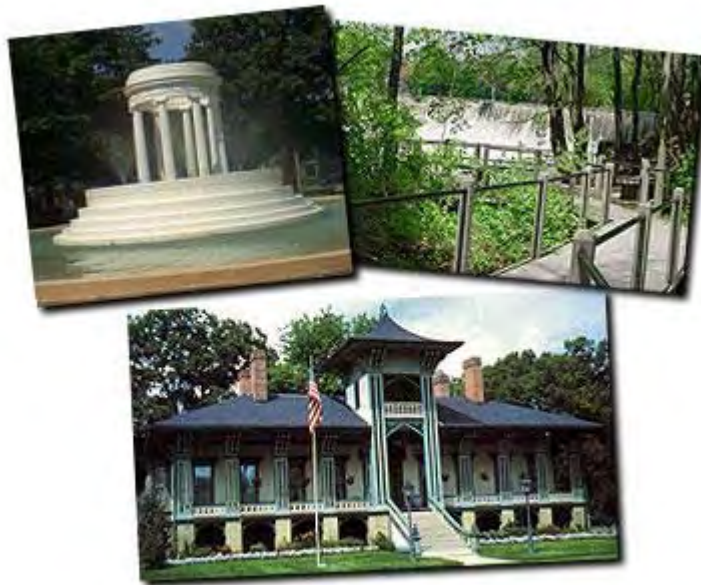


CITY OF  
*Marshall*  
MICHIGAN



*Annual Financial Report*

**For the Fiscal Year Ended June 30, 2007**



**REHMANN ROBSON**

*Certified Public Accountants*

**CITY OF MARSHALL, MICHIGAN**  
**Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2007**  
**List of Principal City Officials**

**Elected Officials**

**City Council:**

Bruce Smith, Mayor

James Dyer, Ward 1

Mike Kinter, Ward 2

Brent Williams, Ward 3

Matt Glaser, Ward 4

Luanne Miller, Ward 5

Ron Goodwin, At Large

**Administration**

City Manager ..... Christopher Olson

Assessor ..... Roger Smith

Clerk-Treasurer / Finance Director ..... Tracy Hovarter

Public Safety Director ..... Michael Olson

Utilities and Infrastructure Director ..... Tom Tarkiewicz

**CITY OF MARSHALL, MICHIGAN**  
**Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2007**

**TABLE OF CONTENTS**

---

	<u>PAGE</u>
 <b><i>FINANCIAL SECTION</i></b>	
Independent Auditors' Report.....	1-2
Management's Discussion and Analysis.....	3-14
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets .....	15
Statement of Activities.....	16-17
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	18
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets .....	19
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	21
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
General Fund.....	22-23
Special Projects .....	24
Statement of Net Assets – Proprietary Funds .....	25
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 .....	26
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds .....	27
Reconciliation of the Statement of Revenues, Expenses and Changes In Fund Net Assets of Enterprise Funds to the Statement of Activities.....	28
Statement of Cash Flows – Proprietary Funds.....	29-30
Statement of Fiduciary Net Assets – Agency Funds.....	31
Component Units Financial Statements:	
Combining Statement of Net Assets .....	32
Combining Statement of Activities.....	33
Notes to the Financial Statements .....	34-57

**CITY OF MARSHALL, MICHIGAN**  
**Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2007**

**TABLE OF CONTENTS**

	<u>PAGE</u>
Combing and Individual Fund Financial Statements and Schedules:	
Combing Balance Sheet – Nonmajor Governmental Funds .....	58
Combing Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds .....	59
Combing Balance Sheet – Nonmajor Special Revenue Funds .....	60
Combing Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds .....	61
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Nonmajor Special Revenue Funds .....	62-65
Combing Balance Sheet – Nonmajor Debt Service Funds .....	66
Combing Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Debt Service Funds .....	67
Combing Balance Sheet – Nonmajor Capital Projects Funds .....	68
Combing Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Capital Projects Funds .....	69
Supplemental Schedule of Operating Expenses – Electric, Wastewater and Water Enterprise Funds .....	70-71
Supplemental Schedule of Revenues and Expenses – Dial-A-Ride Transportation Fund .....	72-76
Nonurban Regular Service Revenue Report – Dial-A-Ride Transportation Fund .....	77
Nonurban Regular Service Expense Report – Dial-A-Ride Transportation Fund .....	78
Nonurban Regular Service Nonfinancial Report – Dial-A-Ride Transportation Fund .....	79
Combing Statement of Net Assets – Internal Service Funds .....	80
Combing Statement of Revenues, Expenses and Changes in Fund Net Assets – Internal Service Funds .....	81
Combing Statement of Cash Flows – Internal Service Funds .....	82
Combing Statement of Fiduciary Net Assets – Agency Funds .....	83
Discretely Presented Component Units:	
Statement of Net Assets and Governmental Fund Balance Sheet – Downtown Development Authority .....	84
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances – Downtown Development Authority .....	85
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Downtown Development Authority .....	86
Statement of Net Assets and Governmental Fund Balance Sheet – Local Development Finance Authority .....	87
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in fund Balances – Local Development Finance Authority .....	88
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Local Development Finance Authority .....	89
Statement of Net Assets and Governmental Fund Balance Sheet – Economic Development Corporation .....	90
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances – Economic Development Corporation .....	91
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Economic Development Corporation .....	92

# FINANCIAL SECTION



**REHMANN ROBSON**

*Certified Public Accountants*

A member of **THE REHMANN GROUP**



**INDEPENDENT AUDITORS' REPORT**

December 26, 2007

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, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the General and Special Projects Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2007, on our consideration of the City of Marshall, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, in a separately issued single audit report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-14 is not a required part of the basic financial statements but is 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 Lobson".

## 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, 2007. 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 \$38,803,595 (*net assets*). Of this amount, \$13,830,048 (*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 \$3,590,615.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,530,172, a decrease of \$279,864 in comparison with the prior year. Approximately 95.7 percent of this total amount, or \$3,379,633, 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 \$1,249,229 or 24.6% of total general fund revenues and other financing sources.
- The City's total bonded debt decreased by \$144,999 during the current fiscal year; general obligation bonds totaling \$3,765,000 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 15-17 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 14 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 12 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 18-24 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 25-30 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 31 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 34-57 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 \$38,803,595 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (54.7 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	
	2007	2007	2007	2006	2007	2006
Current and other assets	\$ 5,281,432	\$ 6,128,588	\$ 14,263,343	\$ 11,375,389	\$ 19,544,775	\$ 17,503,977
Capital assets	18,089,933	17,091,175	17,490,637	17,915,610	35,580,570	35,006,785
Total assets	<u>23,371,365</u>	<u>23,219,763</u>	<u>31,753,980</u>	<u>29,290,999</u>	<u>55,125,345</u>	<u>52,510,762</u>
Long-term liabilities outstanding	5,262,484	5,830,084	9,326,963	9,102,017	14,589,447	14,932,101
Other liabilities	405,726	1,087,747	1,326,577	1,277,934	1,732,303	2,365,681
Total liabilities	<u>5,668,210</u>	<u>6,917,831</u>	<u>10,653,540</u>	<u>10,379,951</u>	<u>16,321,750</u>	<u>17,297,782</u>
Net assets:						
Invested in capital assets, net						
of related debt	13,070,336	11,541,536	8,163,674	8,813,593	21,234,010	20,355,129
Restricted	834,405	783,884	2,905,132	2,142,113	3,739,537	2,925,997
Unrestricted	3,798,414	3,976,512	10,031,634	7,955,342	13,830,048	11,931,854
<b>Total net assets</b>	<b><u>\$ 17,703,155</u></b>	<b><u>\$ 16,301,932</u></b>	<b><u>\$ 21,100,440</u></b>	<b><u>\$ 18,911,048</u></b>	<b><u>\$ 38,803,595</u></b>	<b><u>\$ 35,212,980</u></b>

An additional portion of the City's net assets (9.6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (35.7 percent or \$13,830,048) 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 \$3,590,615 during the current fiscal year as compared to an increase of \$1,596,597 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.

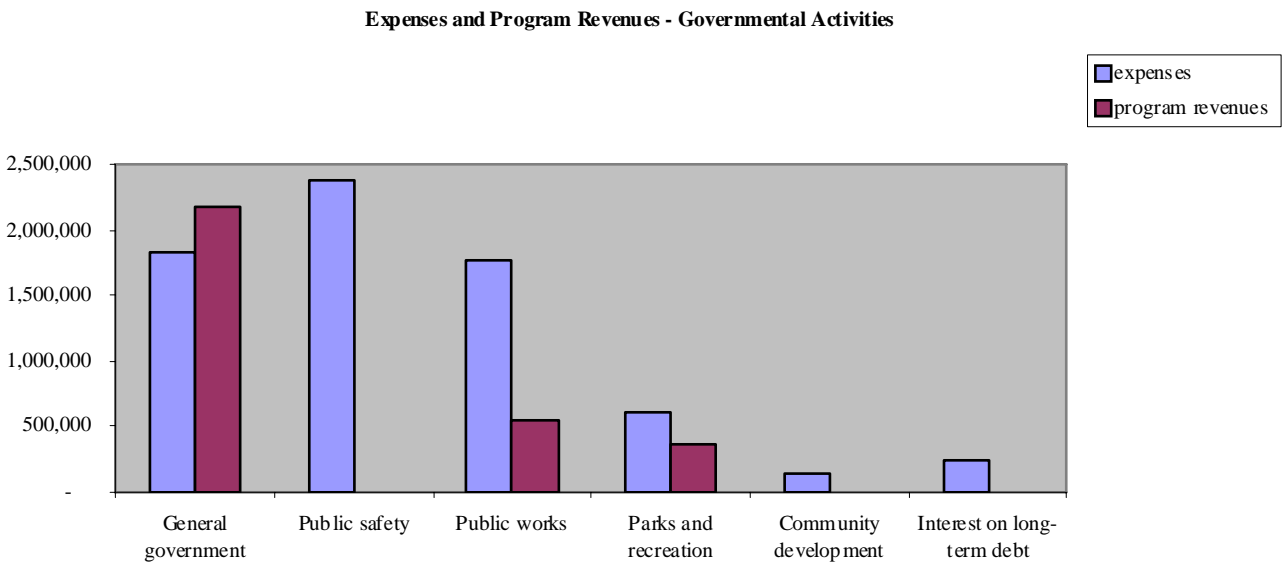
### City of Marshall's Changes in Net Assets

	Governmental activities		Business-type activities		Total	
	2007	2007	2007	2007	2007	2007
Revenue:						
Program revenue:						
Charges for services	\$ 403,459	\$ 351,327	\$ 15,376,752	\$ 15,845,749	\$ 15,780,211	\$ 16,197,076
Operating grants and contributions	1,209,870	1,580,898	1,938,769	1,087,075	3,148,639	2,667,973
Capital grants and contributions	1,479,263	856,460	182,612	41,779	1,661,875	898,239
General revenue:						
Property taxes	3,537,068	3,521,909	105,500	104,800	3,642,568	3,626,709
Grants and contributions not restricted to specific programs	739,026	740,388	-	-	739,026	740,388
Other	329,126	219,181	249,373	141,671	578,499	360,852
Total revenue	7,697,812	7,270,163	17,853,006	17,221,074	25,550,818	24,491,237
Expenses:						
General government	1,837,934	2,205,257	-	-	1,837,934	2,205,257
Public safety	2,373,758	2,605,345	-	-	2,373,758	2,605,345
Public works	1,763,126	1,612,538	-	-	1,763,126	1,612,538
Parks and recreation	600,926	563,411	-	-	600,926	563,411
Community development	127,613	127,156	-	-	127,613	127,156
Interest on long-term debt	241,019	261,514	-	-	241,019	261,514
Electric	-	-	11,682,604	12,003,051	11,682,604	12,003,051
Wastewater	-	-	1,269,409	1,262,020	1,269,409	1,262,020
Water	-	-	1,156,149	1,302,087	1,156,149	1,302,087
Public transit	-	-	444,809	422,032	444,809	422,032
Marshall House	-	-	462,856	530,229	462,856	530,229
Total expenses	6,944,376	7,375,221	15,015,827	15,519,419	21,960,203	22,894,640
Change in net assets before transfers	753,436	(105,058)	2,837,179	1,701,655	3,590,615	1,596,597
Transfers	647,787	713,913	(647,787)	(713,913)	-	-
Change in net assets	1,401,223	608,855	2,189,392	987,742	3,590,615	1,596,597
Net assets - beginning of year	16,301,932	15,693,077	18,911,048	17,923,306	35,212,980	33,616,383
<b>Net assets - end of year</b>	<b>\$ 17,703,155</b>	<b>\$ 16,301,932</b>	<b>\$ 21,100,440</b>	<b>\$ 18,911,048</b>	<b>\$ 38,803,595</b>	<b>\$ 35,212,980</b>

**Governmental activities.** Governmental activities increased the City's net assets by \$1,401,223 (as compared to a prior year increase of \$608,855). The major element of this increase and the change from the prior year is mainly due to the investment in roads and related infrastructure in the industrial park.

