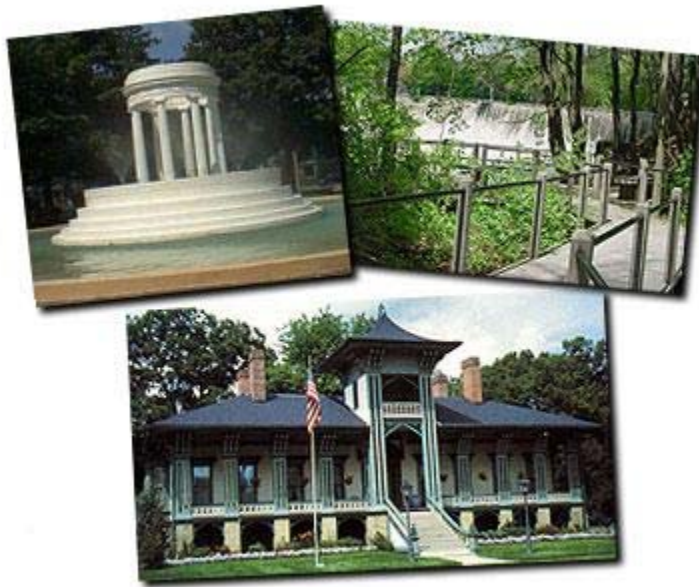


CITY OF  
*Marshall*  
MICHIGAN



*Annual Financial Report*

**For the Fiscal Year Ended June 30, 2010**

**CITY OF MARSHALL, MICHIGAN**  
**Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2010**  
**List of Principal City Officials**

**Elected Officials**

**City Council:**

Bruce Smith, Mayor

James Dyer, Ward 1

Nick Metzger, Ward 2

Brent Williams, Ward 3

Ryan Traver, Ward 4

Jody Mankerian, Ward 5

Kathy Miller, At Large

**Administration**

City Manager ..... Tom Tarkiewicz

Assessors..... Jim Lippencott

Clerk-Treasurer ..... Sandra Bird

Director of Public Services ..... Carl Fedders

Director of Community Services ..... Natalie Huestis

Police Chief..... James Schwartz

Fire Chief ..... Robert Kiessling

**CITY OF MARSHALL, MICHIGAN**  
**Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2010**

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**Annual Financial Report**  
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# FINANCIAL SECTION

**INDEPENDENT AUDITORS' REPORT**

November 30, 2010

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, 2010, 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, 2010, 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 November 30, 2010 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 management's discussion and analysis on pages 3-13 and the schedules of funding progress and employer contributions on pages 57-58 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Marshall's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The nonfinancial information presented on page 80 has not been subjected to the auditing procedures applied to the audit of the basic financial statements and, accordingly, we express no opinion on it.

A handwritten signature in black ink, reading "Lehmann Lobson". The signature is written in a cursive, flowing style.

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**



## Management's Discussion and Analysis

As management of the *City of Marshall, Michigan*, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with the basic financial statements.

### Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$42,726,614 (*net assets*). Of this amount, \$15,469,423 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$1,054,263.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,228,658, an increase of \$77,487 in comparison with the prior year. Approximately 98.3 percent of this total amount, or \$3,174,443, is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$1,315,574 or 28.8% of total general fund revenues and other financing sources.
- The City's total bonded debt increased by \$370,000 during the current fiscal year; \$1,345,000 limited tax general obligation bonds were issued during the year pursuant to the provisions of Act 34, Public Acts of Michigan, 2001, as amended, for the purpose of a water main infrastructure replacement project.

### Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

The City maintains 15 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

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

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

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

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

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

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 32-56 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents the combining statements referred to earlier in connection with nonmajor funds. Combining and individual fund financial statements and schedules can be found on pages 57-93 of this report.

## Government-wide Financial Analysis

As noted earlier, net assets may serve, over time, as a useful indicator of a government's financial position. In the case of the City of Marshall, assets exceeded liabilities by \$42,726,614 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (50.3 percent) reflects its investment in capital assets (such as land, buildings, vehicles, equipment, systems and infrastructure), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### City of Marshall's Net Assets

	Governmental activities		Business-type activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 4,949,696	\$ 5,006,341	\$ 19,251,511	\$ 17,067,840	\$ 24,201,207	\$ 22,074,181
Capital assets	16,940,480	17,512,654	16,588,355	16,417,634	33,528,835	33,930,288
Total assets	<u>21,890,176</u>	<u>22,518,995</u>	<u>35,839,866</u>	<u>33,485,474</u>	<u>57,730,042</u>	<u>56,004,469</u>
Long-term liabilities outstanding	3,649,147	4,020,528	8,624,327	8,016,407	12,273,474	12,036,935
Other liabilities	1,126,571	717,452	1,603,383	1,577,731	2,729,954	2,295,183
Total liabilities	<u>4,775,718</u>	<u>4,737,980</u>	<u>10,227,710</u>	<u>9,594,138</u>	<u>15,003,428</u>	<u>14,332,118</u>
Net assets:						
Invested in capital assets, net of related debt	13,551,965	13,738,175	7,964,028	8,401,227	21,515,993	22,139,402
Restricted	793,141	775,833	4,948,057	4,346,482	5,741,198	5,122,315
Unrestricted	<u>2,769,352</u>	<u>3,267,007</u>	<u>12,700,071</u>	<u>11,143,627</u>	<u>15,469,423</u>	<u>14,410,634</u>
<b>Total net assets</b>	<u>\$ 17,114,458</u>	<u>\$ 17,781,015</u>	<u>\$ 25,612,156</u>	<u>\$ 23,891,336</u>	<u>\$ 42,726,614</u>	<u>\$ 41,672,351</u>

An additional portion of the City's net assets (13.4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (36.2 percent or \$15,469,423) may be used to meet the government's ongoing obligations to citizens and creditors.

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

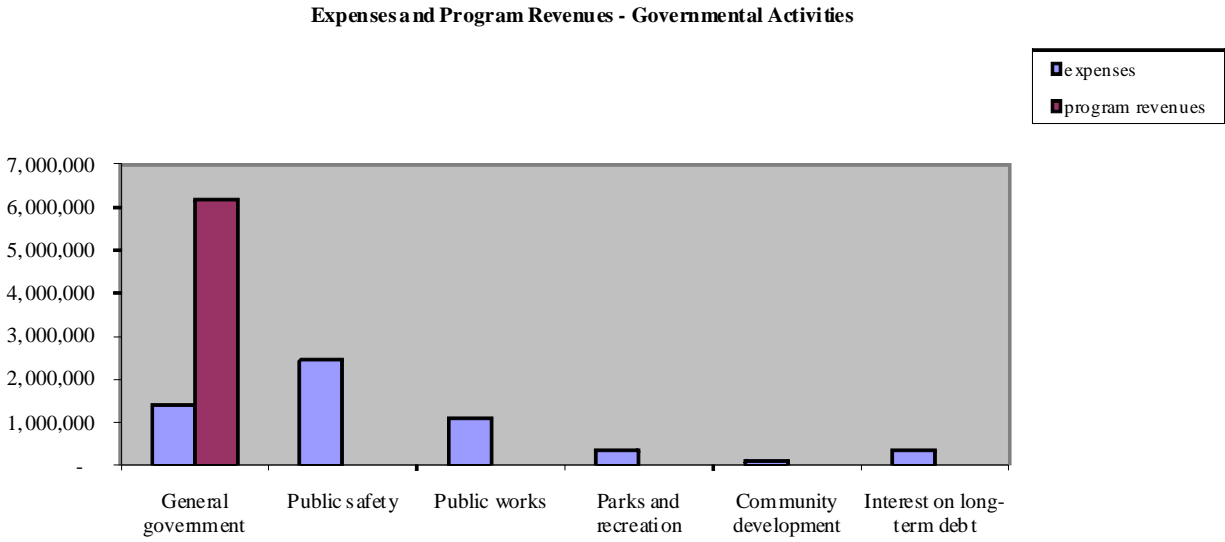
The government's net assets increased by \$1,054,263 during the current fiscal year as compared to an increase of \$1,313,918 for the prior year. The current year increase in net assets reflects the extent by which revenues exceeded accrual basis expenses, including depreciation on governmental capital assets and infrastructure.

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

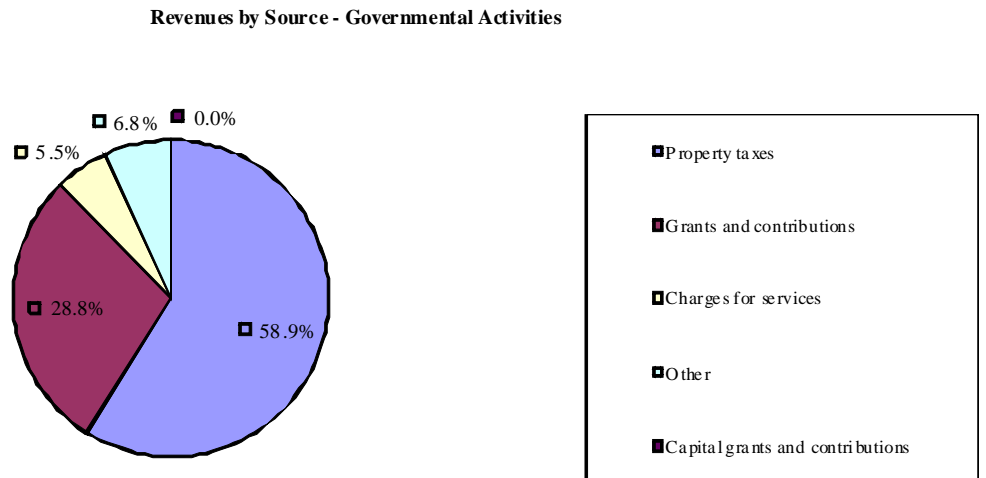
	Governmental activities		Business-type activities		Total	
	2010	2009	2010	2009	2010	2009
Revenue:						
Program revenue:						
Charges for services	\$ 966,065	\$ 405,607	\$ 15,899,296	\$ 15,610,708	\$ 16,865,361	\$ 16,016,315
Operating grants and contributions	1,034,464	1,468,297	1,924,536	2,168,558	2,959,000	3,636,855
Capital grants and contributions	-	-	3,230	3,150	3,230	3,150
General revenue:						
Property taxes	3,639,562	3,512,925	107,787	103,966	3,747,349	3,616,891
Grants and contributions not restricted to specific programs	625,155	726,066	-	-	625,155	726,066
Other	16,266	129,880	272,094	64,325	288,360	194,205
Total revenue	6,281,512	6,242,775	18,206,943	17,950,707	24,488,455	24,193,482
Expenses:						
General government	1,901,417	1,681,749	-	-	1,901,417	1,681,749
Public safety	2,624,281	2,450,835	-	-	2,624,281	2,450,835
Public works	1,713,933	1,992,259	-	-	1,713,933	1,992,259
Parks and recreation	484,408	644,071	-	-	484,408	644,071
Community development	138,669	182,485	-	-	138,669	182,485
Interest on long-term debt	325,155	158,971	-	-	325,155	158,971
Electric	-	-	12,804,410	12,388,402	12,804,410	12,388,402
Wastewater	-	-	1,214,436	1,308,655	1,214,436	1,308,655
Water	-	-	1,309,664	1,201,031	1,309,664	1,201,031
Public transit	-	-	428,624	428,501	428,624	428,501
Public housing	-	-	489,195	442,605	489,195	442,605
Total expenses	7,187,863	7,110,370	16,246,329	15,769,194	23,434,192	22,879,564
Change in net assets before transfers	(906,351)	(867,595)	1,960,614	2,181,513	1,054,263	1,313,918
Transfers	239,794	785,066	(239,794)	(785,066)	-	-
Change in net assets	(666,557)	(82,529)	1,720,820	1,396,447	1,054,263	1,313,918
Net assets - beginning of year	17,781,015	17,863,544	23,891,336	22,494,889	41,672,351	40,358,433
<b>Net assets - end of year</b>	<b>\$ 17,114,458</b>	<b>\$ 17,781,015</b>	<b>\$ 25,612,156</b>	<b>\$ 23,891,336</b>	<b>\$ 42,726,614</b>	<b>\$ 41,672,351</b>

**Governmental activities.** Governmental activities decreased the City's net assets by \$666,557 (as compared to a prior year decrease of \$82,529). The major element of this decrease and the change from the prior year is mainly due to the increased costs associated with public safety, public works and community development and decline in revenue growth.

## Expenses and Program Revenues - Governmental Activities

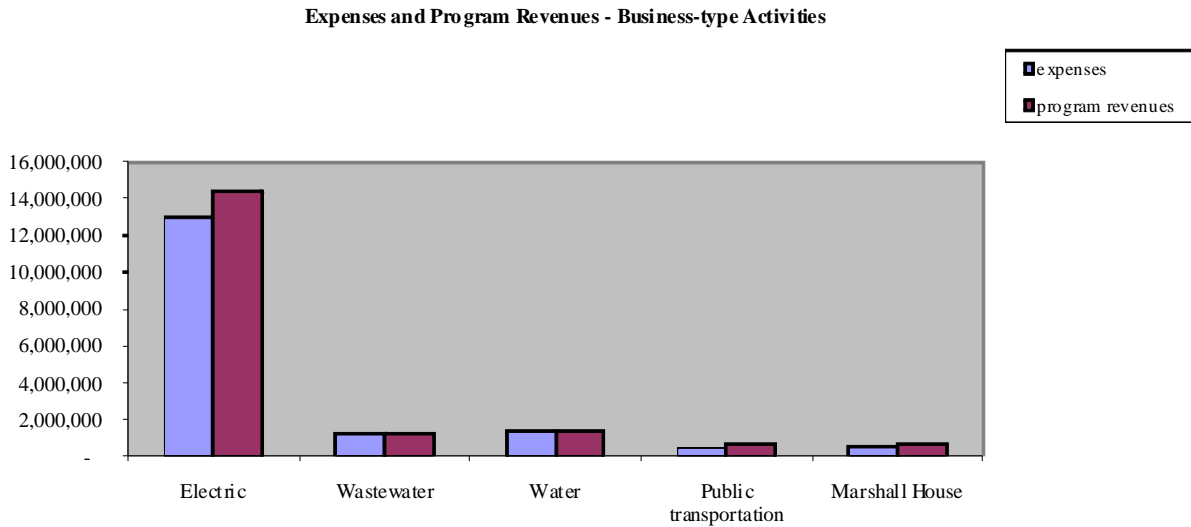


## Revenues by Source - Governmental Activities

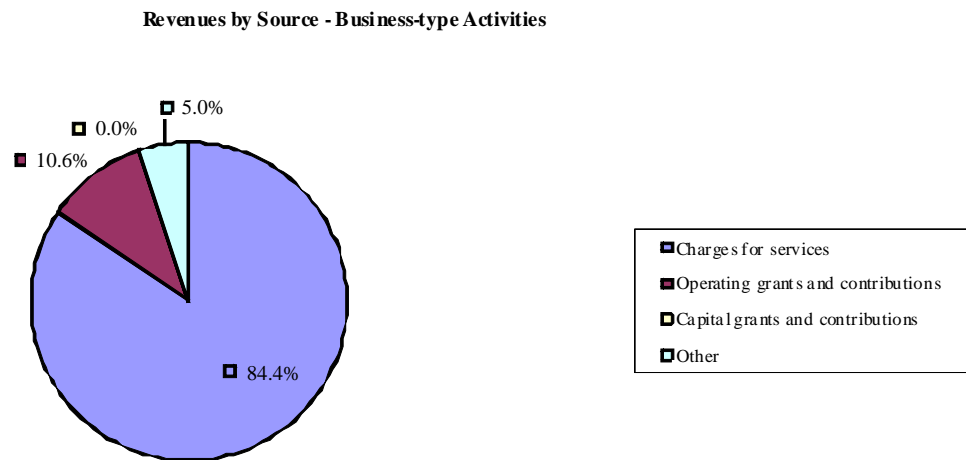


**Business-type activities.** Business-type activities increased the City's net assets by \$1,720,820 as compared to an increase of \$1,396,447 the prior year.

