

CITY OF  
*Marshall*  
MICHIGAN



*Annual Financial Report*

**For the Fiscal Year Ended June 30, 2011**

**CITY OF MARSHALL, MICHIGAN**  
**Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2011**  
**List of Principal City Officials**

**Elected Officials**

**City Council:**

James Dyer, Mayor

Wayne Booton, Ward 1  
Nick Metzger, Ward 2  
Brent Williams, Ward 3  
Jack Reed, Ward 4  
Jody Mankerian, Ward 5  
Kathy Miller, At Large

**Administration**

City Manager ..... Tom Tarkiewicz  
Assessor..... Bonnie Payton  
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, 2011**

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# FINANCIAL SECTION

**INDEPENDENT AUDITORS' REPORT**

November 4, 2011

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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Marshall's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Marshall, Michigan, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3-11 and the schedules of funding progress and employer contributions on pages 56-57 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 75 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.

As described in note 4-G to the financial statements, the beginning net assets of the economic development corporation and local development finance authority component units were restated in order to properly classify a capital asset transfer between the two entities.

A handwritten signature in black ink, reading "Lehmann Johnson". 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, 2011. 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 \$44,037,197 (*net assets*). Of this amount, \$16,578,077 (*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 \$1,310,583.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,500,347, an increase of \$271,689 in comparison with the prior year. Approximately 47.2 percent of this total amount, or \$1,653,876, is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,653,876 or 33.2% of total general fund revenues and other financing sources.

### 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 12-14 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 nine 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 15-22 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 23-26 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 27 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 30-55 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents the combining statements referred to earlier in connection with nonmajor funds. Combining and individual fund financial statements and schedules can be found on pages 58-88 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 \$44,037,197 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (50.7 percent) reflects its investment in capital assets (such as land, buildings, vehicles, equipment, systems and infrastructure), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### City of Marshall's Net Assets

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 4,785,679	\$ 4,949,696	\$ 19,953,504	\$ 19,251,511	\$ 24,739,183	\$ 24,201,207
Capital assets	16,851,586	16,940,480	16,162,897	16,588,355	33,014,483	33,528,835
Total assets	<u>21,637,265</u>	<u>21,890,176</u>	<u>36,116,401</u>	<u>35,839,866</u>	<u>57,753,666</u>	<u>57,730,042</u>
Long-term liabilities outstanding	3,167,161	3,649,147	7,958,774	8,624,327	11,125,935	12,273,474
Other liabilities	1,496,997	1,126,571	1,093,537	1,603,383	2,590,534	2,729,954
Total liabilities	<u>4,664,158</u>	<u>4,775,718</u>	<u>9,052,311</u>	<u>10,227,710</u>	<u>13,716,469</u>	<u>15,003,428</u>
Net assets:						
Invested in capital assets, net						
of related debt	13,960,325	13,551,965	8,378,716	7,964,028	22,339,041	21,515,993
Restricted	772,879	793,141	4,347,200	4,948,057	5,120,079	5,741,198
Unrestricted	<u>2,239,903</u>	<u>2,769,352</u>	<u>14,338,174</u>	<u>12,700,071</u>	<u>16,578,077</u>	<u>15,469,423</u>
<b>Total net assets</b>	<u>\$ 16,973,107</u>	<u>\$ 17,114,458</u>	<u>\$ 27,064,090</u>	<u>\$ 25,612,156</u>	<u>\$ 44,037,197</u>	<u>\$ 42,726,614</u>

An additional portion of the City's net assets (11.6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (37.6 percent or \$16,578,077) 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 \$1,310,583 during the current fiscal year as compared to an increase of \$1,054,263 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	
	2011	2010	2011	2010	2011	2010
Revenue:						
Program revenue:						
Charges for services	\$ 1,461,292	\$ 966,065	\$ 15,985,395	\$ 15,899,296	\$ 17,446,687	\$ 16,865,361
Operating grants and contributions	1,311,931	1,034,464	644,678	1,924,536	1,956,609	2,959,000
Capital grants and contributions	91,257	-	299,404	3,230	390,661	3,230
General revenue:						
Property taxes	3,487,465	3,639,562	102,461	107,787	3,589,926	3,747,349
Grants and contributions not restricted to specific programs	610,106	625,155	-	-	610,106	625,155
Other	75,757	16,266	297,609	272,094	373,366	288,360
Total revenue	7,037,808	6,281,512	17,329,547	18,206,943	24,367,355	24,488,455
Expenses:						
General government	1,907,279	1,901,417	-	-	1,907,279	1,901,417
Public safety	2,722,997	2,624,281	-	-	2,722,997	2,624,281
Public works	1,877,076	1,713,933	-	-	1,877,076	1,713,933
Parks and recreation	623,244	484,408	-	-	623,244	484,408
Community development	151,077	138,669	-	-	151,077	138,669
Interest on long-term debt	135,294	325,155	-	-	135,294	325,155
Electric	-	-	12,118,033	12,804,410	12,118,033	12,804,410
Wastewater	-	-	1,310,690	1,214,436	1,310,690	1,214,436
Water	-	-	1,287,914	1,309,664	1,287,914	1,309,664
Public transit	-	-	401,678	428,624	401,678	428,624
Marshall House	-	-	521,490	489,195	521,490	489,195
Total expenses	7,416,967	7,187,863	15,639,805	16,246,329	23,056,772	23,434,192
Change in net assets before transfers	(379,159)	(906,351)	1,689,742	1,960,614	1,310,583	1,054,263
Transfers	237,808	239,794	(237,808)	(239,794)	-	-
Change in net assets	(141,351)	(666,557)	1,451,934	1,720,820	1,310,583	1,054,263
Net assets - beginning of year	17,114,458	17,781,015	25,612,156	23,891,336	42,726,614	41,672,351
<b>Net assets - end of year</b>	<b>\$ 16,973,107</b>	<b>\$ 17,114,458</b>	<b>\$ 27,064,090</b>	<b>\$ 25,612,156</b>	<b>\$ 44,037,197</b>	<b>\$ 42,726,614</b>

**Governmental activities.** Governmental activities decreased the City's net assets by \$141,351 (as compared to a prior year decrease of \$666,557). The major element of this decrease and the change from the prior year is mainly due to the decline in revenue growth as a result of decreasing market property values, investment earnings and state shared revenues.

**Business-type activities.** Business-type activities increased the City's net assets by \$1,451,934 as compared to an increase of \$1,720,820 the prior year.

## 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, *unassigned 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 \$3,500,347, an increase of \$271,689 in comparison with the prior year. Approximately 47.2% of this total amount (\$1,653,876) constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of fund balance is designated as *nonexpendable, restricted or committed* to indicate the degree to which those monies are available for the identified purposes.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,653,876, while the total fund balance was \$2,252,495. As a measure of the general fund's liquidity, it is useful to compare unassigned fund balance to total general fund revenues. Unassigned fund balance represents 33.2 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/undesigned fund balance is 32.6 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 committed for working capital. This amount is included in the committed portion of the total fund balance.

The fund balance of the City's general fund increased by \$73,815 during the current fiscal year, which was \$193,484 more than the total operating deficit that was authorized in the final amended budget (and \$158,376 more than the original budget).

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

*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 \$11,997,813. The fund had an increase in net assets for the year of \$1,293,290. Of the current year increase, \$1,211,962 was attributable to the decrease in purchased power expenses.

The wastewater fund reported unrestricted net assets at the end of the year of \$475,175. For the year, the fund had an increase in net assets of \$60,102 as compared to an increase of \$22,768 in the prior year.

The water fund reported unrestricted net assets at the end of the year of \$1,345,906. For the year, the fund had an increase in net assets of \$147,915 as compared to a decrease of \$37,926 in the prior year.

The Dial-A-Ride fund reported unrestricted net assets at the end of the year of \$128,188. For the year, the fund had a decrease in net assets of \$37,731 as compared to an increase of \$169,725 in the prior year.

The Marshall House fund reported unrestricted net assets at the end of the year of \$432,621. For the year, the fund had an increase in net assets of \$34,593 as compared to an increase of \$134,839 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 increase in fund balance that was \$193,484 more 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, 2011, amounted to \$33,014,483 (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 .5%, and for business-type activities decreased by 2.6%. Overall, total net capital assets for the City decreased 1.5%.

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

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 2,257,343	\$ 2,257,343	\$ 164,618	\$ 164,618	\$ 2,421,961	\$ 2,421,961
Construction in process	-	235,282	-	-	-	235,282
Land improvements	2,215,272	2,518,619	-	-	2,215,272	2,518,619
Buildings	3,565,247	3,723,205	1,718,651	1,832,629	5,283,898	5,555,834
Vehicles	1,472,731	826,838	552,541	590,018	2,025,272	1,416,856
Equipment	392,342	385,616	379,967	374,221	772,309	759,837
Systems	-	-	13,347,120	13,626,869	13,347,120	13,626,869
Infrastructure	6,948,651	6,993,577	-	-	6,948,651	6,993,577
<b>Total</b>	<b>\$ 16,851,586</b>	<b>\$ 16,940,480</b>	<b>\$ 16,162,897</b>	<b>\$ 16,588,355</b>	<b>\$ 33,014,483</b>	<b>\$ 33,528,835</b>

Additional information on the City's capital assets can be found in Note 3-D. on pages 42-43 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$9,935,000. Of this amount, \$9,255,000 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	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ 2,850,000	\$ 3,150,000	\$ 6,405,000	\$ 6,960,000	\$ 9,255,000	\$ 10,110,000
Revenue bonds	-	-	680,000	740,000	680,000	740,000
<b>Total</b>	<b>\$ 2,850,000</b>	<b>\$ 3,150,000</b>	<b>\$ 7,085,000</b>	<b>\$ 7,700,000</b>	<b>\$ 9,935,000</b>	<b>\$ 10,850,000</b>

The City’s total bonded debt decreased by \$915,000 (8.4 percent) during the current fiscal year; No new bonds were issued during the year.

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 \$27,101,575 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 45-48 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 unassigned fund balance in the general fund increased by \$338,302 to \$1,653,876. The City has not appropriated any fund balance for fiscal 2011-12 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, 2011**

	<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	\$ 769,676	\$ 1,993,245	\$ 2,762,921	\$ 189,178
Investments	3,581,453	1,204,498	4,785,951	1,713,889
Receivables	270,242	1,133,056	1,403,298	-
Internal balances	41,529	(41,529)	-	-
Inventories, prepaid items and other assets	122,779	1,169,750	1,292,529	38,829
Investment in MSCPA	-	10,147,284	10,147,284	-
Restricted cash and cash equivalents	-	4,347,200	4,347,200	183,633
Capital assets not being depreciated	2,257,343	164,618	2,421,961	-
Capital assets being depreciated, net	14,594,243	15,998,279	30,592,522	82,051
<b>Total assets</b>	<b>21,637,265</b>	<b>36,116,401</b>	<b>57,753,666</b>	<b>2,207,580</b>
<b>Liabilities</b>				
Accounts payable and accrued expenses	319,278	1,024,173	1,343,451	15,596
Accrued interest payable	32,666	69,364	102,030	14,596
Unearned revenue	25,013	-	25,013	-
Other non-current liabilities - other post-employment liabilities	1,120,040	-	1,120,040	-
Long-term liabilities:				
Due within one year	497,213	695,000	1,192,213	56,748
Due in more than one year	2,669,948	7,263,774	9,933,722	1,705,000
<b>Total liabilities</b>	<b>4,664,158</b>	<b>9,052,311</b>	<b>13,716,469</b>	<b>1,791,940</b>
<b>Net assets</b>				
Invested in capital assets, net of related debt	13,960,325	8,378,716	22,339,041	82,051
Restricted for:				
Debt service	16,259	4,347,200	4,363,459	183,633
Capital projects	61,087	-	61,087	-
Endowment - expendable	695,533	-	695,533	-
Unrestricted	2,239,903	14,338,174	16,578,077	149,956
<b>Total net assets</b>	<b>\$ 16,973,107</b>	<b>\$ 27,064,090</b>	<b>\$ 44,037,197</b>	<b>\$ 415,640</b>

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

**CITY OF MARSHALL, MICHIGAN**  
**Statement of Activities**  
**For the Year Ended June 30, 2011**

<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	\$ 1,907,279	\$ 1,248,330	\$ 770,012	\$ 91,257	\$ 202,320
Public safety	2,722,997	-	-	-	(2,722,997)
Public works	1,877,076	-	541,474	-	(1,335,602)
Parks and recreation	623,244	212,962	445	-	(409,837)
Community development	151,077	-	-	-	(151,077)
Interest on long-term debt	135,294	-	-	-	(135,294)
Total governmental activities	<u>7,416,967</u>	<u>1,461,292</u>	<u>1,311,931</u>	<u>91,257</u>	<u>(4,552,487)</u>
Business-type activities:					
Electric	12,118,033	13,065,884	238,008	-	1,185,859
Wastewater	1,310,690	1,244,313	-	116,340	49,963
Water	1,287,914	1,267,367	943	183,064	163,460
Public transit	401,678	49,323	210,581	-	(141,774)
Public housing	521,490	358,508	195,146	-	32,164
Total business-type activities	<u>15,639,805</u>	<u>15,985,395</u>	<u>644,678</u>	<u>299,404</u>	<u>1,289,672</u>
Total primary government	<u>\$ 23,056,772</u>	<u>\$ 17,446,687</u>	<u>\$ 1,956,609</u>	<u>\$ 390,661</u>	<u>\$ (3,262,815)</u>
<b>Component units</b>					
Community development	<u>\$ 694,274</u>	<u>\$ -</u>	<u>\$ 94,311</u>	<u>\$ -</u>	<u>\$ (599,963)</u>

Continued...

