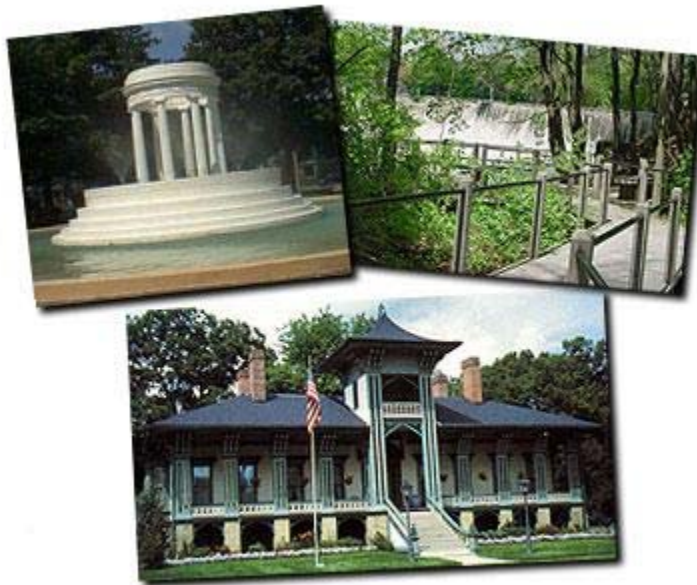


CITY OF
Marshall
MICHIGAN



Annual Financial Report

For the Fiscal Year Ended June 30, 2008



REHMANN ROBSON

Certified Public Accountants

CITY OF MARSHALL, MICHIGAN
Annual Financial Report
For the Fiscal Year Ended June 30, 2008
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

Assessors..... Jim and Valerie Lippencott

Clerk-Treasurer / Finance Director Tracy Hovarter

Interim Public Safety Director Scott McDonald

Utilities and Infrastructure Director Tom Tarkiewicz

CITY OF MARSHALL, MICHIGAN
Annual Financial Report
For the Fiscal Year Ended June 30, 2008

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Annual Financial Report
For the Fiscal Year Ended June 30, 2008

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FINANCIAL SECTION



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



INDEPENDENT AUDITORS' REPORT

December 31, 2008

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, 2008, 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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2008, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The City has not presented Management's Discussion and Analysis (MD&A) as required supplementary information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be, part of the financial statements.

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 black ink, reading "Lehmann Lohman". The signature is written in a cursive style with a large, prominent 'L' at the beginning.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF MARSHALL, MICHIGAN
Statement of Net Assets
June 30, 2008

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 994,387	\$ 1,234,034	\$ 2,228,421	\$ 20,840
Investments	3,335,455	1,227,561	4,563,016	1,566,006
Receivables	498,112	1,146,181	1,644,293	-
Internal balances	(16,310)	16,310	-	-
Inventories, prepaid items and other assets	159,737	1,207,963	1,367,700	45,775
Investment in MSCPA	-	7,151,542	7,151,542	-
Restricted cash and cash equivalents	-	3,642,168	3,642,168	106,974
Capital assets not being depreciated	2,232,662	560,249	2,792,911	-
Capital assets being depreciated, net	15,680,340	16,549,180	32,229,520	38,484
Total assets	22,884,383	32,735,188	55,619,571	1,778,079
Liabilities				
Accounts payable and accrued expenses	244,919	1,360,917	1,605,836	2,910
Accrued interest payable	92,684	165,297	257,981	15,567
Unearned revenue	41,275	-	41,275	-
Long-term liabilities:				
Due within one year	700,630	690,001	1,390,631	51,554
Due in more than one year	3,941,332	8,024,084	11,965,416	1,865,000
Total liabilities	5,020,840	10,240,299	15,261,139	1,935,031
Net assets				
Invested in capital assets, net of related debt	13,498,671	8,395,344	21,894,015	38,484
Restricted for:				
Debt service	16,229	3,642,168	3,658,397	106,974
Capital projects	228,090	-	228,090	-
Endowment - expendable	642,636	-	642,636	-
Unrestricted (deficit)	3,477,917	10,457,377	13,935,294	(302,410)
Total net assets (deficit)	\$ 17,863,543	\$ 22,494,889	\$ 40,358,432	\$ (156,952)

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

CITY OF MARSHALL, MICHIGAN
Statement of Activities
For the Year Ended June 30, 2008

<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>	
Primary government					
Governmental activities:					
General government	\$ 1,689,006	\$ 208,970	\$ 846,345	\$ -	\$ (633,691)
Public safety	2,330,377	-	-	-	(2,330,377)
Public works	1,930,747	-	567,210	-	(1,363,537)
Parks and recreation	615,280	214,329	1,219	-	(399,732)
Community development	130,930	-	-	-	(130,930)
Interest on long-term debt	226,164	-	-	-	(226,164)
Total governmental activities	6,922,504	423,299	1,414,774	-	(5,084,431)
Business-type activities:					
Electric	12,100,696	12,391,648	1,494,609	-	1,785,561
Wastewater	1,387,374	1,321,605	-	6,900	(58,869)
Water	1,254,500	1,447,378	-	2,640	195,518
Public transit	453,277	56,362	194,400	-	(202,515)
Marshall House	476,615	306,031	295,071	-	124,487
Total business-type activities	15,672,462	15,523,024	1,984,080	9,540	1,844,182
Total primary government	\$ 22,594,966	\$ 15,946,323	\$ 3,398,854	\$ 9,540	\$ (3,240,249)
Component units					
Community development	\$ 662,547	\$ 93,243	\$ -	\$ -	\$ (569,304)

Continued...

CITY OF MARSHALL, MICHIGAN
Statement of Activities (Concluded)
For the Year Ended June 30, 2008

	Primary Government			Component
	Governmental	Business-type	Total	Units
	Activities	Activities		
Changes in net assets				
Net (expense) revenue	\$ (5,084,431)	\$ 1,844,182	\$ (3,240,249)	\$ (569,304)
General revenues:				
Property taxes	3,457,339	103,253	3,560,592	689,037
Grants and contributions not restricted to specific programs	728,344	-	728,344	-
Unrestricted investment earnings	280,872	225,278	506,150	88,890
Transfers - internal activities	778,264	(778,264)	-	-
Total general revenues and transfers	5,244,819	(449,733)	4,795,086	777,927
Change in net assets	160,388	1,394,449	1,554,837	208,623
Net assets (deficit), beginning of year	17,703,155	21,100,440	38,803,595	(365,575)
Net assets (deficit), end of year	\$ 17,863,543	\$ 22,494,889	\$ 40,358,432	\$ (156,952)

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

FUND FINANCIAL STATEMENTS

CITY OF MARSHALL, MICHIGAN
Balance Sheet
Governmental Funds
June 30, 2008

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Assets			
Cash and cash equivalents	\$ 373,120	\$ 527,767	\$ 900,887
Investments	1,135,374	949,932	2,085,306
Accounts receivable	105,369	13,990	119,359
Taxes receivable	129	-	129
Interfund receivable	261,156	-	261,156
Due from other governments	97,534	251,829	349,363
Prepaid items	61,904	11,391	73,295
	<u>61,904</u>	<u>11,391</u>	<u>73,295</u>
<u>TOTAL ASSETS</u>	<u>\$ 2,034,586</u>	<u>\$ 1,754,909</u>	<u>\$ 3,789,495</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Accounts payable	\$ 31,401	\$ 141,887	\$ 173,288
Accrued liabilities	57,568	6,901	64,469
Due to other governments	17	60	77
Interfund payable	-	261,156	261,156
Deferred revenue	460	40,815	41,275
	<u>460</u>	<u>40,815</u>	<u>41,275</u>
Total liabilities	<u>89,446</u>	<u>450,819</u>	<u>540,265</u>
Fund balances			
Reserved for prepaid items	61,904	11,391	73,295
Unreserved:			
Designated for working capital	500,000	-	500,000
Designated for other purposes	25,071	125,032	150,103
Designated for subsequent year expenditures	22,393	91,553	113,946
Undesignated	1,335,772	-	1,335,772
Undesignated, reported in nonmajor:			
Special revenue funds	-	189,159	189,159
Debt service funds	-	16,229	16,229
Capital projects funds	-	228,090	228,090
Permanent fund	-	642,636	642,636
	<u>-</u>	<u>642,636</u>	<u>642,636</u>
Total fund balances	<u>1,945,140</u>	<u>1,304,090</u>	<u>3,249,230</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 2,034,586</u>	<u>\$ 1,754,909</u>	<u>\$ 3,789,495</u>

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, 2008

Fund balances - total governmental funds	\$ 3,249,230
---	--------------

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	26,882,294
Deduct - accumulated depreciation	(10,289,465)

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	2,618,997
Deduct - portion of internal service funds net operating income attributed to business-type funds	(16,310)

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	17,640
--------------------------------------	--------

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	(4,357,890)
Add - unamortized bond issuance costs	85,379
Deduct - premium on bonds	(6,441)
Deduct - accrued interest on bonds and installment contracts payable	(92,260)
Deduct - compensated absences	(227,631)

Net assets of governmental activities	\$ 17,863,543
--	----------------------

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, 2008

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenue			
Property taxes	\$ 3,283,142	\$ 174,197	\$ 3,457,339
Licenses and permits	45,530	-	45,530
Intergovernmental	1,085,525	741,700	1,827,225
Charges for services	105,241	235,121	340,362
Fines and forfeitures	21,794	15,613	37,407
Investment earnings	169,628	60,909	230,537
Other	197,679	118,214	315,893
	<u>4,908,539</u>	<u>1,345,754</u>	<u>6,254,293</u>
Expenditures			
Current expenditures:			
General government	1,394,971	263,163	1,658,134
Public safety	2,322,738	-	2,322,738
Public works	910,778	-	910,778
Highways and streets	-	549,865	549,865
Community development	86,488	-	86,488
Culture and recreation	94,177	387,055	481,232
Debt service:			
Principal	87,053	509,794	596,847
Interest and fiscal charges	37,431	191,260	228,691
Capital outlay	365,527	89,709	455,236
	<u>5,299,163</u>	<u>1,990,846</u>	<u>7,290,009</u>
Revenue over (under) expenditures	<u>(390,624)</u>	<u>(645,092)</u>	<u>(1,035,716)</u>
Other financing sources (uses)			
Transfers in	328,727	510,268	838,995
Transfers out	(66,007)	(18,214)	(84,221)
	<u>262,720</u>	<u>492,054</u>	<u>754,774</u>
Total other financing sources (uses)	<u>262,720</u>	<u>492,054</u>	<u>754,774</u>
Net change in fund balances	(127,904)	(153,038)	(280,942)
Fund balances, beginning of year	<u>2,073,044</u>	<u>1,457,128</u>	<u>3,530,172</u>
Fund balances, end of year	<u><u>\$ 1,945,140</u></u>	<u><u>\$ 1,304,090</u></u>	<u><u>\$ 3,249,230</u></u>

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

CITY OF MARSHALL, MICHIGAN
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2008

Net change in fund balances - total governmental funds	\$ (280,942)
---	--------------

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	531,018
Deduct - depreciation expense	(740,775)

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

Add - principal payments on long-term liabilities	596,847
Deduct - net amortization of premiums and issuance costs on bonds	(18,255)

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.