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



### Revenues by Source - Business-type Activities



## Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,228,658, an increase of \$77,487 in comparison with the prior year. Approximately 98.3% of this total amount (\$3,174,443) constitutes *unreserved fund balance*, which is available for spending at the City's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed for prepaid expenditures.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved/undesignated fund balance of the general fund was \$1,315,574, while the total fund balance was \$1,879,857. As a measure of the general fund's liquidity, it is useful to compare unreserved/undesignated fund balance to total general fund revenues. Unreserved/undesignated fund balance represents 28.8 percent of total general fund revenues and other financing sources. As a measure of fiscal stability (when examining the City's ability to maintain public services if a major revenue source is disrupted), the ratio of unreserved/undesignated fund balance is 28.5 percent of operating expenses, including the transfers out.

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

The fund balance of the City's general fund decreased by \$45,972 during the current fiscal year, which was \$15,830 less than the total operating deficit that was authorized in the final amended budget (and \$46,175 more than the original budget). While the decrease in the authorized deficit over the course of current fiscal year is a positive outcome, it should be noted that the general fund has incurred operating deficits in each of the last three fiscal years, and that the current fiscal year budget was approved with a small operating surplus. It is not expected that the City can sustain this pattern indefinitely, particularly with reduced and/or unchanged revenue streams.

State shared revenues have also declined steadily in real dollar amounts over the past decade. In the current fiscal year, the City received \$617,722 as compared to \$718,286 in the prior fiscal year.

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

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



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

Unrestricted net assets of the electric fund at the end of the year amounted to \$11,296,106. The fund had an increase in net assets for the year of \$1,425,721. Of the current year increase, \$1,233,009 was attributable to the increase in equity of the City's investment in the MSCPA.

The wastewater fund reported unrestricted net assets at the end of the year of \$-0-. For the year, the fund had an increase in net assets of \$22,768 as compared to a decrease of \$51,813 in the prior year.

The water fund reported unrestricted net assets at the end of the year of \$856,950. For the year, the fund had a decrease in net assets of \$37,926 as compared to an increase of \$187,942 in the prior year.

The Dial-A-Ride fund reported unrestricted net assets at the end of the year of \$123,655. For the year, the fund had an increase in net assets of \$169,725 as compared to an increase of \$78,445 in the prior year.

The Marshall House fund reported unrestricted net assets at the end of the year of \$418,654. For the year, the fund had an increase in net assets of \$134,839 as compared to a decrease of \$18,033 in the prior year.

### **General Fund Budgetary Highlights**

Differences between the final amended budgets and actual revenues and expenditures were minor. For the year, general fund budgetary estimates for revenues, expenditures and other financing sources and uses differed from actual, resulting in a net decrease in fund balance that was \$15,830 less than anticipated in the final amended budget.

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

**Capital assets.** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2010, amounted to \$33,528,835 (net of accumulated depreciation). This investment in capital assets includes land, improvements, buildings, system, vehicles, equipment, and streets. Net capital assets for governmental activities decreased 3.3%, and for business-type activities increased by 1.0%. Overall, total net capital assets for the City decreased 1.2%.

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

	Governmental activities		Business-type activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 2,257,343	\$ 2,232,662	\$ 164,618	\$ 164,618	\$ 2,421,961	\$ 2,397,280
Construction in process	235,282	-	-	279,509	235,282	279,509
Land improvements	2,518,619	2,811,323	-	-	2,518,619	2,811,323
Buildings	3,723,205	3,933,607	1,832,629	1,943,097	5,555,834	5,876,704
Vehicles	826,838	1,047,841	590,018	414,911	1,416,856	1,462,752
Equipment	385,616	290,799	374,221	347,138	759,837	637,937
Systems	-	-	13,626,869	13,268,361	13,626,869	13,268,361
Infrastructure	6,993,577	7,196,422	-	-	6,993,577	7,196,422
<b>Total</b>	<b>\$ 16,940,480</b>	<b>\$ 17,512,654</b>	<b>\$ 16,588,355</b>	<b>\$ 16,417,634</b>	<b>\$ 33,528,835</b>	<b>\$ 33,930,288</b>

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

**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$10,850,000. Of this amount, \$10,110,000 is comprised of debt backed by the full faith and credit of the government. The remainder of the City's bonded debt represents bonds secured solely by specified revenue sources.

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

	Governmental activities		Business-type activities		Total	
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$ 3,150,000	\$ 3,435,000	\$ 6,960,000	\$ 6,055,000	\$ 10,110,000	\$ 9,490,000
Revenue bonds	-	-	740,000	990,001	740,000	990,001
<b>Total</b>	<b>\$ 3,150,000</b>	<b>\$ 3,435,000</b>	<b>\$ 7,700,000</b>	<b>\$ 7,045,001</b>	<b>\$ 10,850,000</b>	<b>\$ 10,480,001</b>

The City's total bonded debt increased by \$370,000 (3.5 percent) during the current fiscal year; \$1,345,000 limited tax general obligation bonds were issued during the year pursuant to the provisions of Act 34, Public Acts of Michigan, 2001, as amended, for the purpose of a water main infrastructure replacement project.

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

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

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

Additional information on the City's long-term debt can be found in Note 3-G. on pages 47-50 of this report.

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

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

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

During the current fiscal year, the unreserved undesignated fund balance in the general fund increased by \$53,736 to \$1,315,574. The City has not appropriated any fund balance for fiscal 2010-11 planned expenditures.

### **Requests for Information**

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

## BASIC FINANCIAL STATEMENTS

# GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CITY OF MARSHALL, MICHIGAN**  
**Statement of Net Assets**  
**June 30, 2010**

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>Assets</b>				
Cash and cash equivalents	\$ 1,905,420	\$ 612,094	\$ 2,517,514	\$ 1,710,144
Investments	2,716,760	1,329,728	4,046,488	54,649
Receivables	177,813	1,322,311	1,500,124	-
Internal balances	(4,706)	4,706	-	-
Inventories, prepaid items and other assets	154,409	1,125,339	1,279,748	41,666
Investment in MSCPA	-	9,909,276	9,909,276	-
Restricted cash and cash equivalents	-	4,948,057	4,948,057	240,915
Capital assets not being depreciated	2,492,625	164,618	2,657,243	-
Capital assets being depreciated, net	14,447,855	16,423,737	30,871,592	100,687
<b>Total assets</b>	<u>21,890,176</u>	<u>35,839,866</u>	<u>57,730,042</u>	<u>2,148,061</u>
<b>Liabilities</b>				
Accounts payable and accrued expenses	261,640	1,526,370	1,788,010	36,833
Accrued interest payable	43,674	77,013	120,687	14,938
Unearned revenue	16,759	-	16,759	-
Other non-current liabilities - other post-employment liabilities	804,498	-	804,498	-
Long-term liabilities:				
Due within one year	591,837	842,070	1,433,907	55,962
Due in more than one year	3,057,310	7,782,257	10,839,567	1,760,000
<b>Total liabilities</b>	<u>4,775,718</u>	<u>10,227,710</u>	<u>15,003,428</u>	<u>1,867,733</u>
<b>Net assets</b>				
Invested in capital assets, net of related debt	13,551,965	7,964,028	21,515,993	100,687
Restricted for:				
Debt service	16,259	4,948,057	4,964,316	240,915
Capital projects	90,636	-	90,636	-
Endowment - expendable	686,246	-	686,246	-
Unrestricted (deficit)	2,769,352	12,700,071	15,469,423	(61,274)
<b>Total net assets</b>	<u>\$ 17,114,458</u>	<u>\$ 25,612,156</u>	<u>\$ 42,726,614</u>	<u>\$ 280,328</u>

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

**CITY OF MARSHALL, MICHIGAN**  
**Statement of Activities**  
**For the Year Ended June 30, 2010**

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Primary government</b>					
Governmental activities:					
General government	\$ 1,901,417	\$ 752,660	\$ 480,468	\$ -	\$ (668,289)
Public safety	2,624,281	-	-	-	(2,624,281)
Public works	1,713,933	-	553,693	-	(1,160,240)
Parks and recreation	484,408	213,405	303	-	(270,700)
Community development	138,669	-	-	-	(138,669)
Interest on long-term debt	325,155	-	-	-	(325,155)
Total governmental activities	<u>7,187,863</u>	<u>966,065</u>	<u>1,034,464</u>	<u>-</u>	<u>(5,187,334)</u>
Business-type activities:					
Electric	12,804,410	12,956,248	1,233,009	-	1,384,847
Wastewater	1,214,436	1,236,322	-	3,120	25,006
Water	1,309,664	1,294,254	-	110	(15,300)
Public transit	428,624	51,132	430,466	-	52,974
Public housing	489,195	361,340	261,061	-	133,206
Total business-type activities	<u>16,246,329</u>	<u>15,899,296</u>	<u>1,924,536</u>	<u>3,230</u>	<u>1,580,733</u>
Total primary government	<u>\$ 23,434,192</u>	<u>\$ 16,865,361</u>	<u>\$ 2,959,000</u>	<u>\$ 3,230</u>	<u>\$ (3,606,601)</u>
<b>Component units</b>					
Community development	<u>\$ 659,776</u>	<u>\$ -</u>	<u>\$ 97,978</u>	<u>\$ -</u>	<u>\$ (561,798)</u>

Continued...

**CITY OF MARSHALL, MICHIGAN**  
**Statement of Activities (Concluded)**  
**For the Year Ended June 30, 2010**

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>Changes in net assets</b>				
Net (expense) revenue	\$ (5,187,334)	\$ 1,580,733	\$ (3,606,601)	\$ (561,798)
General revenues:				
Property taxes	3,639,562	107,787	3,747,349	740,901
Grants and contributions not restricted to specific programs	625,155	-	625,155	-
Unrestricted investment earnings	16,266	265,514	281,780	17,957
Gain on sale of assets	-	6,580	6,580	-
Transfers - internal activities	239,794	(239,794)	-	-
Total general revenues and transfers	<u>4,520,777</u>	<u>140,087</u>	<u>4,660,864</u>	<u>758,858</u>
Change in net assets	(666,557)	1,720,820	1,054,263	197,060
Net assets, beginning of year	<u>17,781,015</u>	<u>23,891,336</u>	<u>41,672,351</u>	<u>83,268</u>
<b>Net assets, end of year</b>	<u><u>\$ 17,114,458</u></u>	<u><u>\$ 25,612,156</u></u>	<u><u>\$ 42,726,614</u></u>	<u><u>\$ 280,328</u></u>

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



## FUND FINANCIAL STATEMENTS

**CITY OF MARSHALL, MICHIGAN**

**Balance Sheet  
Governmental Funds  
June 30, 2010**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>			
<b>Assets</b>			
Cash and cash equivalents	\$ 1,245,416	\$ 494,663	\$ 1,740,079
Investments	673,536	777,538	1,451,074
Accounts receivable	21,851	12,525	34,376
Taxes receivable	129	7	136
Interfund receivable	17,836	-	17,836
Inventory	-	26,462	26,462
Due from other governments	9,659	121,717	131,376
Prepaid items	39,487	14,728	54,215
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 2,007,914</u></b>	<b><u>\$ 1,447,640</u></b>	<b><u>\$ 3,455,554</u></b>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 46,707	\$ 52,929	\$ 99,636
Accrued liabilities	80,873	11,715	92,588
Due to other governments	17	60	77
Interfund payable	-	17,836	17,836
Deferred revenue	460	16,299	16,759
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	128,057	98,839	226,896
 <b>Fund balances</b>			
Reserved for prepaid items	39,487	14,728	54,215
Unreserved:			
Designated for working capital	500,000	-	500,000
Designated for other purposes	24,796	75,299	100,095
Designated for subsequent year expenditure:			
Undesignated	1,315,574	-	1,315,574
Undesignated, reported in nonmajor			
Special revenue funds	-	464,404	464,404
Debt service funds	-	16,259	16,259
Capital projects funds	-	90,636	90,636
Permanent fund	-	686,246	686,246
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total fund balances	1,879,857	1,348,801	3,228,658
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b><u>\$ 2,007,914</u></b>	<b><u>\$ 1,447,640</u></b>	<b><u>\$ 3,455,554</u></b>

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

**CITY OF MARSHALL, MICHIGAN**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets of**  
**Governmental Activities on the Statement of Net Assets**  
**June 30, 2010**

**Fund balances - total governmental funds** \$ 3,228,658

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

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

Add - capital assets	27,447,912
Deduct - accumulated depreciation	(11,789,288)

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	2,657,171
Deduct - portion of internal service funds net operating loss attributed to business-type funds	(4,706)

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

Deduct - other non-current liabilities - other postemployment benefits	(804,498)
Deduct - bonds and installment contracts payable	(3,505,369)
Add - unamortized bond issuance costs	72,030
Deduct - premium on bonds	(5,634)
Add - unamortized deferred loss on refunding	122,488
Deduct - accrued interest on bonds and installment contracts payable	(43,674)
Deduct - compensated absences	(260,632)

**Net assets of governmental activities** \$ 17,114,458

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, 2010**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenue</b>			
Property taxes	\$ 3,457,717	\$ 181,845	\$ 3,639,562
Licenses and permits	35,117	-	35,117
Intergovernmental	757,665	609,083	1,366,748
Charges for services	59,092	280,037	339,129
Fines and forfeitures	36,981	32,755	69,736
Investment earnings	9,069	11,111	20,180
Other	217,139	75,732	292,871
	<u>4,572,780</u>	<u>1,190,563</u>	<u>5,763,343</u>
<b>Expenditures</b>			
Current expenditures:			
General government	816,108	303,407	1,119,515
Public safety	2,445,258	-	2,445,258
Public works	778,047	-	778,047
Highways and streets	-	305,912	305,912
Community development	96,799	-	96,799
Culture and recreation	109,204	242,362	351,566
Debt service:			
Principal	95,252	306,979	402,231
Interest and fiscal charges	28,527	295,290	323,817
Capital outlay	70,559	480	71,039
	<u>4,439,754</u>	<u>1,454,430</u>	<u>5,894,184</u>
Revenue over (under) expenditures	<u>133,026</u>	<u>(263,867)</u>	<u>(130,841)</u>
<b>Other financing sources (uses)</b>			
Transfers in	-	413,969	413,969
Transfers out	(178,998)	(26,643)	(205,641)
	<u>(178,998)</u>	<u>387,326</u>	<u>208,328</u>
Net change in fund balances	(45,972)	123,459	77,487
Fund balances, beginning of year	<u>1,925,829</u>	<u>1,225,342</u>	<u>3,151,171</u>
<b>Fund balances, end of year</b>	<u><u>\$ 1,879,857</u></u>	<u><u>\$ 1,348,801</u></u>	<u><u>\$ 3,228,658</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, 2010**

<b>Net change in fund balances - total governmental funds</b>	\$ 77,487
<p>Amounts reported for <i>governmental activities</i> in the statement of activities are different because:</p>	
<p>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.</p>	
Add - capital outlay	46,841
Deduct - depreciation expense	(769,998)
<p>Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>	
Add - principal payments on long-term liabilities	402,231
Deduct - net amortization of premiums and issuance costs on bonds	(18,254)
<p>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.</p>	
Deduct - net operating loss from governmental activities in internal service funds	(2,031)
Add - interest revenue from governmental internal service funds	14,342
Deduct - interest expense from governmental internal service funds	(706)
Add - transfers received in governmental internal service funds	31,466
<p>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.</p>	
Deduct - increase in other non-current liabilities - other postemployment benefits	(403,032)
Deduct - increase in accrued interest payable on bonds	(633)
Deduct - increase in the accrual for compensated absences	(44,270)
<b>Change in net assets of governmental activities</b>	<u><u>\$ (666,557)</u></u>

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

**CITY OF MARSHALL, MICHIGAN**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2010**

	<u>Budget</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
				<u>Final Budget</u>
<b>Revenues</b>				
Property taxes	\$ 3,468,190	\$ 3,468,190	\$ 3,457,717	\$ (10,473)
Licenses and permits	53,000	53,000	35,117	(17,883)
Intergovernmental	828,565	761,165	757,665	(3,500)
Charges for services	48,500	48,500	59,092	10,592
Fines and forfeitures	30,000	30,000	36,981	6,981
Investment earnings	100,000	60,000	9,069	(50,931)
Other	162,825	205,825	217,139	11,314
	<u>4,691,080</u>	<u>4,626,680</u>	<u>4,572,780</u>	<u>(53,900)</u>
<b>Expenditures</b>				
<b>General government</b>				
Council	11,000	7,500	3,713	(3,787)
Manager	121,869	51,669	56,267	4,598
Assessor	115,226	108,726	100,888	(7,838)
Attorney	70,000	63,000	60,622	(2,378)
Human resources	58,850	58,850	60,161	1,311
Clerk-Treasurer	321,395	293,495	286,908	(6,587)
City hall	80,160	82,635	83,343	708
Chapel	3,340	2,600	1,422	(1,178)
Other city property	36,950	96,650	91,981	(4,669)
Cemetery	185,377	156,177	159,682	3,505
Non-departmental	425,252	430,352	433,204	2,852
Administrative and operating costs reimbursed by other funds	(522,083)	(522,083)	(522,083)	-
Total general government	<u>907,336</u>	<u>829,571</u>	<u>816,108</u>	<u>(13,463)</u>
<b>Public safety</b>				
Police	1,236,019	1,206,319	1,229,699	23,380
Fire	812,603	796,403	803,447	7,044
Dispatch	257,886	287,036	293,395	6,359
Inspection / code enforcement	98,843	91,153	94,523	3,370
Crossing guards	36,638	37,188	24,194	(12,994)
Total public safety	<u>2,441,989</u>	<u>2,418,099</u>	<u>2,445,258</u>	<u>27,159</u>
<b>Public works</b>				
Streets	504,371	683,171	644,434	(38,737)
Public services building	110,299	107,599	94,244	(13,355)
Engineering	51,566	47,916	39,369	(8,547)
Total public works	<u>666,236</u>	<u>838,686</u>	<u>778,047</u>	<u>(60,639)</u>

Continued...

