

**CITY OF COLDWATER
BRANCH COUNTY, MICHIGAN**

FINANCIAL STATEMENTS

JUNE 30, 2007

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INDEPENDENT AUDITOR'S REPORT

**City Council
City of Coldwater, Michigan**

November 8, 2007

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 Coldwater, Michigan as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Coldwater'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 Coldwater, Michigan as of June 30, 2007 and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Required Supplemental Information

The management's discussion and analysis, budgetary comparison schedules, and pension system schedule of funding progress pages 3 through 14 and 51 through 54 are not a required part 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 inquires of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Combining Financial Statements and Other Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Coldwater's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



RUMSEY & WATKINS, P.C.

CITY OF COLDWATER
MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Coldwater's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the City's financial statements.

Financial Highlights

The following represents the most significant financial highlights for the year ended June 30, 2007:

- Total Governmental Fund assets decreased by \$1,096,878, however; total liabilities also decreased by \$1,255,356. The bulk of these decreases were due to turning a note receivable in the amount of \$817,510 into a grant to the Telecommunications Fund.
- Other significant events affecting the Governmental Funds included the early payoff to the Revolving Loan Fund from a local company for \$300,000, increased infrastructure improvements to both major and local streets and increased revenue due to rising interest rates on investments.
- Total Fund Balance for the Governmental Funds increased by \$158,478. The City's General Fund had revenues in excess of expenditures of \$306,019. This surplus was offset by budgeted operating deficits in the street funds as well as the City's Retirement Fund.
- Enterprise Funds again saw an increase in retained earnings of \$3,990,665. The increase was primarily the result of a \$2.4 million dollar increase in the equity of the Michigan South Central Power Agency. The City owns approximately 40% of the Agency and reports any income derived by the equity method which flows through the City's income statement as investment earnings. This explains the majority of the Electric Fund's \$3.5 million change in net assets.
- The Electric Fund continues to build financial reserves as planned to avoid borrowing in future years for upcoming infrastructure improvements. These reserves have been used in the subsequent year to pay for infrastructure costs associated with the expansion of a major industrial customer.
- The Water Fund sold improvement and refunding bonds in the amount of \$6,330,000. These bonds refunded the 1998 bonds at a net present value savings of approximately \$124,410 over the term of the bonds. In addition, \$2,800,000 in new revenue bonds were issued to engineer and construct a new water tower on the east side of town and a water booster station. Also, an unused tower was sold for \$150,000.
- The Wastewater Fund continued with the expansion of the treatment plant that was financed with revenue bonds in 2006. Final construction is ongoing and all improvements are expected to be commissioned during the 2008 fiscal year.
- Waterfront park land was acquired by the General Fund in the amount of \$253,350. This purchase was financed with an installment purchase contract through a local bank.
- As projected, the City's Retirement Fund exhausted all resources and ended the fiscal year at a zero balance. Additional retirement costs will be borne by the individual funds going forward in excess of the one third of a mill retirement levy.
- Property tax revenues ended the year \$40,000 higher than expected. This was due to the completion of a Local Development Finance Authority (LDFA) district tax capture.
- An internal accounting procedure for recording equipment rental was changed that led to increased revenue and expenditures. The net effect of the change was zero.

CITY OF COLDWATER

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

Financial Highlights - Continued

- State revenue sharing has been cut by the State of Michigan for the fifth year in a row. The City continues to receive revenue sharing equal to that received during fiscal year 1997.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The Fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

CITY OF COLDWATER

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

The City as a Whole

The following table shows, in condensed format, the net assets as of the current date and compared to the prior year under the modified accrual basis:

	Governmental Funds		Enterprise Funds		Total	
	2007	2006	2007	2006	2007	2006
Assets	\$ 8,157,159	\$ 9,254,037	\$ 75,177,033	\$ 71,955,293	\$ 83,334,192	\$ 81,209,330
Liabilities	1,771,539	3,026,895	30,402,170	31,171,095	32,173,709	34,197,990
Fund Equity						
Investment in capital - Net of related debt	-	-	15,821,803	18,454,580	15,821,803	18,454,580
Retained earnings:						
Restricted	-	-	6,813,278	5,610,304	6,813,278	5,610,304
Unreserved	-	-	22,139,782	16,719,314	22,139,782	16,719,314
Fund balances:						
Reserved	-	175,167	-	-	-	175,167
Designated	450,000	619,634	-	-	450,000	619,634
Undesignated	5,935,620	5,432,341	-	-	5,935,620	5,432,341
Total fund equity	<u>\$ 6,385,620</u>	<u>\$ 6,227,142</u>	<u>\$ 44,774,863</u>	<u>\$ 40,784,198</u>	<u>\$ 51,160,483</u>	<u>\$ 47,011,340</u>

The following table shows, in condensed format, the net assets as of the current date as required by GASB 34 stated under the full accrual basis compared to prior year:

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets						
Current and other assets	\$ 8,157,159	\$ 9,254,037	\$ 32,238,935	\$ 25,351,670	\$ 40,396,094	\$ 34,605,707
Capital assets	18,872,170	17,967,111	42,071,506	44,469,896	60,943,676	62,437,007
Total assets	27,029,329	27,221,148	74,310,441	69,821,566	101,339,770	97,042,714
Liabilities						
Long-term debt outstanding	2,706,817	3,099,503	25,242,589	23,857,855	27,949,406	26,957,358
Other liabilities	1,243,065	1,062,165	4,292,989	5,179,513	5,536,054	6,241,678
Total liabilities	3,949,882	4,161,668	29,535,578	29,037,368	33,485,460	33,199,036
Net Assets						
Investment in capital assets- Net of related debt	15,965,350	14,700,213	15,821,803	18,454,580	31,787,153	33,154,793
Restricted	-	175,167	6,813,278	5,610,304	6,813,278	5,785,471
Unrestricted	7,114,097	8,184,100	22,139,782	16,719,314	29,253,879	24,903,414
Total net assets	<u>\$ 23,079,447</u>	<u>\$ 23,059,480</u>	<u>\$ 44,774,863</u>	<u>\$ 40,784,198</u>	<u>\$ 67,854,310</u>	<u>\$ 63,843,678</u>

CITY OF COLDWATER

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

The following table shows the changes of the net assets during the current year and as compared to the prior year, under the modified accrual basis:

	Governmental Funds		Enterprise Funds		Total	
	2007	2006	2007	2006	2007	2006
Revenue						
Taxes	\$ 3,746,600	\$ 3,579,785	\$ -	\$ -	\$ 3,746,600	\$ 3,579,785
Special assessments	351,842	368,426	-	-	351,842	368,426
Licenses and permits	194,803	171,265	-	-	194,803	171,265
Federal sources	110,888	71,070	-	-	110,888	71,070
State shared revenue	1,815,695	1,839,517	-	-	1,815,695	1,839,517
State sources	146,317	93,679	-	-	146,317	93,679
Charges for services	520,092	564,915	32,198,486	32,300,563	32,718,578	32,865,478
Rent	672,198	257,472	-	-	672,198	257,472
Payment in lieu of taxes	1,771,728	1,735,656	-	-	1,771,728	1,735,656
Interest income	495,463	421,964	3,049,241	2,261,102	3,544,704	2,683,066
Contributions	4,264	5,875	-	-	4,264	5,875
Other income	447,851	347,193	24,989	120,783	472,840	467,976
Forgiveness of debt	-	-	817,510	-	817,510	-
Sale of fixed assets	-	-	(814,114)	-	(814,114)	-
Total income	10,277,741	9,456,817	35,276,112	34,682,448	45,553,853	44,139,265
Program expenses						
General government	1,297,278	1,165,766	-	-	1,297,278	1,165,766
Public safety	3,314,888	3,248,955	-	-	3,314,888	3,248,955
Public works	2,775,763	2,377,255	-	-	2,775,763	2,377,255
Recreation and cultural	1,490,606	961,015	-	-	1,490,606	961,015
Planning	228,153	158,895	-	-	228,153	158,895
Economic development	47,933	199,401	-	-	47,933	199,401
Debt service	775,517	784,607	-	-	775,517	784,607
Other expenditures	440,879	452,649	-	-	440,879	452,649
Purchased power	-	-	18,042,663	19,287,503	18,042,663	19,287,503
Power plant	-	-	578,732	327,262	578,732	327,262
Distribution	-	-	2,798,788	2,882,759	2,798,788	2,882,759
Substation	-	-	163,519	179,257	163,519	179,257
Sanitation	-	-	350,997	337,389	350,997	337,389
Metering and lighting	-	-	363,207	358,865	363,207	358,865
Wells	-	-	87,897	77,782	87,897	77,782
Treatment	-	-	1,039,811	1,077,777	1,039,811	1,077,777
Collection system	-	-	151,070	139,102	151,070	139,102
Customer service	-	-	324,736	349,064	324,736	349,064
Administration	-	-	2,074,274	1,992,148	2,074,274	1,992,148
Payments in lieu of taxes	-	-	1,771,728	1,735,656	1,771,728	1,735,656
Depreciation and amortization	-	-	2,432,523	2,407,608	2,432,523	2,407,608
Interest expense	-	-	1,109,478	1,269,909	1,109,478	1,269,909
Total expenses	10,371,017	9,348,543	31,289,423	32,422,081	41,660,440	41,770,624
Excess (deficit) of revenues over expenditures	\$ (93,276)	\$ 108,274	\$ 3,986,689	\$ 2,260,367	\$ 3,893,413	\$ 2,368,641

CITY OF COLDWATER

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

The following table shows, in condensed format, the changes of net assets as of the current date as required by GASB 34 stated under full accrual basis:

	Governmental Activities		Business-type Activities	
	2007	2006	2007	2006
Revenues				
Program revenues:				
Charges for services	\$ 1,255,649	\$ 873,247	\$ 32,198,486	\$ 32,300,563
Operating grants and contributions	119,088	55,950	-	-
Capital grants and contributions	102,630	238,199	-	-
General revenues:				
Property taxes	3,746,600	3,579,784	-	-
State shared revenues	1,815,695	1,839,517	-	-
Unrestricted investment earnings	495,463	421,964	3,049,241	2,261,102
Miscellaneous	185,008	48,733	24,989	120,783
Forgiveness of debt	(817,510)	-	817,510	-
Payments in lieu of taxes	1,771,728	1,735,656	-	-
Total revenues	8,674,351	8,793,050	36,090,226	34,682,448
Expenses				
General government	2,161,889	1,550,716	-	-
Public safety	3,010,537	3,173,953	-	-
Public works	1,747,692	2,020,897	-	-
Recreation and cultural	1,278,119	979,880	-	-
Economic development	276,086	358,296	-	-
Interest	176,085	185,670	-	-
Transfers	3,976	5,169	(3,976)	(5,169)
Electric	-	-	23,710,748	24,840,277
Telecommunications	-	-	3,892,774	3,205,012
Water	-	-	1,885,179	1,889,898
Waste water	-	-	2,249,203	2,134,868
Rubbish	-	-	365,633	352,026
Total expenses	8,654,384	8,274,581	32,099,561	32,416,912
Increase in Net Assets	\$ 19,967	\$ 518,469	\$ 3,990,665	\$ 2,265,536

As shown in the preceding tables, the financial future of the City remains in a very strong financial position. Combined fund equity under the modified accrual basis increased by 8.8%, from \$47,011,340 to \$51,160,483. In addition, the total net assets increased 6.3%, from \$63,843,678 to \$67,854,310. This shows costs are being paid for on a pay as you go system and no future costs are passed along to future generations.

