,000	36,704	(9,296)	11,660	11,468	(192)	-	330	330
(21,177)	(11,453)	9,724	5,340	8,423	3,083	-	799	799
43,180	43,180	-	1,601	-	(1,601)	-	-	-
-	-	-	-	-	-	-	-	-
43,180	43,180	-	1,601	-	(1,601)	-	-	-
22,003	31,727	9,724	6,941	8,423	1,482	-	799	799
20,852	20,852	-	2,865	2,865	-	5,441	5,441	-
\$ 42,855	\$ 52,579	\$ 9,724	\$ 9,806	\$ 11,288	\$ 1,482	\$ 5,441	\$ 6,240	\$ 799

Continued...

**CITY OF MARSHALL, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**Final Budget and Actual - Nonmajor Special Revenue Funds (Concluded)**  
**For the Year Ended June 30, 2009**

	<b>Recreation Fund</b>			<b>Airport Fund</b>		
	<b>Final Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
<b>Revenues</b>						
Property taxes	\$ 174,466	\$ 175,403	\$ 937	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	444	444
Charges for services	198,884	207,941	9,057	25,303	30,891	5,588
Fines and forfeitures	-	-	-	-	-	-
Investment earnings	6,000	5,148	(852)	-	2	2
Other	5,750	302	(5,448)	23,040	9,651	(13,389)
<b>Total revenues</b>	<b>385,100</b>	<b>388,794</b>	<b>3,694</b>	<b>48,343</b>	<b>40,988</b>	<b>(7,355)</b>
<b>Expenditures</b>						
Current expenditures:						
General government	-	-	-	115,135	115,698	563
Public Safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Parks and recreation	404,912	378,322	(26,590)	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Capital outlay	12,555	23,559	11,004	-	-	-
<b>Total expenditures</b>	<b>417,467</b>	<b>401,881</b>	<b>(15,586)</b>	<b>115,135</b>	<b>115,698</b>	<b>563</b>
Revenues over (under) expenditures	(32,367)	(13,087)	19,280	(66,792)	(74,710)	(7,918)
<b>Other financing sources (uses)</b>						
Transfers in	-	-	-	59,350	76,465	17,115
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>59,350</b>	<b>76,465</b>	<b>17,115</b>
Net change in fund balances	(32,367)	(13,087)	19,280	(7,442)	1,755	9,197
Fund balances, beginning of year	205,254	205,254	-	-	-	-
<b>Fund balances (deficit), end of year</b>	<b>\$ 172,887</b>	<b>\$ 192,167</b>	<b>\$ 19,280</b>	<b>\$ (7,442)</b>	<b>\$ 1,755</b>	<b>\$ 9,197</b>

**Special Projects Fund**

<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
1,310	1,308	(2)
<u>226,859</u>	<u>226,475</u>	<u>(384)</u>
<u>228,169</u>	<u>227,783</u>	<u>(386)</u>
191,865	191,863	(2)
5,120	5,120	-
-	-	-
-	-	-
29,907	36,649	6,742
10,676	3,934	(6,742)
-	-	-
<u>237,568</u>	<u>237,566</u>	<u>(2)</u>
<u>(9,399)</u>	<u>(9,783)</u>	<u>(384)</u>
-	-	-
-	-	-
-	-	-
(9,399)	(9,783)	(384)
<u>120,924</u>	<u>120,924</u>	<u>-</u>
<u>\$ 111,525</u>	<u>\$ 111,141</u>	<u>\$ (384)</u>

**CITY OF MARSHALL, MICHIGAN**  
**Combining Balance Sheet - Nonmajor Debt Service Funds**  
**June 30, 2009**

	<u>Building Authority</u>	<u>1999 Motor Vehicle Highway</u>	<u>1986 Motor Vehicle Highway</u>	<u>Total</u>
<b><u>ASSETS</u></b>				
<b>Assets</b>				
Cash and cash equivalents	<u>\$ 9,390</u>	<u>\$ 6,734</u>	<u>\$ 163</u>	<u>\$ 16,287</u>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>Fund balances</b>				
Unreserved, undesignated	<u>\$ 9,390</u>	<u>\$ 6,734</u>	<u>\$ 163</u>	<u>\$ 16,287</u>

**CITY OF MARSHALL, MICHIGAN**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Nonmajor Debt Service Funds**  
**For the Year Ended June 30, 2009**

	<u>Building Authority</u>	<u>1999 Motor Vehicle Highway</u>	<u>1986 Motor Vehicle Highway</u>	<u>Total</u>
<b>Revenues</b>				
Investment earnings	\$ 29	\$ 29	\$ -	\$ 58
<b>Expenditures</b>				
Debt service:				
Principal retirement	340,000	-	-	340,000
Interest and fiscal charges	119,231	-	-	119,231
Total expenditures	459,231	-	-	459,231
Revenues over (under) expenditures	(459,202)	29	-	(459,173)
<b>Other financing sources (uses)</b>				
Transfers in	459,231	-	-	459,231
Net change in fund balances	29	29	-	58
Fund balances, beginning of year	9,361	6,705	163	16,229
<b>Fund balances, end of year</b>	<u>\$ 9,390</u>	<u>\$ 6,734</u>	<u>\$ 163</u>	<u>\$ 16,287</u>