---

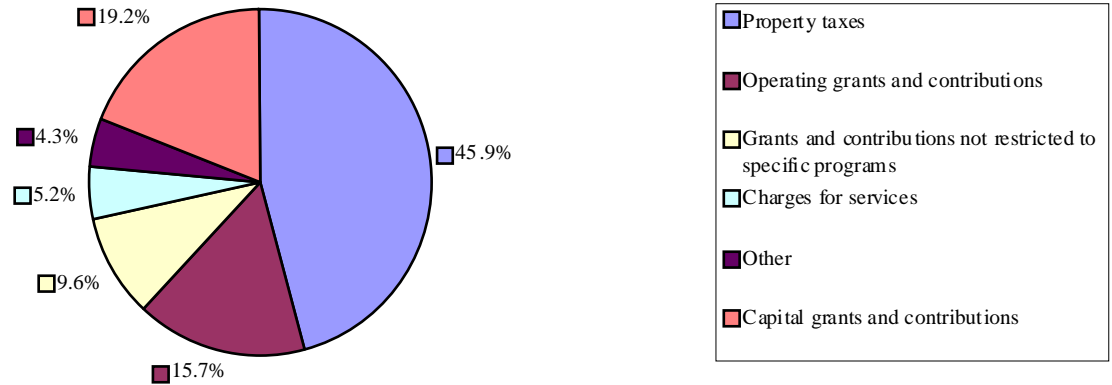
## Expenses and Program Revenues - Governmental Activities



---

## Revenues by Source - Governmental Activities

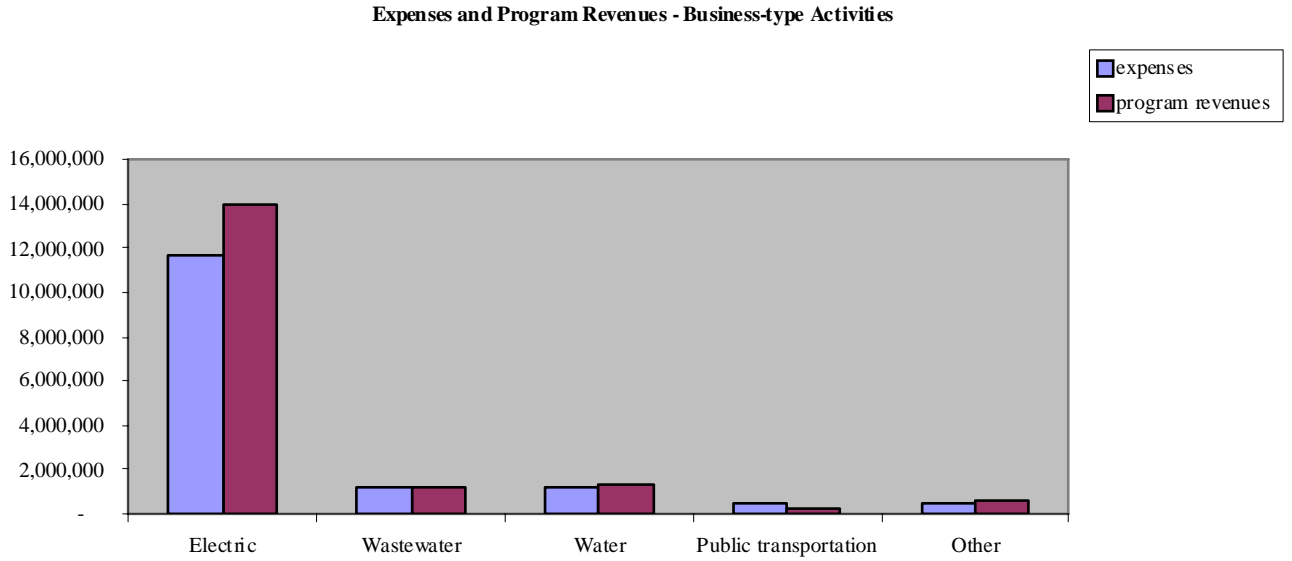
Revenues by Source - Governmental Activities



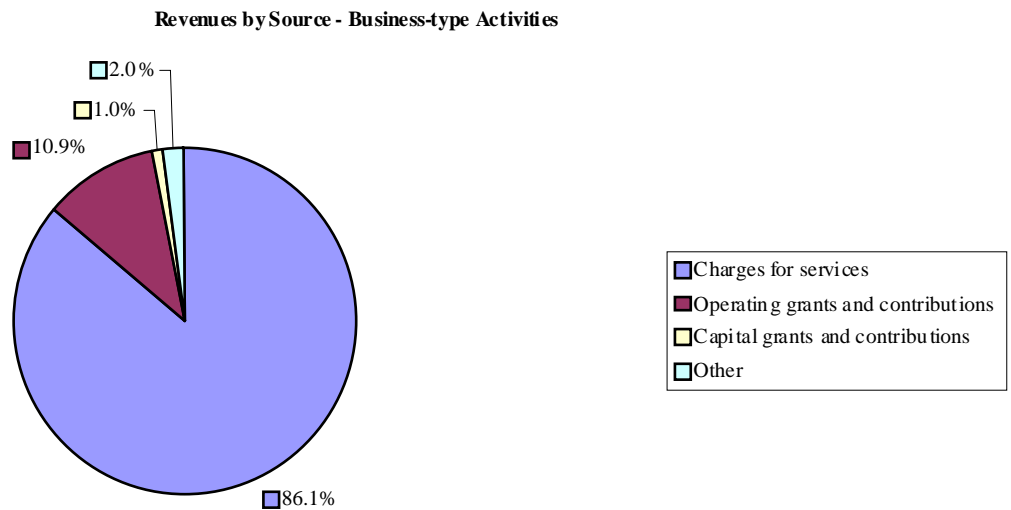
---

**Business-type activities.** Business-type activities increased the City's net assets by \$2,189,392 as compared to an increase of \$987,742 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 \$3,530,172, a decrease of \$279,864 in comparison with the prior year. Approximately 96% of this total amount (\$3,379,633) 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 2006-07 fiscal year, unreserved/undesignated fund balance of the general fund was \$1,249,229, while the total fund balance was \$2,073,044. 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 24.6 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 24.3 percent of operating expenses.

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 \$155,845 during the current fiscal year, which was \$307,215 less than the total operating deficit that was authorized in the final amended budget (and \$348,237 less than the original budget). While the decrease in the authorized deficit over the course of 2006-07 is a positive outcome, it should be noted that the general fund has incurred operating deficits in two of the last four fiscal years, and that the fiscal year 2007-08 budget was approved with a small operating deficit. 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 2006-07, the City received \$724,728, 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 2007-08, which will help to offset these valuation reductions.

The special projects fund reported a decrease in total fund balance of \$69,656 to an ending balance of \$268,848.

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 \$8,118,977. The fund had an increase in net assets for the year of \$2,065,484. Of the current year increase, \$1,442,750 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 \$265,961. For the year, the fund had a decrease in net assets of \$25,480 as compared to a decrease of \$43,387 in the prior year.

The water fund reported unrestricted net assets at the end of the year of \$974,380. For the year, the fund had an increase in net assets of \$247,585 as compared to an increase of \$275,279 in the prior year.

The Dial-A-Ride fund reported unrestricted net assets at the end of the year of \$172,079. For the year, the fund had a decrease in net assets of \$48,623 as compared to a decrease of \$29,715 in the prior year.

The Marshall House fund reported unrestricted net assets at the end of the year of \$465,184. For the year, the fund had a decrease in net assets of \$45,829 as compared to a decrease of \$119,363 in the prior year.

### **General Fund Budgetary Highlights**

Differences between the final amended budget and actual revenues were minor and can be briefly summarized as follows:

- \$50,761 increase in investment earnings;
- \$94,864 increase in contributed revenues.

Differences between the final amended budgets and actual expenditures was also minor, and did not spend its entire authorized amount for capital projects.

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 \$307,214 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, 2007, amounted to \$35,580,570 (net of accumulated depreciation). This investment in capital assets includes land, improvements, buildings, system, vehicles, equipment, and streets. Net capital assets for governmental activities increased 5.8%, and for business-type activities decreased by 2.4%. Overall, total net capital assets for the City increased 1.6%.

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

	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 2,232,662	\$ 2,232,662	\$ 164,618	\$ 164,618	\$ 2,397,280	\$ 2,397,280
Construction in process	338,556	300,619	359,193	110,764	697,749	411,383
Land improvements	3,107,821	3,239,150	-	-	3,107,821	3,239,150
Buildings	4,325,874	4,092,823	2,282,650	2,379,334	6,608,524	6,472,157
Vehicles	1,154,359	1,168,279	401,067	449,490	1,555,426	1,617,769
Equipment	110,397	146,678	431,379	508,032	541,776	654,710
Systems	-	-	13,851,730	14,303,372	13,851,730	14,303,372
Infrastructure	6,820,264	5,910,964	-	-	6,820,264	5,910,964
<b>Total</b>	<b>\$ 18,089,933</b>	<b>\$ 17,091,175</b>	<b>\$ 17,490,637</b>	<b>\$ 17,915,610</b>	<b>\$ 35,580,570</b>	<b>\$ 35,006,785</b>

Additional information on the City's capital assets can be found in Note 3-D. on pages 47-48 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$12,695,001. Of this amount, \$11,160,000 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	
	2007	2006	2007	2006	2007	2006
General obligation bonds	\$ 4,400,000	\$ 4,865,000	\$ 6,760,000	\$ 4,255,000	\$ 11,160,000	\$ 9,120,000
Revenue bonds	-	-	1,535,001	3,720,000	1,535,001	3,720,000
<b>Total</b>	<b>\$ 4,400,000</b>	<b>\$ 4,865,000</b>	<b>\$ 8,295,001</b>	<b>\$ 7,975,000</b>	<b>\$ 12,695,001</b>	<b>\$ 12,840,000</b>

The City's total bonded debt decreased by \$144,999 (1.1 percent) during the current fiscal year; \$3,765,000 of general obligation 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 \$26,161,517 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 50-54 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 2007-08 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 increased by \$416,358 to \$1,249,229. This is mainly due to the reliance on prior year fund balance of \$493,155 for the original FY 2006-07 budget. The City has appropriated \$22,393 of prior year fund balance for fiscal 2007-08 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, 2007**

	<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	\$ 875,364	\$ 2,049,194	\$ 2,924,558	\$ 145,480
Investments	3,602,472	1,389,336	4,991,808	1,304,145
Receivables	594,280	1,071,854	1,666,134	-
Internal balances	(35,053)	35,053	-	-
Inventories, prepaid items and other assets	244,369	1,168,880	1,413,249	49,196
Investment in MSCPA	-	5,643,894	5,643,894	-
Restricted cash and cash equivalents	-	2,905,132	2,905,132	103,481
Capital assets not being depreciated	2,571,218	523,811	3,095,029	-
Capital assets being depreciated, net	15,518,715	16,966,826	32,485,541	40,121
<b>Total assets</b>	<b>23,371,365</b>	<b>31,753,980</b>	<b>55,125,345</b>	<b>1,642,423</b>
<b>Liabilities</b>				
Accounts payable and accrued expenses	273,472	1,224,517	1,497,989	30,451
Accrued interest payable	98,701	102,060	200,761	15,855
Unearned revenue	33,553	-	33,553	-
Long-term liabilities:				
Due within one year	695,362	693,000	1,388,362	46,692
Due in more than one year	4,567,122	8,633,963	13,201,085	1,915,000
<b>Total liabilities</b>	<b>5,668,210</b>	<b>10,653,540</b>	<b>16,321,750</b>	<b>2,007,998</b>
<b>Net assets</b>				
Invested in capital assets, net of related debt	13,070,336	8,163,674	21,234,010	40,121
Restricted for:				
Debt service	15,906	2,905,132	2,921,038	103,481
Capital projects	217,352	-	217,352	-
Endowment - expendable	601,147	-	601,147	-
Unrestricted	3,798,414	10,031,634	13,830,048	(509,177)
<b>Total net assets (deficit)</b>	<b>\$ 17,703,155</b>	<b>\$ 21,100,440</b>	<b>\$ 38,803,595</b>	<b>\$ (365,575)</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, 2007**

<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	\$ 1,837,934	\$ 204,888	\$ 498,885	\$ 1,479,263	\$ 345,102
Public safety	2,373,758	-	-	-	(2,373,758)
Public works	1,763,126	-	551,522	-	(1,211,604)
Parks and recreation	600,926	198,571	159,463	-	(242,892)
Community development	127,613	-	-	-	(127,613)
Interest on long-term debt	241,019	-	-	-	(241,019)
Total governmental activities	<u>6,944,376</u>	<u>403,459</u>	<u>1,209,870</u>	<u>1,479,263</u>	<u>(3,851,784)</u>
Business-type activities:					
Electric	11,682,604	12,422,136	1,413,661	168,563	2,321,756
Wastewater	1,269,409	1,189,951	-	9,035	(70,423)
Water	1,156,149	1,393,369	944	5,014	243,178
Public transit	444,809	55,725	224,765	-	(164,319)
Marshall House	462,856	315,571	299,399	-	152,114
Total business-type activities	<u>15,015,827</u>	<u>15,376,752</u>	<u>1,938,769</u>	<u>182,612</u>	<u>2,482,306</u>
Total primary government	<u>\$ 21,960,203</u>	<u>\$ 15,780,211</u>	<u>\$ 3,148,639</u>	<u>\$ 1,661,875</u>	<u>\$ (1,369,478)</u>
<b>Component units</b>					
Community development	<u>\$ 811,212</u>	<u>\$ 108,366</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (702,846)</u>

Continued...



**CITY OF MARSHALL, MICHIGAN**  
**Statement of Activities (Concluded)**  
**For the Year Ended June 30, 2007**

	<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	\$ (3,851,784)	\$ 2,482,306	\$ (1,369,478)	\$ (702,846)
General revenues:				
Property taxes	3,537,068	105,500	3,642,568	776,351
Grants and contributions not restricted to specific programs	739,026	-	739,026	-
Unrestricted investment earnings	329,126	249,373	578,499	96,941
Transfers - internal activities	647,787	(647,787)	-	-
Total general revenues and transfers	5,253,007	(292,914)	4,960,093	873,292
Change in net assets	1,401,223	2,189,392	3,590,615	170,446
Net assets (deficit), beginning of year	16,301,932	18,911,048	35,212,980	(536,021)
<b>Net assets (deficit), end of year</b>	<b>\$ 17,703,155</b>	<b>\$ 21,100,440</b>	<b>\$ 38,803,595</b>	<b>\$ (365,575)</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, 2007**

<u>ASSETS</u>	<u>General</u>	<u>Special Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 363,917	\$ -	\$ 308,084	\$ 672,001
Investments	1,493,095	934	822,778	2,316,807
Accounts receivable	35,495	12,252	3,053	50,800
Taxes receivable	129	-	-	129
Interfund receivable	128,914	-	-	128,914
Due from other governments	6,857	384,777	110,673	502,307
Prepaid items	124,525	-	26,014	150,539
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 2,152,932</u></b>	<b><u>\$ 397,963</u></b>	<b><u>\$ 1,270,602</u></b>	<b><u>\$ 3,821,497</u></b>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ 32,596	\$ 201	\$ 42,880	\$ 75,677
Accrued liabilities	46,815	-	6,289	53,104
Due to other governments	17	-	60	77
Interfund payable	-	128,914	-	128,914
Deferred revenue	460	-	33,093	33,553
Total liabilities	79,888	129,115	82,322	291,325
<b>Fund balances</b>				
Reserved for prepaid items	124,525	-	26,014	150,539
Unreserved:				
Designated for working capital	500,000	-	-	500,000
Designated for other purposes	176,897	268,848	3,018	448,763
Designated for subsequent year expenditures	22,393	-	76,762	99,155
Undesignated	1,249,229	-	-	1,249,229
Undesignated, reported in nonmajor:				
Special revenue funds	-	-	248,081	248,081
Debt service funds	-	-	15,906	15,906
Capital projects funds	-	-	217,352	217,352
Permanent fund	-	-	601,147	601,147
Total fund balances	2,073,044	268,848	1,188,280	3,530,172
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b><u>\$ 2,152,932</u></b>	<b><u>\$ 397,963</u></b>	<b><u>\$ 1,270,602</u></b>	<b><u>\$ 3,821,497</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, 2007**

**Fund balances - total governmental funds** \$ 3,530,172

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	26,394,696
Deduct - accumulated depreciation	(9,592,109)

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	2,574,521
Deduct - portion of internal service funds net operating income attributed to business-type funds	(35,053)

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	28,930
--------------------------------------	--------

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - bonds and installment contracts payable	(4,942,753)
Add - unamortized bond issuance costs	92,053
Deduct - premium on bonds	(6,844)
Deduct - accrued interest on bonds and installment contracts payable	(97,571)
Deduct - compensated absences	(242,887)
	(4,997,902)