This further supports the City's continued its long-standing conservative fiscal policies. The City continues to have minimal long-term debt and has paid for obligations on a pay as you go basis.

CITY OF COLDWATER

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

Budgets continue to be adopted that maintain current fund balance and make sure costs are not passed on to future generations.

Financial strength is also showing in the utility operations as well. Reserves are being accumulated in order to minimize borrowing for the repairs and improvements of an aging infrastructure. In addition, utility billing rates are established to recapture the true cost of providing the service and to make sure everyone pays their fair share of the cost of the infrastructure.

In more detail the overall revenues of the City as a whole increased by \$1,414,588 or 3.2% from \$44,139,265 to \$45,553,853. Conversely, expenditures decreased by \$110,184, to a total of \$41,660,440. Overall, revenues over expenditures increased by \$1,524,772 or 64% over the prior year. This increase is directly attributed to investment in the Michigan South Central Power Agency as well as the operating results from the Electric Fund.

Governmental Funds

Governmental Funds revenues increased 8.7%, or \$820,924. The largest area of increase was income from equipment rental charges of \$304,431. This was primarily the effect of an internal accounting change that charged various departments and other funds for use of the equipment being used. State equipment rental rates were used to properly allocate costs to the various departments for use of the equipment. The net effect of this change is minimal as revenues charged were equal to the expense being incurred. However, it does influence the increase in both total gross revenues and expenditures.

Other significant revenue increases were general property taxes and miscellaneous income. The \$167,000 increase in property taxes was the result of no longer capturing LDFA taxes for a district that had repaid its' loan from the revolving loan fund. Once the debt was extinguished any excess captured taxes were returned to the City's General Fund. This increase amounted to \$40,000. The remaining balance of the increase was due to increased taxable value of approximately \$9 million that was primarily due to the State CPI increase as opposed to new construction. There was no Headlee tax rollback this fiscal year.

The City also received significant increase in miscellaneous income from one time sources. \$88,000 was from an electrical billing adjustment from the Electric Fund from an over billing on the municipal building. An additional \$30,000 was from income recognition due to the pay down of an LDFA loan owed to the General Fund.

Of the City's other two main sources of revenue; state revenue sharing and payments in lieu of taxes from the utility; state revenue sharing dropped \$25,000, while payments in lieu of taxes increased by \$36,000 primarily due to growth in utility revenues. The City saw decreases in both revenues resulting from State sales tax collections as well as reductions of Act 51 road allocation revenues.

CITY OF COLDWATER

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

Governmental expenditures increased 10.9% or \$1,022,474. As previously discussed, the change in accounting for equipment rental was the biggest reason behind the increased expenditures in total. Other than equipment rental the two largest areas of increased expenditures were for major and local street improvements and expenditures for capital improvements in the City's parks.

The City expanded their street improvement program to spend down road funds that had accumulated from prior years as prior projects came under budget. In the parks, there were numerous improvements to infrastructure including a new slide for the swimming pool, purchase of new lakefront park property, walking trail improvements and the additions of a pavilion and restroom facilities.

Overall, final operating results for the Governmental Funds showed an increase of \$158,478 of revenues and other sources over expenditures. This resulted in an ending Fund Balance for the Governmental Funds of \$6,385,620.

Enterprise Funds

The City's Enterprise funds are in the process of building financial reserves in an effort to reduce future long-term borrowing costs. Reserves are also being built for the future repairs and improvements to the existing utility system infrastructure. Final retained earnings ended the fiscal year up 9.8% for an increase of \$3,990,665. As previously stated the majority of this growth was due to the increased investment in the Michigan South Central Power Agency as well as the financial results of the Electric Department.

Assets grew by 4.5%, while conversely liabilities decreased by 2.5%. This shows the financial strength of primarily the Electric Fund where reserves were judiciously being accumulated to allow for infrastructure improvements while limiting the amount of borrowing. \$620,000 of principal was paid off in the Electric Fund during the fiscal year, while increasing the reserves on hand. In addition, over \$1 million of debt was eliminated from the balance sheet of the Telecommunications Fund through scheduled bond payments and the forgiveness of a loan to the City's Revolving Loan Fund in the form of a grant for the amount of \$817,510.

During the year over \$1.8 million was reinvested into the utility's infrastructure. The largest of these improvements was a \$1.1 million expansion of the wastewater treatment plant, including the addition of a septic receiving station and adding a fourth disk filter. Work is continuing on the construction of a final clarifier as well.

The Water Fund sold improvement and refunding bonds in the amount of \$6,330,000. These bonds refunded the 1998 bonds at a net present value savings of \$124,410 over the term of the bonds. In addition, \$2,800,000 in new revenue bonds was issued to engineer and construct a new water tower on the east side of town and a water booster station.

CITY OF COLDWATER

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

At first glance operating revenues would show a decrease of .3% or \$102,077, However this decrease is primarily attributable to the Electric Fund which experienced a significant spike in the cost of power in the previous fiscal year which triggered a power cost adjustment which recovers the increased cost of power through a line item on customer's bills. This year the cost of power has been greatly reduced so no power costs adjustment was needed. Thus, this year's revenues still reflect growth in the system, but they are not comparable to prior year gross revenue amounts due to the spike in the cost of power. This is quite evident when you review the corresponding decrease in expenditures for purchased power of \$1,244,840 or 6.5%.

Other significant financial changes in the Enterprise Funds include the write off of telecommunications equipment that became functionally obsolete faster than original depreciation schedules. Over \$800,000 worth of equipment still being depreciated on the books was written off. However, this write off offset the gain on the forgiveness of debt from the City's Revolving Loan Fund in the form of a grant as previously discussed.

The Electric Fund also incurred major repair work at a cost of \$250,000 to two of the three diesel engines still being used for peaking power. It is not anticipated that these repairs would significantly extend the life of the engines so these costs were not capitalized.

Overall, the economic conditions of the City's utility funds remain economically stable. Rate increases were introduced for all funds to continue to keep rates consistent with cost to provide the services to the City's customers. Continued emphasis on reliability, customer service and community remain a vital key to the financial success of the utility systems.

Component Units

The City includes two other entities in its report – the Coldwater Downtown Development Authority and Coldwater Local Finance Development Authority. Although legally separate, these "component units" are financially accountable to the City.

Financial Analysis of the City's Funds

Our presentation of the City's major funds begins on page 17, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. Major funds for the fiscal year ended June 30, 2007 include the General Fund, Revolving Development Fund and Capital Improvement Fund.

The General Fund pays for most of the City's governmental services. The primary services provided include police and fire services, street repair and maintenance, parks and recreation and administrative services related to general operations that support the primary services.

CITY OF COLDWATER

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

Overall the General fund continues to have strong financial results. This is the result of the conservative fiscal policy set by the City Council. The City also continues to employ a workforce who is very effective and efficient with the City's financial resources. This is reflected in the City's Fund Balance that has grown to 31.7% of revenues.

The City's main sources of income; property taxes, payments in lieu of taxes and state shared revenue, make up 78.6% of all revenues. These revenues are primarily used to pay for public safety (39.8%), public works (16.9%) and parks and recreation (17.6%). All other expenditures account for 25.7% of total expenditures and go towards providing the administrative functions of City services, such as elections, assessing and tax collections.

This year's General Fund ended the fiscal year with revenues in excess of expenditures in the amount of \$306,019. This excess was primarily attributed to increased earnings on investments, property taxes on LDFA excess capture and refund on electric bill from the Electric Fund for the municipal building.

The Revolving Development Fund was established with federal community block grants and serves to foster economic development in the City. The majority of the assets are loans to new and existing businesses. As revenue is not realized until payment is received, an offsetting deferred revenue liability is recorded.

Due to the early payoff of one of the revolving loans, revenue was recognized this year when payment was received. Fund Balance increased by \$283,799 or 26.8% over prior year.

The Capital Improvement Fund accounts for various capital projects as they are constructed. The Fund also provides for payment of the liabilities through special assessments or bonded special assessments.

Revenues from special assessments and interest earned are used to offset debt service payments. A new special assessment for a minor road improvement was added in 2007.

General Fund Budgetary Highlights

As shown in the required supplemental information, the City's amended budget shows a deficit of \$35,720. Actual operating results ended up as a surplus of \$306,019, a difference of \$341,739. The significant budget-to-actual differences are as follows:

CITY OF COLDWATER

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

Revenues -

- Property tax revenue was over budget by \$40,000 due to the refund of taxes captured by a LDFA district in excess of obligations.
- Interest earned on investments was higher than budgeted due to increased interest rates.
- Other revenue was higher due to the refund of prior year electric bills for the City's municipal building.
- As previously stated, internal changes in accounting for equipment rental charges between City Departments and other funds is the reason behind the increase between the original and final budgets.
- After the original budget was adopted the City purchased park land in the amount of \$253,350 by financing. Budget was amended to reflect the proceeds from the borrowing.

Expenditures –

- Public Safety expenditures ended the year over budget due to final salary arbitration awards being higher than originally anticipated. In addition, a house was demolished by court order at the end of the year after final budget amendments had been approved by City Council.
- Final budget amounts for Public Works was significantly higher than originally budgeted due to the internal accounting change for equipment rental.
- Recreation final budget was higher than original budget due to addition of pool slide for \$75,000 and the purchase of the park land for \$253,350.
- Planning final budget was increased to reflect the final grant payments for downtown apartment building rehabilitation grants.
- Final budget for other expenditures was over expended due to subsequent accounting change to pay for annual Branch County Economic Growth Alliance dues in the amount of \$25,000 out of the General Fund as opposed to the Revolving Development as had been done in years prior.

Capital Asset and Debt Administration

Road improvements of over \$650,000 were completed in the fiscal year for both Major and Local Streets continuing the City practice of continuing to invest in infrastructure. General Fund capital additions included a \$75,000 pool slide, \$159,000 for improvements and extension to the Heritage Park linear trail, \$120,000 for Sauk River Forest and other sidewalk additions, \$253,350 for the purchase of park land, and \$40,000 for new entrance signs to the City.