**CITY OF MARSHALL, MICHIGAN**  
**Combining Balance Sheet - Nonmajor Capital Projects Funds**  
**June 30, 2009**

	<b>MVH Major Streets</b>	<b>MVH Local Streets</b>	<b>Total</b>
<b><u>ASSETS</u></b>			
<b>Assets</b>			
Cash and cash equivalents	\$ 91,515	\$ -	\$ 91,515
Investments	-	-	-
<b><u>TOTAL ASSETS</u></b>	<b>\$ 91,515</b>	<b>\$ -</b>	<b>\$ 91,515</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 331	\$ -	\$ 331
<b>Fund balances</b>			
Unreserved, undesignated	91,184	-	91,184
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b>\$ 91,515</b>	<b>\$ -</b>	<b>\$ 91,515</b>

**CITY OF MARSHALL, MICHIGAN**  
**Combining Statement of Revenue, Expenditures and**  
**Changes in Fund Balance - Nonmajor Capital Projects Funds**  
**For the Year Ended June 30, 2009**

	<u>MVH Major Streets</u>	<u>MVH Local Streets</u>	<u>Total</u>
<b>Revenue</b>			
Investment earnings	\$ 5,805	\$ 23	\$ 5,828
<b>Expenditures</b>			
Current expenditures -			
General government	<u>70,972</u>	<u>-</u>	<u>70,972</u>
Revenue over (under) expenditures	(65,167)	23	(65,144)
<b>Other financing sources (uses)</b>			
Transfers out	<u>(63,123)</u>	<u>(8,639)</u>	<u>(71,762)</u>
Net change in fund balances	(128,290)	(8,616)	(136,906)
Fund balances, beginning of year	<u>219,474</u>	<u>8,616</u>	<u>228,090</u>
<b>Fund balances, end of year</b>	<u><u>\$ 91,184</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 91,184</u></u>

**CITY OF MARSHALL, MICHIGAN**  
**Supplemental Schedule of Operating Expenses**  
**Electric, Wastewater and Water Enterprise Funds**  
**For the Year Ended June 30, 2009**

	<u>Electric</u>	<u>Wastewater</u>	<u>Water</u>	<u>Total</u>
<b>Administration</b>				
Personal services	\$ 289,499	\$ 147,946	\$ 168,890	\$ 606,335
Materials and supplies	23,187	10,244	9,696	43,127
Contractual	66,846	25,831	15,498	108,175
Insurance	152,393	44,241	29,973	226,607
Maintenance	648	648	648	1,944
Other expense	34,473	7,510	9,358	51,341
Depreciation	14,728	21,361	-	36,089
	<u>581,774</u>	<u>257,781</u>	<u>234,063</u>	<u>1,073,618</u>
<b>Powerhouse</b>				
Personal services	398,551	-	-	398,551
Materials and supplies	107,864	-	-	107,864
Purchased power	9,414,498	-	-	9,414,498
Contractual	46,155	-	-	46,155
Other expense	14,373	-	-	14,373
Depreciation	234,519	-	-	234,519
	<u>10,216,436</u>	<u>-</u>	<u>-</u>	<u>10,216,436</u>
<b>Line distribution</b>				
Personal services	713,570	-	216,710	930,280
Materials and supplies	152,593	-	52,491	205,084
Purchased power	-	-	1,979	1,979
Contractual	73,911	-	2,986	76,897
Maintenance	2,776	-	219	2,995
Other expense	162,092	-	39,190	201,282
Depreciation	330,625	-	263,171	593,796
	<u>1,435,567</u>	<u>-</u>	<u>576,746</u>	<u>2,012,313</u>
<b>Operations</b>				
Personal services	-	252,176	-	252,176
Materials and supplies	-	148,398	-	148,398
Purchased power	-	110,210	-	110,210
Contractual	-	102,964	-	102,964
Other expense	56,389	16,098	900	73,387
Depreciation	-	306,245	-	306,245
	<u>56,389</u>	<u>942,901</u>	<u>900</u>	<u>1,000,190</u>

Continued...