**CITY OF MARSHALL, MICHIGAN**  
**Statement of Activities (Concluded)**  
**For the Year Ended June 30, 2011**

	<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	\$ (4,552,487)	\$ 1,289,672	\$ (3,262,815)	\$ (599,963)
General revenues:				
Property taxes	3,487,465	102,461	3,589,926	723,658
Grants and contributions not restricted to specific programs	610,106	-	610,106	-
Unrestricted investment earnings	3,148	49,650	52,798	11,617
Gain on sale of assets	72,609	247,959	320,568	-
Transfers - internal activities	237,808	(237,808)	-	-
Total general revenues and transfers	4,411,136	162,262	4,573,398	735,275
Change in net assets	(141,351)	1,451,934	1,310,583	135,312
Net assets, beginning of year	17,114,458	25,612,156	42,726,614	280,328
<b>Net assets, end of year</b>	<b>\$ 16,973,107</b>	<b>\$ 27,064,090</b>	<b>\$ 44,037,197</b>	<b>\$ 415,640</b>

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

## FUND FINANCIAL STATEMENTS

**CITY OF MARSHALL, MICHIGAN**

**Balance Sheet  
Governmental Funds  
June 30, 2011**

	<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	\$ 164,180	\$ 326,524	\$ 490,704
Investments	2,183,246	827,839	3,011,085
Accounts receivable	37,844	121,575	159,419
Taxes receivable	136	-	136
Interfund receivable	11,803	-	11,803
Inventory	-	10,324	10,324
Due from other governments	30,000	80,614	110,614
Prepaid items	38,530	2,254	40,784
	<u>\$ 2,465,739</u>	<u>\$ 1,369,130</u>	<u>\$ 3,834,869</u>
<b><u>TOTAL ASSETS</u></b>			
 <b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 61,018	\$ 107,751	\$ 168,769
Accrued liabilities	127,136	1,956	129,092
Due to other governments	77	-	77
Interfund payable	-	11,571	11,571
Deferred revenue	25,013	-	25,013
	<u>213,244</u>	<u>121,278</u>	<u>334,522</u>
Total liabilities			
<b>Fund balances</b>			
Nonexpendable for:			
Inventory	-	10,324	10,324
Prepaid items	38,530	2,254	40,784
Cemetery perpetual care	-	463,153	463,153
Restricted for:			
Highways and streets	-	322,099	322,099
Drug law enforcement	-	4,818	4,818
Cemetery operations	-	232,380	232,380
Committed for:			
Working capital reserve	500,000	-	500,000
Fire truck replacement	58,000	-	58,000
Scholarships	2,089	-	2,089
Highways and streets	-	61,087	61,087
Special projects	-	135,478	135,478
Debt service	-	16,259	16,259
Unassigned	1,653,876	-	1,653,876
	<u>2,252,495</u>	<u>1,247,852</u>	<u>3,500,347</u>
Total fund balances			
	<u>\$ 2,465,739</u>	<u>\$ 1,369,130</u>	<u>\$ 3,834,869</u>
<b><u>TOTAL LIABILITIES AND FUND BALANCES</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, 2011**

**Fund balances - total governmental funds** \$ 3,500,347

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	27,686,702
Deduct - accumulated depreciation	(12,553,553)

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	2,550,385
Add - portion of internal service funds net operating loss attributed to business-type funds	41,529

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	(1,120,040)
Deduct - bonds and installment contracts payable	(2,996,532)
Add - unamortized bond issuance costs	65,356
Deduct - premium on bonds	(5,234)
Add - unamortized deferred loss on refunding	110,505
Deduct - accrued interest on bonds and installment contracts payable	(32,666)
Deduct - compensated absences	(273,692)

**Net assets of governmental activities** \$ 16,973,107

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, 2011**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenue</b>			
Property taxes	\$ 3,487,465	\$ -	\$ 3,487,465
Licenses and permits	61,282	-	61,282
Intergovernmental	771,466	553,471	1,324,937
Charges for services	345,402	5,380	350,782
Fines and forfeitures	66,136	50	66,186
Investment earnings	11,721	4,873	16,594
Other	231,961	365,139	597,100
	<u>4,975,433</u>	<u>928,913</u>	<u>5,904,346</u>
<b>Expenditures</b>			
Current expenditures:			
General government	571,933	297,742	869,675
Public safety	2,559,669	520	2,560,189
Public works	868,755	-	868,755
Highways and streets	-	227,098	227,098
Community development	106,995	-	106,995
Culture and recreation	480,477	-	480,477
Debt service:			
Principal	100,515	317,065	417,580
Interest and fiscal charges	23,307	122,995	146,302
Capital outlay	85,969	171,250	257,219
	<u>4,797,620</u>	<u>1,136,670</u>	<u>5,934,290</u>
Revenue over (under) expenditures	<u>177,813</u>	<u>(207,757)</u>	<u>(29,944)</u>
<b>Other financing sources (uses)</b>			
Sale of capital assets	63,825	-	63,825
Transfers in	109,585	465,631	575,216
Transfers out	(277,408)	(60,000)	(337,408)
	<u>(103,998)</u>	<u>405,631</u>	<u>301,633</u>
Net change in fund balances	73,815	197,874	271,689
Fund balances, beginning of year, as restated	<u>2,178,680</u>	<u>1,049,978</u>	<u>3,228,658</u>
<b>Fund balances, end of year</b>	<u><u>\$ 2,252,495</u></u>	<u><u>\$ 1,247,852</u></u>	<u><u>\$ 3,500,347</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, 2011**

**Net change in fund balances - total governmental funds** \$ 271,689

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

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

Add - capital outlay	238,790
Deduct - depreciation expense	(764,265)

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.

Add - principal payments on long-term liabilities	417,580
Deduct - net amortization of premiums and issuance costs on bonds	(18,256)
Add - debt forgiveness on Stanton property	91,257

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

Deduct - net operating loss from governmental activities in internal service funds	(74,144)
Add - interest revenue from governmental internal service funds	4,809
Add - gain on sale of capital assets from governmental internal service funds	8,784

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

Deduct - increase in other noncurrent liabilities - other postemployment benefits	(315,543)
Add - decrease in accrued interest payable on bonds	11,007
Deduct - increase in the accrual for compensated absences	(13,059)

**Change in net assets of governmental activities** \$ (141,351)

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, 2011**

	<u>Budget</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
<b>Revenues</b>				
Property taxes	\$ 3,547,787	\$ 3,510,418	\$ 3,487,465	\$ (22,953)
Licenses and permits	48,613	56,313	61,282	4,969
Intergovernmental	696,826	686,226	771,466	85,240
Charges for services	312,345	332,000	345,402	13,402
Fines and forfeitures	42,900	57,100	66,136	9,036
Investment earnings	80,141	8,866	11,721	2,855
Other	212,900	248,574	231,961	(16,613)
	<u>4,941,512</u>	<u>4,899,497</u>	<u>4,975,433</u>	<u>75,936</u>
<b>Expenditures</b>				
<b>General government</b>				
Council	5,488	2,975	2,831	(144)
Manager	98,248	97,520	96,425	(1,095)
Assessor	114,423	107,712	103,271	(4,441)
Attorney	70,000	85,400	77,060	(8,340)
Human resources	57,998	55,402	56,133	731
Clerk-Treasurer	298,784	297,944	286,664	(11,280)
City hall	98,829	101,512	96,970	(4,542)
Chapel	2,825	2,825	2,958	133
Other city property	42,450	47,025	47,158	133
Cemetery	171,660	168,422	169,752	1,330
Airport	123,327	158,121	156,865	(1,256)
Compost	59,331	53,672	43,883	(9,789)
Non-departmental	458,260	409,236	415,005	5,769
Administrative and operating costs reimbursed by other funds	(949,641)	(949,641)	(983,042)	(33,401)
Total general government	<u>651,982</u>	<u>638,125</u>	<u>571,933</u>	<u>(66,192)</u>
<b>Public safety</b>				
Police	1,345,699	1,323,794	1,395,945	72,151
Fire	802,902	792,205	815,736	23,531
Dispatch	225,000	237,200	222,675	(14,525)
Inspection / code enforcement	101,128	102,215	104,931	2,716
Crossing guards	36,638	32,962	20,382	(12,580)
Total public safety	<u>2,511,367</u>	<u>2,488,376</u>	<u>2,559,669</u>	<u>71,293</u>
<b>Public works</b>				
Streets	642,453	722,284	744,624	22,340
Public services building	128,375	114,259	100,704	(13,555)
Engineering	23,188	23,037	23,427	390
Total public works	<u>794,016</u>	<u>859,580</u>	<u>868,755</u>	<u>9,175</u>

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**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, 2011**

	Budget		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Expenditures (concluded)</b>				
<b>Community development</b>				
Community development	\$ 34,611	\$ 34,611	\$ 33,165	\$ (1,446)
Planning	76,400	75,422	73,830	(1,592)
Total community development	<u>111,011</u>	<u>110,033</u>	<u>106,995</u>	<u>(3,038)</u>
<b>Culture and recreation</b>				
Parks	55,610	89,700	87,608	(2,092)
Recreation	448,550	397,915	392,869	(5,046)
Total culture and recreation	<u>504,160</u>	<u>487,615</u>	<u>480,477</u>	<u>(7,138)</u>
<b>Debt service</b>				
Principal	100,095	100,515	100,515	-
Interest and fiscal charges	23,815	23,395	23,307	(88)
Total debt service	<u>123,910</u>	<u>123,910</u>	<u>123,822</u>	<u>(88)</u>
<b>Capital outlay</b>				
	<u>165,820</u>	<u>211,520</u>	<u>85,969</u>	<u>(125,551)</u>
Total expenditures	<u>4,862,266</u>	<u>4,919,159</u>	<u>4,797,620</u>	<u>(121,539)</u>
Revenue over (under) expenditures	79,246	(19,662)	177,813	197,475
<b>Other financing sources (uses)</b>				
Sale of capital assets	-	63,800	63,825	25
Transfers in	108,443	114,421	109,585	(4,836)
Transfers out	(272,250)	(278,228)	(277,408)	820
Total other financing uses	<u>(163,807)</u>	<u>(100,007)</u>	<u>(103,998)</u>	<u>(3,991)</u>
Net change in fund balances	(84,561)	(119,669)	73,815	193,484
Fund balance, beginning of year, as restated	<u>2,178,680</u>	<u>2,178,680</u>	<u>2,178,680</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 2,094,119</u>	<u>\$ 2,059,011</u>	<u>\$ 2,252,495</u>	<u>\$ 193,484</u>