Significant equipment purchases were also made including regularly scheduled technology updates for computers, routine purchase of police cars and a public works vehicle. Building and operational equipment included a backup generator for the public safety building and public works storage facilities. Various other less costly equipment was purchased to assist in providing services to the residents of the City. The City did not issue any additional debt for governmental activities.

CITY OF COLDWATER

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

For business-type activities as previously discussed there was over \$1.8 million of improvements to infrastructure. The largest of these improvements was a \$1.1 million expansion of the wastewater treatment plant, including the addition of a septic receiving station and adding a fourth disk filter. Work is continuing on the construction of a final clarifier as well. When completed, the expansion will have cost approximately \$2.9 million, all of which was funded by issuing a mix of capital improvement and revenue bonds aggregating \$2.9 million.

Other business-type capital improvements included electrical system voltage upgrades and purchase of vehicles. These items were financed through utility reserves.

During the year, the City did issue revenue bonds to finance the future construction of a water tower and water booster station. As of the end of the year, this project was still in the preliminary design phase and no construction has begun. Also, subsequent to year the Electric Fund constructed a new substation in order to meet the electrical demands of an expanding industrial customer. This project has been funded by reserves and the customer will be charged a contributed capital charge for costs directly associated to the customer over a period of time.

Looking forward, the City does not plan on issuing any additional debt in the near term for business-type activities or governmental activities. All planned capital additions will be paid for through reserves on a pay as you go basis.

Economic Factors, Next Year's Budgets and Rates

After seeing very little growth or new construction for the past several years, the City received some good news when a local industrial manufacturer announced a major expansion of its existing automotive supply facility. This expansion will add tax base, considerable electric load and most importantly, needed jobs. Additionally, the City is currently in negotiations with another automotive manufacturer that will also create jobs, increase electrical demand and lease a previously vacant building. These two major industrial customers are combined with the construction of a new hotel and a senior housing project. These projects, as well as other plans currently under review, would appear to give the City a much needed economic boost.

However, the State of Michigan is still running behind the national economic averages. Unemployment rates continue to be among the highest in the nation and manufacturing jobs continue to leave the State. This has also crippled the housing market, leading to lower taxable values and increasing number of foreclosures. The City has been fortunate to have been able to avoid the economic downturn being experienced by other municipalities in the State.

Additionally, the State of Michigan continues to struggle with adopting a realistic budget. A new business tax has been implemented, however a new services tax that was to be effective December 1st appears set for repeal. So the short term political environment in Michigan continues to be in a state of turmoil. However, currently the State Legislature has indicated there will be no further cuts to state shared revenue, but there is no guarantee.

CITY OF COLDWATER

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

The City however has adopted a balanced budget for the fiscal year ending June 30, 2008. Continuing the fiscally conservative nature of previous Councils, a budget surplus of \$118,582 was approved.

Included in the budget was \$582,000 of capital improvements. The most significant of which was the construction of a pavilion and restroom facilities for the new park property. Most of the other capital improvements are for equipment and building improvements that will improve the operating effectiveness of the organization or enhance our citizen's park facilities.

The City will continue to monitor utility rates. Currently, it is predicted utility rate increases will be needed for all the utility systems except for the Electric Fund. These increases will be needed to continue to build reserves and to keep up with the cost of providing these services to utility customers.

Overall, the City continues to maintain a strong financial position. The fiscal conservatism of the City Council has positioned the City to be able to mitigate any short-term financial crisis due to natural disaster or additional State budget cuts.

Contacting the City's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, please contact the Clerk's office.

CITY OF COLDWATER
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and investments	\$ 6,185,220	\$ 10,186,796	\$ 16,372,016	\$ 477,581
Accounts receivable	115,661	4,128,508	4,244,169	-
Special assessment receivable	557,376	-	557,376	-
Notes receivable	667,276	-	667,276	26,014
Inventory	-	121,552	121,552	-
Due from other governmental units	181,626	-	181,626	-
Prepaid expenses	-	49,326	49,326	-
Unamortized bond costs	-	1,292,919	1,292,919	-
Investment in Power Agency	-	9,646,556	9,646,556	-
Restricted assets	450,000	6,813,278	7,263,278	-
Capital assets, less accumulated depreciation	18,872,170	42,071,506	60,943,676	873,674
Total assets	27,029,329	74,310,441	101,339,770	1,377,269
LIABILITIES				
Accounts payable	325,669	2,169,041	2,494,710	30,296
Accrued expenditures	259,820	794,807	1,054,627	-
Due to others	4,769	-	4,769	355,105
Long term liabilities:				
Bonds payable, due within one year	652,807	1,329,141	1,981,948	50,000
Bonds payable, due in more than one year	2,254,013	24,920,562	27,174,575	579,866
Compensated absences	452,804	322,027	774,831	-
Total liabilities	3,949,882	29,535,578	33,485,460	1,015,267
NET ASSETS				
Investment in capital assets - net of related debt	15,965,350	15,821,803	31,787,153	369,928
Restricted	-	6,813,278	6,813,278	-
Unrestricted	7,114,097	22,139,782	29,253,879	(7,926)
Total net assets	<u>\$ 23,079,447</u>	<u>\$ 44,774,863</u>	<u>\$ 67,854,310</u>	<u>\$ 362,002</u>

See Notes to Financial Statements

CITY OF COLDWATER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating / Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 2,161,889	\$ 255,667	\$ -	\$ -
Public safety	3,010,537	310,636	15,678	-
Public works	1,747,692	513,445	103,410	-
Recreation and cultural	1,278,119	162,611	-	-
Economic development	276,086	13,290	-	102,630
Interest	176,085	-	-	-
Total governmental activities	8,650,408	1,255,649	119,088	102,630
Business-type activities:				
Electric	23,710,748	24,468,928	-	-
Telecommunications	3,892,774	3,138,310	-	-
Water	1,885,179	2,038,198	-	-
Waste water	2,249,203	2,103,835	-	-
Rubbish	365,633	449,215	-	-
Total business-type activities	32,103,537	32,198,486	-	-
Total primary government	<u>\$ 40,753,945</u>	<u>\$ 33,454,135</u>	<u>\$ 119,088</u>	<u>\$ 102,630</u>
Component units:				
Downtown Development Authority	\$ 199,238	\$ 3,000	\$ 20,000	\$ -
Local Development Authority	68,551	-	-	-
Total component units	<u>\$ 267,789</u>	<u>\$ 3,000</u>	<u>\$ 20,000</u>	<u>\$ -</u>

General revenues:
Property taxes
State shared revenues
Unrestricted investment earnings
Miscellaneous
Transfers
Forgiveness of debt
Payments in lieu of taxes

Total general revenues, transfers, forgiveness of debt and
payments in lieu of taxes

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

Net (Expense) Revenue and Changes in Net Assets

Primary Government

Governmental Activities	Business-type Activities	Total	Component Units
\$ (1,906,222)	\$ -	\$ (1,906,222)	\$ -
(2,684,223)	-	(2,684,223)	-
(1,130,837)	-	(1,130,837)	-
(1,115,508)	-	(1,115,508)	-
(160,166)	-	(160,166)	-
(176,085)	-	(176,085)	-
(7,173,041)	-	(7,173,041)	-
-	758,180	758,180	-
-	(754,464)	(754,464)	-
-	153,019	153,019	-
-	(145,368)	(145,368)	-
-	83,582	83,582	-
-	94,949	94,949	-
(7,173,041)	94,949	(7,078,092)	-
-	-	-	(176,238)
-	-	-	(68,551)
-	-	-	(244,789)
3,746,600	-	3,746,600	326,132
1,815,695	-	1,815,695	-
495,463	3,049,241	3,544,704	34,770
185,008	24,989	209,997	-
(3,976)	3,976	-	-
(817,510)	817,510	-	-
1,771,728	-	1,771,728	-
7,193,008	3,895,716	11,088,724	360,902
19,967	3,990,665	4,010,632	116,113
23,059,480	40,784,198	63,843,678	245,889
<u>\$ 23,079,447</u>	<u>\$ 44,774,863</u>	<u>\$ 67,854,310</u>	<u>\$ 362,002</u>

CITY OF COLDWATER
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2007

	General Fund	Revolving Development Fund	Capital Improvement Fund
ASSETS			
Cash and investments	\$ 3,015,349	\$ 1,298,813	\$ 1,067,405
Accounts receivable	115,195	-	-
Special assessment receivable	-	-	528,727
Notes receivable	357,013	310,263	-
Due from other governmental units	-	-	-
Restricted assets	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u><u>\$ 3,487,557</u></u>	<u><u>\$ 1,609,076</u></u>	<u><u>\$ 1,596,132</u></u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$ 295,758	\$ 1,951	\$ -
Accrued expenditures	251,983	-	-
Deferred revenue	357,013	266,892	528,727
Due to others	4,769	-	-
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	909,523	268,843	528,727
FUND BALANCE			
Designated	-	-	-
Undesignated	2,578,034	1,340,233	1,067,405
	<u> </u>	<u> </u>	<u> </u>
Total fund balance	2,578,034	1,340,233	1,067,405
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balance	<u><u>\$ 3,487,557</u></u>	<u><u>\$ 1,609,076</u></u>	<u><u>\$ 1,596,132</u></u>

See Notes to Financial Statements

Other Nonmajor Governmental Funds	Totals
\$ 803,653	\$ 6,185,220
466	115,661
28,649	557,376
-	667,276
181,626	181,626
450,000	450,000
<u>\$ 1,464,394</u>	<u>\$ 8,157,159</u>
\$ 27,960	\$ 325,669
7,837	259,820
28,649	1,181,281
-	4,769
<u>64,446</u>	<u>1,771,539</u>
450,000	450,000
949,948	5,935,620
<u>1,399,948</u>	<u>6,385,620</u>
<u>\$ 1,464,394</u>	<u>\$ 8,157,159</u>

CITY OF COLDWATER
GOVERNMENTAL FUNDS
RECONCILIATION OF BALANCE SHEET OF
GOVERNMENTAL FUNDS TO NET ASSETS
JUNE 30, 2007

Total Fund Balance - Governmental Funds	\$ 6,385,620
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p> <p>Capital assets used in governmental activities are not financial resources and are not reported in funds:</p>	
The cost of the capital assets	27,377,103
Accumulated depreciation	<u>(8,504,933)</u>
Total capital assets not reported in funds	18,872,170
<p>Special assessment receivables and loans and related interest receivable are expected to be collected over several years, and are not available to pay for current year expenditures</p>	
	1,181,281
<p>Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:</p>	
Bonds payable	(2,906,820)
Compensated absences	<u>(452,804)</u>
Total long-term liabilities not reported in funds	<u>(3,359,624)</u>
Total Net Assets - Governmental Activities	<u><u>\$ 23,079,447</u></u>