**CITY OF MARSHALL, MICHIGAN**  
**Supplemental Schedule of Operating Expenses (Concluded)**  
**Electric, Wastewater and Water Enterprise Funds**  
**For the Year Ended June 30, 2009**

	<u>Electric</u>	<u>Wastewater</u>	<u>Water</u>	<u>Total</u>
<b>Production</b>				
Personal services	\$ -	\$ -	\$ 64,508	\$ 64,508
Materials and supplies	-	-	78,880	78,880
Purchased power	-	-	48,183	48,183
Contractual	-	-	4,592	4,592
Other expense	-	-	6,731	6,731
Depreciation	-	-	30,008	30,008
	<u>-</u>	<u>-</u>	<u>232,902</u>	<u>232,902</u>
<b>Totals</b>				
Personal services	1,401,620	400,122	450,108	2,251,850
Materials and supplies	283,644	158,642	141,067	583,353
Purchased power	9,414,498	110,210	50,162	9,574,870
Contractual	186,912	128,795	23,076	338,783
Insurance	152,393	44,241	29,973	226,607
Maintenance	3,900	7,458	867	12,225
Other expense	267,327	23,608	56,179	347,114
Depreciation	579,872	327,606	293,179	1,200,657
	<u>\$ 12,290,166</u>	<u>\$ 1,200,682</u>	<u>\$ 1,044,611</u>	<u>\$ 14,535,459</u>

**CITY OF MARSHALL, MICHIGAN**  
**Supplemental Schedule of Revenues and Expenses**  
**Dial-A-Ride Transportation Fund**  
**For the Year Ended June 30, 2009**

<b>Schedule 1</b>	7/1/08 to 9/30/08	10/1/08 to 6/30/09	Total
<b>Local revenues:</b>			
Demand response - farebox (nonurban)	\$ 13,370	\$ 40,634	\$ 54,004
Tax levy	105,034	(1,068)	103,966
Interest income	1,039	3,823	4,862
<b>Total local revenues</b>	<b>\$ 119,443</b>	<b>\$ 43,389</b>	<b>\$ 162,832</b>

<b>Schedule 1A - based on a September 30, 2008 Year End</b>	10/1/07 to 6/30/08	7/1/08 to 9/30/08	Total
<b>Local revenues:</b>			
Demand response - farebox (nonurban)	\$ 42,969	\$ 13,370	\$ 56,339
Tax levy	1,058	105,034	106,092
Interest income	7,256	1,039	8,295
<b>Total local revenues</b>	<b>\$ 51,283</b>	<b>\$ 119,443</b>	<b>\$ 170,726</b>

Continued...

**CITY OF MARSHALL, MICHIGAN**  
**Supplemental Schedule of Revenues and Expenses (Continued)**  
**Dial-A-Ride Transportation Fund**  
**For the Year Ended June 30, 2009**

<u>Schedule 2 - Expenditures of Federal and State Awards</u>	Federal CFDA Number	Grant No./ Authorization Number	Program Award Amount	Current Year Expenditures			Prior Year Expend.	Award Amount Remaining
				Total	Federal	State		
<u>U.S. Department of Transportation</u>								
Passed Through Michigan Department of Transportation:								
Operating Assistance: Section 5311	20.509	2002-0065	\$ 3,432	\$ 3,432	\$ 3,432	\$ -	\$ -	\$ -
Operating Assistance: Section 5311	20.509	MI-18-X042	66,380	33,583	33,583	-	-	32,797
Operating Assistance: Section 5311	20.509	MI-18-X047	66,930	18,632	18,632	-	-	-
<u>Michigan Department of Transportation</u>								
Operating Assistance - Act 51 Nonurban		N/A	160,661	160,661	-	160,661	-	-
Capital Assistance		N/A	127,446	127,446	-	127,446	-	-
Total			<u>\$ 424,849</u>	<u>\$ 343,754</u>	<u>\$ 55,647</u>	<u>\$ 288,107</u>	<u>\$ -</u>	<u>\$ 32,797</u>
								<u>\$ 48,298</u>

Continued...

**CITY OF MARSHALL, MICHIGAN**  
**Supplemental Schedule of Revenues and Expenses (Continued)**  
**Dial-A-Ride Transportation Fund**  
**For the Year Ended June 30, 2009**

<b>Schedule 2A - for the year ended June 30, 2009</b>	7/1/08 to 9/30/08	10/1/08 to 6/30/09	Total
Michigan Department of Transportation:			
Local Bus Operating (Act 51)	\$ 41,439	\$ 119,222	\$ 160,661
Capital assistance	-	127,446	127,446
Final closeout revenue	-	-	-
Federal Transit Administration:			
Section 5311 - operating	20,027	35,620	55,647
Section 5311 - prior year operating refund	-	-	-
Total	<u>\$ 61,466</u>	<u>\$ 282,288</u>	<u>\$ 343,754</u>

<b>Schedule 2B - based on a September 30, 2008 year end</b>	10/1/07 to 6/30/08	7/1/08 to 9/30/08	Total
Michigan Department of Transportation:			
Local Bus Operating (Act 51)	\$ 120,259	\$ 41,439	\$ 161,698
Other State Contracts	1,649	-	1,649
Federal Transit Administration:			
Section 5311 - operating	73,250	20,027	93,277
Section 5311 - prior year operating refund	3,180	-	3,180
Total	<u>\$ 198,338</u>	<u>\$ 61,466</u>	<u>\$ 259,804</u>

Continued...