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

**CITY OF MARSHALL, MICHIGAN**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2011**

	<b>Business-type Activities - Enterprise Funds</b>						<b>Governmental Activities - Internal Service Funds</b>
	<b>Electric</b>	<b>Wastewater</b>	<b>Water</b>	<b>DART</b>	<b>Marshall House</b>	<b>Total</b>	
<b>Assets</b>							
Current assets:							
Cash and cash equivalents	\$ 1,232,153	\$ 162,164	\$ 428,892	\$ 7,476	\$ 162,560	\$ 1,993,245	\$ 278,972
Investments	18,029	155,000	596,954	121,377	313,138	1,204,498	570,368
Accounts receivable	868,300	136,657	111,575	-	-	1,116,532	73
Taxes receivable	-	-	-	4	-	4	-
Due from other governments	-	-	-	16,520	-	16,520	-
Inventories	726,273	27,378	74,635	-	-	828,286	-
Prepaid items	10,613	3,381	7,689	3,688	3,834	29,205	6,315
Total current assets	<u>2,855,368</u>	<u>484,580</u>	<u>1,219,745</u>	<u>149,065</u>	<u>479,532</u>	<u>5,188,290</u>	<u>855,728</u>
Noncurrent assets:							
Restricted cash and cash equivalents	3,099,646	712,635	534,919	-	-	4,347,200	-
Capital assets, net	4,613,129	3,722,660	7,185,068	249,703	392,337	16,162,897	1,718,437
Investment in MSCPA	10,147,284	-	-	-	-	10,147,284	-
Unamortized bond issuance costs	18,236	80,713	213,310	-	-	312,259	-
Total noncurrent assets	<u>17,878,295</u>	<u>4,516,008</u>	<u>7,933,297</u>	<u>249,703</u>	<u>392,337</u>	<u>30,969,640</u>	<u>1,718,437</u>
Total assets	<u>20,733,663</u>	<u>5,000,588</u>	<u>9,153,042</u>	<u>398,768</u>	<u>871,869</u>	<u>36,157,930</u>	<u>2,574,165</u>
<b>Liabilities</b>							
Current liabilities:							
Accounts payable	743,307	39,524	5,863	3,171	41,294	833,159	17,332
Accrued payroll	145,931	13,207	15,433	6,764	4,734	186,069	4,008
Accrued interest payable	18,362	11,187	39,815	-	-	69,364	-
Due to other governments	1,947	7	79	2,879	33	4,945	-
Interfund payable	-	-	-	-	-	-	232
Current portion of:							
Compensated absences	29,734	6,548	6,490	2,016	213	45,000	2,208
Bonds payable	90,000	187,297	372,703	-	-	650,000	-
Total current liabilities	<u>1,029,281</u>	<u>257,770</u>	<u>440,383</u>	<u>14,830</u>	<u>46,274</u>	<u>1,788,537</u>	<u>23,780</u>
Noncurrent liabilities:							
Compensated absences	83,794	19,645	19,469	6,047	638	129,593	-
Contracts payable	-	720,000	-	-	-	720,000	-
Bonds payable	1,281,136	1,405,480	3,727,565	-	-	6,414,181	-
Total noncurrent liabilities	<u>1,364,930</u>	<u>2,145,125</u>	<u>3,747,034</u>	<u>6,047</u>	<u>638</u>	<u>7,263,774</u>	<u>-</u>
Total liabilities	<u>2,394,211</u>	<u>2,402,895</u>	<u>4,187,417</u>	<u>20,877</u>	<u>46,911</u>	<u>9,052,311</u>	<u>23,780</u>
<b>Net assets</b>							
Invested in capital assets, net of related debt	3,241,993	1,409,883	3,084,800	249,703	392,337	8,378,716	1,718,437
Restricted for debt service	3,099,646	712,635	534,919	-	-	4,347,200	-
Unrestricted	11,997,813	475,175	1,345,906	128,188	432,621	14,379,703	831,948
Total net assets	<u>\$ 18,339,452</u>	<u>\$ 2,597,693</u>	<u>\$ 4,965,625</u>	<u>\$ 377,891</u>	<u>\$ 824,958</u>	<u>\$ 27,105,619</u>	<u>\$ 2,550,385</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, 2011**

**Net assets - total enterprise funds** \$ 27,105,619

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.

Deduct - cumulative portion of internal service funds net operating loss attributed to business-type funds (41,529)

**Net assets of business-type activities** \$ 27,064,090

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, 2011**

	<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	\$ 12,991,011	\$ 1,238,837	\$ 1,259,367	\$ 49,323	\$ -	\$ 15,538,538	\$ 719,086
Property taxes	-	-	-	102,461	-	102,461	-
Other	74,873	5,476	8,000	-	358,508	446,857	3,619
Total operating revenues	<u>13,065,884</u>	<u>1,244,313</u>	<u>1,267,367</u>	<u>151,784</u>	<u>358,508</u>	<u>16,087,856</u>	<u>722,705</u>
<b>Operating expenses</b>							
Personal services	1,607,050	446,578	512,981	253,691	166,932	2,987,232	128,061
Materials and supplies	210,969	133,643	101,970	28,247	8,571	483,400	222,101
Purchased power	8,337,523	124,236	46,406	-	126,331	8,634,496	-
Contractual	172,225	99,369	23,798	1,230	105,376	401,998	44,460
Insurance	13,016	22,505	3,719	4,453	9,870	53,563	29,542
Maintenance	5,371	3,337	297	20,597	24,639	54,241	50,826
Administration	792,167	41,730	40,619	19,837	-	894,353	-
Other expense	337,250	44,105	54,917	31,504	20,949	488,725	42,979
Depreciation	540,328	300,795	275,556	42,263	59,299	1,218,241	325,115
Total operating expenses	<u>12,015,899</u>	<u>1,216,298</u>	<u>1,060,263</u>	<u>401,822</u>	<u>521,967</u>	<u>15,216,249</u>	<u>843,084</u>
Operating income (loss)	<u>1,049,985</u>	<u>28,015</u>	<u>207,104</u>	<u>(250,038)</u>	<u>(163,459)</u>	<u>871,607</u>	<u>(120,379)</u>
<b>Nonoperating revenues (expenses)</b>							
Intergovernmental subsidies	-	-	943	210,581	195,146	406,670	-
Investment earnings	36,547	3,978	5,068	1,726	2,331	49,650	4,809
Change in investment in MSCPA	238,008	-	-	-	-	238,008	-
Debt forgiveness on Stanton property	-	54,755	158,180	-	-	212,935	-
Interest expense	(67,249)	(88,231)	(221,841)	-	-	(377,321)	-
Total nonoperating revenues (expenses)	<u>207,306</u>	<u>(29,498)</u>	<u>(57,650)</u>	<u>212,307</u>	<u>197,477</u>	<u>529,942</u>	<u>4,809</u>
Income (loss) before contributions and transfers	<u>1,257,291</u>	<u>(1,483)</u>	<u>149,454</u>	<u>(37,731)</u>	<u>34,018</u>	<u>1,401,549</u>	<u>(115,570)</u>
<b>Capital contributions</b>	-	61,585	24,884	-	-	86,469	-
<b>Other financing sources (uses)</b>							
Gain on sale of assets	247,384	-	-	-	575	247,959	8,784
Transfers out	(211,385)	-	(26,423)	-	-	(237,808)	-
Total other financing sources (uses)	<u>35,999</u>	<u>-</u>	<u>(26,423)</u>	<u>-</u>	<u>575</u>	<u>10,151</u>	<u>8,784</u>
Change in net assets	<u>1,293,290</u>	<u>60,102</u>	<u>147,915</u>	<u>(37,731)</u>	<u>34,593</u>	<u>1,498,169</u>	<u>(106,786)</u>
Net assets, beginning of year	<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>
<b>Net assets, end of year</b>	<u>\$ 18,339,452</u>	<u>\$ 2,597,693</u>	<u>\$ 4,965,625</u>	<u>\$ 377,891</u>	<u>\$ 824,958</u>	<u>\$ 27,105,619</u>	<u>\$ 2,550,385</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, 2011**

**Change in net assets - total enterprise funds** \$ 1,498,169

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

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

Deduct - net operating loss from internal service funds related to enterprise funds (46,235)

**Change in net assets of business-type activities** \$ 1,451,934

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, 2011**

	<b>Business-type Activities - Enterprise Fund</b>						<b>Governmental Activities - Internal Service Funds</b>
	<b>Electric</b>	<b>Wastewater</b>	<b>Water</b>	<b>DART</b>	<b>Marshall House</b>	<b>Total</b>	
<b>Cash flows from operating activities</b>							
Receipts from customers and users	\$ 13,307,250	\$ 1,211,437	\$ 1,258,366	\$ 39,089	\$ 358,508	\$ 16,174,650	\$ -
Receipts from property taxes	-	-	-	102,461	-	102,461	-
Receipts from interfund services	-	-	-	-	-	-	722,705
Payments to suppliers	(9,003,861)	(560,603)	(306,820)	(307,344)	(334,726)	(10,513,354)	(429,146)
Payments to employees	(1,596,966)	(440,174)	(507,483)	(253,075)	(164,618)	(2,962,316)	(127,143)
Net cash provided by (used in) operating activities	<u>1,914,256</u>	<u>168,930</u>	<u>403,444</u>	<u>(438,706)</u>	<u>(140,836)</u>	<u>1,907,088</u>	<u>166,416</u>
<b>Cash flows from non-capital financing activities</b>							
Transfers out	(211,385)	-	(26,423)	-	-	(237,808)	-
Intergovernmental subsidies	-	-	943	210,581	195,146	406,670	-
Net cash provided by (used in) non-capital financing activities	<u>(211,385)</u>	<u>-</u>	<u>(25,480)</u>	<u>210,581</u>	<u>195,146</u>	<u>168,862</u>	<u>-</u>
<b>Cash flows from capital and related financing activities</b>							
Cash received on sale of capital assets	247,384	-	-	-	575	247,959	8,784
Principal and interest paid on debt	(158,603)	(268,438)	(585,140)	-	-	(1,012,181)	-
Purchase of capital assets	(189,566)	29,359	(466,183)	-	(79,925)	(706,315)	(761,696)
Net cash used in capital and related financing activities	<u>(100,785)</u>	<u>(239,079)</u>	<u>(1,051,323)</u>	<u>-</u>	<u>(79,350)</u>	<u>(1,470,537)</u>	<u>(752,912)</u>
<b>Cash flows from investing activities</b>							
Purchase of investments	-	(150,006)	-	-	(2,626)	(152,632)	(1,162)
Proceeds from investments	21,578	-	22,410	233,875	-	277,863	696,480
Interest received on investments	36,547	3,978	5,068	1,726	2,331	49,650	4,809
Net cash provided by (used in) investing activities	<u>58,125</u>	<u>(146,028)</u>	<u>27,478</u>	<u>235,601</u>	<u>(295)</u>	<u>174,881</u>	<u>700,127</u>
Net increase (decrease) in cash and cash equivalents	1,660,211	(216,177)	(645,881)	7,476	(25,335)	780,294	113,631
<b>Cash and cash equivalent:</b>							
Beginning of year	<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>End of year</b>	<u>\$ 4,331,799</u>	<u>\$ 874,799</u>	<u>\$ 963,811</u>	<u>\$ 7,476</u>	<u>\$ 162,560</u>	<u>\$ 6,340,445</u>	<u>\$ 278,972</u>
<b>Reconciliation to statement of net asset</b>							
Cash and cash equivalents	\$ 1,232,153	\$ 162,164	\$ 428,892	\$ 7,476	\$ 162,560	\$ 1,993,245	\$ 278,972
Restricted cash and cash equivalents	3,099,646	712,635	534,919	-	-	4,347,200	-
	<u>\$ 4,331,799</u>	<u>\$ 874,799</u>	<u>\$ 963,811</u>	<u>\$ 7,476</u>	<u>\$ 162,560</u>	<u>\$ 6,340,445</u>	<u>\$ 278,972</u>

Continued...

**CITY OF MARSHALL, MICHIGAN**  
**Statement of Cash Flows (Concluded)**  
**Proprietary Funds**  
**For the Year Ended June 30, 2011**

	<u>Business-type Activities - Enterprise Fund</u>					<u>Total</u>	<u>Governmenta Activities - Internal Service Funds</u>
	<u>Electric</u>	<u>Wastewater</u>	<u>Water</u>	<u>DART</u>	<u>Marshall House</u>		
<b>Reconciliation of operating income (loss) to net cash provided by (used in operating activities:</b>							
Operating income (loss)	\$ 1,049,985	\$ 28,015	\$ 207,104	\$ (250,038)	\$ (163,459)	\$ 871,607	\$ (120,379)
Adjustments to reconcile operating income (loss) to net cash from operating activities:							
Depreciation	540,328	300,795	275,556	42,263	59,299	1,218,241	325,115
Amortization of bond premiums, issuance costs, and loss on refunding.	2,232	9,289	25,059	-	-	36,580	-
Changes in assets and liabilities:							
Accounts receivable	241,366	(32,876)	(9,001)	6,286	-	205,775	11,852
Due from other governments	-	-	-	(16,520)	-	(16,520)	-
Interfund receivable	281,603	-	-	-	-	281,603	-
Inventories	(83,797)	7,699	(4,265)	-	-	(80,363)	-
Prepaid items	257	70	634	304	(1,893)	(628)	(4,613)
Accounts payable	(127,802)	30,896	1,285	(206,904)	(37,097)	(339,622)	(46,723)
Accrued payroll	(103,444)	(19,789)	(20,461)	(7,447)	1,464	(149,677)	(1,276)
Compensated absences	113,528	26,193	25,959	8,063	850	174,593	2,208
Due to other governments	-	-	-	(12,898)	-	(12,898)	-
Interfund payable	-	(181,362)	(98,426)	(1,815)	-	(281,603)	232
<b>Net cash provided by (used in operating activities</b>	<u>\$ 1,914,256</u>	<u>\$ 168,930</u>	<u>\$ 403,444</u>	<u>\$ (438,706)</u>	<u>\$ (140,836)</u>	<u>\$ 1,907,088</u>	<u>\$ 166,416</u>
<b>Non-Cash Items:</b>							
Change in investment in MSCPA	\$ 238,008	\$ -	\$ -	\$ -	\$ -	\$ 238,008	\$ -
Capital contributions	-	61,585	24,884	-	-	86,469	-
Debt forgiveness	-	54,755	158,180	-	-	212,935	-