CITY OF COLDWATER
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2007

	General Fund	Revolving Development Fund	Capital Improvement Fund
REVENUES			
Taxes	\$ 3,643,700	\$ -	\$ -
Special assessments	-	-	308,246
Licenses and permits	194,803	-	-
Federal sources	110,888	-	-
State shared revenue	971,668	-	-
State sources	42,907	-	-
Charges for services	513,385	-	-
Rent	449,309	-	-
Payment in lieu of taxes	1,771,728	-	-
Interest income	274,167	83,195	89,596
Contributions	3,263	-	-
Other income	146,179	248,537	-
Total revenues	8,121,997	331,732	397,842
EXPENDITURES			
General government	1,297,278	-	-
Public safety	3,314,888	-	-
Public works	1,409,147	-	-
Recreation and cultural Planning	1,469,744	-	-
Economic development	228,153	-	-
Debt service	-	47,933	-
Other expenditures	196,426	-	356,202
	421,184	-	19,695
Total expenditures	8,336,820	47,933	375,897
Excess (deficiency) of revenues over expenditures	(214,823)	283,799	21,945
OTHER SOURCES (USES)			
Proceeds from debt	253,350	-	-
Sale of fixed assets	2,380	-	-
Transfers from (to) other funds	265,112	-	-
Total other sources (uses)	520,842	-	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	306,019	283,799	21,945
FUND BALANCE - BEGINNING	2,272,015	1,056,434	1,045,460
FUND BALANCE - ENDING	\$ 2,578,034	\$ 1,340,233	\$ 1,067,405

See Notes to Financial Statements

Other Nonmajor Governmental Funds	Totals
\$ 102,900	\$ 3,746,600
43,596	351,842
-	194,803
-	110,888
844,027	1,815,695
103,410	146,317
6,707	520,092
222,889	672,198
-	1,771,728
48,505	495,463
1,001	4,264
53,135	447,851
1,426,170	10,277,741
-	1,297,278
-	3,314,888
1,366,616	2,775,763
20,862	1,490,606
-	228,153
-	47,933
222,889	775,517
-	440,879
1,610,367	10,371,017
(184,197)	(93,276)
-	253,350
-	2,380
(269,088)	(3,976)
(269,088)	251,754
(453,285)	158,478
1,853,233	6,227,142
\$ 1,399,948	\$ 6,385,620

CITY OF COLDWATER
GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Net change in Fund Balance - Total Governmental Funds	\$ 158,478
Amounts reported for governmental activities in the statement of activities are different because:	
Depreciation expense	(965,526)
Capital outlay	1,870,585
	905,059
Total	
Special assessment revenues are recorded in the statement of activities when the assessment is assessed; they are not reported in the funds until collected:	
Payments received	(297,141)
Long-term receivables recorded as revenue in the statement of activities when the receivable is recorded; they are not reported in the funds until collected:	
Payments received	(282,226)
Forgiveness of debt reduces deferred revenue in fund statements, but not in the statement of activities (where the loss is realized due to debt forgiveness)	
	(817,510)
Proceeds and repayments of principal on long-term debt are other financing sources and expenditures in the governmental funds, but not in the statement of activities (where they are additions and reductions of liabilities):	
Principal repayment	360,078
Increases in compensated absences are reported as an increase to expenditures	
	(6,771)
Change in Net Assets of Governmental Activities	\$ 19,967

See Notes to Financial Statements

CITY OF COLDWATER
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2007

	<u>Electric Fund</u>	<u>Telecommunications Fund</u>	<u>Water Fund</u>
ASSETS			
Current assets:			
Cash and investments	\$ 7,943,047	\$ -	\$ -
Accounts receivable	3,386,289	198,309	254,453
Inventories	63,751	-	57,801
Due from other funds	780,906	-	-
Prepaid and other assets	17,980	23,896	3,930
Total current assets	<u>12,191,973</u>	<u>222,205</u>	<u>316,184</u>
Noncurrent assets:			
Unamortized bond costs	494,570	39,010	479,893
Investment in Power Agency	9,646,556	-	-
Restricted assets	1,998,623	738,155	3,090,170
Capital assets, less accumulated depreciation	15,409,054	5,587,700	8,519,362
Total noncurrent assets	<u>27,548,803</u>	<u>6,364,865</u>	<u>12,089,425</u>
Total assets	<u>\$ 39,740,776</u>	<u>\$ 6,587,070</u>	<u>\$ 12,405,609</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 1,911,788	\$ 92,532	\$ 26,432
Accrued expenditures	430,754	105,883	61,309
Due to other funds	-	780,906	85,686
Notes payable, due within one year	590,000	279,141	330,000
Total current liabilities	<u>2,932,542</u>	<u>1,258,462</u>	<u>503,427</u>
Noncurrent liabilities			
Notes payable, due in more than one year	8,260,000	3,720,562	6,330,000
Compensated absences	174,922	42,185	47,692
Total noncurrent liabilities	<u>8,434,922</u>	<u>3,762,747</u>	<u>6,377,692</u>
Total liabilities	<u>11,367,464</u>	<u>5,021,209</u>	<u>6,881,119</u>
NET ASSETS			
Investment in capital assets, net of related debt	6,559,054	1,587,997	1,859,362
Restricted	1,998,623	738,155	3,090,170
Unrestricted	19,815,635	(760,291)	574,958
Total net assets	<u>\$ 28,373,312</u>	<u>\$ 1,565,861</u>	<u>\$ 5,524,490</u>

See Notes to Financial Statements

Waste Water Fund	Nonmajor Sanitation Fund	Totals
\$ 1,874,273	\$ 369,476	\$ 10,186,796
262,472	26,985	4,128,508
-	-	121,552
85,686	-	866,592
3,520	-	49,326
<u>2,225,951</u>	<u>396,461</u>	<u>15,352,774</u>
279,446	-	1,292,919
-	-	9,646,556
986,330	-	6,813,278
<u>12,493,654</u>	<u>61,736</u>	<u>42,071,506</u>
<u>13,759,430</u>	<u>61,736</u>	<u>59,824,259</u>
<u>\$ 15,985,381</u>	<u>\$ 458,197</u>	<u>\$ 75,177,033</u>
\$ 133,178	\$ 5,111	\$ 2,169,041
194,128	2,733	794,807
-	-	866,592
130,000	-	1,329,141
<u>457,306</u>	<u>7,844</u>	<u>5,159,581</u>
6,610,000	-	24,920,562
57,228	-	322,027
<u>6,667,228</u>	<u>-</u>	<u>25,242,589</u>
7,124,534	7,844	30,402,170
5,753,654	61,736	15,821,803
986,330	-	6,813,278
2,120,863	388,617	22,139,782
<u>\$ 8,860,847</u>	<u>\$ 450,353</u>	<u>\$ 44,774,863</u>

CITY OF COLDWATER
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007

	Electric Fund	Telecommunications Fund	Water Fund
REVENUES			
Charges for services	\$ 24,468,928	\$ 3,138,310	\$ 2,038,198
OPERATING EXPENSES			
Purchased power	18,042,663	-	-
Power plant	578,732	-	-
Distribution	840,292	1,616,165	342,331
Substation	163,519	-	-
Sanitation	-	-	-
Metering and lighting	363,207	-	-
Wells	-	-	87,897
Treatment	-	-	390,629
Collection system	-	-	-
Customer service	123,848	200,888	-
Administration	807,982	421,281	346,127
Payments in lieu of taxes	1,446,720	91,344	114,564
Depreciation and amortization	949,278	532,901	397,276
Total operating expenditures	<u>23,316,241</u>	<u>2,862,579</u>	<u>1,678,824</u>
OPERATING INCOME	1,152,687	275,731	359,374
NONOPERATING REVENUES (EXPENSES)			
Investment income	2,879,893	23,325	31,328
Interest expense	(394,507)	(216,081)	(206,355)
Gain (loss) on sale of fixed assets	-	(814,114)	-
Forgiveness of debt	-	817,510	-
Miscellaneous	(59,420)	41,644	21,293
Total nonoperating revenues (expenses)	<u>2,425,966</u>	<u>(147,716)</u>	<u>(153,734)</u>
INCOME (LOSS) BEFORE TRANSFERS	3,578,653	128,015	205,640
TRANSFERS FROM OTHER FUNDS	-	-	-
CHANGE IN NET ASSETS	3,578,653	128,015	205,640
NET ASSETS - BEGINNING	<u>24,794,659</u>	<u>1,437,846</u>	<u>5,318,850</u>
NET ASSETS - ENDING	<u>\$ 28,373,312</u>	<u>\$ 1,565,861</u>	<u>\$ 5,524,490</u>

See Notes to Financial Statements

Waste Water Fund	Nonmajor Sanitation Fund	Totals
\$ 2,103,835	\$ 449,215	\$ 32,198,486
-	-	18,042,663
-	-	578,732
-	-	2,798,788
-	-	163,519
-	350,997	350,997
-	-	363,207
-	-	87,897
649,182	-	1,039,811
151,070	-	151,070
-	-	324,736
498,884	-	2,074,274
119,100	-	1,771,728
538,432	14,636	2,432,523
<u>1,956,668</u>	<u>365,633</u>	<u>30,179,945</u>
147,167	83,582	2,018,541
114,695	-	3,049,241
(292,535)	-	(1,109,478)
-	-	(814,114)
-	-	817,510
21,472	-	24,989
<u>(156,368)</u>	<u>-</u>	<u>1,968,148</u>
(9,201)	83,582	3,986,689
-	3,976	3,976
<u>(9,201)</u>	<u>87,558</u>	<u>3,990,665</u>
<u>8,870,048</u>	<u>362,795</u>	<u>40,784,198</u>
<u>\$ 8,860,847</u>	<u>\$ 450,353</u>	<u>\$ 44,774,863</u>

CITY OF COLDWATER
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Electric Fund</u>	<u>Telecommunications Fund</u>	<u>Water Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 23,961,853	\$ 3,180,508	\$ 2,020,279
Payments made to suppliers	(20,945,201)	(1,144,644)	(1,096,284)
Payments made to employees	(1,055,539)	(622,296)	(420,099)
Net cash provided by operating activities	1,961,113	1,413,568	503,896
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal and interest paid on capital debt	(1,014,507)	(1,301,694)	(4,121,355)
Proceeds of issuance of bonds	-	-	6,330,000
Payment of bond issuance costs	-	-	(103,871)
Purchase of capital assets	(507,559)	(129,297)	(66,019)
Transfer from Retirement Fund	-	-	-
Net cash provided by (used) in capital and related financing activities	(1,522,066)	(1,430,991)	2,038,755
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on investments	2,879,893	23,325	31,328
Change in investments	(2,368,445)	-	(2,672,104)
Net cash provided by (used) in investing activities	511,448	23,325	(2,640,776)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	950,495	5,902	(98,125)
CASH AND CASH EQUIVALENTS - BEGINNING	7,393,484	732,253	98,125
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 8,343,979</u>	<u>\$ 738,155</u>	<u>\$ -</u>