**Net assets of governmental activities** \$ 17,703,155

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, 2007**

	<u>General</u>	<u>Special Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenue</b>				
Property taxes	\$ 3,359,075	\$ -	\$ 177,993	\$ 3,537,068
Licenses and permits	48,432	-	-	48,432
Intergovernmental	964,196	298,298	729,936	1,992,430
Charges for services	93,943	-	215,462	309,405
Fines and forfeitures	21,148	-	24,474	45,622
Investment earnings	213,456	15,617	63,595	292,668
Other	179,951	172,644	2,169	354,764
	<u>4,880,201</u>	<u>486,559</u>	<u>1,213,629</u>	<u>6,580,389</u>
<b>Total revenue</b>				
<b>Expenditures</b>				
Current expenditures:				
General government	1,520,412	24,219	77,429	1,622,060
Public safety	2,259,446	103,913	-	2,363,359
Public works	887,699	-	-	887,699
Highways and streets	-	-	314,659	314,659
Community development	85,999	-	-	85,999
Culture and recreation	91,745	-	388,112	479,857
Debt service:				
Principal	92,350	21,877	455,000	569,227
Interest and fiscal charges	42,252	7,908	192,902	243,062
Capital outlay	166,600	398,298	352,600	917,498
	<u>5,146,503</u>	<u>556,215</u>	<u>1,780,702</u>	<u>7,483,420</u>
<b>Total expenditures</b>				
Revenue over (under) expenditures	<u>(266,302)</u>	<u>(69,656)</u>	<u>(567,073)</u>	<u>(903,031)</u>
<b>Other financing sources (uses)</b>				
Transfers in	191,586	-	605,110	796,696
Transfers out	(81,129)	-	(92,400)	(173,529)
	<u>110,457</u>	<u>-</u>	<u>512,710</u>	<u>623,167</u>
<b>Total other financing sources (uses)</b>				
Net change in fund balances	(155,845)	(69,656)	(54,363)	(279,864)
Fund balances, beginning of year	<u>2,228,889</u>	<u>338,504</u>	<u>1,242,643</u>	<u>3,810,036</u>
<b>Fund balances, end of year</b>	<u>\$ 2,073,044</u>	<u>\$ 268,848</u>	<u>\$ 1,188,280</u>	<u>\$ 3,530,172</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, 2007**

**Net change in fund balances - total governmental funds** \$ (279,864)

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	652,745
Add - capital contributions	1,080,965
Deduct - depreciation expense	(680,002)

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	569,227
Deduct - net amortization of premiums and issuance costs on bonds	(32,255)

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.

Add - net operating income from governmental activities in internal service funds	2,004
Add - interest revenue from governmental internal service funds	68,714
Deduct - interest expense from governmental internal service funds	(4,997)
Add - transfers received in governmental internal service funds	24,620

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.

Add - decrease in accrued interest payable on bonds	7,040
Add - decrease in the accrual for compensated absences	3,953
	3,953

**Change in net assets of governmental activities** \$ 1,401,223

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, 2007**

	<b>Budget</b>		<b>Actual</b>	<b>Actual</b>
	<b>Original</b>	<b>Final</b>		<b>Over (Under)</b>
				<b>Final Budget</b>
<b>Revenues</b>				
Property taxes	\$ 3,389,000	\$ 3,356,400	\$ 3,359,075	\$ 2,675
Licenses and permits	70,500	46,200	48,432	2,232
Intergovernmental	843,260	866,494	964,196	97,702
Charges for services	46,700	84,688	93,943	9,255
Fines and forfeitures	26,500	20,640	21,148	508
Investment earnings	100,000	158,700	213,456	54,756
Other	161,958	181,718	179,951	(1,767)
	<u>4,637,918</u>	<u>4,714,840</u>	<u>4,880,201</u>	<u>165,361</u>
<b>Expenditures</b>				
<b>General government</b>				
Council	4,406	3,606	3,567	(39)
Manager	146,666	119,666	120,634	968
Assessor	121,857	115,857	115,132	(725)
Attorney	71,000	74,100	67,055	(7,045)
Human resources	64,060	60,560	59,219	(1,341)
Clerk-Treasurer	330,764	301,764	297,043	(4,721)
City hall	81,768	75,068	73,539	(1,529)
Chapel	2,300	3,125	3,043	(82)
Other city property	1,520	1,420	1,396	(24)
Cemetery	177,055	162,155	156,855	(5,300)
Airport	91,618	157,418	146,929	(10,489)
Non-departmental	436,447	495,047	476,000	(19,047)
Total general government	<u>1,529,461</u>	<u>1,569,786</u>	<u>1,520,412</u>	<u>(49,374)</u>
<b>Public safety</b>				
Police	1,322,492	1,360,492	1,123,742	(236,750)
Fire	770,721	796,621	774,084	(22,537)
Dispatch	-	-	229,049	229,049
Inspection / code enforcement	115,019	99,319	98,742	(577)
Crossing guards	39,751	36,751	33,829	(2,922)
Total public safety	<u>2,247,983</u>	<u>2,293,183</u>	<u>2,259,446</u>	<u>(33,737)</u>
<b>Public works</b>				
Streets	737,538	730,908	731,255	347
Public services building	98,949	91,049	85,896	(5,153)
Engineering	79,191	72,991	70,548	(2,443)
Total public works	<u>915,678</u>	<u>894,948</u>	<u>887,699</u>	<u>(7,249)</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, 2007**

	<b>Budget</b>		<b>Actual</b>	<b>Actual</b>
	<b>Original</b>	<b>Final</b>		<b>Over (Under) Final Budget</b>
<b>Expenditures (concluded)</b>				
<b>Community development</b>				
Community development	\$ 31,453	\$ 31,253	\$ 32,750	\$ 1,497
Planning	66,847	52,647	53,249	602
Total community development	<u>98,300</u>	<u>83,900</u>	<u>85,999</u>	<u>2,099</u>
<b>Culture and recreation - Parks</b>	<u>114,849</u>	<u>90,849</u>	<u>91,745</u>	<u>896</u>
<b>Debt service</b>				
Principal	92,354	92,354	92,350	(4)
Interest and fiscal charges	42,222	42,252	42,252	-
Total debt service	<u>134,576</u>	<u>134,606</u>	<u>134,602</u>	<u>(4)</u>
<b>Capital outlay</b>	<u>317,300</u>	<u>400,700</u>	<u>166,600</u>	<u>(234,100)</u>
Total expenditures	<u>5,358,147</u>	<u>5,467,972</u>	<u>5,146,503</u>	<u>(321,469)</u>
Revenue over (under) expenditures	<u>(720,229)</u>	<u>(753,132)</u>	<u>(266,302)</u>	<u>486,830</u>
<b>Other financing sources (uses)</b>				
Transfers in	297,198	371,123	191,586	(179,537)
Transfers out	(81,051)	(81,051)	(81,129)	(78)
Total other financing (uses)	<u>216,147</u>	<u>290,072</u>	<u>110,457</u>	<u>(179,615)</u>
Net change in fund balances	(504,082)	(463,060)	(155,845)	307,215
Fund balance, beginning of year	<u>2,228,889</u>	<u>2,228,889</u>	<u>2,228,889</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 1,724,807</u>	<u>\$ 1,765,829</u>	<u>\$ 2,073,044</u>	<u>\$ 307,215</u>

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**  
**Special Projects Special Revenue Fund**  
**For the Year Ended June 30, 2007**

	<u>Budget</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
<b>Revenues</b>				
Intergovernmental revenue	\$ -	\$ 298,298	\$ 298,298	\$ -
Investment earnings	-	-	15,617	15,617
Other	-	-	172,644	172,644
	<u>-</u>	<u>298,298</u>	<u>486,559</u>	<u>188,261</u>
<b>Expenditures</b>				
General government	-	-	24,219	24,219
Public safety	-	-	103,913	103,913
Debt service:				
Principal	-	-	21,877	21,877
Interest	-	-	7,908	7,908
Capital outlay	60,000	404,881	398,298	(6,583)
	<u>60,000</u>	<u>404,881</u>	<u>556,215</u>	<u>151,334</u>
Revenues over (under) expenditures	(60,000)	(106,583)	(69,656)	36,927
<b>Other financing sources (uses)</b>				
Long-term debt issued	-	-	-	-
Net change in fund balances	(60,000)	(106,583)	(69,656)	36,927
Fund balances, beginning of year	<u>406,608</u>	<u>338,504</u>	<u>338,504</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u><u>\$ 346,608</u></u>	<u><u>\$ 231,921</u></u>	<u><u>\$ 268,848</u></u>	<u><u>\$ 36,927</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, 2007**

	<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	\$ 1,663,145	\$ 97,881	\$ 177,979	\$ 17,121	\$ 93,068	\$ 2,049,194	\$ 203,363
Investments	233,075	8,075	574,854	169,763	403,569	1,389,336	1,285,665
Accounts receivable	853,638	107,325	94,951	203	(1,580)	1,054,537	2,750
Taxes receivable	-	-	-	4	-	4	-
Due from other governments	15,173	-	944	1,196	-	17,313	9,364
Inventory	705,455	13,646	65,677	-	-	784,778	-
Prepaid items	50,630	12,099	14,555	11,427	2,063	90,774	1,777
Total current assets	<u>3,521,116</u>	<u>239,026</u>	<u>928,960</u>	<u>199,714</u>	<u>497,120</u>	<u>5,385,936</u>	<u>1,502,919</u>
Noncurrent assets:							
Restricted cash and cash equivalents	1,381,948	875,119	648,065	-	-	2,905,132	-
Capital assets, net	5,375,346	4,799,077	6,960,836	83,809	271,569	17,490,637	1,287,346
Investment in MSCPA	5,643,894	-	-	-	-	5,643,894	-
Unamortized bond issuance costs	28,666	117,872	146,790	-	-	293,328	-
Total noncurrent assets	<u>12,429,854</u>	<u>5,792,068</u>	<u>7,755,691</u>	<u>83,809</u>	<u>271,569</u>	<u>26,332,991</u>	<u>1,287,346</u>
Total assets	<u>15,950,970</u>	<u>6,031,094</u>	<u>8,684,651</u>	<u>283,523</u>	<u>768,689</u>	<u>31,718,927</u>	<u>2,790,265</u>
<b>Liabilities</b>							
Current liabilities:							
Accounts payable	928,010	3,490	20,079	4,009	27,708	983,296	142,360
Accrued payroll and compensated absences	125,414	54,259	31,661	22,098	4,195	237,627	2,254
Accrued interest payable	19,328	33,181	49,551	-	-	102,060	1,130
Due to other governments	1,947	7	79	1,528	33	3,594	-
Current portion of:							
Contracts payable	33,000	-	-	-	-	33,000	20,000
Bonds payable	110,000	225,457	324,543	-	-	660,000	-
Total current liabilities	<u>1,217,699</u>	<u>316,394</u>	<u>425,913</u>	<u>27,635</u>	<u>31,936</u>	<u>2,019,577</u>	<u>165,744</u>
Noncurrent liabilities:							
Contracts payable	72,000	786,637	192,506	-	-	1,051,143	50,000
Bonds payable	1,656,491	2,330,749	3,595,580	-	-	7,582,820	-
Total noncurrent liabilities	<u>1,728,491</u>	<u>3,117,386</u>	<u>3,788,086</u>	<u>-</u>	<u>-</u>	<u>8,633,963</u>	<u>50,000</u>
Total liabilities	<u>2,946,190</u>	<u>3,433,780</u>	<u>4,213,999</u>	<u>27,635</u>	<u>31,936</u>	<u>10,653,540</u>	<u>215,744</u>
<b>Net assets</b>							
Invested in capital assets, net of related debt	3,503,855	1,456,234	2,848,207	83,809	271,569	8,163,674	1,217,346
Restricted for debt service	1,381,948	875,119	648,065	-	-	2,905,132	-
Unrestricted	8,118,977	265,961	974,380	172,079	465,184	9,996,581	1,357,175
Total net assets	<u>\$ 13,004,780</u>	<u>\$ 2,597,314</u>	<u>\$ 4,470,652</u>	<u>\$ 255,888</u>	<u>\$ 736,753</u>	<u>\$ 21,065,387</u>	<u>\$ 2,574,521</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, 2007**

**Net assets - total enterprise funds** \$ 21,065,387

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 35,053

**Net assets of business-type activities** \$ 21,100,440

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, 2007**

	<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>Operating revenues</b>							
Property taxes	\$ -	\$ -	\$ -	\$ 105,500	\$ -	\$ 105,500	\$ -
Charges for services	12,479,489	1,188,851	1,363,859	55,725	-	15,087,924	801,615
Other	82,121	1,100	29,510	-	315,571	428,302	29,090
<b>Total operating revenues</b>	<b>12,561,610</b>	<b>1,189,951</b>	<b>1,393,369</b>	<b>161,225</b>	<b>315,571</b>	<b>15,621,726</b>	<b>830,705</b>
<b>Operating expenses</b>							
Personal services	1,300,645	402,189	372,119	278,059	135,754	2,488,766	52,959
Materials and supplies	339,761	123,259	89,892	35,733	9,774	598,419	179,582
Purchased power	8,591,345	89,560	49,183	-	101,442	8,831,530	-
Contractual	188,821	96,282	21,331	3,262	98,307	408,003	42,642
Insurance	195,711	49,071	35,842	6,445	20,921	307,990	52,255
Maintenance	4,502	973	971	39,482	24,865	70,793	118,735
Other expense	285,199	20,065	39,600	22,401	13,762	381,027	24,999
Depreciation	714,877	359,091	294,534	59,020	56,835	1,484,357	361,274
<b>Total operating expenses</b>	<b>11,620,861</b>	<b>1,140,490</b>	<b>903,472</b>	<b>444,402</b>	<b>461,660</b>	<b>14,570,885</b>	<b>832,446</b>
<b>Operating income (loss)</b>	<b>940,749</b>	<b>49,461</b>	<b>489,897</b>	<b>(283,177)</b>	<b>(146,089)</b>	<b>1,050,841</b>	<b>(1,741)</b>
<b>Nonoperating revenues (expenses)</b>							
Intergovernmental subsidies	-	-	944	224,765	299,399	525,108	-
Investment earnings	120,929	48,317	45,842	9,789	24,496	249,373	68,714
Change in investment in MSCPA	1,442,750	-	-	-	-	1,442,750	-
Interest expense	(61,583)	(128,266)	(251,348)	-	-	(441,197)	(4,997)
<b>Total nonoperating revenues (expenses)</b>	<b>1,502,096</b>	<b>(79,949)</b>	<b>(204,562)</b>	<b>234,554</b>	<b>323,895</b>	<b>1,776,034</b>	<b>63,717</b>
<b>Income (loss) before contributions and transfers</b>	<b>2,442,845</b>	<b>(30,488)</b>	<b>285,335</b>	<b>(48,623)</b>	<b>177,806</b>	<b>2,826,875</b>	<b>61,976</b>
<b>Capital contributions</b>	<b>-</b>	<b>9,035</b>	<b>5,014</b>	<b>-</b>	<b>-</b>	<b>14,049</b>	<b>-</b>
<b>Transfers in</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,620</b>
<b>Transfers out</b>	<b>(377,361)</b>	<b>(4,027)</b>	<b>(42,764)</b>	<b>-</b>	<b>(223,635)</b>	<b>(647,787)</b>	<b>-</b>
<b>Change in net assets</b>	<b>2,065,484</b>	<b>(25,480)</b>	<b>247,585</b>	<b>(48,623)</b>	<b>(45,829)</b>	<b>2,193,137</b>	<b>86,596</b>
<b>Net assets, beginning of year</b>	<b>10,939,296</b>	<b>2,622,794</b>	<b>4,223,067</b>	<b>304,511</b>	<b>782,582</b>	<b>18,872,250</b>	<b>2,487,925</b>
<b>Net assets, end of year</b>	<b>\$ 13,004,780</b>	<b>\$ 2,597,314</b>	<b>\$ 4,470,652</b>	<b>\$ 255,888</b>	<b>\$ 736,753</b>	<b>\$ 21,065,387</b>	<b>\$ 2,574,521</b>