**CITY OF MARSHALL, MICHIGAN**  
**Supplemental Schedule of Revenues and Expenses (Continued)**  
**Dial-A-Ride Transportation Fund**  
**For the Year Ended June 30, 2009**

<b>Schedule 3 - Operating and Contract Expenses</b>	Nonurban	Total
<b>Expenses:</b>		
Labor	\$ 203,592	\$ 203,592
Fringe Benefits	61,723	61,723
Services	81,419	81,419
Materials and Supplies	38,100	38,100
Utilities	658	658
Insurance	6,829	6,829
Taxes	223	223
Miscellaneous	1,096	1,096
Depreciation	34,501	34,501
	<u>34,501</u>	<u>34,501</u>
Total Expenses	<u>\$ 428,141</u>	<u>\$ 428,141</u>

<b>Schedule 3A - Operating Expenses for June 30, 2009</b>	<b>Nonurban</b>		Total
	7/1/08 to 9/30/08	10/1/08 to 06/30/09	
<b>Expenses:</b>			
Labor	\$ 43,649	\$ 159,943	\$ 203,592
Fringe Benefits	17,972	43,751	61,723
Services	22,744	58,675	81,419
Materials and Supplies	12,760	25,340	38,100
Utilities	106	552	658
Insurance	1,007	5,822	6,829
Taxes	-	223	223
Miscellaneous	557	539	1,096
Depreciation	16,380	18,121	34,501
	<u>16,380</u>	<u>18,121</u>	<u>34,501</u>
Total Expenses	<u>\$ 115,175</u>	<u>\$ 312,966</u>	<u>\$ 428,141</u>

<b>Schedule 3B - Operating Expenses for September 30, 2008</b>	<b>Nonurban</b>		Total
	10/1/07 to 6/30/08	7/1/08 to 9/30/08	
<b>Expenses:</b>			
Labor	\$ 173,228	\$ 43,649	\$ 216,877
Fringe Benefits	44,227	17,972	62,199
Services	58,021	22,744	80,765
Materials and Supplies	35,545	12,760	48,305
Utilities	(1,702)	106	(1,596)
Insurance	(2,689)	1,007	(1,682)
Taxes	59	-	59
Miscellaneous	543	557	1,100
Depreciation	39,582	16,380	55,962
	<u>39,582</u>	<u>16,380</u>	<u>55,962</u>
Total Expenses	<u>\$ 346,814</u>	<u>\$ 115,175</u>	<u>\$ 461,989</u>

**CITY OF MARSHALL, MICHIGAN**  
**Supplemental Schedule of Revenues and Expenses (Concluded)**  
**Dial-A-Ride Transportation Fund**  
**For the Year Ended June 30, 2009**

<b>Schedule 5 - Operating Assistance Calculation for September 30, 2008</b>	Nonurban
Total Expenses	\$ 461,989
Less Ineligible Expenses	
Depreciation	55,962
Rental	3,432
Total Ineligible Expenses Per R&E Manual	59,394
<b>Total State Eligible Expenses</b>	<b>402,595</b>
Eligible Expenses for State Reimbursement	402,595
x Reimbursement Percentage	32.52%
State Operating Assistance	\$ 130,924
<b>Total Federal Eligible Expenses</b>	
Less Additional Federal Ineligible Expenses Per A-87 - Audit Costs	3,319
Eligible Expenses for Federal Reimbursement	399,276
x Reimbursement Percentage	15%
Federal Operating Assistance	\$ 59,891

**CITY OF MARSHALL, MICHIGAN**  
**Dial-A-Ride Transportation Fund**  
**Nonurban Regular Service Revenue Report**  
**For the Year Ended September 30, 2008**

<b>Code</b>	<b>Description</b>	<b>Amount</b>
<b>401 :</b>	<b>Farebox Revenue</b>	
40100	Passenger Fares	\$ 56,695
<b>408 :</b>	<b>Local Revenue</b>	
40800	Taxes Levied Directly for/by Transit Agenc	104,719
<b>411 :</b>	<b>State Formula and Contracts</b>	
41101	State Operating Assistance	156,864
41199	Other MDOT/PTD Contracts and Reimbursements	1,649
<b>413 :</b>	<b>Federal Contracts</b>	
41301	Federal Section 5311	46,249
41398	RTAP (RTAP for Supervisor Seminar)	1,156
41399	Other Federal Transit Contracts and Reimbursements	3,185
<b>414 :</b>	<b>Other Revenue</b>	
41400	Interest Income	8,298
<b>Total revenues:</b>		<b>\$ 378,815</b>