**CITY OF MARSHALL, MICHIGAN**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual (Concluded)**  
**General Fund**  
**For the Year Ended June 30, 2010**

	<b>Budget</b>		<b>Actual</b>	<b>Actual</b>
	<b>Original</b>	<b>Final</b>		<b>Over (Under) Final Budget</b>
<b>Expenditures (concluded)</b>				
<b>Community development</b>				
Community development	\$ 41,448	\$ 34,998	\$ 28,808	\$ (6,190)
Planning	69,196	65,256	67,991	2,735
Total community development	<u>110,644</u>	<u>100,254</u>	<u>96,799</u>	<u>(3,455)</u>
<b>Culture and recreation - Parks</b>	<u>156,640</u>	<u>106,290</u>	<u>109,204</u>	<u>2,914</u>
<b>Debt service</b>				
Principal	94,692	95,192	95,252	60
Interest and fiscal charges	28,473	28,523	28,527	4
Total debt service	<u>123,165</u>	<u>123,715</u>	<u>123,779</u>	<u>64</u>
<b>Capital outlay</b>	<u>63,587</u>	<u>88,087</u>	<u>70,559</u>	<u>(17,528)</u>
Total expenditures	<u>4,469,597</u>	<u>4,504,702</u>	<u>4,439,754</u>	<u>(64,948)</u>
Revenue over expenditures	221,483	121,978	133,026	11,048
<b>Other financing sources (uses)</b>				
Transfers out	<u>(221,280)</u>	<u>(183,780)</u>	<u>(178,998)</u>	<u>4,782</u>
Net change in fund balances	203	(61,802)	(45,972)	15,830
Fund balance, beginning of year	<u>1,925,829</u>	<u>1,925,829</u>	<u>1,925,829</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 1,926,032</u></u>	<u><u>\$ 1,864,027</u></u>	<u><u>\$ 1,879,857</u></u>	<u><u>\$ 15,830</u></u>

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

**CITY OF MARSHALL, MICHIGAN**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2010**

	<b>Business-type Activities - Enterprise Funds</b>						<b>Governmental Activities - Internal Service Funds</b>
	<b>Electric</b>	<b>Wastewater</b>	<b>Water</b>	<b>DART</b>	<b>Marshall House</b>	<b>Total</b>	
<b>Assets</b>							
Current assets:							
Cash and cash equivalents	\$ 424,199	\$ -	\$ -	\$ -	\$ 187,895	\$ 612,094	\$ 165,341
Investments	39,607	4,994	619,364	355,251	310,512	1,329,728	1,265,686
Accounts receivable	1,109,666	103,781	102,574	6,286	-	1,322,307	11,925
Taxes receivable	-	-	-	4	-	4	-
Interfund receivable	281,603	-	-	-	-	281,603	-
Inventories	642,476	35,077	70,370	-	-	747,923	-
Prepaid items	10,870	3,451	8,323	3,992	1,941	28,577	1,702
Total current assets	<u>2,508,421</u>	<u>147,303</u>	<u>800,631</u>	<u>365,533</u>	<u>500,348</u>	<u>4,322,236</u>	<u>1,444,654</u>
Noncurrent assets:							
Restricted cash and cash equivalents	2,247,389	1,090,976	1,609,692	-	-	4,948,057	-
Capital assets, net	4,963,891	3,991,229	6,969,557	291,967	371,711	16,588,355	1,281,856
Investment in MSCPA	9,909,276	-	-	-	-	9,909,276	-
Unamortized bond issuance costs	20,468	90,002	238,369	-	-	348,839	-
Total noncurrent assets	<u>17,141,024</u>	<u>5,172,207</u>	<u>8,817,618</u>	<u>291,967</u>	<u>371,711</u>	<u>31,794,527</u>	<u>1,281,856</u>
Total assets	<u>19,649,445</u>	<u>5,319,510</u>	<u>9,618,249</u>	<u>657,500</u>	<u>872,059</u>	<u>36,116,763</u>	<u>2,726,510</u>
<b>Liabilities</b>							
Current liabilities:							
Accounts payable	871,109	8,628	4,578	210,075	78,391	1,172,781	64,055
Accrued payroll and compensated absences	249,375	32,996	35,894	14,211	3,270	335,746	5,284
Accrued interest payable	19,628	14,312	43,073	-	-	77,013	-
Due to other governments	1,947	7	79	15,777	33	17,843	-
Interfund payable	-	181,362	98,426	1,815	-	281,603	-
Current portion of:							
Contracts payable	-	58,389	168,681	-	-	227,070	-
Bonds payable	90,000	176,152	348,848	-	-	615,000	-
Total current liabilities	<u>1,232,059</u>	<u>471,846</u>	<u>699,579</u>	<u>241,878</u>	<u>81,694</u>	<u>2,727,056</u>	<u>69,339</u>
Noncurrent liabilities:							
Contracts payable	-	720,001	-	-	-	720,001	-
Bonds payable	1,371,224	1,590,072	4,100,960	-	-	7,062,256	-
Total noncurrent liabilities	<u>1,371,224</u>	<u>2,310,073</u>	<u>4,100,960</u>	<u>-</u>	<u>-</u>	<u>7,782,257</u>	<u>-</u>
Total liabilities	<u>2,603,283</u>	<u>2,781,919</u>	<u>4,800,539</u>	<u>241,878</u>	<u>81,694</u>	<u>10,509,313</u>	<u>69,339</u>
<b>Net assets</b>							
Invested in capital assets, net of related debt	3,502,667	1,446,615	2,351,068	291,967	371,711	7,964,028	1,281,856
Restricted for debt service	2,247,389	1,090,976	1,609,692	-	-	4,948,057	-
Unrestricted (deficit)	11,296,106	-	856,950	123,655	418,654	12,695,365	1,375,315
Total net assets	<u>\$ 17,046,162</u>	<u>\$ 2,537,591</u>	<u>\$ 4,817,710</u>	<u>\$ 415,622</u>	<u>\$ 790,365</u>	<u>\$ 25,607,450</u>	<u>\$ 2,657,171</u>

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



**CITY OF MARSHALL, MICHIGAN**  
**Reconciliation of Net Assets on the Statement of**  
**Net Assets for Enterprise Funds to Net Assets of**  
**Business-type Activities on the Statement of Net Assets**  
**June 30, 2010**

**Net assets - total enterprise funds** \$ 25,607,450

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 4,706

**Net assets of business-type activities** \$ 25,612,156

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, 2010**

	<b>Business-type Activities - Enterprise Funds</b>					<b>Total</b>	<b>Governmental Activities - Internal Service Funds</b>
	<b>Electric</b>	<b>Wastewater</b>	<b>Water</b>	<b>DART</b>	<b>Marshall House</b>		
<b>Operating revenues</b>							
Charges for services	\$ 12,818,376	\$ 1,216,963	\$ 1,276,065	\$ 51,132	\$ -	\$ 15,362,536	\$ 858,708
Property taxes	-	-	-	107,787	-	107,787	-
Other	137,872	19,359	18,189	-	361,340	536,760	35,210
Total operating revenues	<u>12,956,248</u>	<u>1,236,322</u>	<u>1,294,254</u>	<u>158,919</u>	<u>361,340</u>	<u>16,007,083</u>	<u>893,918</u>
<b>Operating expenses</b>							
Personal services	1,636,850	414,685	534,458	267,996	150,843	3,004,832	123,018
Materials and supplies	224,179	135,309	107,850	27,562	10,573	505,473	175,725
Purchased power	9,549,485	111,459	47,033	-	126,829	9,834,806	-
Contractual	162,108	93,347	17,490	28,543	99,887	401,375	51,967
Insurance	28,392	22,433	3,680	4,161	9,815	68,481	30,298
Maintenance	2,332	12,896	169	16,870	26,606	58,873	88,991
Administration	340,395	26,960	36,075	10,000	-	413,430	-
Other expense	247,253	27,336	76,956	32,574	11,930	396,049	65,853
Depreciation	562,687	311,243	276,767	41,498	54,514	1,246,709	354,404
Total operating expenses	<u>12,753,681</u>	<u>1,155,668</u>	<u>1,100,478</u>	<u>429,204</u>	<u>490,997</u>	<u>15,930,028</u>	<u>890,256</u>
Operating income (loss)	<u>202,567</u>	<u>80,654</u>	<u>193,776</u>	<u>(270,285)</u>	<u>(129,657)</u>	<u>77,055</u>	<u>3,662</u>
<b>Nonoperating revenues (expenses)</b>							
Intergovernmental subsidies	-	-	-	430,466	261,061	691,527	-
Investment earnings	252,374	453	5,808	3,444	3,435	265,514	14,342
Change in investment in MSCPA	1,233,009	-	-	-	-	1,233,009	-
Interest expense	(50,332)	(60,739)	(210,923)	-	-	(321,994)	(706)
Total nonoperating revenues (expenses)	<u>1,435,051</u>	<u>(60,286)</u>	<u>(205,115)</u>	<u>433,910</u>	<u>264,496</u>	<u>1,868,056</u>	<u>13,636</u>
Income (loss) before contributions and transfers	<u>1,637,618</u>	<u>20,368</u>	<u>(11,339)</u>	<u>163,625</u>	<u>134,839</u>	<u>1,945,111</u>	<u>17,298</u>
<b>Capital contributions</b>	-	3,120	110	-	-	3,230	-
<b>Other financing sources (uses)</b>							
Gain on sale of assets	-	-	-	6,580	-	6,580	-
Transfers in	-	-	-	-	-	-	31,706
Transfers out	(211,897)	(720)	(26,697)	(480)	-	(239,794)	(240)
Total other financing sources (uses)	<u>(211,897)</u>	<u>(720)</u>	<u>(26,697)</u>	<u>6,100</u>	<u>-</u>	<u>(233,214)</u>	<u>31,466</u>
Change in net assets	<u>1,425,721</u>	<u>22,768</u>	<u>(37,926)</u>	<u>169,725</u>	<u>134,839</u>	<u>1,715,127</u>	<u>48,764</u>
Net assets, beginning of year	<u>15,620,441</u>	<u>2,514,823</u>	<u>4,855,636</u>	<u>245,897</u>	<u>655,526</u>	<u>23,892,323</u>	<u>2,608,407</u>
<b>Net assets, end of year</b>	<u><u>\$ 17,046,162</u></u>	<u><u>\$ 2,537,591</u></u>	<u><u>\$ 4,817,710</u></u>	<u><u>\$ 415,622</u></u>	<u><u>\$ 790,365</u></u>	<u><u>\$ 25,607,450</u></u>	<u><u>\$ 2,657,171</u></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, 2010**

**Change in net assets - total enterprise funds** \$ 1,715,127

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.

Ass - net operating income from internal service funds related to enterprise funds 5,693

**Change in net assets of business-type activities** \$ 1,720,820

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, 2010**

	<u>Business-type Activities - Enterprise Funds</u>						<u>Governmental Activities - Internal Service Funds</u>
	<u>Electric</u>	<u>Wastewater</u>	<u>Water</u>	<u>DART</u>	<u>Marshall House</u>	<u>Total</u>	
<b>Cash flows from operating activities</b>							
Receipts from customers and users	\$ 12,705,350	\$ 1,220,989	\$ 1,284,146	\$ 173,528	\$ 361,340	\$ 15,745,353	\$ -
Receipts from property taxes	-	-	-	107,787	-	107,787	-
Receipts from interfund services	-	-	-	-	-	-	893,918
Payments to suppliers	(10,317,179)	(435,708)	(206,476)	8,908	(235,745)	(11,186,200)	(392,079)
Payments to employees	(1,514,656)	(443,754)	(542,049)	(269,721)	(151,821)	(2,922,001)	(122,295)
Payments for interfund services	(340,395)	(26,960)	(36,075)	(10,000)	-	(413,430)	-
Net cash provided by (used in) operating activities	<u>533,120</u>	<u>314,567</u>	<u>499,546</u>	<u>10,502</u>	<u>(26,226)</u>	<u>1,331,509</u>	<u>379,544</u>
<b>Cash flows from non-capital financing activities</b>							
Transfers in	-	-	-	-	-	-	31,706
Transfers out	(211,897)	(720)	(26,697)	(480)	-	(239,794)	(240)
Intergovernmental subsidies	-	-	-	430,466	261,061	691,527	-
Net cash provided by (used in) non-capital financing activities	<u>(211,897)</u>	<u>(720)</u>	<u>(26,697)</u>	<u>429,986</u>	<u>261,061</u>	<u>451,733</u>	<u>31,466</u>
<b>Cash flows from capital and related financing activities</b>							
Cash received on sale of capital assets	-	-	-	6,580	-	6,580	-
Principal and interest paid on debt	(196,902)	(385,330)	796,799	-	-	214,567	(25,706)
Purchase of capital assets	(184,735)	(25,367)	(838,977)	(213,082)	(152,039)	(1,414,200)	(505,387)
Net cash used in capital and related financing activities	<u>(381,637)</u>	<u>(410,697)</u>	<u>(42,178)</u>	<u>(206,502)</u>	<u>(152,039)</u>	<u>(1,193,053)</u>	<u>(531,093)</u>
<b>Cash flows from investing activities</b>							
Purchase of investments	(24,649)	(2,462)	-	-	-	(27,111)	(13,989)
Proceeds from investments	-	-	(2,204)	(237,430)	(3,393)	(243,027)	-
Interest received on investments	252,374	453	5,808	3,444	3,435	265,514	14,342
Net cash provided by (used in) investing activities	<u>227,725</u>	<u>(2,009)</u>	<u>3,604</u>	<u>(233,986)</u>	<u>42</u>	<u>(4,624)</u>	<u>353</u>
Net increase (decrease) in cash and cash equivalents	167,311	(98,859)	434,275	-	82,838	585,565	(119,730)
<b>Cash and cash equivalents</b>							
Beginning of year	<u>2,504,277</u>	<u>1,189,835</u>	<u>1,175,417</u>	<u>-</u>	<u>105,057</u>	<u>4,974,586</u>	<u>285,071</u>
<b>End of year</b>	<u>\$ 2,671,588</u>	<u>\$ 1,090,976</u>	<u>\$ 1,609,692</u>	<u>\$ -</u>	<u>\$ 187,895</u>	<u>\$ 5,560,151</u>	<u>\$ 165,341</u>
<b>Reconciliation to statement of net assets</b>							
Cash and cash equivalents	\$ 424,199	\$ -	\$ -	\$ -	\$ 187,895	\$ 612,094	\$ 165,341
Restricted cash and cash equivalents	2,247,389	1,090,976	1,609,692	-	-	4,948,057	-
	<u>\$ 2,671,588</u>	<u>\$ 1,090,976</u>	<u>\$ 1,609,692</u>	<u>\$ -</u>	<u>\$ 187,895</u>	<u>\$ 5,560,151</u>	<u>\$ 165,341</u>

Continued...