Deduct - net operating loss from governmental activities in internal service funds	(26,078)
Add - interest revenue from governmental internal service funds	68,591
Deduct - interest expense from governmental internal service funds	(2,784)
Add - transfers received in governmental internal service funds	23,490

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	5,311
Add - decrease in the accrual for compensated absences	15,255

Change in net assets of governmental activities	<u><u>\$ 160,388</u></u>
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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, 2008

	Budget		Actual	Actual
	Original	Final		Over (Under) Final Budget
Revenues				
Property taxes	\$ 3,278,000	\$ 3,296,874	\$ 3,283,142	\$ (13,732)
Licenses and permits	48,000	39,105	45,530	6,425
Intergovernmental	882,246	891,231	1,085,525	194,294
Charges for services	41,200	91,761	105,241	13,480
Fines and forfeitures	26,500	21,506	21,794	288
Investment earnings	145,000	126,245	169,628	43,383
Other	195,846	178,914	197,679	18,765
Total revenues	4,616,792	4,645,636	4,908,539	262,903
Expenditures				
General government				
Council	3,576	3,231	3,231	-
Manager	153,880	154,883	154,500	(383)
Assessor	92,968	90,635	89,888	(747)
Attorney	70,000	80,000	79,203	(797)
Human resources	63,921	61,294	61,123	(171)
Clerk-Treasurer	264,376	228,942	214,980	(13,962)
City hall	78,949	80,443	78,227	(2,216)
Chapel	2,150	2,265	1,995	(270)
Other city property	1,450	1,539	1,539	-
Cemetery	173,506	149,000	165,588	16,588
Airport	92,298	129,519	132,008	2,489
Non-departmental	407,999	388,347	412,689	24,342
Total general government	1,405,073	1,370,098	1,394,971	24,873
Public safety				
Police	1,052,839	1,125,978	1,140,246	14,268
Fire	747,795	735,677	765,723	30,046
Dispatch	290,959	291,770	285,019	(6,751)
Inspection / code enforcement	97,850	97,780	96,189	(1,591)
Crossing guards	40,230	34,592	35,561	969
Total public safety	2,229,673	2,285,797	2,322,738	36,941
Public works				
Streets	683,759	715,839	737,260	21,421
Public services building	98,850	90,000	98,634	8,634
Engineering	70,815	79,000	74,884	(4,116)
Total public works	853,424	884,839	910,778	25,939

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, 2008

	Budget			Actual Over (Under) Final Budget
	Original	Final	Actual	
Expenditures (concluded)				
Community development				
Community development	\$ 29,725	\$ 29,552	\$ 33,284	\$ 3,732
Planning	56,929	54,100	53,204	(896)
Total community development	86,654	83,652	86,488	2,836
Culture and recreation - Parks	115,328	88,000	94,177	6,177
Debt service				
Principal	85,905	85,905	87,053	1,148
Interest and fiscal charges	37,934	37,934	37,431	(503)
Total debt service	123,839	123,839	124,484	645
Capital outlay	119,200	170,084	365,527	195,443
Total expenditures	4,933,191	5,006,309	5,299,163	292,854
Revenue over (under) expenditures	(316,399)	(360,673)	(390,624)	(29,951)
Other financing sources (uses)				
Transfers in	364,098	439,025	328,727	(110,298)
Transfers out	(70,092)	(70,092)	(66,007)	4,085
Total other financing (uses)	294,006	368,933	262,720	(106,213)
Net change in fund balances	(22,393)	8,260	(127,904)	(136,164)
Fund balance, beginning of year	2,073,044	2,073,044	2,073,044	-
Fund balance, end of year	\$ 2,050,651	\$ 2,081,304	\$ 1,945,140	\$ (136,164)

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

CITY OF MARSHALL, MICHIGAN

Statement of Net Assets

Proprietary Funds

June 30, 2008

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Electric	Wastewater	Water	DART	Marshall House	Total	
Assets							
Current assets:							
Cash and cash equivalents	\$ 1,065,138	\$ -	\$ 34,420	\$ -	\$ 134,476	\$ 1,234,034	\$ 93,500
Investments	14,054	2,501	691,322	171,890	347,794	1,227,561	1,250,149
Accounts receivable	961,867	99,405	83,485	150	(3,154)	1,141,753	-
Taxes receivable	-	-	-	4	-	4	-
Due from other governments	3,228	-	-	1,196	-	4,424	11,621
Due from other funds	-	3,448	4,551	-	-	7,999	-
Interfund receivable	104,856	-	-	-	-	104,856	-
Inventory	724,146	23,603	64,740	-	-	812,489	-
Prepaid items	21,560	7,011	8,487	7,957	2,002	47,017	1,063
Total current assets	2,894,849	135,968	887,005	181,197	481,118	4,580,137	1,356,333
Noncurrent assets:							
Restricted cash and cash equivalents	1,719,785	1,074,011	848,372	-	-	3,642,168	-
Capital assets, net	5,576,598	4,573,314	6,700,418	38,093	221,006	17,109,429	1,320,173
Investment in MSCPA	7,151,542	-	-	-	-	7,151,542	-
Unamortized bond issuance costs	25,933	108,582	213,942	-	-	348,457	-
Total noncurrent assets	14,473,858	5,755,907	7,762,732	38,093	221,006	28,251,596	1,320,173
Total assets	17,368,707	5,891,875	8,649,737	219,290	702,124	32,831,733	2,676,506
Liabilities							
Current liabilities:							
Accounts payable	1,058,000	9,340	9,142	5,005	24,784	1,106,271	3,737
Accrued payroll and compensated absences	132,003	63,591	34,237	17,473	3,748	251,052	3,348
Accrued interest payable	37,117	57,873	70,307	-	-	165,297	424
Due to other governments	1,947	7	79	1,528	33	3,594	-
Due to other funds	7,999	-	-	-	-	7,999	-
Interfund payable	-	77,024	-	27,832	-	104,856	-
Current portion of:							
Contracts payable	35,000	-	-	-	-	35,000	25,000
Bonds payable	110,000	287,889	257,112	-	-	655,001	-
Total current liabilities	1,382,066	495,724	370,877	51,838	28,565	2,329,070	32,509
Noncurrent liabilities:							
Contracts payable	37,000	783,946	184,733	-	-	1,005,679	25,000
Bonds payable	1,546,403	2,045,569	3,426,433	-	-	7,018,405	-
Total noncurrent liabilities	1,583,403	2,829,515	3,611,166	-	-	8,024,084	25,000
Total liabilities	2,965,469	3,325,239	3,982,043	51,838	28,565	10,353,154	57,509
Net assets							
Invested in capital assets, net of related debt	3,848,195	1,455,910	2,832,140	38,093	221,006	8,395,344	1,270,173
Restricted for debt service	1,719,785	1,074,011	848,372	-	-	3,642,168	-
Unrestricted	8,835,258	36,715	987,182	129,359	452,553	10,441,067	1,348,824
Total net assets	\$ 14,403,238	\$ 2,566,636	\$ 4,667,694	\$ 167,452	\$ 673,559	\$ 22,478,579	\$ 2,618,997

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, 2008

Net assets - total enterprise funds	\$ 22,478,579
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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	<u>16,310</u>
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Net assets of business-type activities	<u><u>\$ 22,494,889</u></u>
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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, 2008

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Electric	Wastewater	Water	DART	Marshall House	Total	
Operating revenues							
Property taxes	\$ -	\$ -	\$ -	\$ 103,253	\$ -	\$ 103,253	\$ -
Charges for services	12,208,015	1,321,605	1,415,565	56,362	-	15,001,547	776,620
Other	170,594	-	31,813	-	306,031	508,438	30,365
Total operating revenues	12,378,609	1,321,605	1,447,378	159,615	306,031	15,613,238	806,985
Operating expenses							
Personal services	1,433,853	432,723	428,565	293,214	111,225	2,699,580	57,368
Materials and supplies	234,618	137,181	115,194	38,158	7,669	532,820	201,726
Purchased power	9,110,886	92,457	49,802	-	102,697	9,355,842	-
Contractual	139,611	94,937	15,638	1,836	95,772	347,794	43,914
Insurance	191,907	48,411	36,417	3,756	25,581	306,072	30,604
Maintenance	4,676	3,486	587	47,711	30,540	87,000	101,066
Other expense	240,831	87,297	63,593	21,558	48,680	461,959	50,619
Depreciation	639,172	349,060	291,634	45,716	50,564	1,376,146	366,509
Total operating expenses	11,995,554	1,245,552	1,001,430	451,949	472,728	15,167,213	851,806
Operating income (loss)	383,055	76,053	445,948	(292,334)	(166,697)	446,025	(44,821)
Nonoperating revenues (expenses)							
Intergovernmental subsidies	-	-	-	194,400	295,071	489,471	-
Investment earnings	120,113	31,515	41,660	9,498	22,492	225,278	68,591
Change in investment in MSCPA	1,507,648	-	-	-	-	1,507,648	-
Interest expense	(99,622)	(139,146)	(247,738)	-	-	(486,506)	(2,784)
Total nonoperating revenues (expenses)	1,528,139	(107,631)	(206,078)	203,898	317,563	1,735,891	65,807
Income (loss) before contributions and transfers	1,911,194	(31,578)	239,870	(88,436)	150,866	2,181,916	20,986
Capital contributions	-	6,900	2,640	-	-	9,540	-
Transfers in	-	-	-	-	-	-	23,490
Transfers out	(512,736)	(6,000)	(45,468)	-	(214,060)	(778,264)	-
Change in net assets	1,398,458	(30,678)	197,042	(88,436)	(63,194)	1,413,192	44,476
Net assets, beginning of year	13,004,780	2,597,314	4,470,652	255,888	736,753	21,065,387	2,574,521
Net assets, end of year	<u>\$ 14,403,238</u>	<u>\$ 2,566,636</u>	<u>\$ 4,667,694</u>	<u>\$ 167,452</u>	<u>\$ 673,559</u>	<u>\$ 22,478,579</u>	<u>\$ 2,618,997</u>

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

CITY OF MARSHALL, MICHIGAN
Reconciliation of the Statement of Revenues, Expenses
and Changes in Fund Net Assets of Enterprise Funds
to the Statement of Activities
For the Year Ended June 30, 2008

Change in net assets - total enterprise funds	\$ 1,413,192
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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	<u>(18,743)</u>
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Change in net assets of business-type activities	<u><u>\$ 1,394,449</u></u>
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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, 2008