See Notes to Financial Statements

Waste Water Fund	Nonmajor Sanitation Fund	Totals
\$ 2,080,710	\$ 448,082	\$ 31,691,432
(1,419,943)	(308,403)	(24,914,475)
(394,157)	(41,429)	(2,533,520)
266,610	98,250	4,243,437
(767,535)	-	(7,205,091)
-	-	6,330,000
-	-	(103,871)
(37,548)	-	(740,423)
-	3,976	3,976
(805,083)	3,976	(1,715,409)
114,695	-	3,049,241
1,019,917	-	(4,020,632)
1,134,612	-	(971,391)
596,139	102,226	1,556,637
1,278,134	267,250	9,769,246
<u>\$ 1,874,273</u>	<u>\$ 369,476</u>	<u>\$ 11,325,883</u>

CITY OF COLDWATER

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS - Continued
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Electric Fund</u>	<u>Telecommunications Fund</u>	<u>Water Fund</u>
BALANCE SHEET CLASSIFICATION OF CASH AND CASH EQUIVALENTS			
Cash and investments	\$ 7,943,047	\$ -	\$ -
Restricted cash and investments	1,998,623	738,155	3,090,170
Less amounts classified as investments	<u>(1,597,691)</u>	<u>-</u>	<u>(3,090,170)</u>
Total cash and cash equivalents	<u>\$ 8,343,979</u>	<u>\$ 738,155</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES			
Operating income	\$ 1,152,687	\$ 275,731	\$ 359,374
Adjustments to reconcile operating income to net cash from operating activities:			
Other income (expense)	(58,420)	43,942	21,293
Depreciation and amortization	949,278	532,901	397,276
Loss on sale of assets	-	814,114	-
Changes in assets and liabilities:			
Receivables	(448,655)	(1,744)	(39,212)
Inventories	(88)	-	(2,442)
Prepays and other assets	2,131	39,807	(264)
Due from (to) other funds	277,845	(277,845)	(171,780)
Accounts payable	32,135	(7,235)	(5,462)
Accrued expenditures	40,036	(4,232)	(57,427)
Compensated absences	<u>14,164</u>	<u>(1,871)</u>	<u>2,540</u>
Net cash provided by operating activities	<u>\$ 1,961,113</u>	<u>\$ 1,413,568</u>	<u>\$ 503,896</u>

See Notes to Financial Statements

Waste Water Fund	Nonmajor Sanitation Fund	Totals
\$ 1,874,273	\$ 369,476	\$ 10,186,796
986,330	-	6,813,278
(986,330)	-	(5,674,191)
<u>\$ 1,874,273</u>	<u>\$ 369,476</u>	<u>\$ 11,325,883</u>
\$ 147,167	\$ 83,582	\$ 2,018,541
21,472	-	28,287
538,432	14,636	2,432,523
-	-	814,114
(44,597)	(1,132)	(535,340)
-	-	(2,530)
(145)	-	41,529
171,780	-	-
(560,696)	219	(541,039)
(5,626)	945	(26,304)
(1,177)	-	13,656
<u>\$ 266,610</u>	<u>\$ 98,250</u>	<u>\$ 4,243,437</u>

CITY OF COLDWATER
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2007

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 37,357</u>
LIABILITIES	
Accounts payable	\$ 35,485
Due to other governmental units	<u>1,872</u>
Total liabilities	<u>\$ 37,357</u>

CITY OF COLDWATER
COMPONENT UNITS
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Downtown Development Authority	Local Development Finance Authority	Total
ASSETS			
Cash and investments	\$ 112,486	\$ 365,095	\$ 477,581
Notes receivable	26,014	-	26,014
Capital assets, less accumulated depreciation	430,771	442,903	873,674
Total assets	569,271	807,998	1,377,269
LIABILITIES			
Accounts payable	20,306	9,990	30,296
Due to others	-	355,105	355,105
Long term liabilities:			
Notes payable, due within one year	50,000	-	50,000
Notes payable, due in more than one year	96,733	483,133	579,866
Total liabilities	167,039	848,228	1,015,267
NET ASSETS (DEFICIT)			
Investment in capital assets - net of related debt	284,038	85,890	369,928
Unrestricted (deficit)	118,194	(126,120)	(7,926)
Total net assets (deficit)	<u>\$ 402,232</u>	<u>\$ (40,230)</u>	<u>\$ 362,002</u>

See Notes to Financial Statements

CITY OF COLDWATER
COMPONENT UNITS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Functions/Programs	Program Revenues		
	Expenses	Charges for Services	Operating / Grants and Contributions
Downtown Development Authority	\$ 199,238	\$ 3,000	\$ 20,000
Local Development Finance Authority	68,551	-	-
Total component activities	\$ 267,789	\$ 3,000	\$ 20,000

General revenues:

Property taxes

Interest

Total general revenues

Change in Net Assets

Net Assets (Deficit) - Beginning

Net Assets (Deficit) - Ending

Net (Expense) Revenue and Changes in Net Assets

Downtown Development Authority	Local Development Finance Authority	Total
\$ (176,238)	\$ -	\$ (176,238)
-	(68,551)	(68,551)
(176,238)	(68,551)	(244,789)
203,191	122,941	326,132
5,869	28,901	34,770
209,060	151,842	360,902
32,822	83,291	116,113
369,410	(123,521)	245,889
<u>\$ 402,232</u>	<u>\$ (40,230)</u>	<u>\$ 362,002</u>

CITY OF COLDWATER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of City of Coldwater conform to generally accepted accounting principles in the United States of America as applicable to local governmental units. The following is a summary of significant policies:

REPORTING ENTITY:

The City is governed by a nine member council. These financial statements present the City of Coldwater and its component units, as required by generally accepted accounting principles. The individual component units below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

The Board of Public Utilities was created to provide electric services, water supply services, telecommunications, sanitary sewers, and sewage disposal facilities and to conduct the affairs of the City's systems for the construction, generation, maintenance, purchase, extension and distribution of these services to the residents of the City. The board's governing body, which consists of five individuals, is selected by the mayor with City Council approval. The Board of Public Utilities is included as a part of the primary government because it is not legally separate from the City.

The following funds are reported within the component units column in the combined financial statements. They are reported in a separate column to emphasize that they are legally separate from the City.

The Downtown Development Authority was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Authority, a nine member group, is selected by the mayor and City Council. City Council also approves the Authority's budget.

The Local Development Finance Authority (LDFA) was created to provide means and methods for the encouragement and assistance of industry in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City. The LDFA, a nine member group, is selected by the mayor with City Council approval. City Council also approves the LDFA's budget.

The Coldwater Municipal Building Authority was created for the purpose of financing the site acquisition, construction, furnishing, and equipping of municipal buildings. The Building Authority leases the buildings to the City in amounts sufficient to service debt issued to finance costs incurred related to the activities stated above. The Building Authority, a three member group, is appointed by the mayor with City Council approval. The Building Authority is treated as a blended component unit in accordance with GASB 14.

CITY OF COLDWATER

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED JUNE 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

The government-wide financial statements, the statement of net assets and the statement of activities, report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which primary government is financially accountable.

The statement of activities demonstrates the degree of which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the governmental-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION:

Governmental-Wide Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF COLDWATER

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED JUNE 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: - Continued

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State shared revenues.

Fund-based Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, special assessments, licenses, unrestricted State shared revenues, intergovernmental grants, charges for services and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

BASIS OF PRESENTATION:

MAJOR GOVERNMENTAL FUNDS

General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Revolving Development Fund is used to loan money to various projects that will improve economic development, housing industry or public infrastructure of the City. Revenue is derived from interest received on outstanding loans.

CITY OF COLDWATER

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED JUNE 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION: - Continued

Capital Improvement Fund is used to account for the capital improvements in the City. The fund includes payment of debt service on special assessments bonds used to finance the various capital projects.

MAJOR PROPRIETARY FUNDS

Electric Fund, Water Fund and Waste Water Fund is a municipal utility formed by City Charter to generate and distribute electricity, pump and distribute water, and operate and maintain the wastewater collections and treatment. Rates are established by the Board of Public Utilities. The Board consists of five members appointed by the mayor with City Council approval.

Telecommunications Fund is a municipal utility formed by City Ordinance to provide cable television, Internet, and other data services. Rates are established by the Board of Public Utilities. The board consists of five members selected by the mayor with City Council approval.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer functions and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various funds.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the City in an agency capacity for organizations and special projects. Agency funds are custodian in nature, assets equal liabilities, and do not involve measurement of results of operations.

CITY OF COLDWATER

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED JUNE 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

PROPERTY TAX REVENUE

The City's property taxes are levied each August 1 and based on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The City's 2006 tax is levied and collectible on August 1, 2006 and is recognized as revenue in the year ended June 30, 2007, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2006 taxable valuation of the City totaled \$338.5 million, a portion of which is abated and a portion of which is captured by the LDFA and DDA. Taxes levied consisted of 11.5978 mills for operating purposes and .3333 mills for the retirement system. This resulted in almost \$3.6 million for general operating and approximately \$103,000 for retirement. These amounts are reported in the respective General and Retirement Funds in the financial statements.

ASSETS, LIABILITIES AND NET ASSETS

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with maturity of three months or less when acquired. Investments are stated at costs, which approximates fair market value.

Receivables and Payables – In general, outstanding balances between funds are reported as “due from/to other funds.” Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “advances from/to other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government wide financial statements as “internal balances”.

CITY OF COLDWATER

**NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS, LIABILITIES AND NET ASSETS - Continued

Inventory and Prepaid items – Inventory is valued at cost, on a first-in, first-out basis.

Capital Assets – Capital assets, which include land, buildings, equipment, vehicles, and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized.

Buildings, equipment, vehicles, and infrastructure are depreciated using the straight-line method over the following useful lives:

Land improvements	40 Years
Utility systems	40-75 Years
Buildings and improvements	40-50 Years
Roads and sidewalks	15-20 Years
Machinery and equipment	5-20 Years
Vehicles	3-5 Years
Other tools and equipment	3-7 Years

Compensated Absences – It is the City’s policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in the governmental funds only for employee terminations as of year end.

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Issuance costs are deferred and amortized over the life of the bonds using the effective interest method.