**CITY OF MARSHALL, MICHIGAN**  
**Statement of Cash Flows (Concluded)**  
**Proprietary Funds**  
**For the Year Ended June 30, 2010**

	<u>Business-type Activities - Enterprise Funds</u>						<u>Governmental Activities - Internal Service Funds</u>
	<u>Electric</u>	<u>Wastewater</u>	<u>Water</u>	<u>DART</u>	<u>Marshall House</u>	<u>Total</u>	
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>							
Operating income (loss)	\$ 202,567	\$ 80,654	\$ 193,776	\$(270,285)	\$(129,657)	\$ 77,055	\$ 3,662
Adjustments to reconcile operating income (loss) to net cash from operating activities:							
Depreciation	562,687	311,243	276,767	41,498	54,514	1,246,709	354,404
Amortization of bond premiums, issuance costs, and loss on refunding.	2,732	9,290	(45,936)	-	-	(33,914)	-
Changes in assets and liabilities:							
Accounts receivable	(250,898)	(15,333)	(10,108)	(6,246)	-	(282,585)	(11,925)
Due from other governments	-	-	-	128,642	-	128,642	5,602
Due from other funds	-	7,122	7,933	-	-	15,055	-
Interfund receivable	32,315	-	-	-	-	32,315	-
Inventories	63,241	(32,574)	1,969	-	-	32,636	-
Prepaid items	37,956	9,383	11,207	6,308	1,101	65,955	1,259
Accounts payable	(224,619)	(3,204)	(26,897)	205,857	48,794	(69)	25,712
Accrued payroll and compensated absences	122,194	(29,069)	(7,591)	(1,725)	(978)	82,831	830
Due to other funds	(15,055)	-	-	-	-	(15,055)	-
Interfund payable	-	(22,945)	98,426	(107,796)	-	(32,315)	-
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 533,120</u>	<u>\$ 314,567</u>	<u>\$ 499,546</u>	<u>\$ 10,502</u>	<u>\$ (26,226)</u>	<u>\$ 1,331,509</u>	<u>\$ 379,544</u>
<b>Non-Cash Items:</b>							
Change in investment in MSCPA	\$ 1,233,009	\$ -	\$ -	\$ -	\$ -	\$ 1,233,009	\$ -
Capital contributions	-	3,120	110	-	-	3,230	-

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, 2010**

**Assets**

Cash and cash equivalents	\$ 31,452
Delinquent taxes receivable	<u>169,593</u>

Total assets	<u><u>\$ 201,045</u></u>
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**Liabilities**

Undistributed receipts	<u><u>\$ 201,045</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, 2010**

	<b>Downtown Development Authority</b>	<b>Local Development Finance Authority</b>	<b>Economic Development Corporation</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 119,161	\$ 1,581,941	\$ 9,042	\$ 1,710,144
Investments	54,649	-	-	54,649
Prepaid items	1,447	-	-	1,447
Unamortized bond issuance costs	-	40,219	-	40,219
Restricted cash and cash equivalents	56,687	184,228	-	240,915
Capital assets being depreciated, net	-	65,479	35,208	100,687
<b>Total assets</b>	<b>231,944</b>	<b>1,871,867</b>	<b>44,250</b>	<b>2,148,061</b>
<b>Liabilities</b>				
Accounts payable	21,459	13,486	-	34,945
Accrued liabilities	1,888	-	-	1,888
Accrued interest payable	2,412	12,526	-	14,938
Long-term liabilities:				
Due within one year	30,962	25,000	-	55,962
Due in more than one year	565,000	1,195,000	-	1,760,000
<b>Total liabilities</b>	<b>621,721</b>	<b>1,246,012</b>	<b>-</b>	<b>1,867,733</b>
<b>Net assets</b>				
Invested in capital assets	-	65,479	35,208	100,687
Restricted for debt service	56,687	184,228	-	240,915
Unrestricted (deficit)	(446,464)	376,148	9,042	(61,274)
<b>Total net assets (deficit)</b>	<b>\$ (389,777)</b>	<b>\$ 625,855</b>	<b>\$ 44,250</b>	<b>\$ 280,328</b>

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



**CITY OF MARSHALL, MICHIGAN**  
**Combining Statement of Activities**  
**Component Units**  
**For the Year Ended June 30, 2010**

	<u>Downtown Development Authority</u>	<u>Local Development Finance Authority</u>	<u>Economic Development Corporation</u>	<u>Total</u>
<b>Expenses</b>				
Community development	\$ 255,721	\$ 402,416	\$ 1,639	\$ 659,776
<b>Program revenues</b>				
Operating grants and contributions	95,421	2,557	-	97,978
Net program expense	<u>160,300</u>	<u>399,859</u>	<u>1,639</u>	<u>561,798</u>
<b>General revenues</b>				
Property taxes	212,681	528,220	-	740,901
Unrestricted investment earnings	650	17,232	75	17,957
Total general revenues	<u>213,331</u>	<u>545,452</u>	<u>75</u>	<u>758,858</u>
Change in net assets	53,031	145,593	(1,564)	197,060
Net assets (deficit), beginning of year	<u>(442,808)</u>	<u>480,262</u>	<u>45,814</u>	<u>83,268</u>
<b>Net assets (deficit), end of year</b>	<u><u>\$ (389,777)</u></u>	<u><u>\$ 625,855</u></u>	<u><u>\$ 44,250</u></u>	<u><u>\$ 280,328</u></u>

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

## NOTES to the FINANCIAL STATEMENTS

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

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# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### 1-A Reporting Entity

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

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

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

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

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### 1-B Basis of Presentation

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

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

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

The City reports the following major governmental funds:

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

The City reports the following major enterprise funds:

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

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

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

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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

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

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

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

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

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

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

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

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

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

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

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

#### **Deposits and Investments**

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

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

Investments are reported at fair value.

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

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### **Interfund Receivables and Payables**

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

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

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

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

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

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

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

### **Capital Assets**

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

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



# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

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

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

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

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

### Compensated Absences

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

### Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

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### Fund Equity

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

## NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### 2-A Budgetary Information

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

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

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

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

### 2-B Excess of Expenditures over Appropriations

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

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

During the year ended June 30, 2010, the City incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control in the following funds:

	<b>Budget</b>	<b>Actual</b>	<b>Over Budget</b>
<b>General fund</b>			
General government:			
Manager	\$ 51,669	\$ 56,267	\$ 4,598
Human resources	58,850	60,161	1,311
City hall	82,635	83,343	708
Cemetery	156,177	159,682	3,505
Non-departmental	430,352	433,204	2,852
Public safety:			
Police	1,206,319	1,229,699	23,380
Fire	796,403	803,447	7,044
Dispatch	287,036	293,395	6,359
Inspection/code enforcement	91,153	94,523	3,370
Community development -			
Planning	65,256	67,991	2,735
Debt service:			
Principal	95,192	95,252	60
Interest and fiscal charges	28,523	28,527	4
<b>Nonmajor special revenue funds</b>			
Composting fund -			
General government	46,383	46,834	451
Drug law enforcement fund -			
General government	1,800	1,802	2
Special projects fund:			
General government	52,721	99,228	46,507
Debt service - principal	-	31,979	31,979
Recreation fund:			
Debt service:			
Principal	-	149,400	149,400
Interest and fiscal charges	-	480	480

### 2-C Fund Deficit

At June 30, 2010, the Downtown Development Authority had a deficit \$446,464 in unrestricted net assets.

# 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, 2010:

	<b>Primary Government</b>	<b>Component Units</b>	<b>Total</b>
<b>Statement of net assets:</b>			
Cash and cash equivalents	\$ 2,517,514	\$ 1,710,144	\$ 4,227,658
Investments	4,046,488	54,649	4,101,137
Restricted cash and cash equivalents	4,948,057	240,915	5,188,972
<b>Statement of fiduciary net assets:</b>			
Cash and cash equivalents	31,452	-	31,452
<b>Total</b>	<b>\$ 11,543,511</b>	<b>\$ 2,005,708</b>	<b>\$ 13,549,219</b>
<b>Deposits and investments:</b>			
Bank deposits (checking, savings and certificates of deposit)			\$ 12,084,089
Investments (external investment pool)			1,464,260
Cash on hand			870
<b>Total</b>			<b>\$ 13,549,219</b>

*Custodial Credit Risk - Deposits.* For deposits, custodial credit risk is the risk, that in the event of a bank failure, the City's deposits may not be returned to the government. As of June 30, 2010, \$8,458,455 of the City's total bank balance of \$12,136,198 (total book balance was \$12,084,089) was exposed to custodial credit risk as it was uninsured and uncollateralized.

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

*Custodial Credit Risk - Investments.* The City's investments as of June 30, 2010 are as follows:

<b>Deposit/Investment</b>	<b>Maturity</b>	<b>Fair Value</b>	<b>Rating</b>
MBIA Investment Fund	n/a	\$ 1,464,260	S&P - AAAm

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

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For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that investment securities be held in third-party safekeeping by a designated institution and that the safekeeping agent follow the procedure of delivery vs. payment.

*Credit Risk.* As of June 30, 2010, the City's investment in the external local government investment pool was rated AAAM by Standards and Poor. All of the City's investments comply with its policy regarding the types of investments it may hold.

*Concentration of Credit Risk.* The City's investment policy provides that, except for U.S. treasuries and authorized investment pools, no more than 50 percent of the total investment portfolio may be invested in a single security type or with a single financial institution. All investments held at year-end consisted of amounts in the MBIA external investment pool.

*Interest Rate Risk.* It is the City's policy that, unless matched to a specific cash flow, the government will not directly invest in securities maturing more than three years from the date of purchase. Reserve funds may be invested in securities exceeding three years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the funds. The average maturity of the portfolio investments in the external investment pools was less than 60 days as of June 30, 2010.

### **3-B Receivables**

Receivables in the governmental activities are 26.1 percent accounts receivables and 73.9 percent due from other governments. Business-type activities receivables are 100 percent accounts receivable.

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

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
<b>Deferred revenue reported by:</b>			
General fund	\$ -	\$ 460	\$ 460
Nonmajor governmental funds	-	16,299	16,299
<b>Total</b>	<u>\$ -</u>	<u>\$ 16,759</u>	<u>\$ 16,759</u>

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

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

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

	<u>% of Ownership</u>
City of Coldwater	40.0%
City of Hillsdale	25.5%
City of Marshall	24.0%
Village of Clinton	6.5%
Village of Union City	4.0%
	<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, 2010, which was audited by other auditors whose report dated August 30, 2010, 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, 2010, is as follows:

	<u>MSCPA</u>	<u>City of Marshall (24.0%)</u>
<b>Assets</b>		
Current assets	\$ 21,232,258	\$ 5,095,743
Non-current assets	19,198,151	4,607,556
Capital assets, net	<u>27,971,199</u>	<u>6,713,088</u>
Total assets	<u>68,401,608</u>	<u>16,416,387</u>
<b>Liabilities</b>		
Current liabilities	15,018,512	3,604,443
Long-term debt	<u>12,094,449</u>	<u>2,902,668</u>
Total liabilities	<u>27,112,961</u>	<u>6,507,111</u>
<b>Net assets</b>	<u><b>\$ 41,288,647</b></u>	<u><b>\$ 9,909,276</b></u>
<b>Revenues</b>	\$ 47,647,783	\$ 11,435,469
<b>Expenses</b>	<u>39,554,687</u>	<u>9,493,125</u>
Operating income	8,093,096	1,942,343
<b>Nonoperating expenses</b>	<u>2,955,560</u>	<u>709,334</u>
Change in net assets	5,137,536	1,233,009
Net assets, beginning of year	<u>36,151,111</u>	<u>8,676,267</u>
<b>Net assets, end of year</b>	<u><b>\$ 41,288,647</b></u>	<u><b>\$ 9,909,276</b></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, 2010, was as follows:

#### Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Land	\$ 2,232,662	\$ 24,681	\$ -	\$ 2,257,343
Construction in process	-	235,282	-	235,282
Total capital assets not being depreciated	<u>2,232,662</u>	<u>259,963</u>	<u>-</u>	<u>2,492,625</u>
Capital assets, being depreciated:				
Land improvements	5,325,981	11,035	-	5,337,016
Buildings	9,215,020	-	-	9,215,020
Vehicles	2,749,520	103,565	(162,064)	2,691,021
Equipment	2,097,011	177,665	(12,518)	2,262,158
Infrastructure	9,540,448	-	-	9,540,448
Total capital assets being depreciated	<u>28,927,980</u>	<u>292,265</u>	<u>(174,582)</u>	<u>29,045,663</u>
Less accumulated depreciation for:				
Land improvements	(2,514,658)	(303,739)	-	(2,818,397)
Buildings	(5,281,413)	(210,402)	-	(5,491,815)
Vehicles	(1,701,679)	(324,568)	162,064	(1,864,183)
Equipment	(1,806,212)	(82,848)	12,518	(1,876,542)
Infrastructure	(2,344,026)	(202,845)	-	(2,546,871)
Total accumulated depreciation	<u>(13,647,988)</u>	<u>(1,124,402)</u>	<u>174,582</u>	<u>(14,597,808)</u>
Total capital assets, being depreciated, net	<u>15,279,992</u>	<u>(832,137)</u>	<u>-</u>	<u>14,447,855</u>
<b>Governmental activities capital assets, net</b>	<b><u>\$ 17,512,654</u></b>	<b><u>\$ (572,174)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 16,940,480</u></b>
<b>Business-type activities</b>				
Capital assets, not being depreciated:				
Land	\$ 164,618	\$ -	\$ -	\$ 164,618
Construction in process	279,509	-	(279,509)	-
Total capital assets not being depreciated	<u>444,127</u>	<u>-</u>	<u>(279,509)</u>	<u>164,618</u>
Capital assets, being depreciated:				
Buildings	5,051,956	152,040	-	5,203,996
Vehicles	971,698	207,924	(358,512)	821,110
Equipment	1,358,066	60,480	-	1,418,546
Systems	31,961,222	1,276,495	-	33,237,717
Total capital assets being depreciated	<u>39,342,942</u>	<u>1,696,939</u>	<u>(358,512)</u>	<u>40,681,369</u>
Less accumulated depreciation for:				
Buildings	(3,108,859)	(262,508)	-	(3,371,367)
Vehicles	(556,787)	(32,817)	358,512	(231,092)
Equipment	(1,010,928)	(33,397)	-	(1,044,325)
Systems	(18,692,861)	(917,987)	-	(19,610,848)
Total accumulated depreciation	<u>(23,369,435)</u>	<u>(1,246,709)</u>	<u>358,512</u>	<u>(24,257,632)</u>
Total capital assets, being depreciated, net	<u>15,973,507</u>	<u>450,230</u>	<u>-</u>	<u>16,423,737</u>
<b>Business-type activities capital assets, net</b>	<b><u>\$ 16,417,634</u></b>	<b><u>\$ 450,230</u></b>	<b><u>\$ (279,509)</u></b>	<b><u>\$ 16,588,355</u></b>



# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

Component unit capital assets activity for the year ended June 30, 2010, was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balances</b>
Capital assets being depreciated:				
Land improvements	\$ 40,940	\$ -	\$ -	\$ 40,940
Equipment	84,990	6,650	-	91,640
Total capital assets being depreciated	125,930	6,650	-	132,580
Less accumulated depreciation :				
Land improvements	(12,593)	(1,638)	-	(14,231)
Equipment	-	(17,662)	-	(17,662)
Total accumulated depreciation	(12,593)	(19,300)	-	(31,893)
<b>Discretely presented component unit capital assets, net</b>	<b>\$ 28,347</b>	<b>\$ (12,650)</b>	<b>\$ -</b>	<b>\$ 100,687</b>

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

Governmental activities:	
General government	\$ 133,029
Public safety	61,186
Public works, including depreciation of general infrastructure assets	408,143
Parks and recreation	125,937
Community development	41,703
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	354,404
<b>Total depreciation expense - governmental activities</b>	<b>\$ 1,124,402</b>
Business-type activities:	
Electric	\$ 562,687
Wastewater	311,243
Water	276,767
Public transit	41,498
Public housing	54,514
<b>Total depreciation expense - business-type activities</b>	<b>\$ 1,246,709</b>

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

### 3-E Payables

Payables in the governmental activities are 62.6 percent vendors and 37.4 percent accrued payroll. Business-type activities are 77.8 percent vendors and 22.2 percent accrued payroll and compensated absences.