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Electric	Wastewater	Water	DART	Marshall House	Total	
Cash flows from operating activities							
Receipts from customers and user	\$ 12,282,325	\$ 1,329,525	\$ 1,459,788	\$ 56,415	\$ 307,605	\$ 15,435,658	\$ -
Receipts from property tax:	-	-	-	103,253	-	103,253	-
Receipts from interfund service	-	-	-	-	-	-	806,985
Payments to supplier:	(9,753,290)	(370,343)	(238,915)	(80,621)	(313,802)	(10,756,971)	(565,345)
Payments to employee:	(1,427,264)	(423,391)	(425,989)	(297,839)	(111,672)	(2,686,155)	(56,274)
Payments for interfund service	(122,994)	(9,579)	(29,290)	(100)	-	(161,963)	-
Net cash provided by (used in operating activities)	978,777	526,212	765,594	(218,892)	(117,869)	1,933,822	185,366
Cash flows from non-capital financing activities							
Transfers in	-	-	-	-	-	-	23,490
Transfers out	(512,736)	(6,000)	(45,468)	-	(214,060)	(778,264)	-
Intergovernmental subsidie:	-	-	-	194,400	295,071	489,471	-
Net cash provided by (used in non-capital financing activitie:	(512,736)	(6,000)	(45,468)	194,400	81,011	(288,793)	23,490
Cash flows from capital and related financing activities							
Proceeds from issuance of deb	-	-	2,222,099	-	-	2,222,099	-
Payment of debt issuance cost	-	-	(88,661)	-	-	(88,661)	-
Principal and interest paid on deb	(224,921)	(339,893)	(2,693,432)	-	-	(3,258,246)	(23,490)
Purchase of capital asset:	(840,424)	(116,397)	(28,576)	-	-	(985,397)	(399,335)
Net cash used in capital and related financing activitie:	(1,065,345)	(456,290)	(588,570)	-	-	(2,110,205)	(422,825)
Cash flows from investing activities							
Purchase of investment:	-	-	(116,468)	(2,127)	-	(118,595)	(872)
Proceeds from investment	219,021	5,574	-	-	55,774	280,369	36,387
Interest received on investment	120,113	31,515	41,660	9,498	22,492	225,278	68,591
Net cash provided by (used in investing activities)	339,134	37,089	(74,808)	7,371	78,266	387,052	104,106
Net increase (decrease) in cash and cash equivalents	(260,170)	101,011	56,748	(17,121)	41,408	(78,124)	(109,863)
Cash and cash equivalents							
Beginning of year	3,045,093	973,000	826,044	17,121	93,068	4,954,326	203,363
End of year	<u>\$ 2,784,923</u>	<u>\$ 1,074,011</u>	<u>\$ 882,792</u>	<u>\$ -</u>	<u>\$ 134,476</u>	<u>\$ 4,876,202</u>	<u>\$ 93,500</u>
Reconciliation to statement of net assets							
Cash and cash equivalents	\$ 1,065,138	\$ -	\$ 34,420	\$ -	\$ 134,476	\$ 1,234,034	\$ 93,500
Restricted cash and cash equivalent	1,719,785	1,074,011	848,372	-	-	3,642,168	-
	<u>\$ 2,784,923</u>	<u>\$ 1,074,011</u>	<u>\$ 882,792</u>	<u>\$ -</u>	<u>\$ 134,476</u>	<u>\$ 4,876,202</u>	<u>\$ 93,500</u>

Continued...

CITY OF MARSHALL, MICHIGAN
Statement of Cash Flows (Concluded)
Proprietary Fund
For the Year Ended June 30, 2008

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Electric	Wastewater	Water	DART	Marshall House	Total	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities							
Operating income (loss)	\$ 383,055	\$ 76,053	\$ 445,948	\$(292,334)	\$(166,697)	\$ 446,025	\$ (44,821)
Adjustments to reconcile operating income (loss) to net cash from operating activities							
Depreciation	639,172	349,060	291,634	45,716	50,564	1,376,146	366,509
Amortization of bond premiums issuance costs, and loss on refunding	2,733	9,290	21,509	-	-	33,532	-
Changes in assets and liabilities							
Accounts receivable	(108,229)	7,920	11,466	53	1,574	(87,216)	2,750
Due from other government:	11,945	-	944	-	-	12,889	(2,257)
Due from other funds	-	(3,448)	(4,551)	-	-	(7,999)	-
Interfund receivable	(104,856)	-	-	-	-	(104,856)	-
Inventory	(18,691)	(9,957)	937	-	-	(27,711)	-
Prepaid items	29,070	5,088	6,068	3,470	61	43,757	714
Accounts payable	129,990	5,850	(10,937)	996	(2,924)	122,975	(138,623)
Accrued payroll and compensated absence:	6,589	9,332	2,576	(4,625)	(447)	13,425	1,094
Due to other government:	-	-	-	-	-	-	-
Due to other funds	7,999	-	-	-	-	7,999	-
Interfund payable	-	77,024	-	27,832	-	104,856	-
Net cash provided by (used in) operating activities	\$ 978,777	\$ 526,212	\$ 765,594	\$(218,892)	\$(117,869)	\$ 1,933,822	\$ 185,366
Non-Cash Items:							
Change in investment in MSCPA	\$ 1,507,648	\$ -	\$ -	\$ -	\$ -	\$ 1,507,648	\$ -
Capital contributions	-	6,900	2,640	-	-	9,540	-

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, 2008

Assets

Cash and cash equivalents	\$ 114,316
Delinquent taxes receivable	<u>108,324</u>
 Total assets	 <u><u>\$ 222,640</u></u>

Liabilities

Undistributed receipts	<u><u>\$ 222,640</u></u>
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The accompanying notes are an integral part of these financial statements.

**COMPONENT UNITS
FINANCIAL STATEMENTS**

CITY OF MARSHALL, MICHIGAN
Combining Statement of Net Assets
Component Units
June 30, 2008

	Downtown Development Authority	Local Development Finance Authority	Economic Development Corporation	Total
Assets				
Cash and cash equivalents	\$ 11,123	\$ 734	\$ 8,983	\$ 20,840
Investments	52,576	1,513,430	-	1,566,006
Prepaid items	193	-	-	193
Unamortized bond issuance costs	-	45,582	-	45,582
Restricted cash	61,581	45,393	-	106,974
Capital assets being depreciated, net	-	-	38,484	38,484
Total assets	<u>125,473</u>	<u>1,605,139</u>	<u>47,467</u>	<u>1,778,079</u>
Liabilities				
Accounts payable	1,086	709	-	1,795
Accrued liabilities	1,115	-	-	1,115
Accrued interest payable	2,587	12,980	-	15,567
Long-term liabilities:				
Due within one year	26,554	25,000	-	51,554
Due in more than one year	620,000	1,245,000	-	1,865,000
Total liabilities	<u>651,342</u>	<u>1,283,689</u>	<u>-</u>	<u>1,935,031</u>
Net assets				
Invested in capital assets	-	-	38,484	38,484
Restricted for debt service	61,581	45,393	-	106,974
Unrestricted (deficit)	(587,450)	276,057	8,983	(302,410)
Total net assets (deficit)	<u>\$ (525,869)</u>	<u>\$ 321,450</u>	<u>\$ 47,467</u>	<u>\$ (156,952)</u>

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, 2008

	Downtown Development Authority	Local Development Finance Authority	Economic Development Corporation	Total
Expenses				
Community development	\$ 327,390	\$ 333,477	\$ 1,680	\$ 662,547
Program revenues				
Operating grants and contributions	92,743	500	-	93,243
Net program expense	234,647	332,977	1,680	569,304
General revenues				
Property taxes	199,164	489,873	-	689,037
Unrestricted investment earnings	11,028	77,755	107	88,890
Total general revenues	210,192	567,628	107	777,927
Change in net assets	(24,455)	234,651	(1,573)	208,623
Net assets (deficit), beginning of year	(501,414)	86,799	49,040	(365,575)
Net assets (deficit), end of year	<u>\$ (525,869)</u>	<u>\$ 321,450</u>	<u>\$ 47,467</u>	<u>\$ (156,952)</u>

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

NOTES to the FINANCIAL STATEMENTS

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

Notes To Financial Statements

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 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 Fund Deficit

At June 30, 2008, the local street special revenue fund had a fund deficit of \$12,223. Management expects to eliminate the deficit in the subsequent year through either a reduction in expenditures or a general fund appropriation.

2-C 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, 2008, 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>
General fund			
General government	\$ 1,370,098	\$ 1,394,971	\$ 24,873
Public safety	2,285,797	2,322,738	36,941
Public works	884,839	910,778	25,939
Community development	83,652	86,488	2,836
Culture and recreation	88,000	94,177	6,177
Debt service	123,839	124,484	645
Capital outlay	170,084	365,527	195,443
Nonmajor special revenue funds			
Major street fund -			
Highways and streets	165,294	193,793	28,499
Local street fund -			
Highways and streets	157,964	356,072	198,108
Parking system fund -			
General government	20,213	21,420	1,207
Drug law enforcement fund -			
General government	-	26	26
Discretely presented component units			
Downtown development authority fund -			
Debt service	31,883	31,995	112
Local development financing authority fund -			
Interest and fiscal charges	53,668	56,130	2,462
Economic development corporation fund -			
Community development	-	43	43

In addition to the above, the City did not adopt a budget for the Special Projects special revenue fund for fiscal 2007-08. Expenditures totaling \$272,130 were made from this fund without an authorizing appropriation from City Council.

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, 2008:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Total</u>
Statement of Net Assets:			
Cash and cash equivalents	\$ 2,228,421	\$ 20,840	\$ 2,249,261
Investments	4,563,016	1,566,006	6,129,022
Restricted cash and cash equivalents	3,642,168	106,974	3,749,142
Statement of Fiduciary Net Assets:			
Cash and investments	<u>114,316</u>	<u>-</u>	<u>114,316</u>
Total	<u>\$ 10,547,910</u>	<u>\$ 1,693,820</u>	<u>\$ 12,241,741</u>
Deposits and Investments:			
Bank deposits (checking, savings and certificates of deposit)			\$ 4,692,441
Investments (securities, commercial paper and money market accounts)			7,548,430
Cash on hand			<u>870</u>
Total			<u>\$ 12,241,741</u>

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, 2008, \$3,223,292 of the City's total bank balance of \$4,877,624 (total book balance was \$4,692,441) 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, 2008:

U.S. agencies	\$ 69,738
Commercial paper	1,492,082
Money market accounts	4,940,500
External governmental investment fund	<u>1,046,110</u>
Total	<u>\$ 7,548,430</u>

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 City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that investment securities be held in third-party safekeeping by a designated institution and that the safekeeping agent follow the procedure of delivery vs. payment. As of June 30, 2008, 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, 2008, 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 money market accounts which are not rated. All of the City's investments comply with its policy regarding the types of investments it may hold.

Concentration of Credit Risk. At June 30, 2008, the investment portfolio was concentrated as follows:

<u>Investment Type</u>	<u>Issuer</u>	<u>% of Portfolio</u>	<u>Amount</u>
Commercial paper	Fountain Square Corp.	8.2%	\$ 618,252
Commercial paper	American Express Corp.	8.2%	617,982

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, 2008, all of the City's debt securities were due within one year. The City assumes that its U.S. agency securities, all of which are callable, will not be called.

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

CITY OF MARSHALL, MICHIGAN

Notes To Financial Statements

3-B Receivables

Receivables in the governmental activities are 25.5 percent accounts receivables and 74.5 percent due from other governments. Business-type activities receivables are 99.6 percent accounts receivable and 0.4 percent due from other governments.