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

CITY OF COLDWATER

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED JUNE 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF BUDGETING:

The City adopted their annual budgets based on the appropriate method of accounting for the corresponding governmental or proprietary fund. Revenues and expenditures were estimated by the individual line item basis, but adopted and amended by the City Council by the functional level for each fund. Once a budget is approved, it can be amended at the functional level. Amendments are presented to the City Council at their regular meetings. Each amendment must have City Council approval. Such amendments are reflected in the official minutes of the City Council, and are not made after year end as dictated by law. Revisions to the budgets were made during the year.

USE OF ESTIMATES:

The City uses estimates and assumptions in the preparation of the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenditures.

NOTE B – DEPOSITS AND INVESTMENTS

The City uses financial institutions for cash purposes, which is in accordance with statutory authority. The accounts maintained in the financial institutions are checking, savings and certificates of deposit. The interest rates of the checking and savings accounts are at variable daily rates.

Investments consist of certificate of deposits with an original maturity date of greater than three months. The investments are carried at cost which approximates market value. The certificates of deposits are currently earning rates of 4.31% to 5.47%.

Interest rate risk – In accordance with its investment policy, the City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in the market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the City's cash requirements.

CITY OF COLDWATER

**NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE B – DEPOSITS AND INVESTMENTS – Continued

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Bank investment pool (not 2a-7)	\$ 8,371,723	0.0027
U.S. government or agency bond or note	8,649,033	2

1 day maturity equals 0.0027, one year equals 1.00

Credit risk – State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). The City does not allow direct investment in commercial paper or corporate bonds.

<u>Investment</u>	<u>Fair Value</u>	<u>Fitch Rating</u>
Michigan CLASS pool	\$ 8,371,723	AAA

Concentration of credit risk – The City will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the City’s investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk for deposits – In the case of deposits, this is the risk that in the event of a financial institution failure, the City’s deposits may not be recovered. As of June 30, 2007, \$23,577,654 the City’s bank balance of \$23,977,654 was exposed to custodial credit risk because it was uninsured and uncollateralized. Certificates of deposit and money market accounts are included in the above totals.

Foreign currency risk – The City is not authorized to invest in investments which have this type of risk.

CITY OF COLDWATER

**NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE C – DUE FROM (TO) OTHER FUNDS

The due from (to) other funds, at June 30, 2007, for the City are as follows:

ELECTRIC FUND

Due from Telecommunications Fund	\$ 780,906
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WASTE WATER FUND

Due from Water Fund	<u>85,686</u>
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Total due from other funds	<u><u>\$ 866,592</u></u>
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CITY OF COLDWATER

**NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE D – TRANSFERS FROM (TO) OTHER FUNDS

Transfers from (to) other funds, during the year ended June 30, 2007, for the City are as follows:

GENERAL FUND

Transfer from Retirement Fund \$ 265,112

NONMAJOR SANITATION FUND

Transfer from Retirement Fund \$ 3,976

OTHER NONMAJOR FUNDS

Major Streets Fund

Transfer from Retirement Fund \$ 9,818

Transfer to Local Streets Fund (160,771)

Total Major Streets Fund (150,953)

Local Streets Fund

Transfer from Retirement Fund 5,238

Transfer from Major Streets Fund 160,771

Total Local Streets Fund 166,009

Parking Authority

Transfer from Retirement Fund 754

Retirement Fund

Transfer to General Fund (265,112)

Transfer to Major Streets Fund (9,818)

Transfer to Local Streets Fund (5,238)

Transfer to Parking Authority Fund (754)

Transfer to Sanitation Fund (3,976)

Total Retirement Fund (284,898)

Total other nonmajor governmental funds \$ (269,088)

Transfers from the Major Streets Fund to the Local Streets Fund represent the sharing of gas and weight tax revenues, in accordance with State of Michigan Act 51. The transfers from the Retirement Fund represent the distribution of retirement funds.

CITY OF COLDWATER

**NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE E – CAPITAL ASSETS

Capital asset activity of the City’s governmental activities and business-type activities was as follows:

GOVERNMENTAL ACTIVITIES

	Balance July 1, 2006	Additions	Disposals	Balance June 30, 2007
GROUP:				
Land	\$ 776,869	\$ 255,314	\$ -	\$ 1,032,183
Roads and sidewalks	10,198,199	1,028,139	-	11,226,338
Land improvements	672,653	158,979	-	831,632
Buildings and improvements	10,937,378	114,375	-	11,051,753
Vehicles	1,755,863	68,215	-	1,824,078
Other tools and equipment	1,165,556	245,563	-	1,411,119
Subtotal	25,506,518	1,870,585	-	27,377,103

ACCUMULATED DEPRECIATION:

Roads and sidewalks	3,682,373	477,144	-	4,159,517
Land improvements	219,012	7,914	-	226,926
Building and improvements	1,807,513	260,911	-	2,068,424
Vehicles	1,014,628	126,213	-	1,140,841
Other tools and equipment	815,881	93,344	-	909,225
Total accumulated depreciation	7,539,407	965,526	-	8,504,933
Net capital assets	<u>\$ 17,967,111</u>	<u>\$ 905,059</u>	<u>\$ -</u>	<u>\$ 18,872,170</u>

CITY OF COLDWATER

**NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE E – CAPITAL ASSETS – Continued

BUSINESS-TYPE ACTIVITIES

	Balance July 1, 2006	Additions	Disposals	Balance June 30, 2007
GROUP:				
Land	\$ 101,124	\$ -	\$ -	\$ 101,124
Work in progress	2,069,962	239,981	1,119,325	1,190,618
Utility systems	41,746,296	1,561,730	1,536,388	41,771,638
Buildings	18,968,593	-	-	18,968,593
Machinery and equipment	7,235,976	63,886	75,082	7,224,780
	<u>70,121,951</u>	<u>1,865,597</u>	<u>2,730,795</u>	<u>69,256,753</u>
Subtotal	70,121,951	1,865,597	2,730,795	69,256,753

ACCUMULATED DEPRECIATION:

Electric	11,362,902	900,652	64,382	12,199,172
Telecommunications	3,372,886	527,935	698,190	3,202,631
Water	4,312,018	358,267	20,942	4,649,343
Waste water	6,507,422	522,236	7,020	7,022,638
Sanitation	96,827	14,636	-	111,463
	<u>25,652,055</u>	<u>2,323,726</u>	<u>790,534</u>	<u>27,185,247</u>
Total accumulated depreciation	25,652,055	2,323,726	790,534	27,185,247
Net capital assets	<u>\$ 44,469,896</u>	<u>\$ (458,129)</u>	<u>\$ 1,940,261</u>	<u>\$ 42,071,506</u>

CITY OF COLDWATER

**NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE E – CAPITAL ASSETS – Continued

Depreciation expense was charged to activities of the City as follows:

GOVERNMENTAL ACTIVITIES:

General government	\$ 708,859
Public safety	103,956
Public works	88,990
Recreation and culture	<u>63,721</u>
Total governmental activities	<u>\$ 965,526</u>

BUSINESS -TYPE ACTIVITIES:

Electric	\$ 900,652
Telecommunications	527,935
Water	358,267
Waste water	522,236
Sanitation	<u>14,636</u>
Total business-type activities	<u>\$ 2,323,726</u>

The component units capital assets at June 30, 2007 consist of the following:

COMPONENT UNITS:

Land	\$ 715,521
Building	<u>226,096</u>
Total component units	941,617
Less, accumulated depreciation	<u>67,943</u>
Net capital assets of component units	<u>\$ 873,674</u>

All assets are held in the Downtown Development Authority, except for land of approximately \$442,903 held in the Local Development Finance Authority.

CITY OF COLDWATER

**NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE F – LONG-TERM DEBT

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2007</u>
Governmental Activities:				
General obligation bonds	\$ 165,000	\$ -	\$ 55,000	\$ 110,000
Building authority bonds	1,865,000	-	130,000	1,735,000
Installment purchase agreements	246,898	253,350	118,428	381,820
Special assessment bonds	990,000	-	310,000	680,000
Compensated absences	446,033	6,771	-	452,804
	<u>\$ 3,712,931</u>	<u>\$ 260,121</u>	<u>\$ 613,428</u>	<u>\$ 3,359,624</u>
Business-type Activities:				
Revenue bonds	\$ 23,160,000	\$ -	\$ 5,240,000	\$ 17,920,000
General obligation capital improvement bond	1,500,000	-	-	1,500,000
General obligation capital improvement and Refunding Bonds	-	6,330,000	-	6,330,000
Installment purchase agreements	1,355,316	-	855,613	499,703
Compensated absences	308,371	13,656	-	322,027
	<u>\$ 26,323,687</u>	<u>\$ 6,343,656</u>	<u>\$ 6,095,613</u>	<u>\$ 26,571,730</u>

CITY OF COLDWATER

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED JUNE 30, 2007

NOTE F – LONG-TERM DEBT – Continued

The following is a summary of the long-term obligations for the City:

GOVERNMENTAL ACTIVITIES

1998 special assessment bonds payable at interest rate of 4.8%, principal payment of \$65,000, due March 2008	\$ 65,000
1998 general obligation limited tax bonds payable at interest rate of 4.8%, annual principal payment of \$20,000, due March 2008	20,000
1999 special assessment bonds payable at interest rates varying from 4.25% to 4.5%, annual principal payments ranging from \$15,000 to \$35,000, due March 2009	50,000
1999 special assessment bonds payable at interest rates varying from 5.05% to 5.15%, annual principal payments of \$35,000, due March 2009	70,000
1999 special assessment bonds payable at interest rates of 4.85% to 5.0%, annual principal payments ranging from \$100,000 to \$105,000, due March 2009	205,000
2001 special assessment bonds payable at an interest rate of 3.95%, annual principal payments of \$70,000 to \$75,000, due February 2011	290,000
1999 general obligation limited tax bonds payable at interest rates of 4.85% to 5.0%, annual principal payments of \$35,000, due March 2009	70,000
1999 Building Authority Bonds payable at interest rates of 4.6% to 5.375%, semiannually principal payments of \$80,000 to \$155,000, due October 2019	1,500,000
2000 Building Authority Bonds payable at interest rates of 5.15% to 5.25%, semiannual principal payments of \$55,000 to \$65,000, due October 2010	235,000
1999 general obligation limited tax bonds payable at interest rates of 4.35% to 4.5%, annual principal payments of \$10,000, due March 2009	20,000