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, 2007**

**Change in net assets - total enterprise funds** \$ 2,193,137

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 (3,745)

**Change in net assets of business-type activities** \$ 2,189,392

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, 2007**

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Electric	Wastewater	Water	DART	Marshall House	Total	
<b>Cash flows from operating activities</b>							
Receipts from customers and users	\$ 12,444,735	\$ 1,188,291	\$ 1,418,966	\$ 55,617	\$ 317,642	\$ 15,425,251	\$ -
Receipts from property taxes	-	-	-	105,500	-	105,500	-
Receipts from interfund services	-	-	-	-	-	-	830,705
Payments to suppliers	(9,395,480)	(351,884)	(190,284)	(107,699)	(254,064)	(10,299,411)	(281,616)
Payments to employees	(1,286,463)	(401,606)	(371,541)	(276,254)	(143,254)	(2,479,118)	(52,804)
Payments for interfund services	(110,119)	(12,500)	(28,334)	(1,403)	(3,917)	(156,273)	-
Net cash provided by (used in) operating activities	1,652,673	422,301	828,807	(224,239)	(83,593)	2,595,949	496,285
<b>Cash flows from non-capital financing activities</b>							
Transfers in	-	-	-	-	-	-	24,620
Transfers out	(377,361)	(4,027)	(42,764)	-	(223,635)	(647,787)	-
Intergovernmental subsidies	-	-	944	224,765	299,399	525,108	-
Net cash provided by (used in) non-capital financing activities	(377,361)	(4,027)	(41,820)	224,765	75,764	(122,679)	24,620
<b>Cash flows from capital and related financing activities</b>							
Proceeds from issuance of debt	805,000	1,945,265	1,014,735	-	-	3,765,000	-
Payment of debt issuance costs	-	(83,645)	(43,586)	-	-	(127,231)	-
Principal and interest paid on debt	(171,286)	(2,207,943)	(1,532,605)	-	-	(3,911,834)	(24,620)
Purchase of capital assets	(773,141)	(117,556)	(127,215)	-	(27,423)	(1,045,335)	(306,325)
Net cash used in capital and related financing activities	(139,427)	(463,879)	(688,671)	-	(27,423)	(1,319,400)	(330,945)
<b>Cash flows from investing activities</b>							
Purchase of investments	(107,733)	-	-	(9,142)	-	(116,875)	(328,809)
Proceeds from investments	-	250,711	16,199	-	12,911	279,821	-
Interest received on investments	120,929	48,317	45,842	9,789	24,496	249,373	68,714
Net cash provided by (used in) investing activities	13,196	299,028	62,041	647	37,407	412,319	(260,095)
Net increase (decrease) in cash and cash equivalents	1,149,081	253,423	160,357	1,173	2,155	1,566,189	(70,135)
<b>Cash and cash equivalents</b>							
Beginning of year	1,896,012	719,577	665,687	15,948	90,913	3,388,137	273,498
<b>End of year</b>	<u>\$ 3,045,093</u>	<u>\$ 973,000</u>	<u>\$ 826,044</u>	<u>\$ 17,121</u>	<u>\$ 93,068</u>	<u>\$ 4,954,326</u>	<u>\$ 203,363</u>
<b>Reconciliation to statement of net assets</b>							
Cash and cash equivalents	\$ 1,663,145	\$ 97,881	\$ 177,979	\$ 17,121	\$ 93,068	\$ 2,049,194	\$ 203,363
Restricted cash and cash equivalents	1,381,948	875,119	648,065	-	-	2,905,132	-
	<u>\$ 3,045,093</u>	<u>\$ 973,000</u>	<u>\$ 826,044</u>	<u>\$ 17,121</u>	<u>\$ 93,068</u>	<u>\$ 4,954,326</u>	<u>\$ 203,363</u>

Continued...

**CITY OF MARSHALL, MICHIGAN**  
**Statement of Cash Flows (Concluded)**  
**Proprietary Funds**  
**For the Year Ended June 30, 2007**

	<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)	\$ 940,749	\$ 49,461	\$ 489,897	\$ (283,177)	\$ (146,089)	\$ 1,050,841	\$ (1,741)
Adjustments to reconcile operating income (loss) to net cash from operating activities:							
Depreciation	714,877	359,091	294,534	59,020	56,835	1,484,357	361,274
Amortization of bond premiums, issuance costs, and loss on refunding.	2,657	11,994	14,910	-	-	29,561	-
Changes in assets and liabilities:							
Accounts receivable	(101,702)	(1,660)	26,541	(108)	2,071	(74,858)	(2,750)
Due from other governments	(15,173)	-	(944)	-	-	(16,117)	(9,364)
Inventories	60,949	(3,963)	(4,032)	-	-	52,954	-
Prepaid items	14,377	10,930	2,835	(1,540)	7,485	34,087	29,939
Accounts payable	19,703	(4,135)	4,488	(239)	3,605	23,422	118,772
Accrued payroll and compensated absences	14,182	583	578	1,805	(7,500)	9,648	155
Due to other governments	2,054	-	-	-	-	2,054	-
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 1,652,673</u>	<u>\$ 422,301</u>	<u>\$ 828,807</u>	<u>\$ (224,239)</u>	<u>\$ (83,593)</u>	<u>\$ 2,595,949</u>	<u>\$ 496,285</u>
<b>Non-Cash Items:</b>							
Change in investment in MSCPA	\$ 1,442,750	\$ -	\$ -	\$ -	\$ -	\$ 1,442,750	\$ -
Capital contributions	-	9,035	5,014	-	-	14,049	-

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, 2007**

**Assets**

Cash and cash equivalents	\$ 44,341
Delinquent taxes receivable	<u>125,064</u>

Total assets	<u>\$ 169,405</u>
--------------	-------------------

**Liabilities**

Undistributed receipts	<u>\$ 169,405</u>
------------------------	-------------------

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, 2007**

	<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	\$ 133,884	\$ 2,677	\$ 8,919	\$ 145,480
Investments	3,046	1,301,099	-	1,304,145
Prepaid items	933	-	-	933
Unamortized bond issuance costs	-	48,263	-	48,263
Restricted cash	59,454	44,027	-	103,481
Capital assets being depreciated, net	-	-	40,121	40,121
<b>Total assets</b>	<b>197,317</b>	<b>1,396,066</b>	<b>49,040</b>	<b>1,642,423</b>
<b>Liabilities</b>				
Accounts payable	27,851	1,069	-	28,920
Accrued liabilities	1,531	-	-	1,531
Accrued interest payable	2,657	13,198	-	15,855
Long-term liabilities:				
Due within one year	21,692	25,000	-	46,692
Due in more than one year	645,000	1,270,000	-	1,915,000
<b>Total liabilities</b>	<b>698,731</b>	<b>1,309,267</b>	<b>-</b>	<b>2,007,998</b>
<b>Net assets</b>				
Invested in capital assets, net of related debt	-	-	40,121	40,121
Restricted for debt service	59,454	44,027	-	103,481
Unrestricted (deficit)	(560,868)	42,772	8,919	(509,177)
<b>Total net assets (deficit)</b>	<b>\$ (501,414)</b>	<b>\$ 86,799</b>	<b>\$ 49,040</b>	<b>\$ (365,575)</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, 2007**

	<u>Downtown Development Authority</u>	<u>Local Development Finance Authority</u>	<u>Economic Development Corporation</u>	<u>Total</u>
<b>Expenses</b>				
Community development	\$ 408,172	\$ 402,075	\$ 965	\$ 811,212
<b>Program revenues</b>				
Operating grants and contributions	66,926	500	40,940	108,366
Net program expense	341,246	401,575	(39,975)	702,846
<b>General revenues</b>				
Property taxes	295,898	480,453	-	776,351
Unrestricted investment earnings	22,682	74,046	213	96,941
Total general revenues	318,580	554,499	213	873,292
Change in net assets	(22,666)	152,924	40,188	170,446
Net assets (deficit), beginning of year	(478,748)	(66,125)	8,852	(536,021)
<b>Net assets (deficit), end of year</b>	<u>\$ (501,414)</u>	<u>\$ 86,799</u>	<u>\$ 49,040</u>	<u>\$ (365,575)</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**  
**INDEX**

---

<u>NOTE</u>	<u>PAGE</u>
<b>1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</b>	
A. Reporting Entity .....	34
B. Basis of Presentation .....	35
C. Measurement Focus / Basis of Accounting .....	36
D. Assets, Liabilities and Equity .....	37
<b>2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY</b>	
A. Budgetary Information .....	40
B. Excess of Expenditures Over Appropriations .....	40
<b>3. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS</b>	
A. Deposits and Investments .....	42
B. Receivables.....	44
C. Investment in the Michigan South Central Power Agency .....	45
D. Capital Assets .....	47
E. Payables.....	49
F. Interfund Transfers .....	49
G. Long-term Debt .....	50
H. Segment Information – Enterprise Funds .....	54
<b>4. OTHER INFORMATION</b>	
A. Risk Management.....	55
B. Property Taxes.....	55
C. Contingent Liabilities .....	55
D. Postemployment Benefits .....	56
E. Defined Benefit Pension Plan.....	56

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

---

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### 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

---

### 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 *special projects fund* accounts for various grant and nongrant funded programs.

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

---

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

---

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.

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

---

Investments are reported at fair value.

### **Interfund Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either *interfund receivables/payables* (i.e., the current portion of interfund loans) or *advances to/from other funds* (i.e., the 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

---

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

---

### 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.

## 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

During the year ended June 30, 2007, 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>			
Community development	\$ 83,900	\$ 85,999	\$ 2,099
Culture and recreation	90,849	91,745	896
<b>Special projects fund</b>			
General government	-	24,219	24,219
Public safety	-	103,913	103,913
Debt service	-	29,785	29,785
<b>Nonmajor special revenue funds</b>			
Major street fund -			
Debt service	166,300	166,311	11
Local street fund -			
Highways and streets	150,929	185,903	34,974
Composting fund -			
General government	34,758	41,260	6,502
Drug law enforcement fund -			
General government	-	67	67
Recreation fund -			
Parks and recreation	142,322	166,265	23,943
<b>Discretely presented component units</b>			
Downtown development authority fund -			
Community development	248,582	372,316	123,734
Economic development corporation fund -			
Community development	-	146	146

# 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, 2007:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Total</u>
<b>Statement of Net Assets:</b>			
Cash and cash equivalents	\$ 2,924,558	\$ 145,480	\$ 3,070,038
Investments	4,991,808	1,304,145	6,295,953
Restricted cash and cash equivalents	2,905,132	103,481	3,008,613
<b>Statement of Fiduciary Net Assets:</b>			
Cash and investments	44,341	-	44,341
<b>Total</b>	<b><u>\$ 10,865,839</u></b>	<b><u>\$ 1,553,106</u></b>	<b><u>\$ 12,418,945</u></b>
 <b>Deposits and Investments:</b>			
Bank deposits (checking, savings and certificates of deposit)			\$ 2,859,851
Investments (securities, commercial paper and money market accounts)			9,558,224
Cash on hand			870
<b>Total</b>			<b><u>\$ 12,418,945</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, 2007, \$2,458,148 of the City's total bank balance of \$3,382,256 (total book balance was \$2,859,850) 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, 2007:

U.S. treasuries	\$ 224,411
U.S. agencies	1,102,677
Commercial paper	2,064,788
Money market accounts	5,370,533
External governmental investment fund	795,815
<b>Total</b>	<b><u>\$ 9,558,224</u></b>

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the System 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, 2007, 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, 2007, all of the City's investments in securities of U.S. agencies were rated AAA by Standard & Poor's. All its investments in commercial paper were rated A1 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 U.S. treasuries and money market mutual funds, 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.* At June 30, 2007, the investment portfolio was concentrated as follows:

<u>Investment Type</u>	<u>Issuer</u>	<u>% of Portfolio</u>	<u>Amount</u>
U.S. agencies	Federal Home Loan Bank	6.3%	\$ 598,954
Commercial paper	John Deere Capital Corp.	5.9%	564,262

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. The City's investments comply with this policy.

*Interest Rate Risk.* As of June 30, 2007, maturities of the City's debt securities were as follows:

	<u>Fair Value</u>	<u>Investment Maturities (fair value by years)</u>	
		<u>Less Than 1</u>	<u>1-5</u>
U.S. treasuries	\$ 224,411	\$ 224,411	\$ -
U.S. agencies:			
Callable	648,764	299,343	349,421
Non-callable	453,913	249,533	204,380
Commercial paper	2,064,788	2,064,788	-
<b>Total debt securities</b>	<b><u>\$ 3,391,876</u></b>	<b><u>\$ 2,838,075</u></b>	<b><u>\$ 553,801</u></b>

The City assumes that its callable investments will not be called.

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

---

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 9.2 percent accounts receivables and 90.8 percent due from other governments. Business-type activities receivables are 100 percent accounts receivable.

The governmental activities accounts receivable includes \$28,930 due from the local ambulance service for its share of the purchase price of emergency vehicles. Accordingly, this is considered a non-current receivable.