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, 2011**

**Assets**

Cash and cash equivalents	\$ 28,530
Delinquent taxes receivable	<u>346,728</u>

Total assets	<u><u>\$ 375,258</u></u>
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**Liabilities**

Undistributed receipts	<u><u>\$ 375,258</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, 2011**

	<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	\$ 126,762	\$ 53,374	\$ 9,042	\$ 189,178
Investments	55,036	1,658,853	-	1,713,889
Prepaid items	1,291	-	-	1,291
Unamortized bond issuance costs	-	37,538	-	37,538
Restricted cash and cash equivalents	80,044	103,589	-	183,633
Capital assets being depreciated, net	-	82,051	-	82,051
<b>Total assets</b>	<b>263,133</b>	<b>1,935,405</b>	<b>9,042</b>	<b>2,207,580</b>
<b>Liabilities</b>				
Accounts payable	7,818	5,497	-	13,315
Accrued liabilities	2,281	-	-	2,281
Accrued interest payable	2,304	12,292	-	14,596
Long-term liabilities:				
Due within one year	31,748	25,000	-	56,748
Due in more than one year	535,000	1,170,000	-	1,705,000
<b>Total liabilities</b>	<b>579,151</b>	<b>1,212,789</b>	<b>-</b>	<b>1,791,940</b>
<b>Net assets</b>				
Invested in capital assets	-	82,051	-	82,051
Restricted for debt service	80,044	103,589	-	183,633
Unrestricted (deficit)	(396,062)	536,976	9,042	149,956
<b>Total net assets (deficit)</b>	<b>\$ (316,018)</b>	<b>\$ 722,616</b>	<b>\$ 9,042</b>	<b>\$ 415,640</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, 2011**

	<u>Downtown Development Authority</u>	<u>Local Development Finance Authority</u>	<u>Economic Development Corporation</u>	<u>Total</u>
<b>Expenses</b>				
Community development	\$ 227,864	\$ 466,410	\$ -	\$ 694,274
<b>Program revenues</b>				
Operating grants and contributions	93,561	750	-	94,311
Net program expense	<u>134,303</u>	<u>465,660</u>	<u>-</u>	<u>599,963</u>
<b>General revenues</b>				
Property taxes	207,469	516,189	-	723,658
Unrestricted investment earnings	593	11,024	-	11,617
Total general revenues	<u>208,062</u>	<u>527,213</u>	<u>-</u>	<u>735,275</u>
Change in net assets	73,759	61,553	-	135,312
Net assets (deficit), beginning of year, as restated	<u>(389,777)</u>	<u>661,063</u>	<u>9,042</u>	<u>280,328</u>
<b>Net assets (deficit), end of year</b>	<u><u>\$ (316,018)</u></u>	<u><u>\$ 722,616</u></u>	<u><u>\$ 9,042</u></u>	<u><u>\$ 415,640</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 fund:

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

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 or committed to expenditures for specific purposes other than debt service or 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 fund.* 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.

### **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

Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. *Committed fund balance* is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the City Council. A formal resolution of the City Council is required to establish, modify, or rescind a fund balance commitment. The City currently has no *assigned fund balance* as the City Council has not yet given authority for the making of such assignments; assigned fund balances are neither restricted nor committed. Unassigned fund balance is the residual classification for the general fund.

When the government incurs an expenditure for purposes for which various fund balance classifications can be used, it is the government's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

## 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.



# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

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### 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 for the general fund in the fund financial statements has been presented at a level of detail greater than the level of legal budgetary control.

During the year ended June 30, 2011, the City incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control in the following funds:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Over Budget</u>
<b>General fund</b>			
General government:			
Human resources	\$ 55,402	\$ 56,133	\$ 731
Chapel	2,825	2,958	133
Other city property	47,025	47,158	133
Cemetery	168,422	169,752	1,330
Non-departmental	409,236	415,005	5,769
Public safety:			
Police	1,323,794	1,395,945	72,151
Fire	792,205	815,736	23,531
Inspection/code enforcement	102,215	104,931	2,716
Public works:			
Streets	722,284	744,624	22,340
Engineering	23,037	23,427	390
<b>Nonmajor special revenue funds</b>			
Local street fund -			
Capital outlay	130,000	130,194	194

### 2-C Unrestricted Net Assets Deficit

At June 30, 2011, the Downtown Development Authority had a deficit of \$396,062 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, 2011:

	<b>Primary Government</b>	<b>Component Units</b>	<b>Total</b>
<b>Statement of net assets:</b>			
Cash and cash equivalents	\$ 2,762,921	\$ 189,178	\$ 2,952,099
Investments	4,785,951	1,713,889	6,499,840
Restricted cash and cash equivalents	4,347,200	183,633	4,530,833
<b>Statement of fiduciary net assets:</b>			
Cash and cash equivalents	28,530	-	28,530
<b>Total</b>	<b>\$ 11,924,602</b>	<b>\$ 2,086,700</b>	<b>\$ 14,011,302</b>
<b>Deposits and investments:</b>			
Bank deposits (checking, savings and certificates of deposit)			\$ 12,217,793
Investments (external investment pool)			1,792,639
Cash on hand			870
<b>Total</b>			<b>\$ 14,011,302</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, 2011, \$9,457,997 of the City's total bank balance of \$12,265,894 (total book balance was \$12,217,793) 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, 2011 were as follows:

<b>Deposit/Investment</b>	<b>Maturity</b>	<b>Fair Value</b>	<b>Rating</b>
MBIA Investment Fund	n/a	\$ 1,792,639	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, 2011, 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, 2011.

### **3-B Receivables**

Receivables in the governmental activities are 59.1 percent accounts receivables and 40.9 percent due from other governments. Business-type activities receivables are 98.5 percent accounts receivable and 1.5 percent due from other governments.

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	<u>\$ -</u>	<u>\$ 25,013</u>	<u>\$ 25,013</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, 2011, which was audited by other auditors whose report dated August 25, 2011, 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, 2011, is as follows:

	<u>MSCPA</u>	<u>City of Marshall (24.0%)</u>
<b>Assets</b>		
Current assets	\$ 15,589,935	\$ 3,741,585
Non-current assets	8,212,555	1,971,013
Capital assets, net	<u>25,549,360</u>	<u>6,131,846</u>
Total assets	<u>49,351,850</u>	<u>11,844,444</u>
<b>Liabilities</b>		
Current liabilities	6,839,171	1,641,401
Long-term debt	<u>232,331</u>	<u>55,759</u>
Total liabilities	<u>7,071,502</u>	<u>1,697,160</u>
<b>Net assets</b>	<u><b>\$ 42,280,348</b></u>	<u><b>\$ 10,147,284</b></u>
<b>Revenues</b>	\$ 43,501,777	\$ 10,440,427
<b>Expenses</b>	<u>40,748,520</u>	<u>9,779,645</u>
Operating income	2,753,257	660,782
<b>Nonoperating expenses</b>	<u>1,761,556</u>	<u>422,773</u>
Change in net assets	991,701	238,009
Net assets, beginning of year	<u>41,288,647</u>	<u>9,909,275</u>
<b>Net assets, end of year</b>	<u><b>\$ 42,280,348</b></u>	<u><b>\$ 10,147,284</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, 2011, 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	\$ 2,257,343	\$ -	\$ -	\$ 2,257,343
Construction in process	235,282	-	(235,282)	-
Total capital assets not being depreciated	<u>2,492,625</u>	<u>-</u>	<u>(235,282)</u>	<u>2,257,343</u>
Capital assets, being depreciated:				
Land improvements	5,337,016	-	-	5,337,016
Buildings	9,215,020	55,040	-	9,270,060
Vehicles	2,691,021	941,900	(50,362)	3,582,559
Equipment	2,262,158	77,543	-	2,339,701
Infrastructure	9,540,448	161,285	-	9,701,733
Total capital assets being depreciated	<u>29,045,663</u>	<u>1,235,768</u>	<u>(50,362)</u>	<u>30,231,069</u>
Less accumulated depreciation for:				
Land improvements	(2,818,397)	(303,347)	-	(3,121,744)
Buildings	(5,491,815)	(212,998)	-	(5,704,813)
Vehicles	(1,864,183)	(296,007)	50,362	(2,109,828)
Equipment	(1,876,542)	(70,817)	-	(1,947,359)
Infrastructure	(2,546,871)	(206,211)	-	(2,753,082)
Total accumulated depreciation	<u>(14,597,808)</u>	<u>(1,089,380)</u>	<u>50,362</u>	<u>(15,636,826)</u>
Total capital assets, being depreciated, net	<u>14,447,855</u>	<u>146,388</u>	<u>-</u>	<u>14,594,243</u>
<b>Governmental activities capital assets, net</b>	<b><u>\$ 16,940,480</u></b>	<b><u>\$ 146,388</u></b>	<b><u>\$ (235,282)</u></b>	<b><u>\$ 16,851,586</u></b>
<b>Business-type activities</b>				
Capital assets, not being depreciated:				
Land	\$ 164,618	\$ -	\$ -	\$ 164,618
Capital assets, being depreciated:				
Buildings	5,203,996	148,653	-	5,352,649
Vehicles	821,110	-	-	821,110
Equipment	1,418,546	22,644	(27,107)	1,414,083
Systems	33,237,717	621,486	-	33,859,203
Total capital assets being depreciated	<u>40,681,369</u>	<u>792,783</u>	<u>(27,107)</u>	<u>41,447,045</u>
Less accumulated depreciation for:				
Buildings	(3,371,367)	(262,631)	-	(3,633,998)
Vehicles	(231,092)	(37,477)	-	(268,569)
Equipment	(1,044,325)	(16,898)	27,107	(1,034,116)
Systems	(19,610,848)	(901,235)	-	(20,512,083)
Total accumulated depreciation	<u>(24,257,632)</u>	<u>(1,218,241)</u>	<u>27,107</u>	<u>(25,448,766)</u>
Total capital assets, being depreciated, net	<u>16,423,737</u>	<u>(425,458)</u>	<u>-</u>	<u>15,998,279</u>
<b>Business-type activities capital assets, net</b>	<b><u>\$ 16,588,355</u></b>	<b><u>\$ (425,458)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 16,162,897</u></b>

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

Component unit capital assets activity for the year ended June 30, 2011, 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	91,640	-	-	91,640
Total capital assets being depreciated	132,580	-	-	132,580
Less accumulated depreciation :				
Land improvements	(14,231)	(16,998)	-	(31,229)
Equipment	(17,662)	(1,638)	-	(19,300)
Total accumulated depreciation	(31,893)	(18,636)	-	(50,529)
<b>Discretely presented component unit capital assets, net</b>	<b>\$ 100,687</b>	<b>\$ (18,636)</b>	<b>\$ -</b>	<b>\$ 82,051</b>

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

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

Governmental activities:	
General government	\$ 134,492
Public safety	50,809
Public works, including depreciation of general infrastructure assets	411,786
Parks and recreation	124,747
Community development	42,431
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	325,115
<b>Total depreciation expense - governmental activities</b>	<b>\$ 1,089,380</b>
Business-type activities:	
Electric	\$ 540,328
Wastewater	300,795
Water	275,556
Public transit	42,263
Marshall House	59,299
<b>Total depreciation expense - business-type activities</b>	<b>\$ 1,218,241</b>

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

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

### 3-E Payables

Payables in the governmental activities are 58.3 percent vendors and 41.7 percent accrued payroll. Business-type activities are 81.8 percent vendors and 18.2 percent accrued payroll and compensated absences.