CITY OF COLDWATER

**NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE F – LONG-TERM DEBT – Continued

Act 99 contract payable at an interest rate of 5.1%, semiannual payments of \$47,470 including interest, due September 2007	47,470
Act 99 contract payable at an interest rate of 3.75%, annual payments of \$27,000 plus interest, due November 2009	81,000
Act 99 contract payable at an interest rate of 3.5%, semiannual payments of \$63,338 interest only, principal due February, 2011	<u>253,350</u>
Total bonds and installment purchase agreements	2,906,820
Accumulated compensated absences	<u>452,804</u>
Total governmental activities debt	<u><u>\$ 3,359,624</u></u>

BUSINESS-TYPE ACTIVITIES

Series 2000 Electric Revenue Bonds interest rates varying from 5.7% to 6.0%, annual principal payments ranging from \$70,000 to \$140,000, due August 2019	\$ 1,320,000
Series 2004 Electric Utility System Revenue Bonds, interest rates varying from 2.0% to 4.9%, annual payments ranging from \$80,000 to \$180,000, due August 2024	2,165,000
Series 2006 Electric Utility System Revenue Refunding Bonds, interest rates varying from 4.0% to 4.5%, annual payments ranging from \$440,000 to \$650,000, due August 2016	5,365,000
Series 2002 Telecommunications System Revenue Refunding Bonds, at an interest rate of 5.5%, annual principal payments ranging from \$240,000 to \$390,000, due August 2017	3,500,000

CITY OF COLDWATER

**NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE F – LONG-TERM DEBT – Continued

Series 1998 Water Supply and Waste Water System Revenue Refunding Bonds interest rate of 4.6%, annual principal payment of \$330,000, due July 2007	330,000
Series 2007 Water Supply and Waste Water System General Obligation Capital Improvement and Refunding Bonds at an interest rate of 4.0%, annual principal payments ranging from \$135,000 to \$365,000, due September 2025	6,330,000
Series 1999 Waste Water System Revenue Bonds, interest rates varying from 4.5% to 4.6%, annual principal payments ranging from \$130,000 to \$330,000, due July 2024	3,865,000
Series 2005 Water Supply and Waste Water System General Obligation Capital Improvement Bonds, interest rates varying from 3.3% to 4.45%, annual payments ranging from \$50,000 to \$130,000, due July 2025	1,500,000
Series 2004 Water Supply and Waste Water System Revenue Bonds, interest rates varying from 3.0% to 4.6%, annual payments ranging from \$55,000 to \$115,000, due July 2024	1,375,000
Act 99 contract payable at an interest rate of 4.3%, monthly payments of \$1,097 including interest, due August 2018	116,157
Act 99 contract payable at an interest rate of 4.3%, monthly payments of \$1,177 including interest, due August 2018	124,652
Act 99 contract payable at an interest rate of 4.3%, quarterly payments of \$4,846 including interest, due August 2018	218,060
Act 99 contract payable at an interest rate of 4.5%, monthly payments of \$370 plus interest, due April 2019	40,834
Total bonds and installment purchase agreements	26,249,703
Accumulated compensated absences	322,027
Total business-type activities debt	<u>\$ 26,571,730</u>

The special assessment bonds represent the financing of public improvements that benefit specific districts. These districts are special assessed, at least in part, for the cost of improvements. Under Michigan law, the City is secondarily liable for payment of these bonds.

CITY OF COLDWATER

**NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE F – LONG-TERM DEBT – Continued

COMPONENT UNITS

Downtown Development Authority Bond payable, at interest of 5.0%, annual payments vary, due 2008	\$ 96,733
Downtown Development Authority Bond, at interest rate of 7.2%, annual payment of \$50,000, due April 2008	50,000
Local Development Finance Authority note payable, at an interest rate of 7.0%, due 2008	<u>483,133</u>
Total component units debt	<u><u>\$ 629,866</u></u>

REFUNDING OF BONDS

In May 2007, City of Coldwater issued Water Supply and Waste Water System General Obligation Capital Improvement and Refunding bonds of \$6,330,000 with an interest rate of 4.0% to advance \$3,530,000 of refund bonds with an interest rate ranging from 4.55% to 5.0%. The remainder of the bond is new debt related to Capital Improvements in the amount of \$2,800,000. The bonds mature in September 2025. The Water Supply and Waste Water System General Obligation and Capital Improvement Refunding bonds were issued at premium after paying issuance costs of \$103,871 which includes underwriters discount, the net proceeds were \$6,311,399. The net proceeds from the issuance of the Waste Water System General Obligation Capital Improvement and Refunding bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are paid in full. The advance refunding met the requirements of an in-substance debt defeasance and the 1998 Water Supply and Waste Water System Revenue Refunding bonds were removed from the City's government – wide financial statements.

As a result of the advance refunding, the City reduced its total debt service requirements by \$227,177, which resulted in an economic gain, difference between present value of the debt service payments on the old and new debt of \$235,460.

The City has defeased 1998 Waste Supply and Waste Water System Revenue Refunding bonds by placing the proceeds of new bond in an irrevocable trust to provide for all future debt service payments on the old bond. Accordingly, the trust account assets and liability for the defeased bond is not included in the City's financial statements. At June 30, 2007, \$3,630,000 of bonds outstanding is considered defeased, subsequently paid on July 1, 2007.

CITY OF COLDWATER

**NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE F – LONG-TERM DEBT – Continued

The annual requirements to service all debt outstanding as of June 30, 2007, including interest payments of \$10,490,452 for the debt service requirements are as follows:

	Governmental Activities		
	Principal	Interest	Total
2008	\$ 652,807	\$ 133,708	\$ 786,515
2009	510,338	102,973	613,311
2010	315,338	81,252	396,590
2011	293,337	67,382	360,719
2012	100,000	56,976	156,976
2013-2017	595,000	199,759	794,759
2018-2022	440,000	36,282	476,282
Total	\$ 2,906,820	\$ 678,332	\$ 3,585,152
	Business-type Activities		
	Principal	Interest	Total
2008	\$ 1,329,141	\$ 1,176,410	\$ 2,505,551
2009	1,290,051	1,082,322	2,372,373
2010	1,590,975	1,020,500	2,611,475
2011	1,661,939	950,654	2,612,593
2012	1,737,928	875,953	2,613,881
2013-2017	9,871,486	3,100,024	12,971,510
2018-2022	5,143,183	1,322,431	6,465,614
2023-2026	3,625,000	283,826	3,908,826
Total	\$ 26,249,703	\$ 9,812,120	\$ 36,061,823

Interest expense for the year ended June 30, 2007 was \$1,109,478 for Business-type Activities and \$285,746 for the Governmental Activities. Total interest incurred by component units for the year ended June 30, 2007 amounted to \$45,250.

CITY OF COLDWATER

**NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2007**

**NOTE G – RESERVED, DESIGNATED AND RESTRICTED FUND BALANCE
AND RETAINED EARNINGS**

The City has reserved, designated and restricted fund balances and retained earnings, as of June 30, 2007, as follows:

	<u>Governmental Funds</u>	<u>Enterprise Funds</u>
Reserved and designated: Cemetery maintenance	<u>\$ 450,000</u>	
Restricted Bond reserve		<u>\$ 6,813,278</u>

NOTE H – RISK MANAGEMENT

The City is exposed to various risk of loss related to torts; errors and omissions; injuries to employee's and natural disasters. The City has purchases commercial insurance for employee medical benefit claims and participates in the Michigan Municipal Liability and Property Pool and Michigan Municipal Workers' Compensation Fund for all other claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

CITY OF COLDWATER

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED JUNE 30, 2007

NOTE I – RETIREMENT PROGRAM – Continued

Defined Benefit Plan – The City contributes to the Municipal Employees’ Retirement System of Michigan (MERS), which is an agent multiple employer retirement system that covers a portion of employees of the City. MERS provides retirement benefits as well as death and disability benefits. Service retirement benefits vest after 10 years of service; payment is based on various factors depending on the type of benefit to be paid. Deferred retirement benefits vest after 10 years of service, but are not paid until the date retirement would have occurred had the member remained an employee.

The Michigan Municipal Employees’ Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan, 48917.

Funding Policy – The obligation to contribute to and maintain the MERS for these employees was established by negotiation with the six collective bargaining units and requires a contribution from the employees of 0% to 6% of gross wages.

Annual Pension Cost – For the year ended June 30, 2007, the City’s required and actual pension cost was \$451,514. The annual required contribution percentage was determined as a part of an actuarial valuation at December 31, 2004, using the entry age normal cost method. Significant actuarial assumptions used include: a rate of return on investment of present and future assets of 8% per year compounded annually, projected salary increases of 4.5% per year compounded annually, attributable to inflation, additional projected salary increases ranging from 0% to 4.2% per year, depending on age, attributable to seniority/merit and the assumption that benefits will increase 2.5 percent year (annually) after retirement for persons with selected benefits.

The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized by level percent of payroll contributions over a period ranging from 30 to 40 years.

Defined Contribution Plan – The City also participates in the ICMA retirement plan, a division of MERS, which is a defined contribution pension plan established in 1997 to provide retirement benefits to employees not covered under the defined benefit plan. All employees hired after May, 2002 are covered by the defined contribution plan. At June 30, 2007, there were 73 plan members. Plan members are required to contribute 0% to 7.5% of covered payroll. The City is required to contribute 6% to 13.5% of annual covered payroll. The City’s contribution for the year ended June 30, 2006 was \$250,778. Plan provisions and contribution requirements are established and may be amended by the City Council.

CITY OF COLDWATER

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED JUNE 30, 2007

NOTE J – REVOLVING DEVELOPMENT FUND LOANS RECEIVABLE

During the last several years, the City has loaned funds to several local companies. The balance of these loans receivable at June 30, 2007 is \$310,263.

The City recognizes collections of principal and interest on the federal portion of these loans as deferred revenue as the loans are repaid. Deferred revenue amounted to \$266,892 at June 30, 2007. Repayment of the local portion of these loans is recorded as a reduction of the loan receivable and interest income when received. Upon repayment of the balance of each loan, deferred revenue will either be recognized as revenue when deemed available by the granting agency or the funds will be returned to the granting agency.

NOTE K – JOINT VENTURES

The City is a member of the Michigan South Central Power Agency, which provides electric services to the residents of its member communities. The participating communities provide annual funding for its operations. During the current year, the City paid \$18,042,663 for purchased power and debt retirement. The City is unaware of any circumstances that would cause any additional benefit or burden to participating governments in the near future. Complete financial statements for the Michigan South Central Power Agency can be obtained from the administrative offices at 720 Herring Road, Litchfield, Michigan 49252.

The City's Board of Public Utilities owns an approximate 40% interest in the Michigan South Central Power Agency (MSCPA). The City records the investment using the equity method and calculates 40% of the MSCPA's equity at year end. The MSCPA also holds assets of the City, which have been included in the MSCPA's equity over the years. The calculation of the investment includes 100% of the City's assets held at the MSCPA plus 40% of the equity net of the City's assets.