**CITY OF MARSHALL, MICHIGAN**  
**Dial-A-Ride Transportation Fund**  
**Nonurban Regular Service Expense Report**  
**For the Year Ended September 30, 2008**

<b>Code</b>	<b>Description</b>	<b>Operations</b>	<b>Maintenance</b>	<b>Gen. Admin.</b>	<b>Total</b>
<b>501 :</b>	<b>Labor</b>				
50101	Operators' Salaries & Wages	141,390			\$ 141,390
50102	Other Salaries & Wages		4,449	16,779	21,228
50103	Dispatchers' Salaries & Wages	62,156			62,156
<b>502 :</b>	<b>Fringe Benefits</b>				
50200	Other Fringe Benefits	54,525	924	2,542	57,991
50201	Pension	8,976	152	418	9,546
<b>503 :</b>	<b>Services</b>				
50302	Advertising Fees	149		39	188
50305	Audit Cost			3,319	3,319
50399	Other Services	18,041	12,385	9,131	39,557
<b>504 :</b>	<b>Materials and Supplies</b>				
50401	Fuel & Lubricants	43,072	97		43,169
50402	Tires & Tubes	9,745	610		10,355
50404	Major Purchases	592	10,411	536	11,539
50499	Other Materials & Supplies	8,397	400	1,002	9,799
<b>505 :</b>	<b>Utilities</b>				
50500	Utilities	9,190	98	207	9,495
<b>506 :</b>	<b>Insurance</b>				
50603	Liability Insurance	3,643			3,643
<b>507 :</b>	<b>Taxes &amp; Fees</b>				
50700	Taxes & Fees	213		65	278
<b>509 :</b>	<b>Misc. Expenses</b>				
50902	Travel, Meetings & Training	187		716	903
<b>513 :</b>	<b>Depreciation</b>				
51300	Depreciation	53,595			53,595
<b>550 :</b>	<b>Ineligible Expenses</b>				
55007	Ineligible Depreciation	53,595			53,595
<b>574 :</b>	<b>Ineligible Expenses</b>				
57402	Ineligible RTAP	3,632			3,632
<b>Total expenses:</b>					<b>478,151</b>
<b>Total ineligible expenses:</b>					<b>57,227</b>
<b>Total eligible expenses:</b>					<b>\$ 420,924</b>

**CITY OF MARSHALL, MICHIGAN**  
**Dial-A-Ride Transportation Fund**  
**Nonurban Regular Service Nonfinancial Report (UNAUDITED)**  
**For the Year Ended September 30, 2008**

**Public Service**

<b>Code</b>	<b>Description</b>	<b>Weekday</b>	<b>Saturday</b>	<b>Sunday</b>	<b>Total</b>
611	Vehicle Miles	73,218	4,510	-	77,728

**CITY OF MARSHALL, MICHIGAN**  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
**June 30, 2009**

	<b>Data Processing</b>	<b>Motor Pool</b>	<b>Safety</b>	<b>Total</b>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 5,803	\$ 277,496	\$ 1,772	\$ 285,071
Investments	162,273	1,055,867	33,557	1,251,697
Accounts receivable	-	-	-	-
Due from other governments	-	5,602	-	5,602
Prepaid items	588	2,373	-	2,961
Total current assets	168,664	1,341,338	35,329	1,545,331
Noncurrent assets:				
Capital assets, net	43,594	1,087,279	-	1,130,873
Total assets	212,258	2,428,617	35,329	2,676,204
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	1,558	36,498	287	38,343
Accrued payroll and compensated absences	232	4,222	-	4,454
Contracts payable, current portion	-	25,000	-	25,000
Total liabilities	1,790	65,720	287	67,797
<b>Net assets</b>				
Invested in capital assets, net of related debt	43,594	1,062,279	-	1,105,873
Unrestricted	166,874	1,300,618	35,042	1,502,534
Total net assets	\$ 210,468	\$ 2,362,897	\$35,042	\$ 2,608,407

**CITY OF MARSHALL, MICHIGAN**  
**Combining Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets**  
**Internal Service Funds**  
**For the Year Ended June 30, 2009**