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

At June 30, 2011, the interfund receivables and payables, which resulted from negative cash balances, consisted of the following:

	<u>Receivable</u>	<u>Payable</u>
General fund	\$ 11,803	\$ -
Nonmajor governmental funds	-	11,571
Internal service funds	-	232
	<u>\$ 11,803</u>	<u>\$ 11,803</u>

For the year ended June 30, 2011, interfund transfers consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Governmental funds</b>		
General fund	\$ 109,585	\$ 277,408
Nonmajor governmental funds	465,631	60,000
<b>Enterprise funds</b>		
Electric fund	-	211,385
Water fund	-	26,423
	<u>\$ 575,216</u>	<u>\$ 575,216</u>

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



# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

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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 did not issue any 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%	\$ 405,000
2004 improvements	3.00% - 4.40%	115,000
2005 building authority refunding	3.00% - 4.25%	<u>2,330,000</u>
		<b><u>\$ 2,850,000</u></b>
<b>Business-type activities</b>		
2004 improvements	3.00% - 4.70%	\$ 415,000
2006 refunding	3.65% - 3.80%	2,460,000
2007 electric	3.10% - 3.95%	690,000
2008 refunding	3.00% - 4.00%	1,600,000
2009 water main	4.00% - 5.10%	<u>1,240,000</u>
		<b><u>\$ 6,405,000</u></b>
<b>Discretely presented component unit</b>		
2002 downtown development	4.20% - 5.10%	<u>\$ 565,000</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
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	215,000	69,343	680,000	170,025	45,000	21,038
2017-2021	1,455,000	157,095	2,120,000	494,550	300,000	67,057
2022-2026	-	-	765,000	192,888	75,000	3,825
2027-2031	-	-	345,000	32,220	-	-
	<b><u>\$ 2,850,000</u></b>	<b><u>\$ 602,760</u></b>	<b><u>\$ 6,405,000</u></b>	<b><u>\$ 1,824,005</u></b>	<b><u>\$ 565,000</u></b>	<b><u>\$ 193,582</u></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>\$ 680,000</u></b>
<b>Discretely presented component unit</b>		
2005 local development	3.50% - 4.30%	<b><u>\$ 1,195,000</u></b>

Revenue bond debt service requirements to maturity are as follows:

Year Ending June 30,	Business-type		Component Unit	
	Principal	Interest	Principal	Interest
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	75,000	19,890	85,000	38,400
2017-2021	345,000	36,790	455,000	138,705
2022-2026	-	-	380,000	40,755
	<b><u>\$ 680,000</u></b>	<b><u>\$ 171,198</u></b>	<b><u>\$ 1,195,000</u></b>	<b><u>\$ 402,002</u></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>		
2002 land contract (Quigley)	5.43%	\$ 89,043
2006 communication equipment	4.00%	57,489
		<b><u>\$ 146,532</u></b>
<b>Business-type activities</b>		
2002 public improvement (State Farm)	0.00%	<b><u>\$ 720,000</u></b>

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>
2012	\$ 117,213	\$ 6,571	\$ -	\$ -
2013	29,319	586	-	-
	146,532	7,157	-	-
State Farm	-	-	720,000	-
	<b>\$ 146,532</b>	<b>\$ 7,157</b>	<b>\$ 720,000</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, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Forgiveness</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b><u>Primary Government</u></b>						
<b>Governmental activities</b>						
General obligation bonds	\$ 3,150,000	\$ -	\$ (300,000)	\$ -	\$ 2,850,000	\$ 310,000
Installment contracts	355,369	-	(117,580)	(91,257)	146,532	117,213
Compensated absences	260,632	83,000	(67,732)	-	275,900	70,000
Add (deduct) deferred amounts:						
For issuance premiums	5,634	-	(400)	-	5,234	-
On refunding	(122,488)	-	11,983	-	(110,505)	-
	<b><u>\$ 3,649,147</u></b>	<b><u>\$ 83,000</u></b>	<b><u>\$ (473,729)</u></b>	<b><u>\$ (91,257)</u></b>	<b><u>\$ 3,167,161</u></b>	<b><u>\$ 497,213</u></b>
<b>Business-type activities</b>						
General obligation bonds	\$ 6,960,000	\$ -	\$ (555,000)	\$ -	\$ 6,405,000	\$ 590,000
Revenue bonds	740,000	-	(60,000)	-	680,000	60,000
Installment contracts	947,070	-	(14,135)	(212,935)	720,000	-
Compensated absences	172,661	1,932	-	-	174,593	45,000
Add (deduct) deferred amounts:						
For issuance premiums	47,733	-	(5,276)	-	42,457	-
On refunding	(70,477)	-	7,201	-	(63,276)	-
	<b><u>\$ 8,796,987</u></b>	<b><u>\$ 1,932</u></b>	<b><u>\$ (627,210)</u></b>	<b><u>\$ (212,935)</u></b>	<b><u>\$ 7,958,774</u></b>	<b><u>\$ 695,000</u></b>
<b><u>Component Unit - LDFA</u></b>						
Revenue bonds	<b><u>\$ 1,220,000</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (25,000)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,195,000</u></b>	<b><u>\$ 25,000</u></b>
<b><u>Component Unit - DDA</u></b>						
General obligation bonds	\$ 595,000	\$ -	\$ (30,000)	\$ -	\$ 565,000	\$ 30,000
Compensated absences	962	786	-	-	1,748	1,748
	<b><u>\$ 595,962</u></b>	<b><u>\$ 786</u></b>	<b><u>\$ (30,000)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 566,748</u></b>	<b><u>\$ 31,748</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, 2011, 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 \$247,037,874. The government's general operating tax rate for fiscal 2010-11 was 15.4629 mills with an additional 0.9393 mills for recreation, 0.4840 for public transportation, and 1.6129 for DDA (based on \$10,564,831 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, 2011, the date of the last plan valuation, the Plan covered 93 members (25 active plan members and 68 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, 2011, the City contributed \$477,942 to the Plan, all of which was to fund current year benefits. Retirees receiving benefits contributed \$46,097 or approximately 9 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	\$ 776,921
Interest on net OPEB obligation	56,315
Adjustment to annual required contribution	<u>(39,752)</u>
Net OPEB cost	793,484
Contributions made	<u>(477,942)</u>
Increase in net OPEB obligation	315,542
Net OPEB obligation, beginning of year	<u>804,498</u>
Net OPEB obligation, end of year	<u><b>\$ 1,120,040</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 2011, and the two preceding years, were as follows:

<u>Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percent of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/2009	\$ 914,127	56%	\$ 401,466
06/30/2010	961,400	59%	804,498
06/30/2011	793,484	62%	1,120,040

*Funded status and funding progress.* As of June 30, 2011, the most recent actuarial valuation date, the Plan was four percent funded. The actuarial accrued liability for benefits was \$13,775,992, and the actuarial value of assets was \$582,664, resulting in an unfunded actuarially accrued liability of \$13,193,328. The covered payroll (annual payroll of the active employees covered by the Plan) was \$1,239,229 and the ratio of the UAAL to the covered payroll was 1,065 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* - 2010-11 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, 2011, 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, 2011. 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, 2011, the City's annual pension cost of \$339,409 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, 2010, 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>
2009	\$ 224,057	100%	\$ -
2010	247,197	100%	-
2011	339,409	100%	-

The funded status of the plan as of December 31, 2010, 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>
12/31/08	\$25,593,050	\$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%
12/31/10	23,297,013	28,320,967	5,023,954	82%	4,121,120	122%

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

### 4-F Net Assets Invested in Capital Assets, Net of Related Debt

Following is a summary of net assets invested in capital assets, net of related debt, as presented in the government-wide statement of net assets:

	<u>Governmental activities</u>	<u>Business-type activities</u>
Capital assets, net	\$ 16,851,586	\$ 16,162,897
Deduct capital related bonds and installment contracts	(2,996,532)	(7,805,000)
Add unamortized deferred loss on refunding	110,505	63,276
Deduct unamortized premium on bonds	<u>(5,234)</u>	<u>(42,457)</u>
Total invested in capital assets, net of related debt	<u>\$ 13,960,325</u>	<u>\$ 8,378,716</u>

### 4-G Restatements

The City adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in the current year. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds. The City's beginning general fund balance increased by \$298,823 due to the elimination of the airport, composting, parking system and recreation special revenue funds which are now combined with the general fund.

The beginning net assets of the economic development corporation component unit was reduced by \$35,208 and the beginning net assets of the local development finance authority component unit increased by \$35,208 to properly classify a capital asset transfer between the two entities which occurred in the prior year.

# CITY OF MARSHALL, MICHIGAN

## Notes To Financial Statements

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### 4-H 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 <u>December 31,</u>	(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%
2010	23,297,013	28,320,967	5,023,954	82.3%	4,121,120	121.9%

**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%
2011	339,409	339,409	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	1137.1%
2011	582,664	13,775,992	13,193,328	4.2%	1,239,229	1064.6%

**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
2011	776,921	477,942	61.52%	1,120,040

COMBINING and INDIVIDUAL FUND FINANCIAL  
STATEMENTS and SCHEDULES

**CITY OF MARSHALL, MICHIGAN**  
**Combining Balance Sheet - Nonmajor Governmental Funds**  
**June 30, 2011**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects Major Streets</u>	<u>Permanent Cemetery</u>	<u>Totals</u>
<b><u>ASSETS</u></b>					
<b>Assets</b>					
Cash and cash equivalents	\$ 92,123	\$ 16,259	\$ 39,378	\$ 178,764	\$ 326,524
Investments	290,009	-	21,709	516,121	827,839
Accounts receivable	120,927	-	-	648	121,575
Inventory	10,324	-	-	-	10,324
Due from other governments	80,614	-	-	-	80,614
Prepaid items	2,254	-	-	-	2,254
	<u>\$ 596,251</u>	<u>\$ 16,259</u>	<u>\$ 61,087</u>	<u>\$ 695,533</u>	<u>\$ 1,369,130</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 107,751	\$ -	\$ -	\$ -	\$ 107,751
Accrued liabilities	1,956	-	-	-	1,956
Interfund payable	11,571	-	-	-	11,571
	<u>121,278</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>121,278</u>
<b>Fund balances</b>					
Nonexpendable for:					
Inventory	10,324	-	-	-	10,324
Prepaid items	2,254	-	-	-	2,254
Cemetery perpetual care	-	-	-	463,153	463,153
Restricted for:					
Highways and streets	322,099	-	-	-	322,099
Drug law enforcement	4,818	-	-	-	4,818
Cemetery operations	-	-	-	232,380	232,380
Committed for:					
Highways and streets	-	-	61,087	-	61,087
Special projects	135,478	-	-	-	135,478
Debt service	-	16,259	-	-	16,259
	<u>474,973</u>	<u>16,259</u>	<u>61,087</u>	<u>695,533</u>	<u>1,247,852</u>
Total fund balances	<u>474,973</u>	<u>16,259</u>	<u>61,087</u>	<u>695,533</u>	<u>1,247,852</u>
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>					
	<u>\$ 596,251</u>	<u>\$ 16,259</u>	<u>\$ 61,087</u>	<u>\$ 695,533</u>	<u>\$ 1,369,130</u>



**CITY OF MARSHALL, MICHIGAN**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2011**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects Major Streets</u>	<u>Permanent Cemetery</u>	<u>Totals</u>
<b>Revenues</b>					
Intergovernmental	\$ 553,471	\$ -	\$ -	\$ -	\$ 553,471
Charges for services	-	-	-	5,380	5,380
Fines and forfeitures	50	-	-	-	50
Investment earnings	365	-	451	4,057	4,873
Other	365,139	-	-	-	365,139
	<u>919,025</u>	<u>-</u>	<u>451</u>	<u>9,437</u>	<u>928,913</u>
<b>Expenditures</b>					
Current expenditures:					
General government	297,592	-	-	150	297,742
Public safety	520	-	-	-	520
Highways and streets	227,098	-	-	-	227,098
Debt service:					
Principal	152,065	165,000	-	-	317,065
Interest and fiscal charges	23,764	99,231	-	-	122,995
Capital outlay	171,250	-	-	-	171,250
	<u>872,289</u>	<u>264,231</u>	<u>-</u>	<u>150</u>	<u>1,136,670</u>
Total expenditures	<u>872,289</u>	<u>264,231</u>	<u>-</u>	<u>150</u>	<u>1,136,670</u>
Revenues over (under) expenditures	<u>46,736</u>	<u>(264,231)</u>	<u>451</u>	<u>9,287</u>	<u>(207,757)</u>
<b>Other financing sources (uses)</b>					
Transfers in	201,400	264,231	-	-	465,631
Transfers out	(30,000)	-	(30,000)	-	(60,000)
	<u>171,400</u>	<u>264,231</u>	<u>(30,000)</u>	<u>-</u>	<u>405,631</u>
Total other financing sources (uses)	<u>171,400</u>	<u>264,231</u>	<u>(30,000)</u>	<u>-</u>	<u>405,631</u>
Net change in fund balances	218,136	-	(29,549)	9,287	197,874
Fund balances, beginning of year	256,837	16,259	90,636	686,246	1,049,978
<b>Fund balances, end of year</b>	<u>\$ 474,973</u>	<u>\$ 16,259</u>	<u>\$ 61,087</u>	<u>\$ 695,533</u>	<u>\$ 1,247,852</u>