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:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
<b>Deferred revenue reported by:</b>			
General fund	\$ -	\$ 460	\$ 460
Nonmajor governmental funds	-	33,093	33,093
	<hr/>	<hr/>	<hr/>
<b>Total</b>	\$ -	\$ 33,553	\$ 33,553
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>



# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

---

### 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	<u>4.0%</u>
	<u><u>100.0%</u></u>

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

The City accounts for its investment in the MSCPA as a joint venture in accordance with GASB Statement No. 14. Information presented below is taken from financial statements of the MSCPA for the year ended June 30, 2007, which was audited by other auditors whose report dated August 30, 2007, 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, 2007, is as follows:

	<b>MSCPA</b>	<b>City of Marshall Portion - 24.0%</b>
<b>Assets</b>		
Current assets	\$ 18,953,753	\$ 4,548,900
Non-current assets	20,492,272	4,918,145
Capital assets, net	35,260,983	8,462,636
	74,707,008	17,929,681
<b>Liabilities</b>		
Current liabilities	12,354,506	2,965,081
Long-term debt	38,836,277	9,320,706
	51,190,783	12,285,787
<b>Net assets</b>	<b>\$ 23,516,225</b>	<b>\$ 5,643,894</b>
Revenues	\$ 42,858,324	\$ 10,285,998
Expenses	35,532,861	8,527,887
Operating income	7,325,463	1,758,111
Non-operating expenses	1,314,005	315,361
Change in net assets	6,011,458	1,442,750
Net assets:		
Beginning of year	17,504,767	4,201,144
End of year	<b>\$ 23,516,225</b>	<b>\$ 5,643,894</b>

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

### 3-D Capital Assets

Capital assets activity for the year ended June 30, 2007, 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
Construction in process	300,619	65,488	(27,551)	338,556
Total capital assets not being depreciated	<u>2,533,281</u>	<u>65,488</u>	<u>(27,551)</u>	<u>2,571,218</u>
Capital assets, being depreciated:				
Land improvements	4,873,597	149,404	-	5,023,001
Buildings	8,735,881	439,177	-	9,175,058
Vehicles	2,489,787	40,551	(62,629)	2,467,709
Equipment	1,295,072	292,000	(41,287)	1,545,785
Infrastructure	7,724,365	1,080,965	-	8,805,330
Total capital assets being depreciated	<u>25,118,702</u>	<u>2,002,097</u>	<u>(103,916)</u>	<u>27,016,883</u>
Less accumulated depreciation for:				
Land improvements	(1,634,447)	(280,733)	-	(1,915,180)
Buildings	(4,643,058)	(206,126)	-	(4,849,184)
Vehicles	(1,321,508)	(54,471)	62,629	(1,313,350)
Equipment	(1,148,394)	(328,281)	41,287	(1,435,388)
Infrastructure	(1,813,401)	(171,665)	-	(1,985,066)
Total accumulated depreciation	<u>(10,560,808)</u>	<u>(1,041,276)</u>	<u>103,916</u>	<u>(11,498,168)</u>
Total capital assets, being depreciated, net	<u>14,557,894</u>	<u>960,821</u>	<u>-</u>	<u>15,518,715</u>
<b>Governmental activities capital assets, net</b>	<b><u>\$ 17,091,175</u></b>	<b><u>\$ 1,026,309</u></b>	<b><u>\$ (27,551)</u></b>	<b><u>\$ 18,089,933</u></b>
<b>Business-type activities</b>				
Capital assets, not being depreciated -				
Land	\$ 164,618	\$ -	\$ -	\$ 164,618
Construction in process	110,764	349,193	(100,764)	359,193
Total capital assets not being depreciated	<u>275,382</u>	<u>349,193</u>	<u>(100,764)</u>	<u>523,811</u>
Capital assets, being depreciated:				
Buildings	4,844,423	103,216	-	4,947,639
Vehicles	930,416	-	(75,508)	854,908
Equipment	1,449,318	6,125	(22,681)	1,432,762
Systems	30,060,752	701,604	(227,333)	30,535,023
Total capital assets being depreciated	<u>37,284,909</u>	<u>810,945</u>	<u>(325,522)</u>	<u>37,770,332</u>
Less accumulated depreciation for:				
Buildings	(2,465,089)	(199,900)	-	(2,664,989)
Vehicles	(480,926)	(48,423)	75,508	(453,841)
Equipment	(941,286)	(82,778)	22,681	(1,001,383)
Systems	(15,757,380)	(1,153,246)	227,333	(16,683,293)
Total accumulated depreciation	<u>(19,644,681)</u>	<u>(1,484,347)</u>	<u>325,522</u>	<u>(20,803,506)</u>
Total capital assets, being depreciated, net	<u>17,640,228</u>	<u>(673,402)</u>	<u>-</u>	<u>16,966,826</u>
<b>Business-type activities capital assets, net</b>	<b><u>\$ 17,915,610</u></b>	<b><u>\$ (324,209)</u></b>	<b><u>\$ (100,764)</u></b>	<b><u>\$ 17,490,637</u></b>

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

### Economic development discretely presented component unit

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balances</b>
Capital assets being depreciated -				
Land improvements	\$ -	\$ 40,940	\$ -	\$ 40,940
Less accumulated depreciation -				
Land improvements	-	(819)	-	(819)
<b>Discretely presented component unit capital assets, net</b>	<b>\$ -</b>	<b>\$ 40,121</b>	<b>\$ -</b>	<b>\$ 40,121</b>

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

Governmental activities:	
General government	\$ 108,045
Public safety	28,567
Public works, including depreciation of general infrastructure assets	384,049
Parks and recreation	118,871
Community development	40,470
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	361,274
<b>Total depreciation expense - governmental activities</b>	<b>\$ 1,041,276</b>
Business-type activities:	
Electric	\$ 714,877
Wastewater	359,091
Water	294,534
Public transit	59,020
Marshall House	56,835
<b>Total depreciation expense - business-type activities</b>	<b>\$ 1,484,357</b>

Depreciation was charged to functions/programs of the component units as follows:

Economic development corporation -	
Economic Development	<b>\$ 819</b>

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

### 3-E Payables

Payables in the governmental activities are 58.4 percent vendors and 41.6 percent accrued payroll. Business-type activities are 80.5 percent vendors and 19.5 percent accrued payroll and compensated absences.

### 3-F Interfund Transfers

For the year ended June 30, 2007 there was an offsetting interfund receivable/payable between the general fund and the special projects fund in the amount of \$128,914 for negative cash in the special projects fund.

For the year ended June 30, 2007, interfund transfers consisted of the following:

Transfer out:	Transfer in:			Total
	General Fund	Nonmajor Governmental	Internal Service Funds	
General fund	\$ -	\$ 56,509	\$ 24,620	\$ 81,129
Nonmajor governmental funds	-	92,400	-	92,400
Electric fund	170,636	206,725	-	377,361
Wastewater fund	4,027	-	-	4,027
Water fund	16,923	25,841	-	42,764
Marshall House fund	-	223,635	-	223,635
	<b>\$ 191,586</b>	<b>\$ 605,110</b>	<b>\$ 24,620</b>	<b>\$ 821,316</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

### 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. During the year, \$3,765,000 of new and refunding general obligation bonds were issued.

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>		
1997 building authority refunding	4.60% - 4.80%	\$ 395,000
1999 transportation fund bonds	4.05% - 4.60%	660,000
2000 building authority	5.40%	380,000
2004 improvements	3.00% - 4.40%	155,000
2004 street improvements refunding	3.00% - 3.38%	255,000
2005 building authority refunding	3.00% - 4.25%	<u>2,555,000</u>
		<b><u>\$ 4,400,000</u></b>
<b>Business-type activities</b>		
1996 water supply	5.10% - 5.75%	\$ 70,000
1997 water supply	4.70% - 5.75%	2,290,000
2004 improvements	3.00% - 4.70%	570,000
2004 refunding	3.00% - 3.75%	90,000
2006 refunding	3.65% - 3.80%	2,935,000
2007 electric	3.10% - 3.95%	<u>805,000</u>
		<b><u>\$ 6,760,000</u></b>
<b>Discretely presented component unit</b>		
2002 downtown development	4.20% - 5.10%	<b><u>\$ 665,000</u></b>

# 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
2008	\$ 485,000	\$ 308,033	\$ 360,000	\$ 302,068	\$ 20,000	\$ 31,883
2009	480,000	287,157	385,000	291,674	25,000	31,043
2010	285,000	267,882	365,000	275,345	25,000	29,993
2011	300,000	125,752	495,000	259,171	30,000	28,943
2012	310,000	114,069	520,000	237,536	30,000	27,653
2013-2017	1,395,000	392,284	2,825,000	812,882	210,000	113,925
2018-2022	1,145,000	96,407	1,450,000	219,638	325,000	52,004
2023-2027	-	-	360,000	43,010	-	-
	<u>\$ 4,400,000</u>	<u>\$ 1,591,584</u>	<u>\$ 6,760,000</u>	<u>\$ 2,441,324</u>	<u>\$ 665,000</u>	<u>\$ 315,444</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%	\$ 410,000
1993 water	5.15% - 5.30%	60,000
1999 electric	4.25% - 5.20%	900,000
1999 water and wastewater	5.13% - 5.20%	<u>165,001</u>
		<b><u>\$ 1,535,001</u></b>
<b>Discretely presented component unit</b>		
2005 local development	3.50% - 4.30%	<b><u>\$ 1,295,000</u></b>

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

Revenue bond debt service requirements to maturity are as follows:

<b>Year Ending June 30,</b>	<b>Business-type</b>		<b>Component Unit</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2008	\$ 300,000	\$ 61,162	\$ 25,000	\$ 52,792
2009	245,000	50,099	25,000	51,918
2010	250,000	41,987	25,000	51,042
2011	60,000	36,430	25,000	50,105
2012	60,000	33,475	25,000	49,167
2013-2017	355,000	116,793	425,000	208,460
2018-2022	265,001	20,930	460,000	119,865
2023-2025	-	-	285,000	24,510
	<b><u>\$ 1,535,001</u></b>	<b><u>\$ 360,876</u></b>	<b><u>\$ 1,295,000</u></b>	<b><u>\$ 607,859</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:

<b><u>Purpose</u></b>	<b><u>Interest Rates</u></b>	<b><u>Amount</u></b>
<b>Governmental activities</b>		
1996 public improvement (Stanton)	9.00%	\$ 111,061
1999 emergency rescue	5.65%	70,000
2002 land contract (Quigley)	5.43%	401,567
2004 ambulance	3.29%	28,930
2006 communication equipment	4.00%	<u>159,545</u>
		<b><u>\$ 771,193</u></b>
<b>Business-type activities</b>		
1996 public improvement (Stanton)	9.00%	\$ 259,143
2000 fuel tanks	5.25%	105,000
2002 public improvement (State Farm)	0.00%	<u>720,000</u>
		<b><u>\$1,084,143</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>
2008	\$ 127,362	\$ 31,961	\$ 33,000	\$ 5,513
2009	137,630	25,423	35,000	3,780
2010	137,086	18,477	37,000	1,943
2011	111,522	12,262	-	-
2012	117,213	6,571	-	-
2013	29,319	586	-	-
	<u>660,132</u>	<u>95,280</u>	<u>105,000</u>	<u>11,236</u>
Stanton	111,061	-	259,143	-
State Farm	-	-	720,000	-
	<u><b>\$ 771,193</b></u>	<u><b>\$ 95,280</b></u>	<u><b>\$ 1,084,143</b></u>	<u><b>\$ 11,236</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, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Primary Government</b>					
<b>Governmental activities</b>					
General obligation bonds	\$ 4,865,000	\$ -	\$ (465,000)	\$ 4,400,000	\$ 485,000
Installment contracts	895,421	-	(124,228)	771,193	127,362
Compensated absences	246,842	83,000	(86,955)	242,887	83,000
Add (deduct) deferred amounts:					
For issuance premiums	7,247	-	(403)	6,844	-
On refunding	(184,426)	-	25,986	(158,440)	-
	<u>\$ 5,830,084</u>	<u>\$ 83,000</u>	<u>\$ (650,600)</u>	<u>\$ 5,262,484</u>	<u>\$ 695,362</u>
<b>Business-type activities</b>					
General obligation bonds	\$ 4,255,000	\$ 3,765,000	\$ (1,260,000)	\$ 6,760,000	\$ 360,000
Revenue bonds	3,720,000	-	(2,184,999)	1,535,001	300,000
Installment contracts	1,123,300	-	(39,157)	1,084,143	33,000
Add (deduct) deferred amounts:					
For issuance premiums	3,717	30,102	(2,357)	31,462	-
On refunding	-	(90,077)	6,434	(83,643)	-
	<u>\$ 9,102,017</u>	<u>\$ 3,705,025</u>	<u>\$ (3,480,079)</u>	<u>\$ 9,326,963</u>	<u>\$ 693,000</u>
<b>Component Unit - LDFA</b>					
Revenue bonds	<u>\$ 1,320,000</u>	<u>\$ -</u>	<u>\$ (25,000)</u>	<u>\$ 1,295,000</u>	<u>\$ 25,000</u>
<b>Component Unit - DDA</b>					
General obligation bonds	\$ 775,000	\$ -	\$ (110,000)	\$ 665,000	\$ 20,000
Compensated absences	-	1,692	-	1,692	1,692
	<u>\$ 775,000</u>	<u>\$ 1,692</u>	<u>\$ (110,000)</u>	<u>\$ 666,692</u>	<u>\$ 21,692</u>

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

---

### 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, 2007, 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 2006 levy, including industrial facilities, was \$250,537,721. The government's general operating tax rate for fiscal 2006-07 was 15.4629 mills with an additional 0.8165 mills for recreation, 0.4840 for public transportation, and 1.6129 for DDA (based on \$10,480,454 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

---

### **4-D Postemployment Benefits**

The City provides health care benefits, including prescriptions, to eligible retirees and their dependents upon retirement. Employees who retired on or before March 31, 2003 are not required to contribute to the cost of these benefits; employees retiring after that date are required to contribute five percent of the cost of the health care insurance premium.

Expenditures for postemployment health care benefits are recorded on a pay-as-you-go basis. During the year, 65 retirees were eligible, resulting in expenditures of \$454,436.

The City has established a retiree health care plan trust through the Municipal Employees Retirement System of Michigan. In June 2006, the City made an initial contribution to the plan in the amount of \$282,314 and commissioned the preparation of an actuarial valuation of the plan as of December 31, 2005. The City has determined that it will wait to implement GASB Statement Number 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, until the year ending June 30, 2009 when required by the standard. The City may make annual contributions to the plan in the interim, but would probably be at a level less than the annual required contribution (ARC) level determined by the actuarial valuation. The City made no contributions to the plan for the year ended June 30, 2007 and has not presently budgeted any contributions for fiscal 2008. The actuarial valuation as of December 31, 2005 estimated an unfunded actuarial accrued liability of approximately \$12.7 million.

### **4-E Defined Benefit Pension Plan**

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.

The City was required to contribute 0.04% to 6.35% of the annual covered payroll, depending on the applicable bargaining unit, for the year ended June 30, 2007. City employees are required to contribute 7.70% to 12.24% of their annual covered payroll, depending on the applicable bargaining unit. The contribution requirements of the City are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the City, subject to collective bargaining agreements and depending on the MERS contribution program adopted by the City.

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

For the year ended June 30, 2007, the City's annual pension cost of \$171,584 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2004 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 4.2% per year, depending on age, attributable to seniority/merit.