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

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

At June 30, 2010, the interfund balances consisted of the following:

	<b>Receivable</b>	<b>Payable</b>
<b>Governmental funds</b>		
General fund	\$ 17,836	\$ -
Nonmajor governmental funds	-	17,836
<b>Enterprise funds</b>		
Electric fund	281,603	-
Water fund	-	181,362
Wastewater fund	-	98,426
DART	-	1,815
	<b>\$ 299,439</b>	<b>\$ 299,439</b>

The above balances generally resulted from negative cash balances at year end.

For the year ended June 30, 2010, interfund transfers consisted of the following:

	<b>Transfers In</b>	<b>Transfers Out</b>
<b>Governmental funds</b>		
General fund	\$ -	\$ 178,998
Nonmajor governmental funds	413,969	26,643
<b>Enterprise funds</b>		
Electric fund	-	211,897
Wastewater fund	-	720
Water fund	-	26,697
DART	-	480
<b>Internal service funds</b>	31,706	240
	<b>\$ 445,675</b>	<b>\$ 445,675</b>

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

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

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### 3-G Long-term Debt

*General obligation bonds.* The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. During the year, the City issued \$1,345,000 water and sewer general obligation bonds.

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

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
<b>Governmental activities</b>		
1999 transportation fund bonds	4.05% - 4.60%	\$ 530,000
2004 improvements	3.00% - 4.40%	125,000
2005 building authority refunding	3.00% - 4.25%	<u>2,495,000</u>
		<b><u>\$ 3,150,000</u></b>
<b>Business-type activities</b>		
2004 improvements	3.00% - 4.70%	\$ 440,000
2004 refunding	3.00% - 3.75%	25,000
2006 refunding	3.65% - 3.80%	2,690,000
2007 electric	3.10% - 3.95%	720,000
2008 refunding	3.00% - 4.00%	1,800,000
2009 water main	4.00% - 5.10%	<u>1,285,000</u>
		<b><u>\$ 6,960,000</u></b>
<b>Discretely presented component unit</b>		
2002 downtown development	4.20% - 5.10%	<u>\$ 595,000</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
2011	\$ 300,000	\$ 125,752	\$ 555,000	\$ 289,596	\$ 30,000	\$ 28,943
2012	310,000	114,069	590,000	269,096	30,000	27,653
2013	325,000	101,615	615,000	246,588	35,000	26,333
2014	340,000	83,194	640,000	222,258	40,000	24,758
2015	205,000	77,444	650,000	196,380	40,000	22,918
2016-2020	1,670,000	226,438	2,655,000	204,420	275,000	80,700
2021-2025	-	-	770,000	229,113	145,000	11,220
2026-2030	-	-	485,000	56,150	-	-
	<b>\$ 3,150,000</b>	<b>\$ 728,512</b>	<b>\$ 6,960,000</b>	<b>\$ 1,713,601</b>	<b>\$ 595,000</b>	<b>\$ 222,525</b>

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

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
<b>Business-type activities</b>		
1999 electric	4.25% - 5.20%	<b><u>\$ 740,000</u></b>
<b>Discretely presented component unit</b>		
2005 local development	3.50% - 4.30%	<b><u>\$ 1,220,000</u></b>

Revenue bond debt service requirements to maturity are as follows:

Year Ending June 30,	Business-type		Component Unit	
	Principal	Interest	Principal	Interest
2011	\$ 60,000	\$ 36,430	\$ 25,000	\$ 50,105
2012	60,000	33,475	25,000	49,167
2013	65,000	30,350	80,000	48,230
2014	65,000	27,068	85,000	45,030
2015	70,000	23,625	85,000	41,715
2016-2020	420,000	56,680	445,000	156,870
2021-2025	-	-	475,000	60,990
	<b>\$ 740,000</b>	<b>\$ 207,628</b>	<b>\$ 1,220,000</b>	<b>\$ 452,107</b>

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

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

<b>Purpose</b>	<b>Interest Rates</b>	<b>Amount</b>
<b>Governmental activities</b>		
1996 public improvement (Stanton)	9.00%	\$ 97,315
2002 land contract (Quigley)	5.43%	173,500
2006 communication equipment	4.00%	84,554
		<b><u>\$ 355,369</u></b>
<b>Business-type activities</b>		
1996 public improvement (Stanton)	9.00%	\$ 227,070
2002 public improvement (State Farm)	0.00%	720,000
		<b><u>\$ 947,070</u></b>

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

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

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

<b>Year Ending June 30,</b>	<b>Governmental</b>		<b>Business-type</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2011	\$ 111,522	\$ 12,262	\$ -	\$ -
2012	117,213	6,571	-	-
2013	29,319	586	-	-
	258,054	19,419	-	-
Stanton	97,315	-	227,070	-
State Farm	-	-	720,000	-
	<b>\$ 355,369</b>	<b>\$ 19,419</b>	<b>\$ 947,070</b>	<b>\$ -</b>

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

*Changes in Long-Term Debt.* Long-term liability activity for the year ended June 30, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b><u>Primary Government</u></b>					
<b>Governmental activities</b>					
General obligation bonds	\$ 3,435,000	\$ -	\$ (285,000)	\$ 3,150,000	\$ 300,000
Installment contracts	497,600	-	(142,231)	355,369	208,837
Compensated absences	216,362	44,270	-	260,632	83,000
Add (deduct) deferred amounts:					
For issuance premiums	6,038	-	(404)	5,634	-
On refunding	(134,472)	-	11,984	(122,488)	-
	<b><u>\$ 4,020,528</u></b>	<b><u>\$ 44,270</u></b>	<b><u>\$ (415,651)</u></b>	<b><u>\$ 3,649,147</u></b>	<b><u>\$ 591,837</u></b>
<b>Business-type activities</b>					
General obligation bonds	\$ 6,055,000	\$ 1,345,000	\$ (440,000)	\$ 6,960,000	\$ 555,000
Revenue bonds	990,001	-	(250,001)	740,000	60,000
Installment contracts	996,075	-	(49,005)	947,070	227,070
Add (deduct) deferred amounts:					
For issuance premiums	53,009	-	(5,275)	47,734	-
On refunding	(77,678)	-	7,201	(70,477)	-
	<b><u>\$ 8,016,407</u></b>	<b><u>\$ 1,345,000</u></b>	<b><u>\$ (737,080)</u></b>	<b><u>\$ 8,624,327</u></b>	<b><u>\$ 842,070</u></b>
<b><u>Component Unit - LDFA</u></b>					
Revenue bonds	<b><u>\$ 1,245,000</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (25,000)</u></b>	<b><u>\$ 1,220,000</u></b>	<b><u>\$ 25,000</u></b>
<b><u>Component Unit - DDA</u></b>					
General obligation bonds	\$ 620,000	\$ -	\$ (25,000)	\$ 595,000	\$ 30,000
Compensated absences	1,923	-	(961)	962	962
	<b><u>\$ 621,923</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (25,961)</u></b>	<b><u>\$ 595,962</u></b>	<b><u>\$ 30,962</u></b>

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

### 3-H Segment Information – Enterprise Funds

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

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

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### NOTE 4 – OTHER INFORMATION

#### 4-A Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2010, 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 2009 levy, including industrial facilities, was \$259,491,609. The government's general operating tax rate for fiscal 2009-10 was 15.4629 mills with an additional 0.8165 mills for recreation, 0.4840 for public transportation, and 1.6129 for DDA (based on \$10,128,548 taxable value).

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

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

#### 4-C Contingent Liabilities

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

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

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

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### 4-D Postemployment Benefits

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

*Plan Membership.* As of June 30, 2009, the date of the last plan valuation, the Plan covered 96 members (29 active plan members and 67 retirees receiving benefits).

*Funding policy.* The contribution requirements of Plan members and the City are established and may be amended by the City Council. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the City Council. For the year ended June 30, 2010, the City contributed \$558,368 to the Plan, all of which was to fund current year benefits. Retirees receiving benefits contributed \$43,452 or approximately 7 percent of the total premiums, through their required contribution.

*Annual OPEB cost and net OPEB obligation.* The City's annual other postemployment benefit (OPEB) cost is calculated based on the *annual required contribution* of the employer (ARC). The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than 100 total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 952,652
Interest on net OPEB obligation	28,103
Adjustment to annual required contribution	<u>(19,355)</u>
Net OPEB cost (expense)	961,400
Contributions made	<u>(558,368)</u>
Increase in net OPEB obligation	403,032
Net OPEB obligation, beginning of year	<u>401,466</u>
Net OPEB obligation, end of year	<u><b>\$ 804,498</b></u>



# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

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The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2010 was as follows:

<u>Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percent of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/2010	\$ 961,400	59%	\$ 804,498

*Funded status and funding progress.* As of June 30, 2009, the most recent actuarial valuation date, the Plan was less than three percent funded. The actuarial accrued liability for benefits was \$16,431,481, and the actuarial value of assets was \$432,046, resulting in an unfunded actuarially accrued liability of \$15,999,435. The covered payroll (annual payroll of the active employees covered by the Plan) was \$1,407,059 and the ratio of the UAAL to the covered payroll was 1,137 percent.

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

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

The following simplifying assumptions were made:

*Retirement age for active employees* - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 55.

*Marital status* - Marital status of members at the calculation date was assumed to continue throughout retirement.

*Mortality* - Life expectancies were based on mortality tables from the National Center for Health Statistics. The 2006 United States Life Tables for Males and for Females were used.

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

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*Turnover* - Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

*Healthcare cost trend rate* - The expected rate of increase in healthcare insurance premiums was based on projections by the City's management. An initial rate of 12 percent was used, decreasing to 8 percent by the year 2015.

*Health insurance premiums* - 2009 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

*Inflation rate* - The expected long-term inflation assumption of 4.5 percent was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in *The 2006 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds* for an intermediate growth scenario.

*Payroll growth rate* - The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 7.0 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2010, was 30 years.

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

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

*Funding Policy.* The City was required to contribute 0.00% to 6.86% of the annual covered payroll, depending on the applicable bargaining unit, for the year ended June 30, 2010. City employees are required to contribute 7.70% to 12.24% of their annual covered payroll, depending on the applicable bargaining unit. The contribution requirements of the City are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the City, subject to collective bargaining agreements and depending on the MERS contribution program adopted by the City.

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

*Annual Pension Cost.* For the year ended June 30, 2010, the City's annual pension cost of \$247,197 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2008 actuarial valuation using the entry age normal actuarial method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of 8.0%; (b) projected salary increase of 4.5% per year compounded annually, attributable to inflation; and (c) additional projected salary increases of 0.0% to 8.4% per year, depending on age, attributable to seniority/merit.

*Funded Status.* The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2009, the date of the latest actuarial valuation, was 28 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>
2008	\$ 227,379	100%	\$ -
2009	224,057	100%	-
2010	247,197	100%	-

The funded status of the plan as of December 31, 2009, the date of the latest actuarial valuation, is presented below:

<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Actuarial Liability (AAL) Entry Age</u>	<u>(b-a) Unfunded AAL (UAAL)</u>	<u>Funded Ratio Total</u>	<u>(c) Covered Payroll</u>	<u>((b-a)/c) UAAL as a Percentage of Covered Payroll</u>
12/31/07	\$23,486,337	\$25,079,823	\$1,593,486	94%	\$4,224,192	38%
12/31/08	23,593,050	26,297,585	2,704,535	90%	4,216,281	64%
12/31/09	23,384,381	27,106,276	3,721,895	86%	4,291,122	87%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

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### **4-F Dial-A-Ride Disclosures**

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

#### *Cost Allocation Plans / Eligible Costs*

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

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

These cost allocation plans were adhered to in the preparation of the financial statements.

#### *Capital Funds*

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

#### *Nonfinancial Data*

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

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## REQUIRED SUPPLEMENTARY INFORMATION

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

**Required Supplementary Information**

**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date December 31,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry Age	(3) Unfunded AAL (Overfunded) (UAAL) (2-1)	(4) Funded Ratio (1/2)	(5) Covered Payroll	(6) UAAL as a % of Covered Payroll (3/5)
2003	\$ 20,517,832	\$ 19,935,535	\$ (582,297)	102.9%	\$ 3,839,753	-15.2%
2004	21,006,550	21,189,467	182,917	99.1%	4,102,546	4.5%
2005	21,572,620	23,110,895	1,538,275	93.3%	4,132,958	37.2%
2006	22,495,650	24,022,685	1,527,035	93.6%	4,091,944	37.3%
2007	23,486,337	25,079,823	1,593,486	93.6%	4,224,192	37.7%
2008	23,593,050	26,297,585	2,704,535	89.7%	4,216,281	64.1%
2009	23,384,381	27,106,276	3,721,895	86.3%	4,291,122	86.7%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Year Ended June 30,	Annual Required Contribution	Annual Actual Contribution	Percentage Contributed
2007	\$ 171,584	\$ 171,584	100.00%
2008	227,379	227,379	100.00%
2009	224,057	224,057	100.00%
2010	247,197	247,197	100.00%

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

**Required Supplementary Information**

**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date June 30,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry Age	(3) Unfunded AAL (UAAL) (2-1)	(4) Funded Ratio (1/2)	(5) Covered Payroll	(6) UAAL as a % of Covered Payroll (3/5)
2005	\$ 432,046	\$ 12,935,963	\$ 12,503,917	3.3%	\$ 4,132,958	302.5%
2009	432,046	16,431,481	15,999,435	2.6%	1,407,059	1,137.1%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Year Ended June 30,	Annual Required Contribution	Annual Actual Contribution	Percentage Contributed	Net OPEB Obligation
2009	\$ 914,127	\$ 512,661	56.08%	\$ 401,466
2010	952,652	558,368	58.61%	804,498

COMBINING and INDIVIDUAL FUND FINANCIAL  
STATEMENTS and SCHEDULES



**CITY OF MARSHALL, MICHIGAN**  
**Combining Balance Sheet - Nonmajor Governmental Funds**  
**June 30, 2010**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent Cemetery</u>	<u>Totals</u>
<b><u>ASSETS</u></b>					
<b>Assets</b>					
Cash and cash equivalents	\$ 215,558	\$ 16,259	\$ 90,636	\$ 172,210	\$ 494,663
Investments	264,815	-	-	512,723	777,538
Accounts receivable	11,212	-	-	1,313	12,525
Taxes receivable	7	-	-	-	7
Inventory	26,462	-	-	-	26,462
Due from other governments	121,717	-	-	-	121,717
Prepaid items	14,728	-	-	-	14,728
	<u>\$ 654,499</u>	<u>\$ 16,259</u>	<u>\$ 90,636</u>	<u>\$ 686,246</u>	<u>\$ 1,447,640</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 52,929	\$ -	\$ -	\$ -	\$ 52,929
Accrued liabilities	11,715	-	-	-	11,715
Due to other governments	60	-	-	-	60
Interfund payable	17,836	-	-	-	17,836
Deferred revenue	16,299	-	-	-	16,299
	<u>98,839</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,839</u>
<b>Fund balances</b>					
Reserved for prepaid items	14,728	-	-	-	14,728
Unreserved:					
Designated for other purposes	75,299	-	-	-	75,299
Designated for subsequent year expenditures	1,229	-	-	-	1,229
Undesignated	464,404	16,259	90,636	686,246	1,257,545
	<u>555,660</u>	<u>16,259</u>	<u>90,636</u>	<u>686,246</u>	<u>1,348,801</u>
	<u>\$ 654,499</u>	<u>\$ 16,259</u>	<u>\$ 90,636</u>	<u>\$ 686,246</u>	<u>\$ 1,447,640</u>