**CITY OF MARSHALL, MICHIGAN**  
**Combining Balance Sheet - Nonmajor Special Revenue Funds**  
**June 30, 2011**

	<u>Major Street</u>	<u>Local Street</u>	<u>Drug Law Enforcement</u>	<u>Special Projects</u>	<u>Total</u>
<b><u>ASSETS</u></b>					
<b>Assets</b>					
Cash and cash equivalents	\$ -	\$ -	\$ 4,818	\$ 87,305	\$ 92,123
Investments	162,022	122,908	-	5,079	290,009
Accounts receivable	-	-	-	120,927	120,927
Inventory	10,324	-	-	-	10,324
Due from other governments	60,185	20,429	-	-	80,614
Prepaid items	951	1,257	-	46	2,254
	<u>951</u>	<u>1,257</u>	<u>-</u>	<u>46</u>	<u>2,254</u>
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 233,482</u></b>	<b><u>\$ 144,594</u></b>	<b><u>\$ 4,818</u></b>	<b><u>\$ 213,357</u></b>	<b><u>\$ 596,251</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 27,414	\$ 2,504	\$ -	\$ 77,833	\$ 107,751
Accrued liabilities	801	1,155	-	-	1,956
Interfund payable	10,061	1,510	-	-	11,571
	<u>10,061</u>	<u>1,510</u>	<u>-</u>	<u>-</u>	<u>11,571</u>
Total liabilities	<u>38,276</u>	<u>5,169</u>	<u>-</u>	<u>77,833</u>	<u>121,278</u>
<b>Fund balances</b>					
Nonexpendable for:					
Inventory	10,324	-	-	-	10,324
Prepaid items	951	1,257	-	46	2,254
Restricted for:					
Highways and streets	183,931	138,168	-	-	322,099
Drug law enforcement	-	-	4,818	-	4,818
Committed for special projects	-	-	-	135,478	135,478
	<u>-</u>	<u>-</u>	<u>-</u>	<u>135,478</u>	<u>135,478</u>
Total fund balances	<u>195,206</u>	<u>139,425</u>	<u>4,818</u>	<u>135,524</u>	<u>474,973</u>
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b><u>\$ 233,482</u></b>	<b><u>\$ 144,594</u></b>	<b><u>\$ 4,818</u></b>	<b><u>\$ 213,357</u></b>	<b><u>\$ 596,251</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, 2011**

	<u>Major Street</u>	<u>Local Street</u>	<u>Drug Law Enforcement</u>	<u>Special Projects</u>	<u>Total</u>
<b>Revenues</b>					
Intergovernmental	\$ 398,506	\$ 142,968	\$ -	\$ 11,997	\$ 553,471
Fines and forfeitures	-	-	50	-	50
Investment earnings	201	137	-	27	365
Other	-	-	-	365,139	365,139
	<u>398,707</u>	<u>143,105</u>	<u>50</u>	<u>377,163</u>	<u>919,025</u>
<b>Expenditures</b>					
Current expenditures:					
General government	-	-	-	297,592	297,592
Public safety	-	-	520	-	520
Highways and streets	121,041	106,057	-	-	227,098
Debt service:					
Principal	125,000	-	-	27,065	152,065
Interest and fiscal charges	20,923	-	-	2,841	23,764
Capital outlay	<u>41,056</u>	<u>130,194</u>	<u>-</u>	<u>-</u>	<u>171,250</u>
	<u>308,020</u>	<u>236,251</u>	<u>520</u>	<u>327,498</u>	<u>872,289</u>
Revenues over (under) expenditure:	<u>90,687</u>	<u>(93,146)</u>	<u>(470)</u>	<u>49,665</u>	<u>46,736</u>
<b>Other financing sources (uses)</b>					
Transfers in	30,000	160,000	-	11,400	201,400
Transfers out	<u>(30,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,000)</u>
	<u>-</u>	<u>160,000</u>	<u>-</u>	<u>11,400</u>	<u>171,400</u>
Net change in fund balances	90,687	66,854	(470)	61,065	218,136
Fund balances, beginning of year	<u>104,519</u>	<u>72,571</u>	<u>5,288</u>	<u>74,459</u>	<u>256,837</u>
<b>Fund balances, end of year</b>	<u><u>\$ 195,206</u></u>	<u><u>\$ 139,425</u></u>	<u><u>\$ 4,818</u></u>	<u><u>\$ 135,524</u></u>	<u><u>\$ 474,973</u></u>

**CITY OF MARSHALL, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**Final Budget and Actual - Nonmajor Special Revenue Funds**  
**For the Year Ended June 30, 2011**

	<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>						
Intergovernmental	\$ 368,936	\$ 398,506	\$ 29,570	\$ 121,105	\$ 142,968	\$ 21,863
Fines and forfeitures	-	-	-	-	-	-
Investment earnings	1,000	201	(799)	300	137	(163)
Other	-	-	-	-	-	-
Total revenues	<u>369,936</u>	<u>398,707</u>	<u>28,771</u>	<u>121,405</u>	<u>143,105</u>	<u>21,700</u>
<b>Expenditures</b>						
Current expenditures:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	157,091	121,041	(36,050)	135,806	106,057	(29,749)
Debt service:						
Principal	125,000	125,000	-	-	-	-
Interest and fiscal charges	20,923	20,923	-	-	-	-
Capital outlay	44,000	41,056	(2,944)	130,000	130,194	194
Total expenditures	<u>347,014</u>	<u>308,020</u>	<u>(38,994)</u>	<u>265,806</u>	<u>236,251</u>	<u>(29,555)</u>
Revenues over (under) expenditures	<u>22,922</u>	<u>90,687</u>	<u>67,765</u>	<u>(144,401)</u>	<u>(93,146)</u>	<u>51,255</u>
<b>Other financing sources (uses)</b>						
Transfers in	40,000	30,000	(10,000)	160,000	160,000	-
Transfers out	(30,000)	(30,000)	-	-	-	-
Total other financing sources (uses)	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>	<u>160,000</u>	<u>160,000</u>	<u>-</u>
Net change in fund balances	32,922	90,687	57,765	15,599	66,854	51,255
Fund balances, beginning of year	<u>185,488</u>	<u>104,519</u>	<u>80,969</u>	<u>72,571</u>	<u>72,571</u>	<u>-</u>
<b>Fund balances (deficit), end of year</b>	<u>\$ 218,410</u>	<u>\$ 195,206</u>	<u>\$ (23,204)</u>	<u>\$ 88,170</u>	<u>\$ 139,425</u>	<u>\$ 51,255</u>

<b>Drug Law Enforcement Fund</b>			<b>Special Projects 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>
\$ -	\$ -	\$ -	\$ 50,471	\$ 11,997	\$ (38,474)
-	50	50	-	-	-
50	-	(50)	50	27	(23)
-	-	-	443,954	365,139	(78,815)
<u>50</u>	<u>50</u>	<u>-</u>	<u>494,475</u>	<u>377,163</u>	<u>(117,312)</u>
-	-	-	455,055	297,592	(157,463)
520	520	-	-	-	-
-	-	-	-	-	-
-	-	-	27,065	27,065	-
-	-	-	2,841	2,841	-
-	-	-	-	-	-
<u>520</u>	<u>520</u>	<u>-</u>	<u>484,961</u>	<u>327,498</u>	<u>(157,463)</u>
<u>(470)</u>	<u>(470)</u>	<u>-</u>	<u>9,514</u>	<u>49,665</u>	<u>40,151</u>
-	-	-	17,670	11,400	(6,270)
-	-	-	-	-	-
-	-	-	17,670	11,400	(6,270)
(470)	(470)	-	27,184	61,065	33,881
5,288	5,288	-	74,459	74,459	-
<u>\$ 4,818</u>	<u>\$ 4,818</u>	<u>\$ -</u>	<u>\$ 101,643</u>	<u>\$ 135,524</u>	<u>\$ 33,881</u>

**CITY OF MARSHALL, MICHIGAN**  
**Combining Balance Sheet - Nonmajor Debt Service Funds**  
**June 30, 2011**

	<u>Building Authority</u>	<u>1999 Motor Vehicle Highway</u>	<u>Total</u>
<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>			
Committed for debt service	\$ 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, 2011**

	<u>Building Authority</u>	<u>1999 Motor Vehicle Highway</u>	<u>Total</u>
<b>Expenditures</b>			
Debt service:			
Principal retirement	\$ 165,000	\$ -	\$ 165,000
Interest and fiscal charges	99,231	-	99,231
Total expenditures	264,231	-	264,231
<b>Other financing sources</b>			
Transfers in	264,231	-	264,231
Net change in fund balances	-	-	-
Fund balances, beginning of year	9,469	6,790	16,259
<b>Fund balances, end of year</b>	<u>\$ 9,469</u>	<u>\$ 6,790</u>	<u>\$ 16,259</u>

**CITY OF MARSHALL, MICHIGAN**  
**Supplemental Schedule of Operating Expenses**  
**Electric, Wastewater and Water Enterprise Funds**  
**For the Year Ended June 30, 2011**

	<u>Electric</u>	<u>Wastewater</u>	<u>Water</u>	<u>Total</u>
<b>Administration</b>				
Personal services	\$ 465,055	\$ 215,128	\$ 244,477	\$ 924,660
Materials and supplies	23,689	8,533	8,647	40,869
Contractual	68,838	20,461	20,070	109,369
Insurance	13,016	22,505	3,719	39,240
Maintenance	327	164	164	655
Administration (city allocated costs)	792,167	41,730	40,619	874,516
Other expense	83,182	6,525	9,569	99,276
Depreciation	11,024	8,294	-	19,318
	<u>1,457,298</u>	<u>323,340</u>	<u>327,265</u>	<u>2,107,903</u>
<b>Powerhouse</b>				
Personal services	386,101	-	-	386,101
Materials and supplies	85,820	-	-	85,820
Purchased power	8,337,523	-	-	8,337,523
Contractual	71,016	-	-	71,016
Maintenance	1,908	-	-	1,908
Other expense	17,770	-	-	17,770
Depreciation	216,551	-	-	216,551
	<u>9,116,689</u>	<u>-</u>	<u>-</u>	<u>9,116,689</u>
<b>Line distribution</b>				
Personal services	755,894	-	197,871	953,765
Materials and supplies	101,460	-	32,173	133,633
Purchased power	-	-	1,909	1,909
Contractual	32,371	-	1,973	34,344
Maintenance	3,136	-	133	3,269
Other expense	233,152	-	36,981	270,133
Depreciation	312,753	-	268,895	581,648
	<u>1,438,766</u>	<u>-</u>	<u>539,935</u>	<u>1,978,701</u>
<b>Operations</b>				
Personal services	-	231,450	-	231,450
Materials and supplies	-	125,110	-	125,110
Purchased power	-	124,236	-	124,236
Contractual	-	78,908	-	78,908
Maintenance	-	3,173	-	3,173
Other expense	3,146	37,580	-	40,726
Depreciation	-	292,501	-	292,501
	<u>3,146</u>	<u>892,958</u>	<u>-</u>	<u>896,104</u>

Continued...



**CITY OF MARSHALL, MICHIGAN**  
**Supplemental Schedule of Operating Expenses (Concluded)**  
**Electric, Wastewater and Water Enterprise Funds**  
**For the Year Ended June 30, 2011**

	<u>Electric</u>	<u>Wastewater</u>	<u>Water</u>	<u>Total</u>
<b>Production</b>				
Personal services	\$ -	\$ -	\$ 70,633	\$ 70,633
Materials and supplies	-	-	61,150	61,150
Purchased power	-	-	44,497	44,497
Contractual	-	-	1,755	1,755
Other expense	-	-	8,367	8,367
Depreciation	-	-	6,661	6,661
	<u>-</u>	<u>-</u>	<u>193,063</u>	<u>193,063</u>
<b>Totals</b>				
Personal services	1,607,050	446,578	512,981	2,566,609
Materials and supplies	210,969	133,643	101,970	446,582
Purchased power	8,337,523	124,236	46,406	8,508,165
Contractual	172,225	99,369	23,798	295,392
Insurance	13,016	22,505	3,719	39,240
Maintenance	5,371	3,337	297	9,005
Administration (city allocated costs)	792,167	41,730	40,619	874,516
Other expense	337,250	44,105	54,917	436,272
Depreciation	540,328	300,795	275,556	1,116,679
	<u>\$ 12,015,899</u>	<u>\$ 1,216,298</u>	<u>\$ 1,060,263</u>	<u>\$ 14,292,460</u>

**CITY OF MARSHALL, MICHIGAN**  
**Supplemental Schedule of Revenues and Expenses**  
**Dial-A-Ride Transportation Fund**  
**For the Year Ended June 30, 2011**

<b>Schedule 1 - for the year ended June 30, 2011</b>	7/1/10 to 9/30/10	10/1/10 to 6/30/11	Total
<b>Local revenues:</b>			
Demand response - farebox (nonurban)	\$ 12,520	\$ 36,803	\$ 49,323
Tax levy	102,784	(323)	102,461
Interest and other income	144	1,583	1,727
<b>Total local revenues</b>	<b>\$ 115,448</b>	<b>\$ 38,063</b>	<b>\$ 153,511</b>

<b>Schedule 1A - based on a September 30, 2010 Year End</b>	10/1/09 to 6/30/10	7/1/10 to 9/30/10	Total
<b>Local revenues:</b>			
Demand response - farebox (nonurban)	\$ 40,438	\$ 12,520	\$ 52,958
Tax levy	(576)	102,784	102,208
Gain on sale of capital assets	5,550	-	5,550
Interest and other income	3,209	144	3,353
<b>Total local revenues</b>	<b>\$ 48,621</b>	<b>\$ 115,448</b>	<b>\$ 164,069</b>

Continued...