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, 2006, 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>
2005	\$ -	N/A	\$ -
2006	136,075	100%	-
2007	171,584	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>
12/31/02	\$19,720,188	\$16,573,087	\$(3,147,101)	119%	\$3,973,746	(79)%
12/31/03	20,517,832	19,935,535	(582,297)	103%	3,839,753	(15)%
12/31/04	21,006,550	21,189,467	182,917	99%	4,102,546	4%
12/31/05	21,572,620	23,110,895	1,538,275	93%	4,132,958	37%
12/31/06	22,495,650	24,022,685	1,527,035	94%	4,091,944	37%

\* \* \* \* \*

COMBINING and INDIVIDUAL FUND FINANCIAL  
STATEMENTS and SCHEDULES

**CITY OF MARSHALL, MICHIGAN**  
**Combining Balance Sheet - Nonmajor Governmental Funds**  
**June 30, 2007**

	<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	\$ 144,671	\$ 15,906	\$ 16,127	\$ 131,380	\$ 308,084
Investments	152,929	-	201,225	468,624	822,778
Accounts receivable	1,910	-	-	1,143	3,053
Due from other governments	110,673	-	-	-	110,673
Prepaid items	26,014	-	-	-	26,014
	<u>\$ 436,197</u>	<u>\$ 15,906</u>	<u>\$ 217,352</u>	<u>\$ 601,147</u>	<u>\$ 1,270,602</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 42,880	\$ -	\$ -	\$ -	\$ 42,880
Accrued liabilities	6,289	-	-	-	6,289
Due to other governments	60	-	-	-	60
Deferred revenue	33,093	-	-	-	33,093
	<u>82,322</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,322</u>
<b>Fund balances</b>					
Reserved for prepaid items	26,014	-	-	-	26,014
Unreserved:					
Designated for other purposes	3,018	-	-	-	3,018
Designated for subsequent year expenditures	76,762	-	-	-	76,762
Undesignated	248,081	15,906	217,352	601,147	1,082,486
	<u>353,875</u>	<u>15,906</u>	<u>217,352</u>	<u>601,147</u>	<u>1,188,280</u>
	<u>\$ 436,197</u>	<u>\$ 15,906</u>	<u>\$ 217,352</u>	<u>\$ 601,147</u>	<u>\$ 1,270,602</u>

**CITY OF MARSHALL, MICHIGAN**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2007**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent Cemetery</u>	<u>Totals</u>
<b>Revenues</b>					
Property taxes	\$ 177,993	\$ -	\$ -	\$ -	\$ 177,993
Intergovernmental	729,936	-	-	-	729,936
Charges for services	207,362	-	-	8,100	215,462
Fines and forfeitures	24,474	-	-	-	24,474
Investment earnings	21,053	530	10,897	31,115	63,595
Other	2,169	-	-	-	2,169
	<u>1,162,987</u>	<u>530</u>	<u>10,897</u>	<u>39,215</u>	<u>1,213,629</u>
<b>Expenditures</b>					
Current expenditures:					
General government	76,858	450	119	2	77,429
Highways and streets	314,659	-	-	-	314,659
Culture and recreation	388,112	-	-	-	388,112
Debt service:					
Principal	125,000	330,000	-	-	455,000
Interest and fiscal charges	41,311	151,591	-	-	192,902
Capital outlay	352,600	-	-	-	352,600
	<u>1,298,540</u>	<u>482,041</u>	<u>119</u>	<u>2</u>	<u>1,780,702</u>
Revenues over (under) expenditures	<u>(135,553)</u>	<u>(481,511)</u>	<u>10,778</u>	<u>39,213</u>	<u>(567,073)</u>
<b>Other financing sources (uses)</b>					
Transfers in	123,069	482,041	-	-	605,110
Transfers out	(92,400)	-	-	-	(92,400)
	<u>30,669</u>	<u>482,041</u>	<u>-</u>	<u>-</u>	<u>512,710</u>
Net change in fund balances	(104,884)	530	10,778	39,213	(54,363)
Fund balances, beginning of year	458,759	15,376	206,574	561,934	1,242,643
<b>Fund balances, end of year</b>	<u><u>\$ 353,875</u></u>	<u><u>\$ 15,906</u></u>	<u><u>\$ 217,352</u></u>	<u><u>\$ 601,147</u></u>	<u><u>\$ 1,188,280</u></u>



**CITY OF MARSHALL, MICHIGAN**  
**Combining Balance Sheet - Nonmajor Special Revenue Funds**  
**June 30, 2007**

	<u>Major Street</u>	<u>Local Street</u>	<u>Composting</u>	<u>Parking System</u>	<u>Drug Law Enforcement</u>	<u>Recreation</u>	<u>Total</u>
<b><u>ASSETS</u></b>							
<b>Assets</b>							
Cash and cash equivalents	\$ -	\$ 129	\$ 22,865	\$ 3,380	\$ 5,402	\$ 112,895	\$ 144,671
Investments	1,634	73,501	-	8	-	77,786	152,929
Accounts receivable	-	-	-	593	-	1,317	1,910
Interfund receivable	-	-	-	-	-	28,139	28,139
Due from other governments	88,603	22,070	-	-	-	-	110,673
Prepaid items	3,080	2,403	630	758	-	19,143	26,014
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 93,317</u></b>	<b><u>\$98,103</u></b>	<b><u>\$ 23,495</u></b>	<b><u>\$ 4,739</u></b>	<b><u>\$ 5,402</u></b>	<b><u>\$ 239,280</u></b>	<b><u>\$ 464,336</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>							
<b>Liabilities</b>							
Accounts payable	\$ 6,141	\$23,849	\$ 7,671	\$ -	\$ -	\$ 5,219	\$ 42,880
Accrued liabilities	-	-	207	380	-	5,702	6,289
Due to other governments	-	-	-	-	-	60	60
Interfund payable	28,139	-	-	-	-	-	28,139
Deferred revenue	-	-	-	-	-	33,093	33,093
Total liabilities	34,280	23,849	7,878	380	-	44,074	110,461
<b>Fund balances</b>							
Reserved for prepaid items	3,080	2,403	630	758	-	19,143	26,014
Unreserved:							
Designated for other purposes	-	-	-	-	-	3,018	3,018
Designated for subsequent year expenditures	-	48,640	-	-	-	28,122	76,762
Undesignated	55,957	23,211	14,987	3,601	5,402	144,923	248,081
Total fund balances	59,037	74,254	15,617	4,359	5,402	195,206	353,875
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b><u>\$ 93,317</u></b>	<b><u>\$98,103</u></b>	<b><u>\$ 23,495</u></b>	<b><u>\$ 4,739</u></b>	<b><u>\$ 5,402</u></b>	<b><u>\$ 239,280</u></b>	<b><u>\$ 464,336</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, 2007**

	<b>Major Street</b>	<b>Local Street</b>	<b>Composting</b>	<b>Parking System</b>	<b>Drug Law Enforcement</b>	<b>Recreation</b>	<b>Total</b>
<b>Revenues</b>							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 177,993	\$ 177,993
Intergovernmental	402,706	148,816	14,200	6,920	-	157,294	729,936
Charges for services	-	-	8,791	-	-	198,571	207,362
Fines and forfeitures	-	-	-	24,474	-	-	24,474
Investment earnings	9,217	2,407	412	3	125	8,889	21,053
Other	-	-	-	-	-	2,169	2,169
<b>Total revenues</b>	<b>411,923</b>	<b>151,223</b>	<b>23,403</b>	<b>31,397</b>	<b>125</b>	<b>544,916</b>	<b>1,162,987</b>
<b>Expenditures</b>							
Current expenditures:							
General government	-	-	41,260	35,531	67	-	76,858
Highways and streets	128,756	185,903	-	-	-	-	314,659
Culture and recreation	-	-	-	-	-	388,112	388,112
Debt service:							
Principal	125,000	-	-	-	-	-	125,000
Interest and fiscal charges	41,311	-	-	-	-	-	41,311
Capital outlay	117,796	68,539	-	-	-	166,265	352,600
<b>Total expenditures</b>	<b>412,863</b>	<b>254,442</b>	<b>41,260</b>	<b>35,531</b>	<b>67</b>	<b>554,377</b>	<b>1,298,540</b>
Revenues over (under) expenditures	(940)	(103,219)	(17,857)	(4,134)	58	(9,461)	(135,553)
<b>Other financing sources (uses)</b>							
Transfers in	-	92,400	14,200	6,920	-	9,549	123,069
Transfers out	(92,400)	-	-	-	-	-	(92,400)
<b>Total other financing sources (uses)</b>	<b>(92,400)</b>	<b>92,400</b>	<b>14,200</b>	<b>6,920</b>	<b>-</b>	<b>9,549</b>	<b>30,669</b>
Net change in fund balances	(93,340)	(10,819)	(3,657)	2,786	58	88	(104,884)
Fund balances, beginning of year	152,377	85,073	19,274	1,573	5,344	195,118	458,759
<b>Fund balances, end of year</b>	<b>\$ 59,037</b>	<b>\$ 74,254</b>	<b>\$ 15,617</b>	<b>\$ 4,359</b>	<b>\$ 5,402</b>	<b>\$ 195,206</b>	<b>\$ 353,875</b>

**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, 2007**

	<b>Major Street Fund</b>		
	<b>Final Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
<b>Revenues</b>			
Property taxes	\$ -	\$ -	\$ -
Intergovernmental	426,244	402,706	(23,538)
Charges for services	-	-	-
Fines and forfeitures	-	-	-
Investment earnings	7,500	9,217	1,717
Other	-	-	-
<b>Total revenues</b>	<b>433,744</b>	<b>411,923</b>	<b>(21,821)</b>
<b>Expenditures</b>			
Current expenditures:			
General government	-	-	-
Highways and streets	172,443	128,756	(43,687)
Parks and recreation	-	-	-
Debt service:			
Principal	125,000	125,000	-
Interest and fiscal charges	41,300	41,311	11
Capital outlay	188,089	117,796	(70,293)
<b>Total expenditures</b>	<b>526,832</b>	<b>412,863</b>	<b>(113,969)</b>
Revenues over (under) expenditures	(93,088)	(940)	92,148
<b>Other financing sources (uses)</b>			
Transfers in	-	-	-
Transfers out	(92,400)	(92,400)	-
<b>Total other financing sources (uses)</b>	<b>(92,400)</b>	<b>(92,400)</b>	<b>-</b>
Net change in fund balances	(185,488)	(93,340)	92,148
Fund balances, beginning of year	185,488	152,377	33,111
<b>Fund balances, end of year</b>	<b>\$ -</b>	<b>\$ 59,037</b>	<b>\$ 59,037</b>

Local Street Fund			Composting Fund		
Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
143,367	148,816	5,449	14,200	14,200	-
-	-	-	8,928	8,791	(137)
-	-	-	-	-	-
500	2,407	1,907	375	412	37
-	-	-	-	-	-
<u>143,867</u>	<u>151,223</u>	<u>7,356</u>	<u>23,503</u>	<u>23,403</u>	<u>(100)</u>
-	-	-	34,758	41,260	6,502
150,929	185,903	34,974	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
85,101	68,539	(16,562)	-	-	-
<u>236,030</u>	<u>254,442</u>	<u>18,412</u>	<u>34,758</u>	<u>41,260</u>	<u>6,502</u>
<u>(92,163)</u>	<u>(103,219)</u>	<u>(11,056)</u>	<u>(11,255)</u>	<u>(17,857)</u>	<u>(6,602)</u>
92,400	92,400	-	14,200	14,200	-
-	-	-	-	-	-
<u>92,400</u>	<u>92,400</u>	<u>-</u>	<u>14,200</u>	<u>14,200</u>	<u>-</u>
237	(10,819)	(11,056)	2,945	(3,657)	(6,602)
85,073	85,073	-	19,274	19,274	-
<u>\$ 85,310</u>	<u>\$ 74,254</u>	<u>\$ (11,056)</u>	<u>\$ 22,219</u>	<u>\$ 15,617</u>	<u>\$ (6,602)</u>

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, 2007**

	<b>Parking System Fund</b>		
	<b>Final Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
<b>Revenues</b>			
Property taxes	\$ -	\$ -	\$ -
Intergovernmental	6,920	6,920	-
Charges for services	-	-	-
Fines and forfeitures	25,000	24,474	(526)
Investment earnings	10	3	(7)
Other	-	-	-
<b>Total revenues</b>	<b>31,930</b>	<b>31,397</b>	<b>(533)</b>
<b>Expenditures</b>			
Current expenditures:			
General government	38,516	35,531	(2,985)
Highways and streets	-	-	-
Parks and recreation	-	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Capital outlay	-	-	-
<b>Total expenditures</b>	<b>38,516</b>	<b>35,531</b>	<b>(2,985)</b>
Revenues over (under) expenditures	(6,586)	(4,134)	2,452
<b>Other financing sources (uses)</b>			
Transfers in	6,920	6,920	-
Transfers out	-	-	-
<b>Total other financing sources (uses)</b>	<b>6,920</b>	<b>6,920</b>	<b>-</b>
Net change in fund balances	334	2,786	2,452
Fund balances, beginning of year	1,573	1,573	-
<b>Fund balances, end of year</b>	<b>\$ 1,907</b>	<b>\$ 4,359</b>	<b>\$ 2,452</b>

Drug Law Enforcement Fund			Recreation Fund		
Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget
\$ -	\$ -	\$ -	\$ 185,000	\$ 177,993	\$ (7,007)
-	-	-	138,001	157,294	19,293
-	-	-	198,708	198,571	(137)
-	-	-	-	-	-
-	125	125	5,500	8,889	3,389
-	-	-	1,800	2,169	369
-	125	125	529,009	544,916	15,907
-	67	67	-	-	-
-	-	-	-	-	-
-	-	-	400,556	388,112	(12,444)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	142,322	166,265	23,943
-	67	67	542,878	554,377	11,499
-	58	58	(13,869)	(9,461)	4,408
-	-	-	9,548	9,549	1
-	-	-	-	-	-
-	-	-	9,548	9,549	1
-	58	58	(4,321)	88	4,409
5,344	5,344	-	195,118	195,118	-
\$ 5,344	\$ 5,402	\$ 58	\$ 190,797	\$ 195,206	\$ 4,409

**CITY OF MARSHALL, MICHIGAN**  
**Combining Balance Sheet - Nonmajor Debt Service Funds**  
**June 30, 2007**

	<b>Building Authority</b>	<b>1999 Motor Vehicle Highway</b>	<b>1986 Motor Vehicle Highway</b>	<b>Total</b>
<b><u>ASSETS</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 9,249	\$ 6,499	\$ 158	\$ 15,906
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>Fund balances</b>				
Unreserved, undesignated	\$ 9,249	\$ 6,499	\$ 158	\$ 15,906

**CITY OF MARSHALL, MICHIGAN**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Nonmajor Debt Service Funds**  
**For the Year Ended June 30, 2007**