	<u>Data Processing</u>	<u>Motor Pool</u>	<u>Safety</u>	<u>Total</u>
<b>Operating revenues</b>				
Charges for services	\$ 75,000	\$ 740,337	\$ -	\$ 815,337
Other	867	8,515	300	9,682
Total operating revenues	<u>75,867</u>	<u>748,852</u>	<u>300</u>	<u>825,019</u>
<b>Operating expenses</b>				
Personal services	5,667	92,425	-	98,092
Materials and supplies	37,143	182,997	1,057	221,197
Contractual	37,084	3,881	6	40,971
Insurance	465	38,681	-	39,146
Maintenance	399	75,789	875	77,063
Other expense	-	54,796	370	55,166
Depreciation	11,895	352,275	-	364,170
Total operating expenses	<u>92,653</u>	<u>800,844</u>	<u>2,308</u>	<u>895,805</u>
Operating loss	<u>(16,786)</u>	<u>(51,992)</u>	<u>(2,008)</u>	<u>(70,786)</u>
<b>Nonoperating revenues (expenses)</b>				
Investment earnings	4,645	29,079	998	34,722
Interest expense	-	(989)	-	(989)
Total nonoperating revenues (expenses)	<u>4,645</u>	<u>28,090</u>	<u>998</u>	<u>33,733</u>
Income loss before transfers	(12,141)	(23,902)	(1,010)	(37,053)
<b>Transfers in</b>	<u>-</u>	<u>26,463</u>	<u>-</u>	<u>26,463</u>
Change in net assets	(12,141)	2,561	(1,010)	(10,590)
Net assets, beginning of year	<u>222,609</u>	<u>2,360,336</u>	<u>36,052</u>	<u>2,618,997</u>
<b>Net assets, end of year</b>	<u>\$ 210,468</u>	<u>\$ 2,362,897</u>	<u>\$ 35,042</u>	<u>\$ 2,608,407</u>

**CITY OF MARSHALL, MICHIGAN**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2009**

	<u>Data Processing</u>	<u>Motor Pool</u>	<u>Safety</u>	<u>Total</u>
<b>Cash flows from operating activities</b>				
Receipts from interfund services	\$ 75,867	\$ 748,852	\$ 300	\$ 825,019
Payments to suppliers/claimants	(75,651)	(316,857)	(2,308)	(394,816)
Payments to employees	(5,435)	(91,551)	-	(96,986)
Net cash provided (used) by operating activities	<u>(5,219)</u>	<u>340,444</u>	<u>(2,008)</u>	<u>333,217</u>
<b>Cash flows from non-capital financing activities</b>				
Transfers in	-	26,463	-	26,463
<b>Cash flows from capital and related financing activities</b>				
Principal and interest paid on contract	-	(26,413)	-	(26,413)
Purchase of capital assets	(18,023)	(156,847)	-	(174,870)
Net cash used in capital and related financing activities	<u>(18,023)</u>	<u>(183,260)</u>	<u>-</u>	<u>(201,283)</u>
<b>Cash flows from investing activities</b>				
Purchase of investments	-	(28,688)	-	(28,688)
Proceeds from investments	24,363	-	2,777	27,140
Interest received on investments	4,645	29,079	998	34,722
Net cash provided by investing activities	<u>29,008</u>	<u>391</u>	<u>3,775</u>	<u>33,174</u>
Net decrease in cash and cash equivalents	5,766	184,038	1,767	191,571
Cash and cash equivalents, beginning of year	37	93,458	5	93,500
<b>Cash and cash equivalents, end of year</b>	<u>\$ 5,803</u>	<u>\$ 277,496</u>	<u>\$ 1,772</u>	<u>\$ 285,071</u>
<b>Reconciliation of operating income (loss)</b>				
<b>to net cash provided by (used in) operating activities</b>				
Operating loss	\$ (16,786)	\$ (51,992)	\$ (2,008)	\$ (70,786)
Adjustments to reconcile operating income (loss)				
to net cash from operating activities:				
Depreciation	11,895	352,275	-	364,170
Changes in assets and liabilities:				
Accounts receivable	-	-	-	-
Due from other governments	-	6,019	-	6,019
Prepaid items	(588)	(1,310)	-	(1,898)
Accounts payable	28	34,578	-	34,606
Accrued payroll/compensated absences	232	874	-	1,106
<b>Net cash provided (used) by operating activities</b>	<u>\$ (5,219)</u>	<u>\$ 340,444</u>	<u>\$ (2,008)</u>	<u>\$ 333,217</u>

**CITY OF MARSHALL, MICHIGAN**  
**Combining Statement of Fiduciary Assets and Liabilities**  
**Agency Funds**  
**June 30, 2009**

	<u>Current Tax</u>	<u>Imprest Payroll</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,431	\$ 35,703	\$ 37,134
Delinquent taxes receivable	<u>117,663</u>	<u>-</u>	<u>117,663</u>
Total assets	<u>\$ 119,094</u>	<u>\$ 35,703</u>	<u>\$ 154,797</u>
<b>Liabilities</b>			
Undistributed receipts	<u>\$ 119,094</u>	<u>\$ 35,703</u>	<u>\$ 154,797</u>

## DISCRETELY PRESENTED COMPONENT UNITS

**CITY OF MARSHALL, MICHIGAN**  
**Statement of Net Assets and**  
**Governmental Fund Balance Sheet**  
**Downtown Development Authority Component Unit**  
**June 30, 2009**