**CITY OF MARSHALL, MICHIGAN**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2010**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent Cemetery</u>	<u>Totals</u>
<b>Revenues</b>					
Property taxes	\$ 181,845	\$ -	\$ -	\$ -	\$ 181,845
Intergovernmental	609,083	-	-	-	609,083
Charges for services	269,012	-	-	11,025	280,037
Fines and forfeitures	32,755	-	-	-	32,755
Investment earnings	2,578	135	1,231	7,167	11,111
Other	75,732	-	-	-	75,732
	<u>1,171,005</u>	<u>135</u>	<u>1,231</u>	<u>18,192</u>	<u>1,190,563</u>
<b>Expenditures</b>					
Current expenditures:					
General government	301,320	-	1,779	308	303,407
Highways and streets	305,912	-	-	-	305,912
Culture and recreation	242,362	-	-	-	242,362
Debt service:					
Principal	151,979	155,000	-	-	306,979
Interest and fiscal charges	188,119	107,171	-	-	295,290
Capital outlay	480	-	-	-	480
	<u>1,190,172</u>	<u>262,171</u>	<u>1,779</u>	<u>308</u>	<u>1,454,430</u>
Revenues over (under) expenditures	<u>(19,167)</u>	<u>(262,036)</u>	<u>(548)</u>	<u>17,884</u>	<u>(263,867)</u>
<b>Other financing sources (uses)</b>					
Transfers in	151,798	262,171	-	-	413,969
Transfers out	(26,480)	(163)	-	-	(26,643)
	<u>125,318</u>	<u>262,008</u>	<u>-</u>	<u>-</u>	<u>387,326</u>
Net change in fund balances	106,151	(28)	(548)	17,884	123,459
Fund balances, beginning of year	449,509	16,287	91,184	668,362	1,225,342
<b>Fund balances, end of year</b>	<u><u>\$ 555,660</u></u>	<u><u>\$ 16,259</u></u>	<u><u>\$ 90,636</u></u>	<u><u>\$ 686,246</u></u>	<u><u>\$ 1,348,801</u></u>

**CITY OF MARSHALL, MICHIGAN**  
**Combining Balance Sheet - Nonmajor Special Revenue Funds**  
**June 30, 2010**

	<u>Major Street</u>	<u>Local Street</u>	<u>Composting</u>	<u>Parking System</u>	<u>Drug Law Enforcement</u>	<u>Recreation</u>	<u>Airport</u>	<u>Special Projects</u>	<u>Total</u>
<b><u>ASSETS</u></b>									
<b>Assets</b>									
Cash and cash equivalents	\$ 17,298	\$ -	\$ 61,831	\$ 26,816	\$ 5,288	\$ 21,585	\$ 8,396	\$ 74,344	\$ 215,558
Investments	1,790	69,799	-	9	-	192,450	445	322	264,815
Accounts receivable	-	-	-	553	-	552	6,721	3,386	11,212
Taxes receivable	-	-	-	-	-	7	-	-	7
Inventory	26,462	-	-	-	-	-	-	-	26,462
Due from other governments	60,222	20,433	-	-	-	-	-	41,062	121,717
Prepaid items	1,087	1,436	762	-	-	10,815	628	-	14,728
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 106,859</u></b>	<b><u>\$ 91,668</u></b>	<b><u>\$ 62,593</u></b>	<b><u>\$ 27,378</u></b>	<b><u>\$ 5,288</u></b>	<b><u>\$ 225,409</u></b>	<b><u>\$ 16,190</u></b>	<b><u>\$ 119,114</u></b>	<b><u>\$ 654,499</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>									
<b>Liabilities</b>									
Accounts payable	\$ 1,708	\$ 318	\$ 103	\$ -	\$ -	\$ 5,364	\$ 781	\$ 44,655	\$ 52,929
Accrued liabilities	632	943	389	-	-	8,688	1,063	-	11,715
Due to other governments	-	-	-	-	-	60	-	-	60
Interfund payable	-	17,836	-	-	-	-	-	-	17,836
Deferred revenue	-	-	-	-	-	16,299	-	-	16,299
Total liabilities	2,340	19,097	492	-	-	30,411	1,844	44,655	98,839
<b>Fund balances</b>									
Reserved for prepaid items	1,087	1,436	762	-	-	10,815	628	-	14,728
Unreserved:									
Designated for other purposes	-	-	-	-	-	1,441	-	73,858	75,299
Designated for subsequent year expenditures	1,229	-	-	-	-	-	-	-	1,229
Undesignated	102,203	71,135	61,339	27,378	5,288	182,742	13,718	601	464,404
Total fund balances	104,519	72,571	62,101	27,378	5,288	194,998	14,346	74,459	555,660
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b><u>\$ 106,859</u></b>	<b><u>\$ 91,668</u></b>	<b><u>\$ 62,593</u></b>	<b><u>\$ 27,378</u></b>	<b><u>\$ 5,288</u></b>	<b><u>\$ 225,409</u></b>	<b><u>\$ 16,190</u></b>	<b><u>\$ 119,114</u></b>	<b><u>\$ 654,499</u></b>

**CITY OF MARSHALL, MICHIGAN**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Nonmajor Special Revenue Funds**  
**For the Year Ended June 30, 2010**

	<u>Major Street</u>	<u>Local Street</u>	<u>Composting</u>	<u>Parking System</u>	<u>Drug Law Enforcement</u>	<u>Recreation</u>	<u>Airport</u>	<u>Special Projects</u>	<u>Total</u>
<b>Revenues</b>									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 181,845	\$ -	\$ -	\$ 181,845
Intergovernmental	411,164	142,529	14,200	-	-	128	-	41,062	609,083
Charges for services	-	-	11,950	-	-	213,405	43,657	-	269,012
Fines and forfeitures	-	-	-	31,948	807	-	-	-	32,755
Investment earnings	264	703	514	219	43	-	73	762	2,578
Other	-	-	-	-	-	175	10,297	65,260	75,732
<b>Total revenues</b>	<b>411,428</b>	<b>143,232</b>	<b>26,664</b>	<b>32,167</b>	<b>850</b>	<b>395,553</b>	<b>54,027</b>	<b>107,084</b>	<b>1,171,005</b>
<b>Expenditures</b>									
Current expenditures:									
General government	-	-	46,834	16,077	1,802	-	137,379	99,228	301,320
Highways and streets	167,108	138,804	-	-	-	-	-	-	305,912
Culture and recreation	-	-	-	-	-	242,362	-	-	242,362
Debt service:									
Principal	120,000	-	-	-	-	-	-	31,979	151,979
Interest and fiscal charges	26,160	-	-	-	-	149,400	-	12,559	188,119
Capital outlay	-	-	-	-	-	480	-	-	480
<b>Total expenditures</b>	<b>313,268</b>	<b>138,804</b>	<b>46,834</b>	<b>16,077</b>	<b>1,802</b>	<b>392,242</b>	<b>137,379</b>	<b>143,766</b>	<b>1,190,172</b>
Revenues over (under) expenditures	98,160	4,428	(20,170)	16,090	(952)	3,311	(83,352)	(36,682)	(19,167)
<b>Other financing sources (uses)</b>									
Transfers in	163	26,000	29,692	-	-	-	95,943	-	151,798
Transfers out	(26,000)	-	-	-	-	(480)	-	-	(26,480)
<b>Total other financing sources (uses)</b>	<b>(25,837)</b>	<b>26,000</b>	<b>29,692</b>	<b>-</b>	<b>-</b>	<b>(480)</b>	<b>95,943</b>	<b>-</b>	<b>125,318</b>
Net change in fund balances	72,323	30,428	9,522	16,090	(952)	2,831	12,591	(36,682)	106,151
Fund balances, beginning of year	32,196	42,143	52,579	11,288	6,240	192,167	1,755	111,141	449,509
<b>Fund balances, end of year</b>	<b>\$ 104,519</b>	<b>\$ 72,571</b>	<b>\$ 62,101</b>	<b>\$ 27,378</b>	<b>\$ 5,288</b>	<b>\$ 194,998</b>	<b>\$ 14,346</b>	<b>\$ 74,459</b>	<b>\$ 555,660</b>

**CITY OF MARSHALL, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**Final Budget and Actual - Nonmajor Special Revenue Funds**  
**For the Year Ended June 30, 2010**

	<u>Major Street Fund</u>			<u>Local Street Fund</u>		
	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<b>Revenues</b>						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	509,351	411,164	(98,187)	128,900	142,529	13,629
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Investment earnings	1,000	264	(736)	500	703	203
Other	-	-	-	-	-	-
<b>Total revenues</b>	<u>510,351</u>	<u>411,428</u>	<u>(98,923)</u>	<u>129,400</u>	<u>143,232</u>	<u>13,832</u>
<b>Expenditures</b>						
Current expenditures:						
General government	-	-	-	-	-	-
Highways and streets	216,042	167,108	(48,934)	155,013	138,804	(16,209)
Parks and recreation	-	-	-	-	-	-
Debt service:						
Principal	120,000	120,000	-	-	-	-
Interest and fiscal charges	26,160	26,160	-	-	-	-
Capital outlay	122,200	-	(122,200)	-	-	-
<b>Total expenditures</b>	<u>484,402</u>	<u>313,268</u>	<u>(171,134)</u>	<u>155,013</u>	<u>138,804</u>	<u>(16,209)</u>
Revenues over (under) expenditures	<u>25,949</u>	<u>98,160</u>	<u>72,211</u>	<u>(25,613)</u>	<u>4,428</u>	<u>30,041</u>
<b>Other financing sources (uses)</b>						
Transfers in	-	163	163	26,000	26,000	-
Transfers out	(26,000)	(26,000)	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>(26,000)</u>	<u>(25,837)</u>	<u>163</u>	<u>26,000</u>	<u>26,000</u>	<u>-</u>
Net change in fund balances	(51)	72,323	72,374	387	30,428	30,041
Fund balances, beginning of year	185,488	32,196	153,292	42,143	42,143	-
<b>Fund balances (deficit), end of year</b>	<u>\$ 185,437</u>	<u>\$ 104,519</u>	<u>\$ (80,918)</u>	<u>\$ 42,530</u>	<u>\$ 72,571</u>	<u>\$ 30,041</u>

Composting Fund			Parking System Fund			Drug Law Enforcement Fund		
Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
14,200	14,200	-	5,000	-	(5,000)	-	-	-
7,800	11,950	4,150	-	-	-	-	-	-
-	-	-	26,500	31,948	5,448	800	807	7
300	514	214	-	219	219	-	43	43
-	-	-	-	-	-	-	-	-
22,300	26,664	4,364	31,500	32,167	667	800	850	50
46,383	46,834	451	22,681	16,077	(6,604)	1,800	1,802	2
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
46,383	46,834	451	22,681	16,077	(6,604)	1,800	1,802	2
(24,083)	(20,170)	3,913	8,819	16,090	7,271	(1,000)	(952)	48
29,384	29,692	308	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
29,384	29,692	308	-	-	-	-	-	-
5,301	9,522	4,221	8,819	16,090	7,271	(1,000)	(952)	48
52,579	52,579	-	11,288	11,288	-	6,240	6,240	-
\$ 57,880	\$ 62,101	\$ 4,221	\$ 20,107	\$ 27,378	\$ 7,271	\$ 5,240	\$ 5,288	\$ 48

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, 2010**

	<b>Recreation Fund</b>			<b>Airport Fund</b>		
	<b>Final Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
<b>Revenues</b>						
Property taxes	\$ 181,101	\$ 181,845	\$ 744	\$ -	\$ -	\$ -
Intergovernmental	128	128	-	-	-	-
Charges for services	201,210	213,405	12,195	40,000	43,657	3,657
Fines and forfeitures	-	-	-	-	-	-
Investment earnings	1,804	-	(1,804)	-	73	73
Other	-	175	175	10,040	10,297	257
<b>Total revenues</b>	<b>384,243</b>	<b>395,553</b>	<b>11,310</b>	<b>50,040</b>	<b>54,027</b>	<b>3,987</b>
<b>Expenditures</b>						
Current expenditures:						
General government	-	-	-	142,232	137,379	(4,853)
Highways and streets	-	-	-	-	-	-
Parks and recreation	397,907	242,362	(155,545)	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	149,400	149,400	-	-	-
Capital outlay	-	480	480	-	-	-
<b>Total expenditures</b>	<b>397,907</b>	<b>392,242</b>	<b>(5,665)</b>	<b>142,232</b>	<b>137,379</b>	<b>(4,853)</b>
Revenues over (under) expenditures	(13,664)	3,311	16,975	(92,192)	(83,352)	8,840
<b>Other financing sources (uses)</b>						
Transfers in	-	-	-	95,943	95,943	-
Transfers out	(480)	(480)	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(480)</b>	<b>(480)</b>	<b>-</b>	<b>95,943</b>	<b>95,943</b>	<b>-</b>
Net change in fund balances	(14,144)	2,831	16,975	3,751	12,591	8,840
Fund balances, beginning of year	192,167	192,167	-	1,755	1,755	-
<b>Fund balances (deficit), end of year</b>	<b>\$ 178,023</b>	<b>\$ 194,998</b>	<b>\$ 16,975</b>	<b>\$ 5,506</b>	<b>\$ 14,346</b>	<b>\$ 8,840</b>

**Special Projects Fund**

<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
\$ -	\$ -	\$ -
-	41,062	41,062
-	-	-
-	-	-
110	762	652
<u>59,625</u>	<u>65,260</u>	<u>5,635</u>
<u>59,735</u>	<u>107,084</u>	<u>47,349</u>
52,721	99,228	46,507
-	-	-
-	-	-
-	31,979	31,979
42,850	12,559	(30,291)
-	-	-
<u>95,571</u>	<u>143,766</u>	<u>48,195</u>
<u>(35,836)</u>	<u>(36,682)</u>	<u>(846)</u>
-	-	-
-	-	-
-	-	-
(35,836)	(36,682)	(846)
<u>111,141</u>	<u>111,141</u>	<u>-</u>
<u>\$ 75,305</u>	<u>\$ 74,459</u>	<u>\$ (846)</u>



**CITY OF MARSHALL, MICHIGAN**  
**Combining Balance Sheet - Nonmajor Debt Service Funds**  
**June 30, 2010**

	<b>Building Authority</b>	<b>1999 Motor Vehicle Highway</b>	<b>1986 Motor Vehicle Highway</b>	<b>Total</b>
<b><u>ASSETS</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 9,469	\$ 6,790	\$ -	\$ 16,259
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>Fund balances</b>				
Unreserved, undesignated	\$ 9,469	\$ 6,790	\$ -	\$ 16,259

**CITY OF MARSHALL, MICHIGAN**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Nonmajor Debt Service Funds**  
**For the Year Ended June 30, 2010**

	<u>Building Authority</u>	<u>1999 Motor Vehicle Highway</u>	<u>1986 Motor Vehicle Highway</u>	<u>Total</u>
<b>Revenues</b>				
Investment earnings	\$ 79	\$ 56	\$ -	\$ 135
<b>Expenditures</b>				
Debt service:				
Principal retirement	155,000	-	-	155,000
Interest and fiscal charges	107,171	-	-	107,171
Total expenditures	262,171	-	-	262,171
Revenues over (under) expenditures	(262,092)	56	-	(262,036)
<b>Other financing sources (uses)</b>				
Transfers in	262,171	-	-	262,171
Transfers out	-	-	(163)	(163)
Total other financing sources (uses)	262,171	-	(163)	262,008
Net change in fund balances	79	56	(163)	(28)
Fund balances, beginning of year	9,390	6,734	163	16,287
<b>Fund balances, end of year</b>	<u>\$ 9,469</u>	<u>\$ 6,790</u>	<u>\$ -</u>	<u>\$ 16,259</u>