The governmental activities accounts receivable includes \$17,640 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>
Deferred revenue reported by:			
General fund	\$ -	\$ 460	\$ 460
Nonmajor governmental funds	<u>-</u>	<u>40,815</u>	<u>40,815</u>
Total	<u><u>\$ -</u></u>	<u><u>\$ 41,275</u></u>	<u><u>\$ 41,275</u></u>

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, 2008, which was audited by other auditors whose report dated August 29, 2008, 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, 2008, is as follows:

	<u>MSCPA</u>	<u>City of Marshall (24.0%)</u>
Assets		
Current assets	\$ 19,402,788	\$ 4,656,668
Non-current assets	22,473,890	5,393,734
Capital assets, net	<u>32,849,328</u>	<u>7,883,839</u>
Total assets	<u>74,726,006</u>	<u>17,934,241</u>
Liabilities		
Current liabilities	14,555,825	3,493,398
Long-term debt	<u>30,372,088</u>	<u>7,289,301</u>
Total liabilities	<u>44,927,913</u>	<u>10,782,699</u>
Net assets	<u>\$ 29,798,093</u>	<u>\$ 7,151,542</u>
 Revenues	 \$ 45,869,712	 \$ 11,008,731
Expenses	<u>38,599,740</u>	<u>9,263,938</u>
Operating income	7,269,972	1,744,793
Nonoperating expenses	<u>988,104</u>	<u>237,145</u>
Change in net assets	6,281,868	1,507,648
Net assets, beginning of year	<u>23,516,225</u>	<u>5,643,894</u>
Net assets, end of year	<u>\$ 29,798,093</u>	<u>\$ 7,151,542</u>

CITY OF MARSHALL, MICHIGAN

Notes To Financial Statements

3-D Capital Assets

Capital assets activity of the primary government for the year ended June 30, 2008, was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated -				
Land	\$ 2,232,662	\$ -	\$ -	\$ 2,232,662
Construction in process	338,556	-	(338,556)	-
Total capital assets not being depreciated	2,571,218	-	(338,556)	2,232,662
Capital assets, being depreciated:				
Land improvements	5,023,001	302,980	-	5,325,981
Buildings	9,175,058	28,212	-	9,203,270
Vehicles	2,467,709	344,635	(43,419)	2,768,925
Equipment	1,545,785	381,504	(20,405)	1,906,884
Infrastructure	8,805,330	211,578	-	9,016,908
Total capital assets being depreciated	27,016,883	1,268,909	(63,824)	28,221,968
Less accumulated depreciation for:				
Land improvements	(1,915,180)	(296,015)	-	(2,211,195)
Buildings	(4,849,184)	(216,528)	-	(5,065,712)
Vehicles	(1,313,350)	(70,273)	-	(1,383,623)
Equipment	(1,435,388)	(339,878)	43,419	(1,731,847)
Infrastructure	(1,985,066)	(184,590)	20,405	(2,149,251)
Total accumulated depreciation	(11,498,168)	(1,107,284)	63,824	(12,541,628)
Total capital assets, being depreciated, net	15,518,715	161,625	-	15,680,340
Governmental activities capital assets, net	\$ 18,089,933	\$ 161,625	\$ (338,556)	\$ 17,913,002
Business-type activities				
Capital assets, not being depreciated -				
Land	\$ 164,618	\$ -	\$ -	\$ 164,618
Construction in process	359,193	396,748	(360,310)	395,631
Total capital assets not being depreciated	523,811	396,748	(360,310)	560,249
Capital assets, being depreciated:				
Buildings	4,947,639	-	-	4,947,639
Vehicles	854,908	-	-	854,908
Equipment	1,432,762	-	(92,411)	1,340,351
Systems	30,535,023	958,500	(79,584)	31,413,939
Total capital assets being depreciated	37,770,332	958,500	(171,995)	38,556,837
Less accumulated depreciation for:				
Buildings	(2,664,989)	(194,686)	-	(2,859,675)
Vehicles	(453,841)	(77,392)	-	(531,233)
Equipment	(1,001,383)	(40,101)	92,411	(949,073)
Systems	(16,683,293)	(1,063,967)	79,584	(17,667,676)
Total accumulated depreciation	(20,803,506)	(1,376,146)	171,995	(22,007,657)
Total capital assets, being depreciated, net	16,966,826	(417,646)	-	16,549,180
Business-type activities capital assets, net	\$ 17,490,637	\$ (20,898)	\$ (360,310)	\$ 17,109,429

CITY OF MARSHALL, MICHIGAN

Notes To Financial Statements

Component unit capital assets activity for the year ended June 30, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets being depreciated -				
Land improvements	\$ 40,940	\$ -	\$ -	\$ 40,940
Less accumulated depreciation -				
Land improvements	(819)	(1,637)	-	(2,456)
Discretely presented component unit capital assets, net	<u>\$ 40,121</u>	<u>\$ (1,637)</u>	<u>\$ -</u>	<u>\$ 38,484</u>

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

Governmental activities:	
General government	\$ 126,311
Public safety	53,387
Public works, including depreciation of general infrastructure assets	392,994
Parks and recreation	127,360
Community development	40,723
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>366,509</u>
Total depreciation expense - governmental activities	<u>\$ 1,107,284</u>
Business-type activities:	
Electric	\$ 639,172
Wastewater	349,060
Water	295,731
Public transit	41,619
Marshall House	<u>50,564</u>
Total depreciation expense - business-type activities	<u>\$ 1,376,146</u>

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

3-E Payables

Payables in the governmental activities are 72.9 percent vendors and 27.1 percent accrued payroll. Business-type activities are 81.5 percent vendors and 18.5 percent accrued payroll and compensated absences.

CITY OF MARSHALL, MICHIGAN

Notes To Financial Statements

3-F Interfund Receivables, Payables and Transfers

At June 30, 2008, the following interfund balances consisted of the following:

	<u>Receivable</u>	<u>Payable</u>
General fund	\$ 261,156	\$ -
Nonmajor governmental funds	-	261,156
Electric fund	104,856	-
Wastewater fund	-	77,024
DART	-	27,832
	<u><u>\$ 366,012</u></u>	<u><u>\$ 366,012</u></u>

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

For the year ended June 30, 2008, the Wastewater and Water funds had amounts due from the Electric fund in the amount of \$3,448 and \$4,551, respectively.

For the year ended June 30, 2008, interfund transfers consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental funds:		
General fund	\$ 328,727	\$ 66,007
Nonmajor governmental funds	510,268	18,214
Enterprise funds:		
Electric fund	-	512,736
Wastewater fund	-	6,000
Water fund	-	45,468
Marshall House Fund	-	214,060
Internal service funds	23,490	-
	<u><u>\$ 862,485</u></u>	<u><u>\$ 862,485</u></u>

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

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, \$2,190,000 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>
Governmental activities		
1997 building authority refunding	4.60% - 4.80%	\$ 195,000
1999 transportation fund bonds	4.05% - 4.60%	655,000
2000 building authority	5.40%	260,000
2004 improvements	3.00% - 4.40%	145,000
2004 street improvements refunding	3.00% - 3.38%	125,000
2005 building authority refunding	3.00% - 4.25%	<u>2,535,000</u>
		<u>\$ 3,915,000</u>
Business-type activities		
2004 improvements	3.00% - 4.70%	\$ 490,000
2004 refunding	3.00% - 3.75%	70,000
2006 refunding	3.65% - 3.80%	2,910,000
2007 electric	3.10% - 3.95%	805,000
2008 refunding	3.00% - 4.00%	<u>2,190,000</u>
		<u>\$ 6,465,000</u>
Discretely presented component unit		
2002 downtown development	4.20% - 5.10%	<u>\$ 645,000</u>

CITY OF MARSHALL, MICHIGAN

Notes To Financial Statements

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

Year Ending June 30,	Governmental		Business-type		Component Unit	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 480,000	\$ 287,157	\$ 410,000	\$ 255,624	\$ 25,000	\$ 31,043
2010	285,000	267,882	380,000	241,680	25,000	29,993
2011	300,000	125,752	510,000	228,756	30,000	28,943
2012	310,000	114,069	540,000	210,056	30,000	27,653
2013	325,000	101,615	565,000	189,548	35,000	26,333
2014-2018	1,405,000	333,676	2,775,000	597,023	230,000	104,020
2019-2023	810,000	53,400	1,020,000	147,698	270,000	270,000
2024-2027	-	-	265,000	26,975	-	-
	<u>\$ 3,915,000</u>	<u>\$ 1,283,551</u>	<u>\$ 6,465,000</u>	<u>\$ 1,897,360</u>	<u>\$ 645,000</u>	<u>\$ 517,985</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>
Business-type activities		
1989 wastewater	2.00%	\$ 275,000
1999 electric	4.25% - 5.20%	850,000
1999 water and wastewater	5.13% - 5.20%	<u>110,001</u>
		<u>\$ 1,235,001</u>
Discretely presented component unit		
2005 local development	3.50% - 4.30%	<u>\$ 1,270,000</u>

CITY OF MARSHALL, MICHIGAN

Notes To Financial Statements

Revenue bond debt service requirements to maturity are as follows:

Year Ending June 30,	Business-type		Component Unit	
	Principal	Interest	Principal	Interest
2009	\$ 245,001	\$ 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	65,000	30,350	80,000	48,230
2014-2018	375,000	98,013	435,000	191,805
2019-2023	180,000	9,360	465,000	100,545
2024-2025	-	-	190,000	12,255
	<u>\$ 1,235,001</u>	<u>\$ 299,714</u>	<u>\$ 1,270,000</u>	<u>\$ 555,067</u>

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:

Purpose	Interest Rates	Amount
Governmental activities		
1996 public improvement (Stanton)	9.00%	\$ 106,576
1999 emergency rescue	5.65%	50,000
2002 land contract (Quigley)	5.43%	329,589
2004 ambulance	3.29%	17,640
2006 communication equipment	4.00%	135,541
		<u>\$ 639,346</u>
Business-type activities		
1996 public improvement (Stanton)	9.00%	\$ 248,678
2000 fuel tanks	5.25%	72,000
2002 public improvement (State Farm)	0.00%	720,000
		<u>\$1,040,678</u>

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:

Year Ending June 30,	Governmental		Business-type	
	Principal	Interest	Principal	Interest
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>532,770</u>	<u>63,319</u>	<u>72,000</u>	<u>5,723</u>
Stanton	106,576	-	248,678	-
State Farm	-	-	720,000	-
	<u><u>\$ 639,346</u></u>	<u><u>\$ 63,319</u></u>	<u><u>\$ 1,040,678</u></u>	<u><u>\$ 5,723</u></u>

Current Refunding. During the year, the City issued \$2,190,000 of general obligation limited tax refunding bonds along with \$32,098 of issuance premium and \$43,859 of debt service fund monies to currently refund \$2,125,000 of water refunding bonds and to pay \$88,661 of bond issuance costs. The current refunding resulted in an economic gain of \$140,514 and a decrease in future debt service payments of \$181,959.