CITY OF COLDWATER

**NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE L – CONSTRUCTION CODE FEES

The City of Coldwater oversees building construction, in accordance with the State’s Construction Code Act, including inspection of building construction and renovation to ensure compliance with building codes. The City charges fees for these services. Beginning January 1, 2000, the law requires the collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the activity since January 1, 2000 is as follows:

Shortfall at July 1, 2006	\$ (813,732)
Current year building permit revenue	87,772
Less related expenses - Direct costs	<u>(267,784)</u>
Shortfall at June 30, 2007	<u><u>\$ (993,744)</u></u>

NOTE M – SUBSEQUENT EVENT

Subsequent to year end a Component Unit of the City obtained refinancing of debt without State of Michigan approval. The Component Unit is working to correct this error and obtain approved refinancing through the correct authority.

CITY OF COLDWATER
REQUIRED SUPPLEMENTAL INFORMATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 3,600,353	\$ 3,597,348	\$ 3,643,700	\$ 46,352
Licenses and permits	162,500	182,500	194,803	12,303
Federal sources	-	110,930	110,888	(42)
State shared revenue	987,093	971,546	971,668	122
State sources	46,300	42,550	42,907	357
Charges for services	429,640	488,040	513,385	25,345
Rent	177,000	428,500	449,309	20,809
Payment in lieu of taxes	1,771,726	1,771,726	1,771,728	2
Interest earned	110,000	230,000	274,167	44,167
Contributions	2,000	2,000	3,263	1,263
Other	29,000	29,700	146,179	116,479
	<u>7,315,612</u>	<u>7,854,840</u>	<u>8,121,997</u>	<u>267,157</u>
EXPENDITURES				
General government	1,301,319	1,331,569	1,297,278	(34,291)
Public safety	3,315,562	3,298,660	3,314,888	16,228
Public works	1,199,500	1,470,688	1,409,147	(61,541)
Recreation and cultural	1,151,872	1,483,140	1,469,744	(13,396)
Planning	158,000	228,000	228,153	153
Debt service	192,689	197,689	196,426	(1,263)
Other	376,336	396,736	421,184	24,448
	<u>7,695,278</u>	<u>8,406,482</u>	<u>8,336,820</u>	<u>(69,662)</u>
Excess (deficiency) of revenues over expenditures	(379,666)	(551,642)	(214,823)	336,819
OTHER SOURCES				
Proceeds from debt	-	253,350	253,350	-
Sale of fixed assets	-	-	2,380	2,380
Transfers from other funds	262,572	262,572	265,112	2,540
	<u>262,572</u>	<u>515,922</u>	<u>520,842</u>	<u>4,920</u>
Excess (deficiency) of revenues and other sources over expenditures	(117,094)	(35,720)	306,019	341,739
FUND BALANCE - BEGINNING	<u>2,156,549</u>	<u>2,272,015</u>	<u>2,272,015</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 2,039,455</u>	<u>\$ 2,236,295</u>	<u>\$ 2,578,034</u>	<u>\$ 341,739</u>

CITY OF COLDWATER
REQUIRED SUPPLEMENTAL INFORMATION
REVOLVING DEVELOPMENT FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest income	\$ 100,000	\$ 100,000	\$ 83,195	\$ (16,805)
Other	-	-	248,537	248,537
	<u>100,000</u>	<u>100,000</u>	<u>331,732</u>	<u>231,732</u>
EXPENDITURES				
Economic development	<u>100,000</u>	<u>917,510</u>	<u>47,933</u>	<u>(869,577)</u>
Excess (deficiency) of revenues over expenditures	-	(817,510)	283,799	1,101,309
FUND BALANCE - BEGINNING	<u>1,056,434</u>	<u>1,056,434</u>	<u>1,056,434</u>	<u>-</u>
FUND BALANCE - ENDING	<u><u>\$ 1,056,434</u></u>	<u><u>\$ 238,924</u></u>	<u><u>\$ 1,340,233</u></u>	<u><u>\$ 1,101,309</u></u>

CITY OF COLDWATER
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2007

NOTE A - COMPLIANCE WITH STATE REGULATIONS

A comparison of actual results of operations to the budgeted amounts, at the level of control adopted by the City, for the General Fund and Revolving Development Fund are presented as Required Supplemental Information. The budgets are adopted on the department level.

During the year the City of Coldwater, incurred expenditures that were in excess of the amounts budgeted, as follows:

	Final Budget	Actual
General Fund		
Public safety	\$ 3,298,660	\$ 3,314,888
Planning	\$ 228,000	\$ 228,153
Other	\$ 396,736	\$ 421,184

CITY OF COLDWATER
REQUIRED SUPPLEMENTAL INFORMATION
RETIREMENT SYSTEM ANALYSIS OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2007

Fiscal Year Ended June 30,

<u>As of December 31</u>	<u>Annual Pension Cost*</u>	<u>Percentage of Annual Pension Contributed</u>	<u>Net Pension Obligation</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>
2002	226,383	100%	-	19,237,443	20,706,136	1,468,693
2003	217,007	100%	-	19,578,175	21,361,625	1,783,450
2004	306,086	100%	-	19,822,285	22,636,615	2,814,330
2005	377,196	100%	-	20,024,113	22,863,080	2,838,967
2006	451,514	100%	-	20,702,863	23,267,283	2,564,420

* Net of accelerated funding credits. Percentage of actual wages paid. Equal to actuarially determined required contributions.

Funded Ratio	Covered Payroll	Underfunded Actuarial Accrued Liability Percentage of Covered Payroll
93%	3,096,838	47.43%
92%	3,018,999	59.07%
88%	2,903,461	96.93%
88%	2,796,620	101.51%
89%	2,798,056	91.65%

CITY OF COLDWATER
OTHER SUPPLEMENTAL INFORMATION
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
FOR THE YEAR ENDED JUNE 30, 2007

Nonmajor Special Revenue Funds

	Major Streets Fund	Local Streets Fund	Parking Authority Fund	Retirement Fund
ASSETS				
Cash and investments	\$ 350,107	\$ 198,991	\$ 12,432	\$ -
Accounts receivable	466	-	-	-
Special assessment receivable	28,649	-	-	-
Due from other governmental units	148,630	32,996	-	-
Restricted assets	-	-	-	-
Total assets	<u>\$ 527,852</u>	<u>\$ 231,987</u>	<u>\$ 12,432</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ 17,482	\$ 7,054	\$ -	\$ -
Accrued expenditures	4,858	2,979	-	-
Deferred revenue	28,649	-	-	-
Total liabilities	50,989	10,033	-	-
FUND BALANCE				
Designated	-	-	-	-
Unreserved	476,863	221,954	12,432	-
Total fund balance	<u>476,863</u>	<u>221,954</u>	<u>12,432</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 527,852</u>	<u>\$ 231,987</u>	<u>\$ 12,432</u>	<u>\$ -</u>

<u>Nonmajor Capital Project Funds</u>		<u>Nonmajor Permanent Fund</u>	
<u>Library Memorial Fund</u>	<u>Coldwater Municipal Building Authority Fund</u>	<u>Cemetery Special and Perpetual Care Nonexpendable Trust Fund</u>	<u>Totals</u>
\$ 242,123	\$ -	\$ -	\$ 803,653
-	-	-	466
-	-	-	28,649
-	-	-	181,626
-	-	450,000	450,000
<u>\$ 242,123</u>	<u>\$ -</u>	<u>\$ 450,000</u>	<u>\$ 1,464,394</u>
\$ 3,424	\$ -	\$ -	\$ 27,960
-	-	-	7,837
-	-	-	28,649
3,424	-	-	64,446
-	-	450,000	450,000
238,699	-	-	949,948
238,699	-	450,000	1,399,948
<u>\$ 242,123</u>	<u>\$ -</u>	<u>\$ 450,000</u>	<u>\$ 1,464,394</u>

CITY OF COLDWATER
OTHER SUPPLEMENTAL INFORMATION
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2007

Nonmajor Special Revenue Funds

	Major Streets Fund	Local Streets Fund	Parking Authority Fund	Retirement Fund
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ 102,900
Special assessments	8,589	-	35,007	-
State shared revenue	643,082	200,945	-	-
State sources	103,410	-	-	-
Charges for services	-	-	5,870	-
Rent and royalties	-	-	-	-
Interest income	22,841	6,100	-	6,312
Contributions	-	-	-	-
Other income	52,502	-	-	519
Total revenues	830,424	207,045	40,877	109,731
EXPENDITURES				
Public works	774,916	551,033	40,667	-
Recreation and cultural	-	-	-	-
Debt service	-	-	-	-
Total expenditures	774,916	551,033	40,667	-
Excess (deficiency) of revenues over expenditures	55,508	(343,988)	210	109,731
OTHER SOURCES (USES)				
Transfers from (to) other funds	(150,953)	166,009	754	(284,898)
Excess (deficiency) of revenues and other sources over expenditures and other uses	(95,445)	(177,979)	964	(175,167)
FUND BALANCE - BEGINNING	572,308	399,933	11,468	175,167
FUND BALANCE - ENDING	\$ 476,863	\$ 221,954	\$ 12,432	\$ -

Nonmajor Capital Project Funds		Nonmajor Permanent Fund	
Library Memorial Fund	Coldwater Municipal Building Authority Fund	Cemetery Special and Perpetual Care Nonexpendable Trust Fund	Totals
\$ -	\$ -	\$ -	\$ 102,900
-	-	-	43,596
-	-	-	844,027
-	-	-	103,410
837	-	-	6,707
-	222,889	-	222,889
13,252	-	-	48,505
1,001	-	-	1,001
114	-	-	53,135
15,204	222,889	-	1,426,170
-	-	-	1,366,616
20,862	-	-	20,862
-	222,889	-	222,889
20,862	222,889	-	1,610,367
(5,658)	-	-	(184,197)
-	-	-	(269,088)
(5,658)	-	-	(453,285)
244,357	-	450,000	1,853,233
<u>\$ 238,699</u>	<u>\$ -</u>	<u>\$ 450,000</u>	<u>\$ 1,399,948</u>

CITY OF COLDWATER
OTHER SUPPLEMENTAL INFORMATION
FIDUCIARY FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2007

	<u>Agency Funds</u>		<u>Totals</u>
	<u>Health Insurance Fund</u>	<u>Tax Collection Fund</u>	
ASSETS			
Cash and cash equivalents	\$ 33,006	\$ 4,351	\$ 37,357
LIABILITIES			
Accounts payable	\$ 33,006	\$ 2,479	\$ 35,485
Due to other governmental units	-	1,872	1,872
Total liabilities	<u>\$ 33,006</u>	<u>\$ 4,351</u>	<u>\$ 37,357</u>