**CITY OF MARSHALL, MICHIGAN**  
**Combining Balance Sheet - Nonmajor Capital Projects Funds**  
**June 30, 2010**

	<u>MVH Major Streets</u>	<u>MVH Local Streets</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
<b>Assets</b>			
Cash and cash equivalents	<u>\$ 90,636</u>	<u>\$ -</u>	<u>\$ 90,636</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b>Fund balances</b>			
Unreserved, undesignated	<u>\$ 90,636</u>	<u>\$ -</u>	<u>\$ 90,636</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, 2010**

	<u>MVH Major Streets</u>	<u>MVH Local Streets</u>	<u>Total</u>
<b>Revenue</b>			
Investment earnings	\$ 1,231	\$ -	\$ 1,231
<b>Expenditures</b>			
Current expenditures -			
General government	<u>1,779</u>	<u>-</u>	<u>1,779</u>
Net change in fund balances	(548)	-	(548)
Fund balances, beginning of year	<u>91,184</u>	<u>-</u>	<u>91,184</u>
<b>Fund balances, end of year</b>	<u><u>\$ 90,636</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 90,636</u></u>

**CITY OF MARSHALL, MICHIGAN**  
**Supplemental Schedule of Operating Expenses**  
**Electric, Wastewater and Water Enterprise Funds**  
**For the Year Ended June 30, 2010**

	<u>Electric</u>	<u>Wastewater</u>	<u>Water</u>	<u>Total</u>
<b>Administration</b>				
Personal services	\$ 537,419	\$ 193,967	\$ 217,636	\$ 949,022
Materials and supplies	22,929	9,437	10,212	42,578
Contractual	47,816	18,454	9,740	76,010
Insurance	28,392	22,433	3,680	54,505
Maintenance	-	7,946	-	7,946
Administration (city allocated costs)	340,395	26,960	36,075	403,430
Other expense	29,548	4,564	34,212	68,324
Depreciation	13,827	12,839	-	26,666
	<u>1,020,326</u>	<u>296,600</u>	<u>311,555</u>	<u>1,628,481</u>
<b>Powerhouse</b>				
Personal services	375,969	-	-	375,969
Materials and supplies	102,722	-	-	102,722
Purchased power	9,549,485	-	-	9,549,485
Contractual	79,882	-	-	79,882
Maintenance	230	-	-	230
Other expense	14,395	-	-	14,395
Depreciation	228,173	-	-	228,173
	<u>10,350,856</u>	<u>-</u>	<u>-</u>	<u>10,350,856</u>
<b>Line distribution</b>				
Personal services	723,462	-	226,528	949,990
Materials and supplies	98,528	-	52,026	150,554
Purchased power	-	-	2,036	2,036
Contractual	34,410	-	4,982	39,392
Maintenance	2,102	-	169	2,271
Other expense	196,471	-	34,975	231,446
Depreciation	320,687	-	260,947	581,634
	<u>1,375,660</u>	<u>-</u>	<u>581,663</u>	<u>1,957,323</u>
<b>Operations</b>				
Personal services	-	220,718	-	220,718
Materials and supplies	-	125,872	-	125,872
Purchased power	-	111,459	-	111,459
Contractual	-	74,893	-	74,893
Maintenance	-	4,950	-	4,950
Other expense	6,839	22,772	-	29,611
Depreciation	-	298,404	-	298,404
	<u>6,839</u>	<u>859,068</u>	<u>-</u>	<u>865,907</u>

Continued...

**CITY OF MARSHALL, MICHIGAN**  
**Supplemental Schedule of Operating Expenses (Concluded)**  
**Electric, Wastewater and Water Enterprise Funds**  
**For the Year Ended June 30, 2010**

	<u>Electric</u>	<u>Wastewater</u>	<u>Water</u>	<u>Total</u>
<b>Production</b>				
Personal services	\$ -	\$ -	\$ 90,294	\$ 90,294
Materials and supplies	-	-	45,612	45,612
Purchased power	-	-	44,997	44,997
Contractual	-	-	2,768	2,768
Other expense	-	-	7,769	7,769
Depreciation	-	-	15,820	15,820
	<u>-</u>	<u>-</u>	<u>207,260</u>	<u>207,260</u>
<b>Totals</b>				
Personal services	1,636,850	414,685	534,458	2,585,993
Materials and supplies	224,179	135,309	107,850	467,338
Purchased power	9,549,485	111,459	47,033	9,707,977
Contractual	162,108	93,347	17,490	272,945
Insurance	28,392	22,433	3,680	54,505
Maintenance	2,332	12,896	169	15,397
Administration (city allocated costs)	340,395	26,960	36,075	403,430
Other expense	247,253	27,336	76,956	351,545
Depreciation	562,687	311,243	276,767	1,150,697
	<u>\$ 12,753,681</u>	<u>\$ 1,155,668</u>	<u>\$ 1,100,478</u>	<u>\$ 15,009,827</u>

**CITY OF MARSHALL, MICHIGAN**  
**Supplemental Schedule of Revenues and Expenses**  
**Dial-A-Ride Transportation Fund**  
**For the Year Ended June 30, 2010**

<b>Schedule 1 - for the year ended June 30, 2010</b>	7/1/09 to 9/30/09	10/1/09 to 6/30/10	Total
<b>Local revenues:</b>			
Demand response - farebox (nonurban)	\$ 10,694	\$ 40,438	\$ 51,132
Tax levy	108,363	(576)	107,787
Gain on sale of capital assets	1,030	5,550	6,580
Interest income	235	3,209	3,444
<b>Total local revenues</b>	<b>\$ 120,322</b>	<b>\$ 48,621</b>	<b>\$ 168,943</b>

<b>Schedule 1A - based on a September 30, 2009 Year End</b>	10/1/08 to 6/30/09	7/1/09 to 9/30/09	Total
<b>Local revenues:</b>			
Demand response - farebox (nonurban)	\$ 40,634	\$ 10,694	\$ 51,328
Tax levy	(1,068)	108,363	107,295
Gain on sale of capital assets	-	1,030	1,030
Interest income	3,823	235	4,058
<b>Total local revenues</b>	<b>\$ 43,389</b>	<b>\$ 120,322</b>	<b>\$ 163,711</b>

Continued...

**CITY OF MARSHALL, MICHIGAN**  
**Supplemental Schedule of Revenues and Expenses (Continued)**  
**Dial-A-Ride Transportation Fund**  
**For the Year Ended June 30, 2010**

<b>Schedule 2A - for the year ended June 30, 2010</b>	7/1/09 to 9/30/09	10/1/09 to 6/30/10	Total
Michigan Department of Transportation:			
Local Bus Operating (Act 51)	\$ 37,245	\$ 98,865	\$ 136,110
Capital assistance	-	41,281	41,281
Prior year settlement	6,961	-	6,961
Federal Transit Administration:			
Section 5311 - operating	48,298	19,294	67,592
Section 5311 - operating (ARRA)	-	9,391	9,391
Section 5311 - capital	-	80,003	80,003
Section 5309 - capital	-	85,120	85,120
Farebox and RTAP reimbursements	615	2,587	3,202
Prior year settlement	-	806	806
Total	<u>\$ 93,119</u>	<u>\$ 337,347</u>	<u>\$ 430,466</u>

<b>Schedule 2B - based on a September 30, 2009 year end</b>	10/1/08 to 6/30/09	7/1/09 to 9/30/09	Total
Michigan Department of Transportation:			
Local Bus Operating (Act 51)	\$ 119,222	\$ 37,245	\$ 156,467
Capital assistance	127,446	-	127,446
Final closeout revenue	-	6,961	6,961
Federal Transit Administration:			
Section 5311 - operating	35,620	48,298	83,918
RTAP reimbursements	-	615	615
Total	<u>\$ 282,288</u>	<u>\$ 93,119</u>	<u>\$ 375,407</u>

Continued...



**CITY OF MARSHALL, MICHIGAN**  
**Supplemental Schedule of Revenues and Expenses (Continued)**  
**Dial-A-Ride Transportation Fund**  
**For the Year Ended June 30, 2010**

<b>Schedule 3 - Operating and Contract Expenses</b>	Nonurban	Total
<b>Expenses:</b>		
Labor	\$ 197,770	\$ 197,770
Fringe Benefits	70,226	70,226
Services	40,676	40,676
Materials and Supplies	43,016	43,016
Utilities	639	639
Insurance	4,161	4,161
Taxes	22	22
Miscellaneous	12,098	12,098
Depreciation	41,498	41,498
Ineligible costs (prior year settlements)	19,578	19,578
	<u>19,578</u>	<u>19,578</u>
 Total Expenses	 <u>\$ 429,684</u>	 <u>\$ 429,684</u>

<b>Schedule 3A - Operating Expenses for June 30, 2010</b>	Nonurban		Total
	7/1/09 to 9/30/09	10/1/09 to 06/30/10	
<b>Expenses:</b>			
Labor	\$ 39,066	\$ 158,704	\$ 197,770
Fringe Benefits	23,668	46,558	70,226
Services	8,435	32,241	40,676
Materials and Supplies	10,458	32,558	43,016
Utilities	166	473	639
Insurance	-	4,161	4,161
Taxes	-	22	22
Miscellaneous	3,450	8,648	12,098
Depreciation	8,466	33,032	41,498
Ineligible costs (prior year settlements)	-	19,578	19,578
	<u>-</u>	<u>19,578</u>	<u>19,578</u>
 Total Expenses	 <u>\$ 93,709</u>	 <u>\$ 335,975</u>	 <u>\$ 429,684</u>

<b>Schedule 3B - Operating Expenses for September 30, 2009</b>	Nonurban		Total
	10/1/08 to 6/30/09	7/1/09 to 9/30/09	
<b>Expenses:</b>			
Labor	\$ 159,943	\$ 39,066	\$ 199,009
Fringe Benefits	43,751	23,668	67,419
Services	58,675	8,435	67,110
Materials and Supplies	25,340	10,458	35,798
Utilities	552	166	718
Insurance	5,822	-	5,822
Taxes	223	-	223
Miscellaneous	539	3,450	3,989
Depreciation	18,121	8,466	26,587
Ineligible costs (prior year settlements)	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
 Total Expenses	 <u>\$ 312,966</u>	 <u>\$ 93,709</u>	 <u>\$ 406,675</u>

**CITY OF MARSHALL, MICHIGAN**  
**Supplemental Schedule of Revenues and Expenses (Concluded)**  
**Dial-A-Ride Transportation Fund**  
**For the Year Ended June 30, 2010**

<b>Schedule 5 - Operating Assistance Calculation for September 30, 2009</b>	Nonurban
Total Expenses	\$ 406,675
Less Ineligible Expenses	
Depreciation	26,587
RTAP	615
Fareboxes	-
Prior year settlements	-
Total Ineligible Expenses Per R&E Manual	27,202
<b>Total State Eligible Expenses</b>	<b>379,473</b>
Eligible Expenses for State Reimbursement	379,473
x Reimbursement Percentage	35.09%
State Operating Assistance	\$ 133,157
<b>Total Federal Eligible Expenses</b>	
Less Additional Federal Ineligible Expenses Per A-87 - Audit Costs	1,265
Eligible Expenses for Federal Reimbursement	378,208
x Reimbursement Percentage	16%
Federal Operating Assistance	\$ 60,513

**CITY OF MARSHALL, MICHIGAN**  
**Supplemental Schedule of Revenues and Expenses (Continued)**  
**Dial-A-Ride Transportation Fund**  
**For the Year Ended June 30, 2010**

Schedule 2 - Expenditures of Federal and State Awards	Federal CFDA Number	Grant No./ Authorization Number	Program Award Amount	Current Year Revenues		Settlement	Reported Prior Year	Award Amount Remaining
				Total	State			
<u>U.S. Department of Transportation</u>								
Passed-through Michigan Department of Transportation								
Operating Assistance - Section 5311:								
RTAP	20.509		\$ 1,406	\$ 1,406	\$ -	\$ -	\$ -	\$ -
Fare boxes	20.509		1,796	1,796	-	-	-	-
Settlement (FY 07)	20.509	MI-18-X041	806	-	-	806	-	-
Operating assistance (FY 09)	20.509	MI-18-X047 / Z7	66,930	48,298	-	-	18,632	-
Operating assistance (FY 10)	20.509	MI-18-X050 / Z12	60,101	19,294	-	-	-	40,807
ARRA	20.509	MI-86-X002 / Z11	9,391	9,391	-	-	-	-
Capital Assistance - Section 5311	20.509	MI-85-X004 / Z8	162,000	80,003	-	-	-	81,997
Capital Assistance - Section 5309	20.500	MI-04-0052 / Z9	95,000	85,120	-	-	-	9,880
<u>Michigan Department of Transportation</u>								
Operating Assistance - Act 51 Nonurban:								
Settlement (FY 08)		n/a	6,961	-	-	6,961	-	-
Operating assistance (FY 09)		n/a	148,992	37,245	37,245	-	111,747	-
Operating assistance (FY 10)		n/a	131,820	-	98,865	-	-	32,955
Capital Assistance		MI-85-X004 / Z8	40,500	-	20,001	-	-	20,499
Capital Assistance		MI-04-0052 / Z9	23,750	21,280	-	-	-	2,470
Total			\$ 749,453	\$ 430,466	\$ 245,308	\$ 177,391	\$ 130,379	\$ 188,608

Continued...

**CITY OF MARSHALL, MICHIGAN**  
**Dial-A-Ride Transportation Fund**  
**Nonurban Regular Service Revenue Report**  
**For the Year Ended September 30, 2009**

<b>Code</b>	<b>Description</b>	<b>Amount</b>
<b>401 :</b>	<b>Farebox Revenue</b>	
40100	Passenger Fares	\$ 51,328
<b>407 :</b>	<b>NonTrans Revenue</b>	
40760	Gains from the Sale of Capital Assets (two buses)	1,030
<b>408 :</b>	<b>Local Revenue</b>	
40800	Taxes Levied Directly for/by Transit Agenc	107,295
<b>411 :</b>	<b>State Formula and Contracts</b>	
41101	State Operating Assistance	156,467
<b>413 :</b>	<b>Federal Contracts</b>	
41301	Federal Section 5311	83,918
41398	RTAP (RTAP for Supervisor Seminar)	615
<b>414 :</b>	<b>Other Revenue</b>	
41400	Interest Income	4,058
<b>Total revenues:</b>		<b>\$ 404,711</b>

**CITY OF MARSHALL, MICHIGAN**  
**Dial-A-Ride Transportation Fund**  
**Nonurban Regular Service Expense Report**  
**For the Year Ended September 30, 2009**

<b>Code</b>	<b>Description</b>	<b>Operations</b>	<b>Maintenance</b>	<b>Gen. Admin.</b>	<b>Total</b>
<b>501 :</b>	<b>Labor</b>				
50101	Operators' Salaries & Wages	129,914			\$ 129,914
50102	Other Salaries & Wages		2,824	10,594	13,418
50103	Dispatchers' Salaries & Wages	55,677			55,677
<b>502 :</b>	<b>Fringe Benefits</b>				
50200	Other Fringe Benefits	49,746	824	2,008	52,578
50201	Pension	14,841			14,841
<b>503 :</b>	<b>Services</b>				
50302	Advertising Fees			381	381
50305	Audit Cost	1,265			1,265
50399	Other Services	22,895	11,718	10,951	45,564
<b>504 :</b>	<b>Materials and Supplies</b>				
50401	Fuel & Lubricants	25,429			25,429
50402	Tires & Tubes	1,395			1,395
50499	Other Materials & Supplies	871	8,028	75	8,974
<b>505 :</b>	<b>Utilities</b>				
50500	Utilities	718			718
<b>506 :</b>	<b>Insurance</b>				
50603	Liability Insurance	5,822			5,822
<b>507 :</b>	<b>Taxes &amp; Fees</b>				
50700	Taxes & Fees	223			223
<b>509 :</b>	<b>Misc. Expenses</b>				
50902	Travel, Meetings & Training			3,989	3,989
<b>512 :</b>	<b>Operating Leases &amp; Rentals</b>				
51200	Operating Leases & Rentals	17,338		2,562	19,900
<b>513 :</b>	<b>Depreciation</b>				
51300	Depreciation	26,587			26,587
<b>550 :</b>	<b>Ineligible Expenses</b>				
55007	Ineligible Depreciation	26,587			26,587
<b>574 :</b>	<b>Ineligible Expenses</b>				
57402	Ineligible RTAP			615	615
<b>Total expenses:</b>					<b>406,675</b>
<b>Total ineligible expenses:</b>					<b>27,202</b>
<b>Total eligible expenses:</b>					<b>\$ 379,473</b>