**CITY OF MARSHALL, MICHIGAN**  
**Supplemental Schedule of Revenues and Expenses (Continued)**  
**Dial-A-Ride Transportation Fund**  
**For the Year Ended June 30, 2011**

<b>Schedule 2 - Expenditures of Federal and State Awards</b>	Federal CFDA Number	Grant No./ Authorization Number	Program Award Amount	Current Year Revenues			Reported Prior Year	Award Amount Remaining
				Total	Federal	State		
<u>U.S. Department of Transportation</u>								
Passed-through Michigan Department of Transportation								
Operating Assistance - Section 5311:								
RTAP	20.509		\$ 2,255	\$ 2,255	\$ 2,255	\$ -	\$ -	\$ -
Radio equipment	20.509	07-0253 / Z10	35,000	16,520	16,520	-	-	18,480
Operating assistance (FY 10)	20.509	MI-18-X050 / Z12	60,101	41,278	41,278	-	18,823	-
Operating assistance (FY 11)	20.509	MI-18-X050 / Z13	44,043	26,770	26,770	-	-	17,273
<u>Michigan Department of Transportation</u>								
Operating Assistance - Act 51 Nonurban:								
Operating assistance (FY 10)		n/a	131,820	32,955	-	32,955	-	98,865
Operating assistance (FY 11)		2012-0128	121,068	76,554	-	76,554	-	44,514
Total			<u>\$ 394,287</u>	<u>\$ 196,332</u>	<u>\$ 86,823</u>	<u>\$ 109,509</u>	<u>\$ -</u>	<u>\$ 80,267</u>

Continued...

**CITY OF MARSHALL, MICHIGAN**  
**Supplemental Schedule of Revenues and Expenses (Continued)**  
**Dial-A-Ride Transportation Fund**  
**For the Year Ended June 30, 2011**

<b>Schedule 2A - for the year ended June 30, 2011</b>	7/1/10 to 9/30/10	10/1/10 to 6/30/11	Total
Michigan Department of Transportation - Local Bus Operating (Act 51)	\$ 32,957	\$ 76,552	\$ 109,509
Federal Transit Administration: Section 5311 - operating	-	68,048	68,048
Farebox, radio and RTAP reimbursements	1,931	16,844	18,775
Total	<u>\$ 34,888</u>	<u>\$ 161,444</u>	<u>\$ 196,332</u>

<b>Schedule 2B - based on a September 30, 2010 year end</b>	10/1/09 to 6/30/10	7/1/10 to 9/30/10	Total
Michigan Department of Transportation: Local Bus Operating (Act 51)	\$ 98,865	\$ 32,957	\$ 131,822
Capital assistance	41,281	-	41,281
Federal Transit Administration: Section 5311 - operating	19,294	-	19,294
Section 5311 - operating (ARRA)	9,391	-	9,391
Section 5311 - capital	80,003	-	80,003
Section 5309 - capital	85,120	-	85,120
Farebox, radio and RTAP reimbursements	2,587	1,931	4,518
Prior year settlement	806	-	806
Total	<u>\$ 337,347</u>	<u>\$ 34,888</u>	<u>\$ 372,235</u>

Continued...

**CITY OF MARSHALL, MICHIGAN**  
**Supplemental Schedule of Revenues and Expenses (Continued)**  
**Dial-A-Ride Transportation Fund**  
**For the Year Ended June 30, 2011**

**Schedule 3 - Operating and Contract Expenses**

	Nonurban	Total
<b>Expenses:</b>		
Labor	\$ 186,223	\$ 186,223
Fringe Benefits	69,822	69,822
Services	33,578	33,578
Materials and Supplies	34,627	34,627
Utilities	2,579	2,579
Insurance	4,453	4,453
Taxes	1,479	1,479
Miscellaneous	2,574	2,574
Operating Leases and Rentals	11,062	11,062
Depreciation	42,264	42,264
Ineligible costs (prior year settlements)	13,162	13,162
Total Expenses	<u>\$ 401,823</u>	<u>\$ 401,823</u>

	Nonurban		
	7/1/10 to 9/30/10	10/1/10 to 06/30/11	Total
<b>Schedule 3A - Operating Expenses for June 30, 2011</b>			
<b>Expenses:</b>			
Labor	\$ 34,982	\$ 151,241	\$ 186,223
Fringe Benefits	18,977	50,845	69,822
Services	5,510	28,068	33,578
Materials and Supplies	7,593	27,034	34,627
Utilities	162	2,417	2,579
Insurance	-	4,453	4,453
Taxes and Fees	688	791	1,479
Miscellaneous	2,123	451	2,574
Operating Leases and Rentals	2,765	8,297	11,062
Depreciation	8,626	33,638	42,264
Ineligible costs (prior year settlements)	5,346	7,816	13,162
Total Expenses	<u>\$ 86,772</u>	<u>\$ 315,051</u>	<u>\$ 401,823</u>

	Nonurban		
	10/1/09 to 6/30/10	7/1/10 to 9/30/10	Total
<b>Schedule 3B - Operating Expenses for September 30, 2010</b>			
<b>Expenses:</b>			
Labor	\$ 158,704	\$ 34,982	\$ 193,686
Fringe Benefits	46,558	18,977	65,535
Services	32,241	5,510	37,751
Materials and Supplies	32,558	7,593	40,151
Utilities	473	162	635
Insurance	4,161	-	4,161
Taxes	22	688	710
Miscellaneous	791	2,123	2,914
Operating Leases and Rentals	7,857	2,765	10,622
Depreciation	33,032	8,626	41,658
Ineligible costs (prior year settlements)	19,578	5,346	24,924
Total Expenses	<u>\$ 335,975</u>	<u>\$ 86,772</u>	<u>\$ 422,747</u>

**CITY OF MARSHALL, MICHIGAN**  
**Supplemental Schedule of Revenues and Expenses (Concluded)**  
**Dial-A-Ride Transportation Fund**  
**For the Year Ended June 30, 2011**

<b>Schedule 5 - Operating Assistance Calculation for September 30, 2010</b>	Nonurban
Total Expenses	\$ 422,747
Less Ineligible Expenses	
Depreciation	41,658
RTAP	806
Prior year settlements	24,924
Total Ineligible Expenses Per R&E Manual	67,388
<b>Total State Eligible Expenses</b>	<b>355,359</b>
Eligible Expenses for State Reimbursement	355,359
x Reimbursement Percentage	36.99%
State Operating Assistance	\$ 131,447
<b>Total Federal Eligible Expenses</b>	
Less Additional Federal Ineligible Expenses Per A-87 - Audit Costs	4,555
Eligible Expenses for Federal Reimbursement	350,804
x Reimbursement Percentage	16%
Federal Operating Assistance	\$ 56,129

**CITY OF MARSHALL, MICHIGAN**  
**Dial-A-Ride Transportation Fund**  
**Nonurban Regular Service Revenue Report**  
**For the Year Ended September 30, 2010**

<b>Code</b>	<b>Description</b>	<b>Amount</b>
<b>401 :</b>	<b>Farebox Revenue</b>	
40100	Passenger Fares	\$ 52,958
<b>407 :</b>	<b>NonTrans Revenue</b>	
40760	Gains from the Sale of Capital Assets (two buses)	5,550
<b>408 :</b>	<b>Local Revenue</b>	
40800	Taxes Levied Directly for/by Transit Agency	102,208
<b>411 :</b>	<b>State Formula and Contracts</b>	
41101	State Operating Assistance	111,451
<b>413 :</b>	<b>Federal Contracts</b>	
41301	Federal Section 5311	77,788
41398	RTAP (RTAP for Supervisor Seminar)	3,112
<b>414 :</b>	<b>Other Revenue</b>	
41400	Interest Income	3,354
<b>Total revenues:</b>		<b>\$ 356,421</b>

**CITY OF MARSHALL, MICHIGAN**  
**Dial-A-Ride Transportation Fund**  
**Nonurban Regular Service Expense Report**  
**For the Year Ended September 30, 2010**

<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	129,846		\$	129,846
50102	Other Salaries & Wages		3,052	9,660	12,712
50103	Dispatchers' Salaries & Wages	51,128			51,128
<b>502 :</b>	<b>Fringe Benefits</b>				
50200	Other Fringe Benefits	50,821	671	1,678	53,170
50201	Pension	11,923	442		12,365
<b>503 :</b>	<b>Services</b>				
50302	Advertising Fees			237	237
50305	Audit Cost	4,555			4,555
50399	Other Services	16,004	1,670	13,760	31,434
<b>504 :</b>	<b>Materials and Supplies</b>				
50401	Fuel & Lubricants	24,720			24,720
50402	Tires & Tubes		2,826		2,826
50404	Major Purchases				-
50499	Other Materials & Supplies	812	11,754	39	12,605
<b>505 :</b>	<b>Utilities</b>				
50500	Utilities	635			635
<b>506 :</b>	<b>Insurance</b>				
50603	Liability Insurance	4,161			4,161
<b>507 :</b>	<b>Taxes &amp; Fees</b>				
50700	Taxes & Fees			710	710
<b>509 :</b>	<b>Misc. Expenses</b>				
50902	Travel, Meetings & Training			2,914	2,914
<b>512 :</b>	<b>Operating Leases &amp; Rentals</b>				
51200	Operating Leases & Rentals	8,175		2,447	10,622
<b>513 :</b>	<b>Depreciation</b>				
51300	Depreciation	41,658			41,658
<b>550 :</b>	<b>Ineligible Expenses</b>				
55007	Ineligible Depreciation	41,658			41,658
<b>574 :</b>	<b>Ineligible Expenses</b>				
57402	Ineligible RTAP			2,128	2,128
<b>Total expenses:</b>					<b>396,298</b>
<b>Total ineligible expenses:</b>					<b>43,786</b>
<b>Total eligible expenses:</b>					<b>\$ 352,512</b>



**CITY OF MARSHALL, MICHIGAN**  
**Dial-A-Ride Transportation Fund**  
**Nonurban Regular Service Nonfinancial Report (UNAUDITED)**  
**For the Year Ended September 30, 2010**

**Public Service**

<b>Code</b>	<b>Description</b>	<b>Weekday</b>	<b>Saturday</b>	<b>Sunday</b>	<b>Total</b>
610	Vehicle Hours	8,402	-	-	8,402
611	Vehicle Miles	69,444	-	-	69,444
615	Passengers - Regular	23,752	-	-	23,752
616	Passengers - Elderly	6,961	-	-	6,961
617	Passengers - Persons w/ Disabilities	1,623	-	-	1,623
618	Passengers - Elderly Persons w/ Disabilities	6,572	-	-	6,572
622	Total Demand-Response Passengers	39,908	-	-	39,908
625	Days Operated	256	-	-	256

**CITY OF MARSHALL, MICHIGAN**  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
**June 30, 2011**

	<u>Data Processing</u>	<u>Motor Pool</u>	<u>Safety</u>	<u>Total</u>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 60,990	\$ 217,982	\$ -	\$ 278,972
Investments	165,248	372,075	33,045	570,368
Accounts receivable	-	73	-	73
Prepaid items	4,903	1,412	-	6,315
Total current assets	231,141	591,542	33,045	855,728
Noncurrent assets -				
Capital assets, net	32,821	1,685,616	-	1,718,437
Total assets	263,962	2,277,158	33,045	2,574,165
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	1,911	15,421	-	17,332
Accrued payroll	411	3,476	121	4,008
Interfund payable	-	-	232	232
Compensated absences payable	-	2,208	-	2,208
Total liabilities	2,322	21,105	353	23,780
<b>Net assets</b>				
Invested in capital assets	32,821	1,685,616	-	1,718,437
Unrestricted	228,819	570,437	32,692	831,948
Total net assets	<u>\$ 261,640</u>	<u>\$ 2,256,053</u>	<u>\$32,692</u>	<u>\$ 2,550,385</u>

**CITY OF MARSHALL, MICHIGAN**  
**Combining Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets**  
**Internal Service Funds**  
**For the Year Ended June 30, 2011**