	<u>Building Authority</u>	<u>1999 Motor Vehicle Highway</u>	<u>1986 Motor Vehicle Highway</u>	<u>Total</u>
<b>Revenues</b>				
Investment earnings	\$ 217	\$ 305	\$ 8	\$ 530
<b>Expenditures</b>				
Current expenditures -				
General government	450	-	-	450
Debt service:				
Principal retirement	330,000	-	-	330,000
Interest and fiscal charges	151,591	-	-	151,591
 Total expenditures	 482,041	 -	 -	 482,041
 Revenues over (under) expenditures	 (481,824)	 305	 8	 (481,511)
<b>Other financing sources (uses)</b>				
Transfers in	482,041	-	-	482,041
 Net change in fund balances	 217	 305	 8	 530
Fund balances, beginning of year	9,032	6,194	150	15,376
<b>Fund balances, end of year</b>	<u>\$ 9,249</u>	<u>\$ 6,499</u>	<u>\$ 158</u>	<u>\$ 15,906</u>



**CITY OF MARSHALL, MICHIGAN**  
**Combining Balance Sheet - Nonmajor Capital Projects Funds**  
**June 30, 2007**

	<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	\$ 7,573	\$ 8,554	\$ 16,127
Investments	201,225	-	201,225
<b><u>TOTAL ASSETS</u></b>	<b>\$ 208,798</b>	<b>\$ 8,554</b>	<b>\$ 217,352</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ -	\$ -
<b>Fund balances</b>			
Unreserved, undesignated	208,798	8,554	217,352
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b>\$ 208,798</b>	<b>\$ 8,554</b>	<b>\$ 217,352</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, 2007**

	<u>MVH Major Streets</u>	<u>MVH Local Streets</u>	<u>Total</u>
<b>Revenue</b>			
Investment earnings	\$ 10,635	\$ 262	\$ 10,897
<b>Expenditures</b>			
Current expenditures -			
General government	<u>56</u>	<u>63</u>	<u>119</u>
Net change in fund balances	10,579	199	10,778
Fund balances, beginning of year	<u>198,219</u>	<u>8,355</u>	<u>206,574</u>
<b>Fund balances, end of year</b>	<u><u>\$ 208,798</u></u>	<u><u>\$ 8,554</u></u>	<u><u>\$ 217,352</u></u>

**CITY OF MARSHALL, MICHIGAN**  
**Supplemental Schedule of Operating Expenses**  
**Electric, Wastewater and Water Enterprise Funds**  
**For the Year Ended June 30, 2007**

	<u>Electric</u>	<u>Wastewater</u>	<u>Water</u>	<u>Total</u>
<b>Administration</b>				
Personal services	\$ 326,026	\$ 157,607	\$ 163,259	\$ 646,892
Materials and supplies	22,515	9,253	8,851	40,619
Contractual	117,681	16,683	7,997	142,361
Insurance	195,711	49,071	35,842	280,624
Maintenance	1,946	973	971	3,890
Other expense	12,291	4,426	5,924	22,641
Depreciation	44,093	30,349	-	74,442
	<u>720,263</u>	<u>268,362</u>	<u>222,844</u>	<u>1,211,469</u>
<b>Powerhouse</b>				
Personal services	351,159	-	-	351,159
Materials and supplies	148,137	-	-	148,137
Purchased power	8,591,345	-	-	8,591,345
Contractual	58,473	-	-	58,473
Maintenance	422	-	-	422
Other expense	12,986	-	-	12,986
Depreciation	274,378	-	-	274,378
	<u>9,436,900</u>	<u>-</u>	<u>-</u>	<u>9,436,900</u>
<b>Line distribution</b>				
Personal services	623,460	-	147,045	770,505
Materials and supplies	169,109	-	44,493	213,602
Purchased power	-	-	1,836	1,836
Contractual	12,667	-	9,274	21,941
Maintenance	2,134	-	-	2,134
Other expense	152,528	-	25,615	178,143
Depreciation	396,406	-	256,664	653,070
	<u>1,356,304</u>	<u>-</u>	<u>484,927</u>	<u>1,841,231</u>
<b>Operations</b>				
Personal services	-	244,582	-	244,582
Materials and supplies	-	114,006	-	114,006
Purchased power	-	89,560	-	89,560
Contractual	-	79,599	-	79,599
Other expense	107,394	15,639	-	123,033
Depreciation	-	328,742	-	328,742
	<u>107,394</u>	<u>872,128</u>	<u>-</u>	<u>979,522</u>

Continued...

**CITY OF MARSHALL, MICHIGAN**  
**Supplemental Schedule of Operating Expenses (Concluded)**  
**Electric, Wastewater and Water Enterprise Funds**  
**For the Year Ended June 30, 2007**

	<u>Electric</u>	<u>Wastewater</u>	<u>Water</u>	<u>Total</u>
<b>Production</b>				
Personal services	\$ -	\$ -	\$ 61,815	\$ 61,815
Materials and supplies	-	-	36,548	36,548
Purchased power	-	-	47,347	47,347
Contractual	-	-	4,060	4,060
Other expense	-	-	8,061	8,061
Depreciation	-	-	37,870	37,870
	<u>-</u>	<u>-</u>	<u>195,701</u>	<u>195,701</u>
<b>Totals</b>				
Personal services	1,300,645	402,189	372,119	2,074,953
Materials and supplies	339,761	123,259	89,892	552,912
Purchased power	8,591,345	89,560	49,183	8,730,088
Contractual	188,821	96,282	21,331	306,434
Insurance	195,711	49,071	35,842	280,624
Maintenance	4,502	973	971	6,446
Other expense	285,199	20,065	39,600	344,864
Depreciation	714,877	359,091	294,534	1,368,502
	<u>\$ 11,620,861</u>	<u>\$ 1,140,490</u>	<u>\$ 903,472</u>	<u>\$ 13,664,823</u>

**CITY OF MARSHALL, MICHIGAN**  
**Supplemental Schedule of Revenues and Expenses**  
**Dial-A-Ride Transportation Fund**  
**For the Year Ended June 30, 2007**

<b>Schedule 1</b>	7/1/06 to 9/30/06	10/1/06 to 6/30/07	Total
<b>Local revenues:</b>			
Demand response - farebox (nonurban)	\$ 12,272	\$ 43,453	\$ 55,725
Tax levy	105,018	482	105,500
Interest income	2,645	7,144	9,789
<b>Total local revenues</b>	<b>\$ 119,935</b>	<b>\$ 51,079</b>	<b>\$ 171,014</b>

<b>Schedule 1A - based on a September 30, 2006 Year End</b>	10/1/05 to 6/30/06	7/1/06 to 9/30/06	Total
<b>Local revenues:</b>			
Demand response - farebox (nonurban)	\$ 43,017	\$ 12,272	\$ 55,289
Tax levy	6,969	105,018	111,987
Interest income	5,001	2,645	7,646
<b>Total local revenues</b>	<b>\$ 54,987</b>	<b>\$ 119,935</b>	<b>\$ 174,922</b>

Continued...

**CITY OF MARSHALL, MICHIGAN**  
**Supplemental Schedule of Revenues and Expenses (Continued)**  
**Dial-A-Ride Transportation Fund**  
**For the Year Ended June 30, 2007**

<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			Local
<u>U.S. Department of Transportation</u>									
Passed Through Michigan Department of Transportation:									
Operating Assistance: Section 5311	20.509	MI-18-X036	\$ 68,000	\$ 5,172	\$ 5,172	\$ -	\$ -	\$ 62,828	\$ -
Operating Assistance: Section 5311	20.509	MI-18-X039	63,237	22,642	22,642	-	-	40,595	-
Operating Assistance: Section 5311	20.509	MI-18-X041	62,899	44,542	44,542	-	-	-	18,357
<u>Michigan Department of Transportation</u>									
Operating Assistance - Act 51 Nonurban		N/A	136,160	136,160	-	136,160	-	-	-
Total			<u>\$ 330,296</u>	<u>\$ 208,516</u>	<u>\$ 72,356</u>	<u>\$ 136,160</u>	<u>\$ -</u>	<u>\$ 103,423</u>	<u>\$ 18,357</u>

Continued...

**CITY OF MARSHALL, MICHIGAN**  
**Supplemental Schedule of Revenues and Expenses (Continued)**  
**Dial-A-Ride Transportation Fund**  
**For the Year Ended June 30, 2007**

<u>Schedule 2A - for the year ended June 30, 2007</u>	<u>7/1/06 to 9/30/2006</u>	<u>10/1/06 to 6/30/2007</u>	<u>Total</u>
Michigan Department of Transportation:			
Local Bus Operating (Act 51)	\$ 38,214	\$ 97,946	\$ 136,160
Final closeout revenue	-	12,582	12,582
Federal Transit Administration:			
Section 5311 - operating	1,196	71,160	72,356
Section 5311 - prior year operating refund	-	3,667	3,667
Total	<u>\$ 39,410</u>	<u>\$ 185,355</u>	<u>\$ 224,765</u>

<u>Schedule 2B - based on a September 30, 2006 year end</u>	<u>10/1/05 to 6/30/2006</u>	<u>7/1/06 to 9/30/2006</u>	<u>Total</u>
Michigan Department of Transportation:			
Local Bus Operating (Act 51)	\$ 107,004	\$ 38,214	\$ 145,218
Other State Contracts	24,000	-	24,000
Federal Transit Administration - Section 5311	52,923	1,196	54,119
Total	<u>\$ 183,927</u>	<u>\$ 39,410</u>	<u>\$ 223,337</u>

Continued...

**CITY OF MARSHALL, MICHIGAN**  
**Supplemental Schedule of Revenues and Expenses (Concluded)**  
**Dial-A-Ride Transportation Fund**  
**For the Year Ended June 30, 2007**

<b>Schedule 3 - Operating and Contract Expenses</b>	Nonurban	Total
<b>Expenses:</b>		
Labor	\$ 217,175	\$ 217,175
Fringe Benefits	67,998	67,998
Services	19,080	19,080
Materials and Supplies	59,308	59,308
Utilities	9,323	9,323
Taxes	360	360
Miscellaneous	643	643
Depreciation	70,515	70,515
 Total Expenses	 <u>\$ 444,402</u>	 <u>\$ 444,402</u>

<b>Schedule 3A - Operating Expenses for June 30, 2007</b>	<b>Nonurban</b>		Total
	7/1/06 to 9/30/2006	10/1/06 to 06/30/2007	
<b>Expenses:</b>			
Labor	\$ 48,803	\$ 168,372	\$ 217,175
Fringe Benefits	16,631	51,367	67,998
Services	4,245	14,835	19,080
Materials and Supplies	23,501	35,807	59,308
Utilities	2,337	6,986	9,323
Taxes	230	130	360
Miscellaneous	61	582	643
Depreciation	17,629	52,886	70,515
 Total Expenses	 <u>\$ 113,437</u>	 <u>\$ 330,965</u>	 <u>\$ 444,402</u>

<b>Schedule 3B - Operating Expenses for September 30, 2006</b>	<b>Nonurban</b>		Total
	10/1/05 to 6/30/2006	7/1/06 to 9/30/2006	
<b>Expenses:</b>			
Labor	\$ 168,435	\$ 48,803	\$ 217,238
Fringe Benefits	46,033	16,631	62,664
Services	15,352	4,245	19,597
Materials and Supplies	34,600	23,501	58,101
Utilities	6,929	2,337	9,266
Taxes	-	230	230
Miscellaneous	49	61	110
Depreciation	111,168	17,629	128,797
 Total Expenses	 <u>\$ 382,566</u>	 <u>\$ 113,437</u>	 <u>\$ 496,003</u>



**CITY OF MARSHALL, MICHIGAN**  
**Supplemental Schedule of Revenues and Expenses**  
**Dial-A-Ride Transportation Fund**  
**For the Year Ended June 30, 2007**

<b>Schedule 5 - Operating Assistance Calculation for September 30, 2006</b>	Nonurban
Total Expenses	<u>\$ 496,003</u>
Less Ineligible Expenses	
Depreciation	128,797
Rental	<u>5,408</u>
Total Ineligible Expenses Per R&E Manual	<u>134,205</u>
<b>Total State Eligible Expenses</b>	<b><u>361,798</u></b>
Eligible Expenses for State Reimbursement	361,798
x Reimbursement Percentage	<u>38.8857%</u>
State Operating Assistance	<u>\$ 140,688</u>
<b>Total Federal Eligible Expenses</b>	
Less Additional Federal Ineligible Expenses Per A-87 Audit Costs	<u>903</u>
Eligible Expenses for Federal Reimbursement	360,895
x Reimbursement Percentage	<u>17%</u>
Federal Operating Assistance	<u>\$ 61,352.15</u>

**CITY OF MARSHALL, MICHIGAN**  
**Dial-A-Ride Transportation Fund**  
**Nonurban Regular Service Revenue Report**  
**For the Year Ended September 30, 2006**

<b>Code</b>	<b>Description</b>	<b>Amount</b>
<b>401 :</b>	<b>Farebox Revenue</b>	
40100	Passenger Fares	\$ 55,289
<b>408 :</b>	<b>Local Revenue</b>	
40800	Taxes Levied Directly for/by Transit Agency	111,987
<b>411 :</b>	<b>State Formula and Contracts</b>	
41101	State Operating Assistance	145,218
41199	Other State Contracts and Reimbursements	24,000
<b>413 :</b>	<b>Federal Contracts</b>	
41301	Federal Section 5311	54,119
<b>414 :</b>	<b>Other Revenue</b>	
41400	Interest Income	7,646
<b>Total revenues:</b>		<b>\$ 398,259</b>

**CITY OF MARSHALL, MICHIGAN**  
**Dial-A-Ride Transportation Fund**  
**Nonurban Regular Service Expense Report**  
**For the Year Ended September 30, 2006**

<b>Code</b>	<b>Description</b>	<b>Operations</b>	<b>Maintenance</b>	<b>Gen. Admin.</b>	<b>Total</b>
<b>501 :</b>					
50101	Operators' Salaries & Wages	147,261			\$ 147,261
50102	Other Salaries & Wages		2,683	10,686	13,369
50103	Dispatchers' Salaries & Wages	56,608			56,608
<b>502 :</b>					
50200	Other Fringe Benefits	59,969	688	2,007	62,664
<b>503 :</b>					
50302				438	438
50305				903	903
50399		4,808		13,448	18,256
<b>504 :</b>					
50401	Fuel & Lubricants	29,413			29,413
50402	Tires & Tubes	6,221			6,221
50499	Other Materials & Supplies	17,059	5,408		22,467
<b>505 :</b>					
50500	Utilities	9,266			9,266
<b>507 :</b>					
50700	Taxes & Fees			230	230
<b>509 :</b>					
50902	Travel, Meetings & Training		61	49	110
<b>513 :</b>					
51300	Depreciation	128,797			128,797
<b>550 :</b>					
55004	Other Ineligible State Contracts		5,408		5,408
55007	Ineligible Depreciation	128,797			128,797
<b>Total expenses:</b>					<b>496,003</b>
<b>Total ineligible expenses:</b>					<b>134,205</b>
<b>Total eligible expenses:</b>					<b>\$ 361,798</b>

**CITY OF MARSHALL, MICHIGAN**  
**Dial-A-Ride Transportation Fund**  
**Nonurban Regular Service Nonfinancial Report**  
**For the Year Ended September 30, 2006**