CITY OF MARSHALL, MICHIGAN

Notes To Financial Statements

Changes in Long-Term Debt. Long-term liability activity for the year ended June 30, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Primary Government</u>					
Governmental activities					
General obligation bonds	\$ 4,400,000	\$ -	\$ (485,000)	\$ 3,915,000	\$ 480,000
Installment contracts	771,193	-	(131,847)	639,346	137,630
Compensated absences	242,887	83,000	(98,256)	227,631	83,000
Add (deduct) deferred amounts:					
For issuance premiums	6,844	-	(403)	6,441	-
On refunding	(158,440)	-	11,984	(146,456)	-
	<u>\$ 5,262,484</u>	<u>\$ 83,000</u>	<u>\$ (703,522)</u>	<u>\$ 4,641,962</u>	<u>\$ 700,630</u>
Business-type activities					
General obligation bonds	\$ 6,760,000	\$ 2,190,000	\$ (2,485,000)	\$ 6,465,000	\$ 410,000
Revenue bonds	1,535,001	-	(300,000)	1,235,001	245,001
Installment contracts	1,084,143	-	(43,465)	1,040,678	35,000
Add (deduct) deferred amounts:					
For issuance premiums	31,462	32,099	(5,276)	58,285	-
On refunding	(83,643)	(8,438)	7,202	(84,879)	-
	<u>\$ 9,326,963</u>	<u>\$ 2,213,661</u>	<u>\$ (2,826,539)</u>	<u>\$ 8,714,085</u>	<u>\$ 690,001</u>
<u>Component Unit - LDFA</u>					
Revenue bonds	<u>\$ 1,295,000</u>	<u>\$ -</u>	<u>\$ (25,000)</u>	<u>\$ 1,270,000</u>	<u>\$ 25,000</u>
<u>Component Unit - DDA</u>					
General obligation bonds	\$ 665,000	\$ -	\$ (20,000)	\$ 645,000	\$ 25,000
Compensated absences	1,692.00	-	(138.00)	1,554	1,554
	<u>\$ 666,692</u>	<u>\$ -</u>	<u>\$ (20,138)</u>	<u>\$ 646,554</u>	<u>\$ 26,554</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, 2008, 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 2007 levy, including industrial facilities, was \$246,986,333. The government's general operating tax rate for fiscal 2007-08 was 15.4629 mills with an additional 0.8165 mills for recreation, 0.4840 for public transportation, and 1.6129 for DDA (based on \$10,455,543 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 postemployment healthcare benefits to eligible retirees and their dependents upon retirement. Retirees who were hired prior to July 15, 1986 are eligible for the benefits subject to length of service criteria at the same level and cost sharing as active employees. Retirees who were hired on or after July 15, 1986 are similarly eligible for the benefits except a sliding scale for sharing the cost of the annual insurance premium between the City and retiree also applies. Finally, for employees hired after January 1, 1997, the City pays no portion of the benefit.

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 (agent multiple-employer plan) 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, 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 0.00% to 6.87% of the annual covered payroll, depending on the applicable bargaining unit, for the year ended June 30, 2008. 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, 2008, the City's annual pension cost of \$227,379 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2006 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>
2006	\$ 136,075	100%	\$ -
2007	171,584	100%	-
2008	227,379	100%	-

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Actuarial Accrued 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%
12/31/07	23,486,337	25,079,823	1,593,486	94%	4,224,192	38%

4-F Deficit Fund Balance

For the year ended June 30, 2008, the Local Street special revenue fund had a deficit fund balance of \$12,223.

* * * * *

COMBINING and INDIVIDUAL FUND FINANCIAL
STATEMENTS and SCHEDULES

CITY OF MARSHALL, MICHIGAN
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2008

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent Cemetery</u>	<u>Totals</u>
<u>ASSETS</u>					
Assets					
Cash and cash equivalents	\$ 347,695	\$ 16,229	\$ 16,244	\$ 147,599	\$ 527,767
Investments	244,563	-	211,846	493,523	949,932
Accounts receivable	12,476	-	-	1,514	13,990
Due from other governments	251,829	-	-	-	251,829
Prepaid items	11,391	-	-	-	11,391
<u>TOTAL ASSETS</u>	<u>\$ 867,954</u>	<u>\$ 16,229</u>	<u>\$ 228,090</u>	<u>\$ 642,636</u>	<u>\$ 1,754,909</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities					
Accounts payable	\$ 141,887	\$ -	\$ -	\$ -	\$ 141,887
Accrued liabilities	6,901	-	-	-	6,901
Due to other governments	60	-	-	-	60
Interfund payable	261,156	-	-	-	261,156
Deferred revenue	40,815	-	-	-	40,815
Total liabilities	450,819	-	-	-	450,819
Fund balances					
Reserved for prepaid items	11,391	-	-	-	11,391
Unreserved:					
Designated for other purposes	125,032	-	-	-	125,032
Designated for subsequent year expenditures	91,553	-	-	-	91,553
Undesignated	189,159	16,229	228,090	642,636	1,076,114
Total fund balances	417,135	16,229	228,090	642,636	1,304,090
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 867,954</u>	<u>\$ 16,229</u>	<u>\$ 228,090</u>	<u>\$ 642,636</u>	<u>\$ 1,754,909</u>

CITY OF MARSHALL, MICHIGAN
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Nonmajor Governmental Funds
For the Year Ended June 30, 2008

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent Cemetery</u>	<u>Totals</u>
Revenues					
Property taxes	\$ 174,197	\$ -	\$ -	\$ -	\$ 174,197
Intergovernmental	741,700	-	-	-	741,700
Charges for services	222,806	-	-	12,315	235,121
Fines and forfeitures	15,613	-	-	-	15,613
Investment earnings	20,596	323	10,816	29,174	60,909
Other	118,214	-	-	-	118,214
Total revenues	<u>1,293,126</u>	<u>323</u>	<u>10,816</u>	<u>41,489</u>	<u>1,345,754</u>
Expenditures					
Current expenditures:					
General government	263,085	-	78	-	263,163
Highways and streets	549,865	-	-	-	549,865
Culture and recreation	387,055	-	-	-	387,055
Debt service:					
Principal	169,794	340,000	-	-	509,794
Interest and fiscal charges	55,559	135,701	-	-	191,260
Capital outlay	89,709	-	-	-	89,709
Total expenditures	<u>1,515,067</u>	<u>475,701</u>	<u>78</u>	<u>-</u>	<u>1,990,846</u>
Revenues over (under) expenditures	<u>(221,941)</u>	<u>(475,378)</u>	<u>10,738</u>	<u>41,489</u>	<u>(645,092)</u>
Other financing sources (uses)					
Transfers in	34,567	475,701	-	-	510,268
Transfers out	(18,214)	-	-	-	(18,214)
Total other financing sources (uses)	<u>16,353</u>	<u>475,701</u>	<u>-</u>	<u>-</u>	<u>492,054</u>
Net change in fund balances	(205,588)	323	10,738	41,489	(153,038)
Fund balances, beginning of year	<u>622,723</u>	<u>15,906</u>	<u>217,352</u>	<u>601,147</u>	<u>1,457,128</u>
Fund balances, end of year	<u>\$ 417,135</u>	<u>\$ 16,229</u>	<u>\$ 228,090</u>	<u>\$ 642,636</u>	<u>\$ 1,304,090</u>

CITY OF MARSHALL, MICHIGAN
Combining Balance Sheet - Nonmajor Special Revenue Funds
June 30, 2008

	<u>Major Street</u>	<u>Local Street</u>	<u>Composting</u>	<u>Parking System</u>	<u>Drug Law Enforcement</u>	<u>Recreation</u>	<u>Special Projects</u>	<u>Total</u>
<u>ASSETS</u>								
Assets								
Cash and cash equivalents	\$ 7,200	\$ -	\$ 34,524	\$ 1,931	\$ 5,441	\$ 55,767	\$ 242,832	\$ 347,695
Investments	1,722	57,370	-	9	-	185,152	310	244,563
Accounts receivable	-	-	-	553	-	559	11,364	12,476
Due from other governments	63,334	188,361	-	-	-	-	134	251,829
Prepaid items	3,857	3,202	1,003	398	-	2,931	-	11,391
<u>TOTAL ASSETS</u>	<u>\$ 76,113</u>	<u>\$ 248,933</u>	<u>\$ 35,527</u>	<u>\$ 2,891</u>	<u>\$ 5,441</u>	<u>\$ 244,409</u>	<u>\$ 254,640</u>	<u>\$ 867,954</u>
<u>LIABILITIES AND FUND BALANCES</u>								
Liabilities								
Accounts payable	\$ 2,091	\$ -	\$ 281	\$ -	\$ -	\$ 5,799	\$ 133,716	\$ 141,887
Accrued liabilities	-	-	194	26	-	6,681	-	6,901
Due to other governments	-	-	-	-	-	60	-	60
Interfund payable	-	261,156	-	-	-	-	-	261,156
Deferred revenue	-	-	14,200	-	-	26,615	-	40,815
Total liabilities	2,091	261,156	14,675	26	-	39,155	133,716	450,819
Fund balances								
Reserved for prepaid items	3,857	3,202	1,003	398	-	2,931	-	11,391
Unreserved:								
Designated for other purposes	-	-	-	-	-	4,108	120,924	125,032
Designated for subsequent year expenditures	66,975	-	-	-	-	24,578	-	91,553
Undesignated (deficit)	3,190	(15,425)	19,849	2,467	5,441	173,637	-	189,159
Total fund balances	74,022	(12,223)	20,852	2,865	5,441	205,254	120,924	417,135
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 76,113</u>	<u>\$ 248,933</u>	<u>\$ 35,527</u>	<u>\$ 2,891</u>	<u>\$ 5,441</u>	<u>\$ 244,409</u>	<u>\$ 254,640</u>	<u>\$ 867,954</u>

CITY OF MARSHALL, MICHIGAN
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance - Nonmajor Special Revenue Funds
For the Year Ended June 30, 2008

	<u>Major Street</u>	<u>Local Street</u>	<u>Composting</u>	<u>Parking System</u>	<u>Drug Law Enforcement</u>	<u>Recreation</u>	<u>Special Projects</u>	<u>Total</u>
Revenues								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 174,197	\$ -	\$ 174,197
Intergovernmental	411,062	322,611	5,106	2,153	-	768	-	741,700
Charges for services	-	-	8,477	-	-	214,329	-	222,806
Fines and forfeitures	-	-	-	15,613	-	-	-	15,613
Investment earnings	2,851	2,161	167	7	65	8,902	6,443	20,596
Other	-	-	-	-	-	451	117,763	118,214
Total revenues	<u>413,913</u>	<u>324,772</u>	<u>13,750</u>	<u>17,773</u>	<u>65</u>	<u>398,647</u>	<u>124,206</u>	<u>1,293,126</u>
Expenditures								
Current expenditures:								
General government	-	-	22,715	21,420	26	-	218,924	263,085
Highways and streets	193,793	356,072	-	-	-	-	-	549,865
Culture and recreation	-	-	-	-	-	387,055	-	387,055
Debt service:								
Principal	135,000	-	-	-	-	-	34,794	169,794
Interest and fiscal charges	37,147	-	-	-	-	-	18,412	55,559
Capital outlay	<u>14,774</u>	<u>73,391</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,544</u>	<u>-</u>	<u>89,709</u>
Total expenditures	<u>380,714</u>	<u>429,463</u>	<u>22,715</u>	<u>21,420</u>	<u>26</u>	<u>388,599</u>	<u>272,130</u>	<u>1,515,067</u>
Revenues over (under) expenditures	<u>33,199</u>	<u>(104,691)</u>	<u>(8,965)</u>	<u>(3,647)</u>	<u>39</u>	<u>10,048</u>	<u>(147,924)</u>	<u>(221,941)</u>
Other financing sources (uses)								
Transfers in	-	18,214	14,200	2,153	-	-	-	34,567
Transfers out	<u>(18,214)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18,214)</u>
Total other financing sources (uses)	<u>(18,214)</u>	<u>18,214</u>	<u>14,200</u>	<u>2,153</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,353</u>
Net change in fund balances	14,985	(86,477)	5,235	(1,494)	39	10,048	(147,924)	(205,588)
Fund balances, beginning of year	<u>59,037</u>	<u>74,254</u>	<u>15,617</u>	<u>4,359</u>	<u>5,402</u>	<u>195,206</u>	<u>268,848</u>	<u>622,723</u>
Fund balances (deficit), end of year	<u>\$ 74,022</u>	<u>\$ (12,223)</u>	<u>\$ 20,852</u>	<u>\$ 2,865</u>	<u>\$ 5,441</u>	<u>\$ 205,254</u>	<u>\$ 120,924</u>	<u>\$ 417,135</u>