**CITY OF MARSHALL, MICHIGAN**  
**Dial-A-Ride Transportation Fund**  
**Nonurban Regular Service Nonfinancial Report (UNAUDITED)**  
**For the Year Ended September 30, 2009**

**Public Service**

<b>Code</b>	<b>Description</b>	<b>Weekday</b>	<b>Saturday</b>	<b>Sunday</b>	<b>Total</b>
611	Vehicle Miles	204,254	-	-	204,254

**CITY OF MARSHALL, MICHIGAN**  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
**June 30, 2010**

	<b>Data Processing</b>	<b>Motor Pool</b>	<b>Safety</b>	<b>Total</b>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 36,878	\$ 125,439	\$ 3,024	\$ 165,341
Investments	164,086	1,067,668	33,932	1,265,686
Accounts receivable	-	11,925	-	11,925
Prepaid items	156	1,546	-	1,702
Total current assets	201,120	1,206,578	36,956	1,444,654
Noncurrent assets:				
Capital assets, net	47,115	1,234,741	-	1,281,856
Total assets	248,235	2,441,319	36,956	2,726,510
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	1,344	62,711	-	64,055
Accrued payroll and compensated absences	346	4,831	107	5,284
Total liabilities	1,690	67,542	107	69,339
<b>Net assets</b>				
Invested in capital assets	47,115	1,234,741	-	1,281,856
Unrestricted	199,430	1,139,036	36,849	1,375,315
Total net assets	\$ 246,545	\$ 2,373,777	\$36,849	\$ 2,657,171

**CITY OF MARSHALL, MICHIGAN**  
**Combining Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets**  
**Internal Service Funds**  
**For the Year Ended June 30, 2010**

	<u>Data Processing</u>	<u>Motor Pool</u>	<u>Safety</u>	<u>Total</u>
<b>Operating revenues</b>				
Charges for services	\$ 125,300	\$ 733,408	\$ -	\$ 858,708
Other	-	34,926	284	35,210
	<u>125,300</u>	<u>768,334</u>	<u>284</u>	<u>893,918</u>
Total operating revenues				
<b>Operating expenses</b>				
Personal services	15,956	107,062	-	123,018
Materials and supplies	19,660	155,259	806	175,725
Contractual	40,096	8,548	3,323	51,967
Insurance	-	30,298	-	30,298
Maintenance	553	87,729	709	88,991
Other expense	50	65,789	14	65,853
Depreciation	15,023	339,381	-	354,404
	<u>91,338</u>	<u>794,066</u>	<u>4,852</u>	<u>890,256</u>
Total operating expenses				
Operating income (loss)	<u>33,962</u>	<u>(25,732)</u>	<u>(4,568)</u>	<u>3,662</u>
<b>Nonoperating revenues (expenses)</b>				
Investment earnings	2,115	11,852	375	14,342
Interest expense	-	(706)	-	(706)
Total nonoperating revenues (expenses)	<u>2,115</u>	<u>11,146</u>	<u>375</u>	<u>13,636</u>
Income (loss) before transfers	<u>36,077</u>	<u>(14,586)</u>	<u>(4,193)</u>	<u>17,298</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	25,706	6,000	31,706
Transfers out	-	(240)	-	(240)
Total other finance sources (uses)	<u>-</u>	<u>25,466</u>	<u>6,000</u>	<u>31,466</u>
Change in net assets	36,077	10,880	1,807	48,764
Net assets, beginning of year	<u>210,468</u>	<u>2,362,897</u>	<u>35,042</u>	<u>2,608,407</u>
<b>Net assets, end of year</b>	<u>\$ 246,545</u>	<u>\$ 2,373,777</u>	<u>\$ 36,849</u>	<u>\$ 2,657,171</u>



**CITY OF MARSHALL, MICHIGAN**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2010**

	<u>Data Processing</u>	<u>Motor Pool</u>	<u>Safety</u>	<u>Total</u>
<b>Cash flows from operating activities</b>				
Receipts from interfund services	\$ 125,300	\$ 768,334	\$ 284	\$ 893,918
Payments to suppliers/claimants	(60,141)	(326,906)	(5,032)	(392,079)
Payments to employees	(15,842)	(106,453)	-	(122,295)
Net cash provided (used) by operating activities	<u>49,317</u>	<u>334,975</u>	<u>(4,748)</u>	<u>379,544</u>
<b>Cash flows from non-capital financing activities</b>				
Transfers in	-	25,706	6,000	31,706
Transfers out	-	(240)	-	(240)
Net cash provided by non-capital financing activities	<u>-</u>	<u>25,466</u>	<u>6,000</u>	<u>31,466</u>
<b>Cash flows from capital and related financing activities</b>				
Principal and interest paid on contract	-	(25,706)	-	(25,706)
Purchase of capital assets	(18,544)	(486,843)	-	(505,387)
Net cash used in capital and related financing activities	<u>(18,544)</u>	<u>(512,549)</u>	<u>-</u>	<u>(531,093)</u>
<b>Cash flows from investing activities</b>				
Purchase of investments	(1,813)	(11,801)	(375)	(13,989)
Proceeds from investments	-	-	-	-
Interest received on investments	2,115	11,852	375	14,342
Net cash provided by investing activities	<u>302</u>	<u>51</u>	<u>-</u>	<u>353</u>
Net change in cash and cash equivalents	31,075	(152,057)	1,252	(119,730)
Cash and cash equivalents, beginning of year	<u>5,803</u>	<u>277,496</u>	<u>1,772</u>	<u>285,071</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 36,878</u>	<u>\$ 125,439</u>	<u>\$ 3,024</u>	<u>\$ 165,341</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>				
Operating income (loss)	\$ 33,962	\$ (25,732)	\$ (4,568)	\$ 3,662
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	15,023	339,381	-	354,404
Changes in assets and liabilities:				
Accounts receivable	-	(11,925)	-	(11,925)
Due from other governments	-	5,602	-	5,602
Prepaid items	432	827	-	1,259
Accounts payable	(214)	26,213	(287)	25,712
Accrued payroll/compensated absences	114	609	107	830
<b>Net cash provided (used) by operating activities</b>	<u>\$ 49,317</u>	<u>\$ 334,975</u>	<u>\$ (4,748)</u>	<u>\$ 379,544</u>

**CITY OF MARSHALL, MICHIGAN**  
**Combining Statement of Fiduciary Assets and Liabilities**  
**Agency Funds**  
**June 30, 2010**

	<b>Current Tax</b>	<b>Imprest Payroll</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 4,457	\$ 26,995	\$ 31,452
Delinquent taxes receivable	169,593	-	169,593
Total assets	\$ 174,050	\$ 26,995	\$ 201,045
<b>Liabilities</b>			
Undistributed receipts	\$ 174,050	\$ 26,995	\$ 201,045

## DISCRETELY PRESENTED COMPONENT UNITS

**CITY OF MARSHALL, MICHIGAN**  
**Statement of Net Assets and**  
**Governmental Fund Balance Sheet**  
**Downtown Development Authority Component Unit**  
**June 30, 2010**

	<b>Special Revenue</b>	<b>Adjustments</b>	<b>Statement of Net Assets</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 119,161	\$ -	\$ 119,161
Investments	54,649	-	54,649
Prepaid items	1,447	-	1,447
Restricted cash and cash equivalents	56,687	-	56,687
<b>Total assets</b>	<b>\$ 231,944</b>	<b>-</b>	<b>231,944</b>
<b>Liabilities</b>			
Accounts payable	\$ 21,459	-	21,459
Accrued liabilities	1,888	-	1,888
Accrued interest payable	-	2,412	2,412
Long-term liabilities:			
Due within one year	-	30,962	30,962
Due in more than one year	-	565,000	565,000
<b>Total liabilities</b>	<b>23,347</b>	<b>598,374</b>	<b>621,721</b>
<b>Fund balance</b>			
Reserved for prepaid items	1,447	(1,447)	-
Unreserved, undesignated	207,150	(207,150)	-
<b>Total fund balance</b>	<b>208,597</b>	<b>(208,597)</b>	<b>-</b>
<b>Total liabilities and fund balance</b>	<b>\$ 231,944</b>		
<b>Net assets</b>			
Restricted for debt service		56,687	56,687
Unrestricted (deficit)		(446,464)	(446,464)
<b>Total net assets (deficit)</b>		<b>\$ (389,777)</b>	<b>\$ (389,777)</b>

**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, 2010**

	<u>Special Revenue</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>Revenues</b>			
Property taxes	\$ 212,681	\$ -	\$ 212,681
Investment earnings	650	-	650
Other	95,421	-	95,421
	<u>308,752</u>	<u>-</u>	<u>308,752</u>
<b>Expenditures/expenses</b>			
Community development	208,885	(962)	207,923
Debt service:			
Principal	38,613	(38,613)	-
Interest and fiscal charges	34,271	13,527	47,798
	<u>281,769</u>	<u>(26,048)</u>	<u>255,721</u>
Total expenditures/expenses	<u>281,769</u>	<u>(26,048)</u>	<u>255,721</u>
Change in fund balance/net assets	26,983	26,048	53,031
<b>Fund balances/net assets (deficit)</b>			
Beginning of year	<u>181,614</u>	<u>(624,422)</u>	<u>(442,808)</u>
<b>End of year</b>	<u>\$ 208,597</u>	<u>\$ (598,374)</u>	<u>\$ (389,777)</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, 2010**

	<b>Budget (Original and Final)</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
<b>Revenues</b>			
Property taxes	\$ 197,500	\$ 212,681	\$ 15,181
Investment earnings	550	650	100
Other	95,500	95,421	(79)
Total revenues	293,550	308,752	15,202
<b>Expenditures</b>			
Community development	222,261	208,885	(13,376)
Debt service:			
Principal	39,891	38,613	(1,278)
Interest and fiscal charges	32,250	34,271	2,021
Total expenditures	294,402	281,769	(12,633)
Net change in fund balance	(852)	26,983	27,835
Fund balance, beginning of year	181,614	181,614	-
<b>Fund balance, end of year</b>	<b>\$ 180,762</b>	<b>\$ 208,597</b>	<b>\$ 27,835</b>

**CITY OF MARSHALL, MICHIGAN**  
**Statement of Net Assets and**  
**Governmental Fund Balance Sheet**  
**Local Development Finance Authority Component Unit**  
**June 30, 2010**

	<u>Special Revenue</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,581,941	\$ -	\$ 1,581,941
Unamortized bond issuance costs	-	40,219	40,219
Restricted cash and cash equivalents	184,228	-	184,228
Capital assets being depreciated, net	-	65,479	65,479
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total assets</b>	<u>\$ 1,766,169</u>	<u>105,698</u>	<u>1,871,867</u>
<b>Liabilities</b>			
Accounts payable	\$ 13,486	-	13,486
Accrued interest payable	-	12,526	12,526
Long-term liabilities:			
Due within one year	-	25,000	25,000
Due in more than one year	-	1,195,000	1,195,000
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total liabilities</b>	13,486	1,232,526	1,246,012
<b>Fund balance</b>			
Unreserved, undesignated	1,752,683	(1,752,683)	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total liabilities and fund balance</b>	<u>\$ 1,766,169</u>		
<b>Net assets</b>			
Invested in capital assets		65,479	65,479
Restricted for debt service		184,228	184,228
Unrestricted		376,148	376,148
		<u>                    </u>	<u>                    </u>
<b>Total net assets</b>		<u>\$ 625,855</u>	<u>\$ 625,855</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, 2010**

	<u>Special Revenue</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>Revenues</b>			
Property taxes	\$ 528,220	\$ -	\$ 528,220
Investment earnings	17,232	-	17,232
Other	2,557	-	2,557
	<u>548,009</u>	<u>-</u>	<u>548,009</u>
<b>Expenditures/expenses</b>			
Community development	331,264	17,663	348,927
Capital outlay	6,650	(6,650)	-
Debt service:			
Principal	25,000	(25,000)	-
Interest and fiscal charges	51,043	2,446	53,489
	<u>413,957</u>	<u>(11,541)</u>	<u>402,416</u>
Total expenditures/expenses	<u>413,957</u>	<u>(11,541)</u>	<u>402,416</u>
Net change in fund balance/net assets	134,052	11,541	145,593
<b>Fund balances/net assets</b>			
Beginning of year	<u>1,618,631</u>	<u>(1,138,369)</u>	<u>480,262</u>
<b>End of year</b>	<u><u>\$ 1,752,683</u></u>	<u><u>\$ (1,126,828)</u></u>	<u><u>\$ 625,855</u></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, 2010**

	<b>Budget (Original and Final)</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
<b>Revenues</b>			
Property taxes	\$ 528,000	\$ 528,220	\$ 220
Investment earnings	16,750	17,232	482
Other	500	2,557	2,057
Total revenues	545,250	548,009	2,759
<b>Expenditures</b>			
Community development	347,000	331,264	(15,736)
Capital outlay	27,000	6,650	(20,350)
Debt service:			
Principal	25,000	25,000	-
Interest and fiscal charges	51,918	51,043	(875)
Total expenditures	450,918	413,957	(36,961)
Net change in fund balance	94,332	134,052	39,720
Fund balance, beginning of year	1,618,631	1,618,631	-
<b>Fund balance, end of year</b>	<b>\$ 1,712,963</b>	<b>\$ 1,752,683</b>	<b>\$ 39,720</b>

**CITY OF MARSHALL, MICHIGAN**  
**Statement of Net Assets and**  
**Governmental Fund Balance Sheet**  
**Economic Development Corporation Component Unit**  
**June 30, 2010**

	<b>Special Revenue</b>	<b>Adjustments</b>	<b>Statement of Net Assets</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 9,042	\$ -	\$ 9,042
Capital assets being depreciated, net	-	35,208	35,208
	<b>Total assets</b>	<b>35,208</b>	<b>44,250</b>
<b>Liabilities</b>			
Accounts payable	\$ -	-	-
<b>Fund balance</b>			
Unreserved, undesignated	9,042	(9,042)	-
	<b>Total liabilities and fund balanc</b>	<b>9,042</b>	
<b>Net assets</b>			
Invested in capital assets		\$ 38,484	\$ 35,208
Unrestricted		8,983	9,042
		<b>Total net assets</b>	<b>44,250</b>
		<b>\$ 47,467</b>	<b>\$ 44,250</b>

**CITY OF MARSHALL, MICHIGAN**  
**Statement of Activities and**  
**Governmental Fund Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Economic Development Corporation Component Unit**  
**For the Year Ended June 30, 2010**

	<u>Special Revenue</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>Revenues</b>			
Investment earnings	\$ 75	\$ -	\$ 75
<b>Expenditures/expenses</b>			
Community development	1	-	1
Depreciation	-	1,638	1,638
Total expenditures	1	1,638	1,639
Change in fund balance/net assets	74	(1,638)	(1,564)
<b>Fund balances/net assets</b>			
Beginning of year	8,968	36,846	45,814
<b>End of year</b>	<u>\$ 9,042</u>	<u>\$ 35,208</u>	<u>\$ 44,250</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, 2010**

	<b>Budget (Original and Final)</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
<b>Revenues</b>			
Investment earnings	\$ -	\$ 75	\$ 75
<b>Expenditures</b>			
Community development	-	1	1
Net change in fund balance	-	74	74
Fund balance, beginning of year	8,968	8,968	-
<b>Fund balance, end of year</b>	<b>\$ 8,968</b>	<b>\$ 9,042</b>	<b>\$ 74</b>