	<u>Special Revenue</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 66,885	\$ -	\$ 66,885
Investments	54,045	-	54,045
Prepaid items	2,611	-	2,611
Restricted cash and cash equivalents	61,078	-	61,078
	<u>184,619</u>	<u>-</u>	<u>184,619</u>
<b>Total assets</b>	<u>\$ 184,619</u>	<u>-</u>	<u>184,619</u>
<b>Liabilities</b>			
Accounts payable	\$ 1,556	-	1,556
Accrued liabilities	1,449	-	1,449
Accrued interest payable	-	2,499	2,499
Long-term liabilities:			
Due within one year	-	26,923	26,923
Due in more than one year	-	595,000	595,000
	<u>3,005</u>	<u>624,422</u>	<u>627,427</u>
<b>Total liabilities</b>	<u>3,005</u>	<u>624,422</u>	<u>627,427</u>
<b>Fund balance</b>			
Reserved for prepaid items	2,611	(2,611)	-
Unreserved, undesignated	179,003	(179,003)	-
	<u>181,614</u>	<u>(181,614)</u>	<u>-</u>
<b>Total fund balance</b>	<u>181,614</u>	<u>(181,614)</u>	<u>-</u>
<b>Total liabilities and fund balance</b>	<u>\$ 184,619</u>		
<b>Net assets</b>			
Restricted for debt service		61,078	61,078
Unrestricted (deficit)		(503,886)	(503,886)
		<u>(442,808)</u>	<u>(442,808)</u>
<b>Total net assets (deficit)</b>		<u>\$ (442,808)</u>	<u>\$ (442,808)</u>

**CITY OF MARSHALL, MICHIGAN**  
**Statement of Activities and**  
**Governmental Fund Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Downtown Development Authority Component Unit**  
**For the Year Ended June 30, 2009**

	<u>Special Revenue</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>Revenues</b>			
Property taxes	\$ 191,114	\$ -	\$ 191,114
Investment earnings	2,091	-	2,091
Other	157,950	-	157,950
	<u>351,155</u>	<u>-</u>	<u>351,155</u>
<b>Expenditures/expenses</b>			
Community development	236,770	369	237,139
Debt service:			
Principal	25,000	(25,000)	-
Interest and fiscal charges	31,043	(88)	30,955
	<u>292,813</u>	<u>(24,719)</u>	<u>268,094</u>
Total expenditures/expenses	<u>292,813</u>	<u>(24,719)</u>	<u>268,094</u>
Change in fund balance/net assets	58,342	24,719	83,061
<b>Fund balances/net assets (deficit)</b>			
Beginning of year	<u>123,272</u>	<u>(649,141)</u>	<u>(525,869)</u>
<b>End of year</b>	<u>\$ 181,614</u>	<u>\$ (624,422)</u>	<u>\$ (442,808)</u>

**CITY OF MARSHALL, MICHIGAN**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
**Downtown Development Authority Component Unit**  
**Special Revenue Fund**  
**For the Year Ended June 30, 2009**

	<b>Budget (Original and Final)</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
<b>Revenues</b>			
Property taxes	\$ 185,100	\$ 191,114	\$ 6,014
Investment earnings	11,900	2,091	(9,809)
Other	150,839	157,950	7,111
Total revenues	347,839	351,155	3,316
<b>Expenditures</b>			
Community development	256,249	236,770	(19,479)
Debt service:			
Principal	32,400	25,000	(7,400)
Interest and fiscal charges	31,900	31,043	(857)
Total expenditures	320,549	292,813	(27,736)
Net change in fund balance	27,290	58,342	31,052
Fund balance, beginning of year	123,272	123,272	-
<b>Fund balance, end of year</b>	<b>\$ 150,562</b>	<b>\$ 181,614</b>	<b>\$ 31,052</b>

**CITY OF MARSHALL, MICHIGAN**  
**Statement of Net Assets and**  
**Governmental Fund Balance Sheet**  
**Local Development Finance Authority Component Unit**  
**June 30, 2009**

	<u>Special Revenue</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,496,491	\$ -	\$ 1,496,491
Unamortized bond issuance costs	-	42,901	42,901
Restricted cash and cash equivalents	123,336	-	123,336
Capital assets being depreciated, net	-	76,491	76,491
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total assets</b>	<u>\$ 1,619,827</u>	<u>119,392</u>	<u>1,739,219</u>
<b>Liabilities</b>			
Accounts payable	\$ 1,196	-	1,196
Accrued interest payable	-	12,761	12,761
Long-term liabilities:			
Due within one year	-	25,000	25,000
Due in more than one year	-	1,220,000	1,220,000
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total liabilities</b>	1,196	1,257,761	1,258,957
<b>Fund balance</b>			
Unreserved, undesignated	<u>1,618,631</u>	<u>(1,618,631)</u>	<u>-</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total liabilities and fund balance</b>	<u>\$ 1,619,827</u>		
<b>Net assets</b>			
Invested in capital assets		76,491	76,491
Restricted for debt service		123,336	123,336
Unrestricted		280,435	280,435
		<u>                    </u>	<u>                    </u>
<b>Total net assets</b>		<u>\$ 480,262</u>	<u>\$ 480,262</u>