CITY OF MARSHALL, MICHIGAN
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Final Budget and Actual - Nonmajor Special Revenue Funds
For the Year Ended June 30, 2008

	Major Street Fund			Local Street Fund		
	Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	413,600	411,062	(2,538)	138,950	322,611	183,661
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Investment earnings	10,000	2,851	(7,149)	800	2,161	1,361
Other	-	-	-	-	-	-
Total revenues	423,600	413,913	(9,687)	139,750	324,772	185,022
Expenditures						
Current expenditures:						
General government	-	-	-	-	-	-
Highways and streets	165,294	193,793	28,499	157,964	356,072	198,108
Parks and recreation	-	-	-	-	-	-
Debt service:						
Principal	135,000	135,000	-	-	-	-
Interest and fiscal charges	37,492	37,147	(345)	-	-	-
Capital outlay	33,000	14,774	(18,226)	247,936	73,391	(174,545)
Total expenditures	370,786	380,714	9,928	405,900	429,463	23,563
Revenues over (under) expenditures	52,814	33,199	(19,615)	(266,150)	(104,691)	161,459
Other financing sources (uses)						
Transfers in	-	-	-	18,214	18,214	-
Transfers out	(18,214)	(18,214)	-	-	-	-
Total other financing sources (uses)	(18,214)	(18,214)	-	18,214	18,214	-
Net change in fund balances	34,600	14,985	(19,615)	(247,936)	(86,477)	161,459
Fund balances, beginning of year	185,488	59,037	126,451	74,254	74,254	-
Fund balances (deficit), end of year	<u>\$ 220,088</u>	<u>\$ 74,022</u>	<u>\$ (146,066)</u>	<u>\$ (173,682)</u>	<u>\$ (12,223)</u>	<u>\$ 161,459</u>

Composting Fund			Parking System Fund			Drug Law Enforcement Fund		
Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
14,200	5,106	(9,094)	2,153	2,153	-	-	-	-
5,500	8,477	2,977	-	-	-	-	-	-
-	-	-	13,934	15,613	1,679	-	-	-
250	167	(83)	10	7	(3)	-	65	65
-	-	-	-	-	-	-	-	-
19,950	13,750	(6,200)	16,097	17,773	1,676	-	65	65
35,000	22,715	(12,285)	20,213	21,420	1,207	-	26	26
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
35,000	22,715	(12,285)	20,213	21,420	1,207	-	26	26
(15,050)	(8,965)	6,085	(4,116)	(3,647)	469	-	39	39
14,200	14,200	-	2,153	2,153	-	-	-	-
-	-	-	-	-	-	-	-	-
14,200	14,200	-	2,153	2,153	-	-	-	-
(850)	5,235	6,085	(1,963)	(1,494)	469	-	39	39
15,617	15,617	-	4,359	4,359	-	5,402	5,402	-
\$ 14,767	\$ 20,852	\$ 6,085	\$ 2,396	\$ 2,865	\$ 469	\$ 5,402	\$ 5,441	\$ 39

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, 2008

	Recreation Fund		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Property taxes	\$ 177,125	\$ 174,197	\$ (2,928)
Intergovernmental	-	768	768
Charges for services	202,347	214,329	11,982
Fines and forfeitures	-	-	-
Investment earnings	6,000	8,902	2,902
Other	1,100	451	(649)
Total revenues	386,572	398,647	12,075
Expenditures			
Current expenditures:			
General government	-	-	-
Highways and streets	-	-	-
Parks and recreation	403,374	387,055	(16,319)
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Capital outlay	11,320	1,544	(9,776)
Total expenditures	414,694	388,599	(26,095)
Revenues over (under) expenditures	(28,122)	10,048	38,170
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(28,122)	10,048	38,170
Fund balances, beginning of year	195,206	195,206	-
Fund balances (deficit), end of year	\$ 167,084	\$ 205,254	\$ 38,170

CITY OF MARSHALL, MICHIGAN
Combining Balance Sheet - Nonmajor Debt Service Funds
June 30, 2008

	<u>Building Authority</u>	<u>1999 Motor Vehicle Highway</u>	<u>1986 Motor Vehicle Highway</u>	<u>Total</u>
<u>ASSETS</u>				
Assets				
Cash and cash equivalents	<u>\$ 9,361</u>	<u>\$ 6,705</u>	<u>\$ 163</u>	<u>\$ 16,229</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Fund balances				
Unreserved, undesignated	<u>\$ 9,361</u>	<u>\$ 6,705</u>	<u>\$ 163</u>	<u>\$ 16,229</u>

CITY OF MARSHALL, MICHIGAN
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance - Nonmajor Debt Service Funds
For the Year Ended June 30, 2008

	<u>Building Authority</u>	<u>1999 Motor Vehicle Highway</u>	<u>1986 Motor Vehicle Highway</u>	<u>Total</u>
Revenues				
Investment earnings	\$ 112	\$ 206	\$ 5	\$ 323
Expenditures				
Debt service:				
Principal retirement	340,000	-	-	340,000
Interest and fiscal charges	135,701	-	-	135,701
Total expenditures	475,701	-	-	475,701
Revenues over (under) expenditures	(475,589)	206	5	(475,378)
Other financing sources (uses)				
Transfers in	475,701	-	-	475,701
Net change in fund balances	112	206	5	323
Fund balances, beginning of year	9,249	6,499	158	15,906
Fund balances, end of year	<u>\$ 9,361</u>	<u>\$ 6,705</u>	<u>\$ 163</u>	<u>\$ 16,229</u>

CITY OF MARSHALL, MICHIGAN
Combining Balance Sheet - Nonmajor Capital Projects Funds
June 30, 2008

	<u>MVH Major Streets</u>	<u>MVH Local Streets</u>	<u>Total</u>
<u>ASSETS</u>			
Assets			
Cash and cash equivalents	\$ 7,628	\$ 8,616	\$ 16,244
Investments	<u>211,846</u>	<u>-</u>	<u>211,846</u>
<u>TOTAL ASSETS</u>	<u><u>\$ 219,474</u></u>	<u><u>\$ 8,616</u></u>	<u><u>\$ 228,090</u></u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Fund balances			
Unreserved, undesignated	<u>219,474</u>	<u>8,616</u>	<u>228,090</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u><u>\$ 219,474</u></u>	<u><u>\$ 8,616</u></u>	<u><u>\$ 228,090</u></u>

CITY OF MARSHALL, MICHIGAN
Combining Statement of Revenue, Expenditures and
Changes in Fund Balance - Nonmajor Capital Projects Funds
For the Year Ended June 30, 2008

	<u>MVH Major Streets</u>	<u>MVH Local Streets</u>	<u>Total</u>
Revenue			
Investment earnings	\$ 10,713	\$ 103	\$ 10,816
Expenditures			
Current expenditures -			
General government	<u>37</u>	<u>41</u>	<u>78</u>
Net change in fund balances	10,676	62	10,738
Fund balances, beginning of year	<u>208,798</u>	<u>8,554</u>	<u>217,352</u>
Fund balances, end of year	<u><u>\$ 219,474</u></u>	<u><u>\$ 8,616</u></u>	<u><u>\$ 228,090</u></u>

CITY OF MARSHALL, MICHIGAN
Supplemental Schedule of Operating Expenses
Electric, Wastewater and Water Enterprise Funds
For the Year Ended June 30, 2008

	<u>Electric</u>	<u>Wastewater</u>	<u>Water</u>	<u>Total</u>
Administration				
Personal services	\$ 363,081	\$ 173,026	\$ 182,093	\$ 718,200
Materials and supplies	24,046	9,404	9,632	43,082
Contractual	39,849	10,608	7,257	57,714
Insurance	191,907	48,411	36,417	276,735
Maintenance	314	157	157	628
Other expense	16,232	4,274	4,827	25,333
Depreciation	30,090	29,032	-	59,122
	<u>665,519</u>	<u>274,912</u>	<u>240,383</u>	<u>1,180,814</u>
Powerhouse				
Personal services	366,291	-	-	366,291
Materials and supplies	81,859	-	-	81,859
Purchased power	9,110,886	-	-	9,110,886
Contractual	36,058	-	-	36,058
Other expense	11,354	-	-	11,354
Depreciation	244,355	-	-	244,355
	<u>9,850,803</u>	<u>-</u>	<u>-</u>	<u>9,850,803</u>
Line distribution				
Personal services	704,481	-	185,152	889,633
Materials and supplies	128,713	-	39,668	168,381
Purchased power	-	-	1,715	1,715
Contractual	63,704	-	6,508	70,212
Maintenance	4,362	-	430	4,792
Other expense	172,596	-	33,444	206,040
Depreciation	364,727	-	254,499	619,226
	<u>1,438,583</u>	<u>-</u>	<u>521,416</u>	<u>1,959,999</u>
Operations				
Personal services	-	259,697	-	259,697
Materials and supplies	-	127,777	-	127,777
Purchased power	-	92,457	-	92,457
Contractual	-	84,329	-	84,329
Other expense	40,649	83,023	21,325	144,997
Depreciation	-	320,028	-	320,028
	<u>40,649</u>	<u>970,640</u>	<u>21,325</u>	<u>1,032,614</u>

Continued...

CITY OF MARSHALL, MICHIGAN
Supplemental Schedule of Operating Expenses (Concluded)
Electric, Wastewater and Water Enterprise Funds
For the Year Ended June 30, 2008

	<u>Electric</u>	<u>Wastewater</u>	<u>Water</u>	<u>Total</u>
Production				
Personal services	\$ -	\$ -	\$ 61,320	\$ 61,320
Materials and supplies	-	-	65,894	65,894
Purchased power	-	-	48,087	48,087
Contractual	-	-	1,873	1,873
Other expense	-	-	3,997	3,997
Depreciation	-	-	37,135	37,135
	<u>-</u>	<u>-</u>	<u>218,306</u>	<u>218,306</u>
Totals				
Personal services	1,433,853	432,723	428,565	2,295,141
Materials and supplies	234,618	137,181	115,194	486,993
Purchased power	9,110,886	92,457	49,802	9,253,145
Contractual	139,611	94,937	15,638	250,186
Insurance	191,907	48,411	36,417	276,735
Maintenance	4,676	3,486	587	8,749
Other expense	240,831	87,297	63,593	391,721
Depreciation	639,172	349,060	291,634	1,279,866
	<u>\$ 11,995,554</u>	<u>\$ 1,245,552</u>	<u>\$ 1,001,430</u>	<u>\$ 14,242,536</u>

CITY OF MARSHALL, MICHIGAN
Supplemental Schedule of Revenues and Expenses
Dial-A-Ride Transportation Fund
For the Year Ended June 30, 2008

Schedule 1	7/1/07 to 9/30/07	10/1/07 to 6/30/08	Total
Local revenues:			
Demand response - farebox (nonurban)	\$ 13,393	\$ 42,969	\$ 56,362
Tax levy	102,195	1,058	103,253
Interest income	2,242	7,256	9,498
Total local revenues	\$ 117,830	\$ 51,283	\$ 169,113

Schedule 1A - based on a September 30, 2007 Year End	10/1/06 to 6/30/07	7/1/07 to 9/30/07	Total
Local revenues:			
Demand response - farebox (nonurban)	\$ 43,453	\$ 13,393	\$ 56,846
Tax levy	482	102,195	102,677
Interest income	7,144	2,242	9,386
Total local revenues	\$ 51,079	\$ 117,830	\$ 168,909

Continued...