	<u>Data Processing</u>	<u>Motor Pool</u>	<u>Safety</u>	<u>Total</u>
<b>Operating revenues</b>				
Charges for services	\$ 123,450	\$ 595,636	\$ -	\$ 719,086
Other	-	3,379	240	3,619
	<u>123,450</u>	<u>599,015</u>	<u>240</u>	<u>722,705</u>
<b>Operating expenses</b>				
Personal services	12,647	111,890	3,524	128,061
Materials and supplies	40,420	180,848	833	222,101
Contractual	41,602	2,848	10	44,460
Insurance	-	29,542	-	29,542
Maintenance	556	50,161	109	50,826
Other expense	-	42,818	161	42,979
Depreciation	14,294	310,821	-	325,115
	<u>109,519</u>	<u>728,928</u>	<u>4,637</u>	<u>843,084</u>
Total operating expenses	<u>109,519</u>	<u>728,928</u>	<u>4,637</u>	<u>843,084</u>
Operating income (loss)	<u>13,931</u>	<u>(129,913)</u>	<u>(4,397)</u>	<u>(120,379)</u>
<b>Nonoperating revenues</b>				
Investment earnings	1,164	3,405	240	4,809
Gain on sale of capital assets	-	8,784	-	8,784
	<u>1,164</u>	<u>12,189</u>	<u>240</u>	<u>13,593</u>
Total nonoperating revenues	<u>1,164</u>	<u>12,189</u>	<u>240</u>	<u>13,593</u>
Change in net assets	15,095	(117,724)	(4,157)	(106,786)
Net assets, beginning of year	<u>246,545</u>	<u>2,373,777</u>	<u>36,849</u>	<u>2,657,171</u>
<b>Net assets, end of year</b>	<u>\$ 261,640</u>	<u>\$ 2,256,053</u>	<u>\$ 32,692</u>	<u>\$ 2,550,385</u>

**CITY OF MARSHALL, MICHIGAN**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2011**

	<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	\$ 123,450	\$ 599,015	\$ 240	\$ 722,705
Payments to suppliers/claimants	(86,758)	(341,521)	(867)	(429,146)
Payments to employees	(12,582)	(111,037)	(3,524)	(127,143)
Net cash provided (used) by operating activities	<u>24,110</u>	<u>146,457</u>	<u>(4,151)</u>	<u>166,416</u>
<b>Cash flows from capital and related financing activities</b>				
Cash received on sale of capital assets	-	8,784	-	8,784
Purchase of capital assets	-	(761,696)	-	(761,696)
Net cash used in capital and related financing activities	<u>-</u>	<u>(752,912)</u>	<u>-</u>	<u>(752,912)</u>
<b>Cash flows from investing activities</b>				
Purchase of investments	(1,162)	-	-	(1,162)
Proceeds from investments	-	695,593	887	696,480
Interest received on investments	1,164	3,405	240	4,809
Net cash provided by investing activities	<u>2</u>	<u>698,998</u>	<u>1,127</u>	<u>700,127</u>
Net change in cash and cash equivalents	24,112	92,543	(3,024)	113,631
Cash and cash equivalents, beginning of year	<u>36,878</u>	<u>125,439</u>	<u>3,024</u>	<u>165,341</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 60,990</u>	<u>\$ 217,982</u>	<u>\$ -</u>	<u>\$ 278,972</u>
<b>Reconciliation of operating income (loss)</b>				
<b>to net cash provided by (used in) operating activities</b>				
Operating income (loss)	\$ 13,931	\$ (129,913)	\$ (4,397)	\$(120,379)
Adjustments to reconcile operating income (loss)				
to net cash from operating activities:				
Depreciation	14,294	310,821	-	325,115
Changes in assets and liabilities:				
Accounts receivable	-	11,852	-	11,852
Prepaid items	(4,747)	134	-	(4,613)
Accounts payable	567	(47,290)	-	(46,723)
Accrued payroll	65	(1,355)	14	(1,276)
Interfund payable	-	-	232	232
Compensated absences payable	-	2,208	-	2,208
<b>Net cash provided (used) by operating activities</b>	<u>\$ 24,110</u>	<u>\$ 146,457</u>	<u>\$ (4,151)</u>	<u>\$ 166,416</u>

**CITY OF MARSHALL, MICHIGAN**  
**Combining Statement of Fiduciary Assets and Liabilities**  
**Agency Funds**  
**June 30, 2011**

	<b>Current Tax</b>	<b>Imprest Payroll</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ -	\$ 28,530	\$ 28,530
Delinquent taxes receivable	346,728	-	346,728
Total assets	\$ 346,728	\$ 28,530	\$ 375,258
<b>Liabilities</b>			
Undistributed receipts	\$ 346,728	\$ 28,530	\$ 375,258

## DISCRETELY PRESENTED COMPONENT UNITS

**CITY OF MARSHALL, MICHIGAN**  
**Statement of Net Assets and**  
**Governmental Fund Balance Sheet**  
**Downtown Development Authority Component Unit**  
**June 30, 2011**

	<b>Special Revenue</b>	<b>Adjustments</b>	<b>Statement of Net Assets</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 126,762	\$ -	\$ 126,762
Investments	55,036	-	55,036
Prepaid items	1,291	-	1,291
Restricted cash and cash equivalents	80,044	-	80,044
<b>Total assets</b>	<b>\$ 263,133</b>	<b>-</b>	<b>263,133</b>
<b>Liabilities</b>			
Accounts payable	\$ 7,818	-	7,818
Accrued liabilities	2,281	-	2,281
Accrued interest payable	-	2,304	2,304
Long-term liabilities:			
Due within one year	-	31,748	31,748
Due in more than one year	-	535,000	535,000
<b>Total liabilities</b>	<b>10,099</b>	<b>569,052</b>	<b>579,151</b>
<b>Fund balance</b>			
Nonspendable	1,291	(1,291)	-
Unassigned	251,743	(251,743)	-
<b>Total fund balance</b>	<b>253,034</b>	<b>(253,034)</b>	<b>-</b>
<b>Total liabilities and fund balance</b>	<b>\$ 263,133</b>		
<b>Net assets</b>			
Restricted for debt service		80,044	80,044
Unrestricted (deficit)		(396,062)	(396,062)
<b>Total net assets (deficit)</b>		<b>\$ (316,018)</b>	<b>\$ (316,018)</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, 2011**

	<u>Special Revenue</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>Revenues</b>			
Property taxes	\$ 207,469	\$ -	\$ 207,469
Investment earnings	593	-	593
Other	93,561	-	93,561
	<u>301,623</u>	<u>-</u>	<u>301,623</u>
<b>Expenditures/expenses</b>			
Community development	189,298	787	190,085
Debt service:			
Principal	30,000	(30,000)	-
Interest and fiscal charges	37,888	(109)	37,779
	<u>257,186</u>	<u>(29,322)</u>	<u>227,864</u>
Total expenditures/expenses	<u>257,186</u>	<u>(29,322)</u>	<u>227,864</u>
Change in fund balance/net assets	44,437	29,322	73,759
<b>Fund balances/net assets (deficit)</b>			
Beginning of year	<u>208,597</u>	<u>(598,374)</u>	<u>(389,777)</u>
<b>End of year</b>	<u>\$ 253,034</u>	<u>\$ (569,052)</u>	<u>\$ (316,018)</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, 2011**

	<u>Budget (Original and Final)</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<b>Revenues</b>			
Property taxes	\$ 207,170	\$ 207,469	\$ 299
Investment earnings	500	593	93
Other	95,361	93,561	(1,800)
Total revenues	<u>303,031</u>	<u>301,623</u>	<u>(1,408)</u>
<b>Expenditures</b>			
Community development	216,471	189,298	(27,173)
Debt service:			
Principal	36,863	30,000	(6,863)
Interest and fiscal charges	31,026	37,888	6,862
Total expenditures	<u>284,360</u>	<u>257,186</u>	<u>(27,174)</u>
Net change in fund balance	18,671	44,437	25,766
Fund balance, beginning of year	<u>208,597</u>	<u>208,597</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 227,268</u></u>	<u><u>\$ 253,034</u></u>	<u><u>\$ 25,766</u></u>

**CITY OF MARSHALL, MICHIGAN**  
**Statement of Net Assets and**  
**Governmental Fund Balance Sheet**  
**Local Development Finance Authority Component Unit**  
**June 30, 2011**

	<b>Special Revenue</b>	<b>Adjustments</b>	<b>Statement of Net Assets</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 53,374	\$ -	\$ 53,374
Investments	1,658,853	-	1,658,853
Unamortized bond issuance costs	-	37,538	37,538
Restricted cash and cash equivalents	103,589	-	103,589
Capital assets being depreciated, net	-	82,051	82,051
	<b>Total assets</b>	<b>119,589</b>	<b>1,935,405</b>
<b>Liabilities</b>			
Accounts payable	\$ 5,497	-	5,497
Accrued interest payable	-	12,292	12,292
Long-term liabilities:			
Due within one year	-	25,000	25,000
Due in more than one year	-	1,170,000	1,170,000
	<b>Total liabilities</b>	<b>1,207,292</b>	<b>1,212,789</b>
<b>Fund balance</b>			
Unassigned	1,810,319	(1,810,319)	-
	<b>Total liabilities and fund balanc</b>	<b>\$ 1,815,816</b>	
<b>Net assets</b>			
Invested in capital assets		82,051	82,051
Restricted for debt service		103,589	103,589
Unrestricted		536,976	536,976
	<b>Total net assets</b>	<b>\$ 722,616</b>	<b>\$ 722,616</b>

**CITY OF MARSHALL, MICHIGAN**  
**Statement of Activities and**  
**Governmental Fund Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Local Development Finance Authority Component Unit**  
**For the Year Ended June 30, 2011**

	<u>Special Revenue</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>Revenues</b>			
Property taxes	\$ 516,189	\$ -	\$ 516,189
Investment earnings	11,024	-	11,024
Other	750	-	750
	<u>527,963</u>	<u>-</u>	<u>527,963</u>
<b>Expenditures/expenses</b>			
Community development	393,216	18,636	411,852
Capital outlay	2,006	-	2,006
Debt service:			
Principal	25,000	(25,000)	-
Interest and fiscal charges	50,105	2,447	52,552
	<u>470,327</u>	<u>(3,917)</u>	<u>466,410</u>
Total expenditures/expenses	<u>470,327</u>	<u>(3,917)</u>	<u>466,410</u>
Net change in fund balance/net assets	57,636	3,917	61,553
<b>Fund balances/net assets</b>			
Beginning of year	<u>1,752,683</u>	<u>(1,091,620)</u>	<u>661,063</u>
<b>End of year</b>	<u><u>\$ 1,810,319</u></u>	<u><u>\$ (1,087,703)</u></u>	<u><u>\$ 722,616</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, 2011**

	<b>Budget (Original and Final)</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
<b>Revenues</b>			
Property taxes	\$ 516,125	\$ 516,189	\$ 64
Investment earnings	6,500	11,024	4,524
Other	250	750	500
Total revenues	<u>522,875</u>	<u>527,963</u>	<u>5,088</u>
<b>Expenditures</b>			
Community development	404,411	393,216	(11,195)
Capital outlay	2,600	2,006	(594)
Debt service:			
Principal	25,000	25,000	-
Interest and fiscal charges	50,105	50,105	-
Total expenditures	<u>482,116</u>	<u>470,327</u>	<u>(11,789)</u>
Net change in fund balance	40,759	57,636	16,877
Fund balance, beginning of year	<u>1,752,683</u>	<u>1,752,683</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 1,793,442</u></u>	<u><u>\$ 1,810,319</u></u>	<u><u>\$ 16,877</u></u>

**CITY OF MARSHALL, MICHIGAN**  
**Statement of Net Assets and**  
**Governmental Fund Balance Sheet**  
**Economic Development Corporation Component Unit**  
**June 30, 2011**

	<b>Special Revenue</b>	<b>Adjustments</b>	<b>Statement of Net Assets</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 9,042	\$ -	\$ 9,042
<b>Liabilities</b>			
Accounts payable	\$ -	-	-
<b>Fund balance</b>			
Unassigned	9,042	(9,042)	-
<b>Total liabilities and fund balance</b>	<b>\$ 9,042</b>		
<b>Net assets</b>			
Unrestricted		<b>\$ 9,042</b>	<b>\$ 9,042</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, 2011**

	<u>Special Revenue</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>Revenues</b>			
Investment earnings	\$ -	\$ -	\$ -
<b>Expenditures/expenses</b>			
Community development	-	-	-
Total expenditures	-	-	-
Change in fund balance/net assets	-	-	-
<b>Fund balances/net assets</b>			
Beginning of year	9,042	-	9,042
<b>End of year</b>	<u>\$ 9,042</u>	<u>\$ -</u>	<u>\$ 9,042</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, 2011**

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