**Public Service**

<b>Code</b>	<b>Description</b>	<b>Weekday</b>	<b>Saturday</b>	<b>Sunday</b>	<b>Total</b>
611	Vehicle Miles	71,068	4,505	46	75,619

**CITY OF MARSHALL, MICHIGAN**  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
**June 30, 2007**

	<u>Data Processing</u>	<u>Motor Pool</u>	<u>Safety</u>	<u>Total</u>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 18,167	\$ 185,075	\$ 121	\$ 203,363
Investments	217,466	1,032,737	35,462	1,285,665
Accounts receivable	-	2,750	-	2,750
Due from other governments	-	9,364	-	9,364
Prepaid items	-	1,777	-	1,777
Total current assets	235,633	1,231,703	35,583	1,502,919
Noncurrent assets:				
Capital assets, net	50,397	1,236,949	-	1,287,346
Total assets	286,030	2,468,652	35,583	2,790,265
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	1,530	140,543	287	142,360
Accrued payroll and compensated absences	-	2,254	-	2,254
Accrued interest payable	-	1,130	-	1,130
Contracts payable, current portion	-	20,000	-	20,000
Total current liabilities	1,530	163,927	287	165,744
Noncurrent liabilities -				
Contracts payable	-	50,000	-	50,000
Total liabilities	1,530	213,927	287	215,744
<b>Net assets</b>				
Invested in capital assets, net of related debt	50,397	1,166,949	-	1,217,346
Unrestricted	234,103	1,087,776	35,296	1,357,175
Total net assets	\$ 284,500	\$ 2,254,725	\$ 35,296	\$ 2,574,521

**CITY OF MARSHALL, MICHIGAN**  
**Combining Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets**  
**Internal Service Funds**  
**For the Year Ended June 30, 2007**

	<u>Data Processing</u>	<u>Motor Pool</u>	<u>Safety</u>	<u>Total</u>
<b>Operating revenues</b>				
Charges for services	\$ 75,005	\$ 726,610	\$ -	\$ 801,615
Other	-	29,090	-	29,090
	<u>75,005</u>	<u>755,700</u>	<u>-</u>	<u>830,705</u>
Total operating revenues				
<b>Operating expenses</b>				
Personal services	-	52,959	-	52,959
Materials and supplies	39,310	139,983	289	179,582
Contractual	36,637	6,003	2	42,642
Insurance	65	52,190	-	52,255
Maintenance	971	117,482	282	118,735
Other expense	-	24,675	324	24,999
Depreciation	20,406	340,868	-	361,274
	<u>97,389</u>	<u>734,160</u>	<u>897</u>	<u>832,446</u>
Total operating expenses				
Operating income (loss)	<u>(22,384)</u>	<u>21,540</u>	<u>(897)</u>	<u>(1,741)</u>
<b>Nonoperating revenues (expenses)</b>				
Investment earnings	12,299	54,472	1,943	68,714
Interest expense	-	(4,997)	-	(4,997)
Total nonoperating revenues (expenses)	<u>12,299</u>	<u>49,475</u>	<u>1,943</u>	<u>63,717</u>
Income (loss) before transfers	(10,085)	71,015	1,046	61,976
<b>Transfers in</b>	<u>-</u>	<u>24,620</u>	<u>-</u>	<u>24,620</u>
Change in net assets	(10,085)	95,635	1,046	86,596
Net assets, beginning of year	<u>294,585</u>	<u>2,159,090</u>	<u>34,250</u>	<u>2,487,925</u>
<b>Net assets, end of year</b>	<u>\$ 284,500</u>	<u>\$ 2,254,725</u>	<u>\$ 35,296</u>	<u>\$ 2,574,521</u>

**CITY OF MARSHALL, MICHIGAN**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2007**

	<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	\$ 75,005	\$ 755,700	\$ -	\$ 830,705
Payments to suppliers/claimants	(80,832)	(199,887)	(897)	(281,616)
Payments to employees	-	(52,804)	-	(52,804)
Net cash provided by (used in) operating activities	<u>(5,827)</u>	<u>503,009</u>	<u>(897)</u>	<u>496,285</u>
<b>Cash flows from non-capital financing activities</b>				
Transfers in	-	24,620	-	24,620
<b>Cash flows from capital and related financing activities</b>				
Principal and interest paid on contract	-	(24,620)	-	(24,620)
Purchase of capital assets	(14,324)	(292,001)	-	(306,325)
Net cash used in capital and related financing activities	<u>(14,324)</u>	<u>(316,621)</u>	<u>-</u>	<u>(330,945)</u>
<b>Cash flows from investing activities</b>				
Purchase of investments	(11,711)	(316,161)	(937)	(328,809)
Interest received on investments	12,299	54,472	1,943	68,714
Net cash provided by (used in) investing activities	<u>588</u>	<u>(261,689)</u>	<u>1,006</u>	<u>(260,095)</u>
Net increase (decrease) in pooled cash and investments	(19,563)	(50,681)	109	(70,135)
Cash and cash equivalents, beginning of year	<u>37,730</u>	<u>235,756</u>	<u>12</u>	<u>273,498</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 18,167</u>	<u>\$ 185,075</u>	<u>\$ 121</u>	<u>\$ 203,363</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>				
Operating income (loss)	\$ (22,384)	\$ 21,540	\$ (897)	\$ (1,741)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	20,406	340,868	-	361,274
Changes in assets and liabilities:				
Accounts receivable	-	(2,750)	-	(2,750)
Due from other governments	-	(9,364)	-	(9,364)
Prepaid items	1,365	28,574	-	29,939
Accounts payable	(5,214)	123,986	-	118,772
Accrued payroll/compensated absences	-	155	-	155
<b>Net cash provided by (used in) operating activities</b>	<u>\$ (5,827)</u>	<u>\$ 503,009</u>	<u>\$ (897)</u>	<u>\$ 496,285</u>

**CITY OF MARSHALL, MICHIGAN**  
**Combining Statement of Fiduciary Assets and Liabilities**  
**Agency Funds**  
**June 30, 2007**

	<u>Current Tax</u>	<u>Imprest Payroll</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 3,006	\$ 41,335	\$ 44,341
Delinquent taxes receivable	<u>125,064</u>	<u>-</u>	<u>125,064</u>
Total assets	<u>\$ 128,070</u>	<u>\$ 41,335</u>	<u>\$ 169,405</u>
<b>Liabilities</b>			
Undistributed receipts	<u>\$ 128,070</u>	<u>\$ 41,335</u>	<u>\$ 169,405</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, 2007**

	<u>Special Revenue</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 133,884	\$ -	\$ 133,884
Investments	3,046	-	3,046
Prepaid items	933	-	933
Restricted cash and cash equivalents	59,454	-	59,454
<b>Total assets</b>	<u>\$ 197,317</u>	<u>-</u>	<u>197,317</u>
<b>Liabilities</b>			
Accounts payable	\$ 27,851	-	27,851
Accrued liabilities	1,531	-	1,531
Accrued interest payable	-	2,657	2,657
Long-term liabilities:			
Due within one year	-	21,692	21,692
Due in more than one year	-	645,000	645,000
<b>Total liabilities</b>	<u>29,382</u>	<u>669,349</u>	<u>698,731</u>
<b>Fund balance</b>			
Reserved for prepaid items	933	(933)	-
Unreserved, undesignated	167,002	(167,002)	-
<b>Total fund balance</b>	<u>167,935</u>	<u>(167,935)</u>	<u>-</u>
<b>Total liabilities and fund balance</b>	<u>\$ 197,317</u>		
<b>Net assets</b>			
Restricted for debt service		59,454	59,454
Unrestricted (deficit)		(560,868)	(560,868)
<b>Total net assets (deficit)</b>		<u>\$ (501,414)</u>	<u>\$ (501,414)</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, 2007**

	<u>Special Revenue</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>Revenues</b>			
Property taxes	\$ 295,898	\$ -	\$ 295,898
Investment earnings	22,682	-	22,682
Other	66,926	-	66,926
	<u>385,506</u>	<u>-</u>	<u>385,506</u>
<b>Expenditures/expenses</b>			
Community development	372,316	1,692	374,008
Debt service:			
Principal	110,000	(110,000)	-
Interest and fiscal charges	37,808	(3,644)	34,164
	<u>520,124</u>	<u>(111,952)</u>	<u>408,172</u>
Total expenditures/expenses	<u>520,124</u>	<u>(111,952)</u>	<u>408,172</u>
Change in fund balance/net assets	(134,618)	111,952	(22,666)
<b>Fund balances/net assets (deficit)</b>			
Beginning of year	<u>302,553</u>	<u>(781,301)</u>	<u>(478,748)</u>
<b>End of year</b>	<u><u>\$ 167,935</u></u>	<u><u>\$ (669,349)</u></u>	<u><u>\$ (501,414)</u></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, 2007**

	<b>Budget (Original and Final)</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
<b>Revenues</b>			
Property taxes	\$ 294,950	\$ 295,898	\$ 948
Investment earnings	10,000	22,682	12,682
Other	376,135	66,926	(309,209)
	<u>681,085</u>	<u>385,506</u>	<u>(295,579)</u>
<b>Expenditures</b>			
Community development	248,582	372,316	123,734
Debt service:			
Principal	110,000	110,000	-
Interest and fiscal charges	37,809	37,808	(1)
	<u>396,391</u>	<u>520,124</u>	<u>123,733</u>
Net change in fund balance	284,694	(134,618)	(419,312)
Fund balance, beginning of year	<u>302,553</u>	<u>302,553</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 587,247</u></u>	<u><u>\$ 167,935</u></u>	<u><u>\$ (419,312)</u></u>

**CITY OF MARSHALL, MICHIGAN**  
**Statement of Net Assets and**  
**Governmental Fund Balance Sheet**  
**Local Development Finance Authority Component Unit**  
**June 30, 2007**

	<b>Special Revenue</b>	<b>Adjustments</b>	<b>Statement of Net Assets</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 2,677	\$ -	\$ 2,677
Investments	1,301,099	-	1,301,099
Unamortized bond issuance costs	-	48,263	48,263
Restricted cash and cash equivalents	44,027	-	44,027
<b>Total assets</b>	<b>\$ 1,347,803</b>	<b>48,263</b>	<b>1,396,066</b>
<b>Liabilities</b>			
Accounts payable	\$ 1,069	-	1,069
Accrued interest payable	-	13,198	13,198
Long-term liabilities:			
Due within one year	-	25,000	25,000
Due in more than one year	-	1,270,000	1,270,000
<b>Total liabilities</b>	<b>1,069</b>	<b>1,308,198</b>	<b>1,309,267</b>
<b>Fund balance</b>			
Reserved for prepaid items	-	-	-
Unreserved, undesignated	1,346,734	(1,346,734)	-
<b>Total fund balance</b>	<b>1,346,734</b>	<b>(1,346,734)</b>	<b>-</b>
<b>Total liabilities and fund balance</b>	<b>\$ 1,347,803</b>		
<b>Net assets</b>			
Restricted for debt service		44,027	44,027
Unrestricted		42,772	42,772
<b>Total net assets</b>		<b>\$ 86,799</b>	<b>\$ 86,799</b>

**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, 2007**

	<u>Special Revenue</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>Revenues</b>			
Property taxes	\$ 480,453	\$ -	\$ 480,453
Investment earnings	74,046	-	74,046
Other	500	-	500
	<hr/>	<hr/>	<hr/>
Total revenues	554,999	-	554,999
<b>Expenditures/expenses</b>			
Community development	345,945	-	345,945
Debt service:			
Principal	25,000	(25,000)	-
Interest and fiscal charges	53,668	2,462	56,130
	<hr/>	<hr/>	<hr/>
Total expenditures/expenses	424,613	(22,538)	402,075
Net change in fund balance/net assets	130,386	22,538	152,924
<b>Fund balances/net assets</b>			
Beginning of year	1,216,348	(1,282,473)	(66,125)
	<hr/>	<hr/>	<hr/>
<b>End of year</b>	<u>\$ 1,346,734</u>	<u>\$ (1,259,935)</u>	<u>\$ 86,799</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, 2007**

	<u>Budget (Original and Final)</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<b>Revenues</b>			
Property taxes	\$ 479,373	\$ 480,453	\$ 1,080
Investment earnings	58,315	74,046	15,731
Other	-	500	500
	<u>537,688</u>	<u>554,999</u>	<u>17,311</u>
<b>Expenditures</b>			
Community development	421,332	345,945	(75,387)
Debt service:			
Principal	25,000	25,000	-
Interest and fiscal charges	53,668	53,668	-
	<u>500,000</u>	<u>424,613</u>	<u>(75,387)</u>
Net change in fund balance	37,688	130,386	92,698
Fund balance, beginning of year	<u>1,216,348</u>	<u>1,216,348</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 1,254,036</u></u>	<u><u>\$ 1,346,734</u></u>	<u><u>\$ 92,698</u></u>

**CITY OF MARSHALL, MICHIGAN**  
**Statement of Net Assets and**  
**Governmental Fund Balance Sheet**  
**Economic Development Corporation Component Unit**  
**June 30, 2007**

	<b>Special Revenue</b>	<b>Adjustments</b>	<b>Statement of Net Assets</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 8,919	\$ -	\$ 8,919
Capital assets being depreciated, net	-	\$ 40,121	40,121
<b>Total assets</b>	<b>\$ 8,919</b>	<b>40,121</b>	<b>49,040</b>
<b>Liabilities</b>			
Accounts payable	\$ -	-	-
<b>Fund balance</b>			
Unreserved, undesignated	8,919	(8,919)	-
<b>Total liabilities and fund balance</b>	<b>\$ 8,919</b>		
<b>Net assets</b>			
Unrestricted		\$ 49,040	\$ 49,040



**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, 2007**

	<u>Special Revenue</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>Revenues</b>			
Investment earnings	\$ 213	\$ -	\$ 213
Capital contributions	-	40,940	40,940
	<u>213</u>	<u>40,940</u>	<u>41,153</u>
Total revenues			
<b>Expenditures/expenses</b>			
Community development	146	-	146
Depreciation	-	819	819
	<u>146</u>	<u>819</u>	<u>965</u>
Total expenditures			
Change in fund balance/net assets	67	40,121	40,188
<b>Fund balances/net assets</b>			
Beginning of year	<u>8,852</u>	<u>-</u>	<u>8,852</u>
<b>End of year</b>	<u><u>\$ 8,919</u></u>	<u><u>\$ 40,121</u></u>	<u><u>\$ 49,040</u></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, 2007**

	<b>Budget (Original and Final)</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
<b>Revenues</b>			
Investment earnings	\$ -	\$ 213	\$ 213
<b>Expenditures</b>			
Community development	-	146	146
Net change in fund balance	-	67	67
Fund balance, beginning of year	8,852	8,852	-
<b>Fund balance, end of year</b>	<b>\$ 8,852</b>	<b>\$ 8,919</b>	<b>\$ 67</b>