CITY OF MARSHALL, MICHIGAN
Supplemental Schedule of Revenues and Expenses (Continued)
Dial-A-Ride Transportation Fund
For the Year Ended June 30, 2008

Schedule 2 - Expenditures of Federal and State Awards	Federal CFDA Number	Grant No./ Authorization Number	Program Award Amount	Current Year Expenditures				Prior Year Expend.	Award Amount Remaining
				Total	Federal	State	Local		
U.S. Department of Transportation									
Passed Through Michigan Department of Transportation:									
Operating Assistance: Section 5311	20.509	MI-18-X041	\$ 62,899	\$ 18,357	\$ 18,357	\$ -	\$ -	\$ 44,542	\$ -
Operating Assistance: Section 5311	20.509	MI-18-X041	55,499	28,092	28,092	-	-	-	27,407
Michigan Department of Transportation									
Operating Assistance - Act 51 Nonurban		N/A	145,222	145,222	-	145,222	-	-	-
Total			\$ 263,620	\$ 191,671	\$ 46,449	\$ 145,222	\$ -	\$ 44,542	\$ 27,407

Continued...

CITY OF MARSHALL, MICHIGAN
Supplemental Schedule of Revenues and Expenses (Continued)
Dial-A-Ride Transportation Fund
For the Year Ended June 30, 2008

Schedule 2A - for the year ended June 30, 2008	7/1/07 to 9/30/07	10/1/07 to 6/30/08	Total
Michigan Department of Transportation:			
Local Bus Operating (Act 51)	\$ 26,043	\$ 120,259	\$ 146,302
Final closeout revenue	-	1,649	1,649
Federal Transit Administration:			
Section 5311 - operating	(26,801)	73,250	46,449
Section 5311 - prior year operating refund	(3,180)	3,180	-
Total	<u>\$ (3,938)</u>	<u>\$ 198,338</u>	<u>\$ 194,400</u>

Schedule 2B - based on a September 30, 2007 year end	10/1/06 to 6/30/07	7/1/07 to 9/30/07	Total
Michigan Department of Transportation:			
Local Bus Operating (Act 51)	\$ 97,946	\$ 26,043	\$ 123,989
Other State Contracts	12,582	-	12,582
Federal Transit Administration -			
Section 5311 - operating	71,160	(26,801)	44,359
Section 5311 - prior year operating refund	3,667	(3,180)	487
Total	<u>\$ 185,355</u>	<u>\$ (3,938)</u>	<u>\$ 181,417</u>

Continued...

CITY OF MARSHALL, MICHIGAN
Supplemental Schedule of Revenues and Expenses (Continued)
Dial-A-Ride Transportation Fund
For the Year Ended June 30, 2008

Schedule 3 - Operating and Contract Expenses	Nonurban	Total
Expenses:		
Labor	\$ 218,876	\$ 218,876
Fringe Benefits	74,338	74,338
Services	60,388	60,388
Materials and Supplies	47,296	47,296
Utilities	622	622
Insurance	3,756	3,756
Taxes	124	124
Miscellaneous	833	833
Depreciation	45,716	45,716
Total Expenses	<u>\$ 451,949</u>	<u>\$ 451,949</u>

	Nonurban		
	7/1/07 to	10/1/07 to	
Schedule 3A - Operating Expenses for June 30, 2008	9/30/07	06/30/08	Total
Expenses:			
Labor	\$ 45,648	\$ 173,228	\$ 218,876
Fringe Benefits	30,111	44,227	74,338
Services	2,367	58,021	60,388
Materials and Supplies	11,751	35,545	47,296
Utilities	2,324	(1,702)	622
Insurance	6,445	(2,689)	3,756
Taxes	65	59	124
Miscellaneous	290	543	833
Depreciation	6,134	39,582	45,716
Total Expenses	<u>\$ 105,135</u>	<u>\$ 346,814</u>	<u>\$ 451,949</u>

	Nonurban		
	10/1/06 to	7/1/07 to	
Schedule 3B - Operating Expenses for September 30, 2007	6/30/07	9/30/07	Total
Expenses:			
Labor	\$ 168,372	\$ 45,648	\$ 214,020
Fringe Benefits	51,367	30,111	81,478
Services	14,835	2,367	17,202
Materials and Supplies	35,807	11,751	47,558
Utilities	6,986	2,324	9,310
Insurance	-	6,445	6,445
Taxes	130	65	195
Miscellaneous	582	290	872
Depreciation	52,886	6,134	59,020
Total Expenses	<u>\$ 330,965</u>	<u>\$ 105,135</u>	<u>\$ 436,100</u>

CITY OF MARSHALL, MICHIGAN
Supplemental Schedule of Revenues and Expenses (Concluded)
Dial-A-Ride Transportation Fund
For the Year Ended June 30, 2008

<u>Schedule 5 - Operating Assistance Calculation for September 30, 2007</u>	<u>Nonurban</u>
Total Expenses	<u>\$ 436,100</u>
Less Ineligible Expenses	
Depreciation	59,020
Rental	<u>-</u>
Total Ineligible Expenses Per R&E Manual	<u>59,020</u>
Total State Eligible Expenses	<u>377,080</u>
Eligible Expenses for State Reimbursement	377,080
x Reimbursement Percentage	<u>39.2500%</u>
State Operating Assistance	<u>\$ 148,004</u>
Total Federal Eligible Expenses	
Less Additional Federal Ineligible Expenses Per A-87	
Audit Costs	<u>487</u>
Eligible Expenses for Federal Reimbursement	376,593
x Reimbursement Percentage	<u>15%</u>
Federal Operating Assistance	<u>\$ 56,489</u>

CITY OF MARSHALL, MICHIGAN
Dial-A-Ride Transportation Fund
Nonurban Regular Service Revenue Report
For the Year Ended September 30, 2007

Code	Description	Amount
401 :	Farebox Revenue	
40100	Passenger Fares	\$ 56,846
408 :	Local Revenue	
40800	Taxes Levied Directly for/by Transit Agency	102,677
411 :	State Formula and Contracts	
41101	State Operating Assistance	136,571
413 :	Federal Contracts	
41301	Federal Section 5311	44,359
41398	RTAP (RTAP for Supervisor Seminar)	487
414 :	Other Revenue	
41400	Interest Income	9,386
Total revenues:		\$ 350,326

CITY OF MARSHALL, MICHIGAN
Dial-A-Ride Transportation Fund
Nonurban Regular Service Expense Report
For the Year Ended September 30, 2007

Code	Description	Operations	Maintenance	Gen. Admin.	Total
501 :					
50101	Operators' Salaries & Wages	142,576		\$	142,576
50102	Other Salaries & Wages		3,950	10,031	13,981
50103	Dispatchers' Salaries & Wages	57,463			57,463
502 :					
50200	Other Fringe Benefits	78,756	961	1,761	81,478
503 :					
50302	Advertising Fees			70	70
50305	Audit Cost			1,855	1,855
50399	Other Services	1,621		13,656	15,277
504 :					
50401	Fuel & Lubricants	29,004			29,004
50402	Tires & Tubes	5,685			5,685
50499	Other Materials & Supplies	12,869			12,869
505 :					
50500	Utilities	9,310			9,310
506 :					
50603	Liability Insurance	6,445		-	6,445
507 :					
50700	Taxes & Fees			195	195
509 :					
50902	Travel, Meetings & Training			872	872
513 :					
51300	Depreciation	59,020			59,020
550 :					
55007	Ineligible Depreciation	59,020			59,020
574 :					
57402	Ineligible RTAP			487	487
Total expenses:					436,100
Total ineligible expenses:					59,507
Total eligible expenses:					\$ 376,593

CITY OF MARSHALL, MICHIGAN
Dial-A-Ride Transportation Fund
Nonurban Regular Service Nonfinancial Report
For the Year Ended September 30, 2007

Public Service

Code	Description	Weekday	Saturday	Sunday	Total
611	Vehicle Miles	72,550	4,285	-	76,835

CITY OF MARSHALL, MICHIGAN
Combining Statement of Net Assets
Internal Service Funds
June 30, 2008

	<u>Data Processing</u>	<u>Motor Pool</u>	<u>Safety</u>	<u>Total</u>
Assets				
Current assets:				
Cash and cash equivalents	\$ 37	\$ 93,458	\$ 5	\$ 93,500
Investments	186,636	1,027,179	36,334	1,250,149
Due from other governments	-	11,621	-	11,621
Prepaid items	-	1,063	-	1,063
Total current assets	186,673	1,133,321	36,339	1,356,333
Noncurrent assets:				
Capital assets, net	37,466	1,282,707	-	1,320,173
Total assets	224,139	2,416,028	36,339	2,676,506
Liabilities				
Current liabilities:				
Accounts payable	1,530	1,920	287	3,737
Accrued payroll and compensated absences	-	3,348	-	3,348
Accrued interest payable	-	424	-	424
Contracts payable, current portion	-	25,000	-	25,000
Total current liabilities	1,530	30,692	287	32,509
Noncurrent liabilities -				
Contracts payable	-	25,000	-	25,000
Total liabilities	1,530	55,692	287	57,509
Net assets				
Invested in capital assets, net of related debt	37,466	1,232,707	-	1,270,173
Unrestricted	185,143	1,127,629	36,052	1,348,824
Total net assets	\$ 222,609	\$ 2,360,336	\$ 36,052	\$ 2,618,997

CITY OF MARSHALL, MICHIGAN
Combining Statement of Revenues, Expenses
and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2008

	<u>Data Processing</u>	<u>Motor Pool</u>	<u>Safety</u>	<u>Total</u>
Operating revenues				
Charges for services	\$ -	\$ 776,620	\$ -	\$ 776,620
Other	1,118	29,247	-	30,365
	<u>1,118</u>	<u>805,867</u>	<u>-</u>	<u>806,985</u>
Total operating revenues				
	<u>1,118</u>	<u>805,867</u>	<u>-</u>	<u>806,985</u>
Operating expenses				
Personal services	-	57,368	-	57,368
Materials and supplies	22,223	178,887	616	201,726
Contractual	38,468	5,445	1	43,914
Insurance	-	30,604	-	30,604
Maintenance	357	100,174	535	101,066
Other expense	2	50,617	-	50,619
Depreciation	12,932	353,577	-	366,509
	<u>73,982</u>	<u>776,672</u>	<u>1,152</u>	<u>851,806</u>
Total operating expenses				
	<u>73,982</u>	<u>776,672</u>	<u>1,152</u>	<u>851,806</u>
Operating income (loss)	<u>(72,864)</u>	<u>29,195</u>	<u>(1,152)</u>	<u>(44,821)</u>
Nonoperating revenues (expenses)				
Investment earnings	10,973	55,710	1,908	68,591
Interest expense	-	(2,784)	-	(2,784)
Total nonoperating revenues (expenses)	<u>10,973</u>	<u>52,926</u>	<u>1,908</u>	<u>65,807</u>
Income (loss) before transfers	(61,891)	82,121	756	20,986
Transfers in	<u>-</u>	<u>23,490</u>	<u>-</u>	<u>23,490</u>
Change in net assets	(61,891)	105,611	756	44,476
Net assets, beginning of year	<u>284,500</u>	<u>2,254,725</u>	<u>35,296</u>	<u>2,574,521</u>
Net assets, end of year	<u>\$ 222,609</u>	<u>\$ 2,360,336</u>	<u>\$ 36,052</u>	<u>\$ 2,618,997</u>