**CITY OF MARSHALL, MICHIGAN**  
**Statement of Activities and**  
**Governmental Fund Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Local Development Finance Authority Component Unit**  
**For the Year Ended June 30, 2009**

	<u>Special Revenue</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>Revenues</b>			
Property taxes	\$ 511,483	\$ -	\$ 511,483
Investment earnings	42,945	-	42,945
Other	502	-	502
	<hr/>	<hr/>	<hr/>
Total revenues	554,930	-	554,930
	<hr/>	<hr/>	<hr/>
<b>Expenditures/expenses</b>			
Community development	333,239	8,499	341,738
Capital outlay	84,990	(84,990)	-
Debt service:			
Principal	25,000	(25,000)	-
Interest and fiscal charges	51,918	2,462	54,380
	<hr/>	<hr/>	<hr/>
Total expenditures/expenses	495,147	(99,029)	396,118
	<hr/>	<hr/>	<hr/>
Net change in fund balance/net assets	59,783	99,029	158,812
	<hr/>	<hr/>	<hr/>
<b>Fund balances/net assets</b>			
Beginning of year	1,558,848	(1,237,398)	321,450
	<hr/>	<hr/>	<hr/>
<b>End of year</b>	<u>\$ 1,618,631</u>	<u>\$ (1,138,369)</u>	<u>\$ 480,262</u>

**CITY OF MARSHALL, MICHIGAN**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
**Local Development Finance Authority Component Unit**  
**Special Revenue Fund**  
**For the Year Ended June 30, 2009**

	<b>Budget (Original and Final)</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
<b>Revenues</b>			
Property taxes	\$ 517,306	\$ 511,483	\$ (5,823)
Investment earnings	30,000	42,945	12,945
Other	-	502	502
Total revenues	<u>547,306</u>	<u>554,930</u>	<u>7,624</u>
<b>Expenditures</b>			
Community development	362,230	333,239	(28,991)
Capital outlay	66,730	84,990	18,260
Debt service:			
Principal	25,000	25,000	-
Interest and fiscal charges	51,918	51,918	-
Total expenditures	<u>505,878</u>	<u>495,147</u>	<u>(10,731)</u>
Net change in fund balance	41,428	59,783	18,355
Fund balance, beginning of year	<u>1,558,848</u>	<u>1,558,848</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 1,600,276</u></u>	<u><u>\$ 1,618,631</u></u>	<u><u>\$ 18,355</u></u>

**CITY OF MARSHALL, MICHIGAN**  
**Statement of Net Assets and**  
**Governmental Fund Balance Sheet**  
**Economic Development Corporation Component Unit**  
**June 30, 2009**

	<b>Special Revenue</b>	<b>Adjustments</b>	<b>Statement of Net Assets</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 8,968	\$ -	\$ 8,968
Capital assets being depreciated, net	-	36,846	36,846
	<b>\$ 8,968</b>	<b>36,846</b>	<b>45,814</b>
<b>Liabilities</b>			
Accounts payable	\$ -	-	-
<b>Fund balance</b>			
Unreserved, undesignated	8,968	(8,968)	-
	<b>\$ 8,968</b>		
<b>Net assets</b>			
Invested in capital assets		\$ 38,484	\$ 36,846
Unrestricted		8,983	8,968
		<b>\$ 47,467</b>	<b>\$ 45,814</b>

**CITY OF MARSHALL, MICHIGAN**  
**Statement of Activities and**  
**Governmental Fund Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Economic Development Corporation Component Unit**  
**For the Year Ended June 30, 2009**

	<u>Special Revenue</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>Revenues</b>			
Investment earnings	\$ 29	\$ -	\$ 29
<b>Expenditures/expenses</b>			
Community development	44	-	44
Depreciation	-	1,638	1,638
Total expenditures	44	1,638	1,682
Change in fund balance/net assets	(15)	(1,638)	(1,653)
<b>Fund balances/net assets</b>			
Beginning of year	8,983	38,484	47,467
<b>End of year</b>	<u>\$ 8,968</u>	<u>\$ 36,846</u>	<u>\$ 45,814</u>

**CITY OF MARSHALL, MICHIGAN**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
**Economic Development Corporation Component Unit**  
**Special Revenue Fund**  
**For the Year Ended June 30, 2009**

	<b>Budget (Original and Final)</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
<b>Revenues</b>			
Investment earnings	\$ -	\$ 29	\$ 29
<b>Expenditures</b>			
Community development	-	44	44
Net change in fund balance	-	(15)	(15)
Fund balance, beginning of year	8,983	8,983	-
<b>Fund balance, end of year</b>	<b>\$ 8,983</b>	<b>\$ 8,968</b>	<b>\$ (15)</b>