CITY OF MARSHALL, MICHIGAN
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2008

	<u>Data Processing</u>	<u>Motor Pool</u>	<u>Safety</u>	<u>Total</u>
Cash flows from operating activities				
Receipts from interfund services	\$ 1,118	\$ 805,867	\$ -	\$ 806,985
Payments to suppliers/claimants	(61,050)	(503,143)	(1,152)	(565,345)
Payments to employees	-	(56,274)	-	(56,274)
	<u>(59,932)</u>	<u>246,450</u>	<u>(1,152)</u>	<u>185,366</u>
Cash flows from non-capital financing activities				
Transfers in	-	23,490	-	23,490
Cash flows from capital and related financing activities				
Principal and interest paid on contract	-	(23,490)	-	(23,490)
Purchase of capital assets	-	(399,335)	-	(399,335)
	<u>-</u>	<u>(422,825)</u>	<u>-</u>	<u>(422,825)</u>
Cash flows from investing activities				
Purchase of investments	-	-	(872)	(872)
Proceeds from investments	30,829	5,558	-	36,387
Interest received on investments	10,973	55,710	1,908	68,591
	<u>41,802</u>	<u>61,268</u>	<u>1,036</u>	<u>104,106</u>
Net cash provided by investing activities	<u>41,802</u>	<u>61,268</u>	<u>1,036</u>	<u>104,106</u>
Net decrease in cash and cash equivalents	(18,130)	(91,617)	(116)	(109,863)
Cash and cash equivalents, beginning of year	18,167	185,075	121	203,363
Cash and cash equivalents, end of year	<u>\$ 37</u>	<u>\$ 93,458</u>	<u>\$ 5</u>	<u>\$ 93,500</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ (72,864)	\$ 29,195	\$ (1,152)	\$ (44,821)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	12,932	353,577	-	366,509
Changes in assets and liabilities:				
Accounts receivable	-	2,750	-	2,750
Due from other governments	-	(2,257)	-	(2,257)
Prepaid items	-	714	-	714
Accounts payable	-	(138,623)	-	(138,623)
Accrued payroll/compensated absences	-	1,094	-	1,094
Net cash provided (used) by operating activities	<u>\$ (59,932)</u>	<u>\$ 246,450</u>	<u>\$ (1,152)</u>	<u>\$ 185,366</u>

CITY OF MARSHALL, MICHIGAN
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2008

	<u>Current Tax</u>	<u>Imprest Payroll</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 84,267	\$ 30,049	\$ 114,316
Delinquent taxes receivable	<u>108,324</u>	<u>-</u>	<u>108,324</u>
Total assets	<u><u>\$ 192,591</u></u>	<u><u>\$ 30,049</u></u>	<u><u>\$ 222,640</u></u>
Liabilities			
Undistributed receipts	<u><u>\$ 192,591</u></u>	<u><u>\$ 30,049</u></u>	<u><u>\$ 222,640</u></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, 2008

	<u>Special Revenue</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Assets			
Cash and cash equivalents	\$ 11,123	\$ -	\$ 11,123
Investments	52,576	-	52,576
Due from other governmental units	-	-	-
Prepaid items	193	-	193
Restricted cash and cash equivalents	61,581	-	61,581
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 125,473</u>	<u>-</u>	<u>125,473</u>
Liabilities			
Accounts payable	\$ 1,086	-	1,086
Accrued liabilities	1,115	-	1,115
Accrued interest payable	-	2,587	2,587
Long-term liabilities:			
Due within one year	-	26,554	26,554
Due in more than one year	-	620,000	620,000
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>2,201</u>	<u>649,141</u>	<u>651,342</u>
Fund balance			
Reserved for prepaid items	193	(193)	-
Unreserved, undesignated	123,079	(123,079)	-
	<hr/>	<hr/>	<hr/>
Total fund balance	<u>123,272</u>	<u>(123,272)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 125,473</u>		
Net assets			
Restricted for debt service		61,581	61,581
Unrestricted (deficit)		(587,450)	(587,450)
		<hr/>	<hr/>
Total net assets (deficit)		<u>\$ (525,869)</u>	<u>\$ (525,869)</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, 2008

	<u>Special Revenue</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Property taxes	\$ 199,164	\$ -	\$ 199,164
Investment earnings	11,028	-	11,028
Other	92,743	-	92,743
	<hr/>	<hr/>	<hr/>
Total revenues	302,935	-	302,935
	<hr/>	<hr/>	<hr/>
Expenditures/expenses			
Community development	295,603	(138)	295,465
Debt service:			
Principal	20,000	(20,000)	-
Interest and fiscal charges	31,995	(70)	31,925
	<hr/>	<hr/>	<hr/>
Total expenditures/expenses	347,598	(20,208)	327,390
	<hr/>	<hr/>	<hr/>
Change in fund balance/net assets	(44,663)	20,208	(24,455)
	<hr/>	<hr/>	<hr/>
Fund balances/net assets (deficit)			
Beginning of year	167,935	(669,349)	(501,414)
	<hr/>	<hr/>	<hr/>
End of year	<u>\$ 123,272</u>	<u>\$ (649,141)</u>	<u>\$ (525,869)</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, 2008

	Budget (Original and Final)	Actual	Actual Over (Under) Final Budget
Revenues			
Property taxes	\$ 170,036	\$ 199,164	\$ 29,128
Investment earnings	15,000	11,028	(3,972)
Other	109,414	92,743	(16,671)
	<u>294,450</u>	<u>302,935</u>	<u>8,485</u>
Total revenues			
	<u>294,450</u>	<u>302,935</u>	<u>8,485</u>
Expenditures			
Community development	353,620	295,603	(58,017)
Debt service:			
Principal	20,000	20,000	-
Interest and fiscal charges	31,883	31,995	112
	<u>405,503</u>	<u>347,598</u>	<u>(57,905)</u>
Total expenditures			
	<u>405,503</u>	<u>347,598</u>	<u>(57,905)</u>
Net change in fund balance	(111,053)	(44,663)	66,390
Fund balance, beginning of year	167,935	167,935	-
	<u>167,935</u>	<u>167,935</u>	<u>-</u>
Fund balance, end of year	<u>\$ 56,882</u>	<u>\$ 123,272</u>	<u>\$ 66,390</u>

CITY OF MARSHALL, MICHIGAN
Statement of Net Assets and
Governmental Fund Balance Sheet
Local Development Finance Authority Component Unit
June 30, 2008

	<u>Special Revenue</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Assets			
Cash and cash equivalents	\$ 734	\$ -	\$ 734
Investments	1,513,430	-	1,513,430
Unamortized bond issuance costs	-	45,582	45,582
Restricted cash and cash equivalents	45,393	-	45,393
Total assets	<u>\$ 1,559,557</u>	<u>45,582</u>	<u>1,605,139</u>
Liabilities			
Accounts payable	\$ 709	-	709
Accrued interest payable	-	12,980	12,980
Long-term liabilities:			
Due within one year	-	25,000	25,000
Due in more than one year	-	1,245,000	1,245,000
Total liabilities	709	1,282,980	1,283,689
Fund balance			
Unreserved, undesignated	1,558,848	(1,558,848)	-
Total liabilities and fund balance	<u>\$ 1,559,557</u>		
Net assets			
Restricted for debt service		45,393	45,393
Unrestricted		276,057	276,057
Total net assets		<u>\$ 321,450</u>	<u>\$ 321,450</u>

CITY OF MARSHALL, MICHIGAN
Statement of Activities and
Governmental Fund Revenues, Expenditures
and Changes in Fund Balances
Local Development Finance Authority Component Unit
For the Year Ended June 30, 2008

	<u>Special Revenue</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Property taxes	\$ 489,873	\$ -	\$ 489,873
Investment earnings	77,755	-	77,755
Other	500	-	500
	<hr/>	<hr/>	<hr/>
Total revenues	568,128	-	568,128
	<hr/>	<hr/>	<hr/>
Expenditures/expenses			
Community development	278,221	-	278,221
Debt service:			
Principal	25,000	(25,000)	-
Interest and fiscal charges	52,793	2,463	55,256
	<hr/>	<hr/>	<hr/>
Total expenditures/expenses	356,014	(22,537)	333,477
	<hr/>	<hr/>	<hr/>
Net change in fund balance/net assets	212,114	22,537	234,651
	<hr/>	<hr/>	<hr/>
Fund balances/net assets			
Beginning of year	1,346,734	(1,259,935)	86,799
	<hr/>	<hr/>	<hr/>
End of year	<u>\$ 1,558,848</u>	<u>\$ (1,237,398)</u>	<u>\$ 321,450</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, 2008

	Budget (Original and Final)	Actual	Actual Over (Under) Final Budget
Revenues			
Property taxes	\$ 410,000	\$ 489,873	\$ 79,873
Investment earnings	55,000	77,755	22,755
Other	-	500	500
	<u>465,000</u>	<u>568,128</u>	<u>103,128</u>
Expenditures			
Community development	305,871	278,221	(27,650)
Debt service:			
Principal	25,000	25,000	-
Interest and fiscal charges	52,793	52,793	-
	<u>383,664</u>	<u>356,014</u>	<u>(27,650)</u>
Total expenditures	<u>383,664</u>	<u>356,014</u>	<u>(27,650)</u>
Net change in fund balance	81,336	212,114	130,778
Fund balance, beginning of year	<u>1,346,734</u>	<u>1,346,734</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 1,428,070</u></u>	<u><u>\$ 1,558,848</u></u>	<u><u>\$ 130,778</u></u>

CITY OF MARSHALL, MICHIGAN
Statement of Net Assets and
Governmental Fund Balance Sheet
Economic Development Corporation Component Unit
June 30, 2008

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

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, 2008

	<u>Special Revenue</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Investment earnings	\$ 107	\$ -	\$ 107
Expenditures/expenses			
Community development	43	-	43
Depreciation	-	1,637	1,637
Total expenditures	43	1,637	1,680
Change in fund balance/net assets	64	(1,637)	(1,573)
Fund balances/net assets			
Beginning of year	8,919	40,121	49,040
End of year	<u>\$ 8,983</u>	<u>\$ 38,484</u>	<u>\$ 47,467</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, 2008

	Budget (Original and Final)	Actual	Actual Over (Under) Final Budget
Revenues			
Investment earnings	\$ -	\$ 107	\$ 107
Expenditures			
Community development	<u>-</u>	<u>43</u>	<u>43</u>
Net change in fund balance	-	64	64
Fund balance, beginning of year	<u>8,919</u>	<u>8,919</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 8,919</u></u>	<u><u>\$ 8,983</u></u>	<u><u>\$ 64</u></u>