

# **City of Coldwater, Michigan**

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## **Financial Report with Supplemental Information**

**June 30, 2004**

# City of Coldwater

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## Independent Auditor's Report

To the City Council  
City of Coldwater, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Coldwater, as of and for the year ended June 30, 2004, 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 as of June 30, 2004, 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.

The management's discussion and analysis, budgetary comparison schedules and Pension System Schedule of Funding Progress (identified in the table of contents) are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.



To the City Council  
City of Coldwater, Michigan

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 purposes 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.

*Plante & Moran, PLLC*

September 17, 2004

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, 2004. Please read it in conjunction with the City's financial statements.

### **Financial Highlights**

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2004:

- The City's governmental activities' total net assets increased by \$194,000 including the effect of a \$57,000 cut in state revenue sharing. Various budgeted items were pared back to reflect the decrease in funding from the State.
- Net assets for business-type activities increased by approximately \$1.2 million. The Electric Fund is the primary reason for the increase. The increase was a result of the reduction of customers on the economic development rate. This rate was a special incentive given to new customers to assist them in becoming established in the community.
- Other utility operations continue to show stable and consistent growth. Rates were increased for the Water and Wastewater Funds to fund future expansion and capital improvements and to cover cost of service. Telecommunications services have continued to grow as the demand for additional telecommunication services has increased.
- As indicated above, state revenue sharing has been cut by the State of Michigan for the second year in a row. The City is now receiving revenue sharing equal to that received in fiscal year 1999.

### **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 a 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	
	2004	2003	2004	2003	2004	2003
Assets	\$ 9,462,975	\$ 9,845,735	\$ 64,319,335	\$ 63,037,042	\$ 73,782,310	\$ 72,882,777
Liabilities	3,887,281	4,865,337	27,911,608	27,809,164	31,798,889	32,674,501
Fund Equity						
Investment in capital, net of related debt	-	-	20,173,640	20,047,810	20,173,640	20,047,810
Retained Earnings						
Restricted	-	-	3,556,371	3,580,581	3,556,371	3,580,581
Unreserved	-	-	12,677,716	11,599,487	12,677,716	11,599,487
Fund Balances						
Reserved	924,787	1,118,613	-	-	924,787	1,118,613
Unreserved - Designated	-	-	-	-	-	-
Unreserved - Undesignated	4,650,907	3,861,785	-	-	4,650,907	3,861,785
Total fund equity	<b>\$ 5,575,694</b>	<b>\$ 4,980,398</b>	<b>\$ 36,407,727</b>	<b>\$ 35,227,878</b>	<b>\$ 41,983,421</b>	<b>\$ 40,208,276</b>

The following table shows, in a condensed format, the net assets as of the current date as required by GASB 34 stated under the full accrual basis. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

	Governmental Activities		Business-type Activities	
	2004	2003	2004	2003
Current and other assets	\$ 9,462,971	\$ 9,763,507	\$ 18,216,816	\$ 17,306,213
Capital assets	18,087,454	18,429,184	44,014,302	44,472,003
Total assets	27,550,425	28,192,691	62,231,118	61,778,216
Long-term debt outstanding	4,245,984	4,812,615	21,681,415	22,376,683
Other liabilities	963,259	1,233,143	4,141,976	4,173,655
Total liabilities	5,209,243	6,045,758	25,823,391	26,550,338
Net assets				
Invested in capital assets net of related debt	13,764,089	13,518,007	21,330,496	21,165,395
Restricted	924,787	1,118,613	3,556,371	3,580,581
Unrestricted	7,652,306	7,510,313	11,520,860	10,481,902
Total net assets	<b>\$ 22,341,182</b>	<b>\$ 22,146,933</b>	<b>\$ 36,407,727</b>	<b>\$ 35,227,878</b>

# 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	
	2004	2003	2004	2003	2004	2003
<b>Revenue</b>						
Property taxes and special assessments	\$ 3,744,158	\$ 3,698,000	\$ -	\$ -	\$ 3,744,158	\$ 3,698,000
Licenses and permits	154,183	97,527	-	-	154,183	97,527
Federal grants	25,014	286,434	-	-	25,014	286,434
State-shared revenues	1,928,518	2,056,811	-	-	1,928,518	2,056,811
State grants	72,276	78,296	-	-	72,276	78,296
Charges for services	709,779	612,532	29,227,459	28,419,226	29,937,238	29,031,758
Fines and forfeitures	-	52,345	-	-	-	52,345
Interest income	379,086	402,367	136,967	2,133,635	516,053	2,536,002
Other	290,673	58,883	-	-	290,673	58,883
Rents and royalties	1,752,913	2,001,039	-	-	1,752,913	2,001,039
Sale of fixed assets and land	-	347,267	248,941	110,411	248,941	457,678
Contribution from private sources	4,604	12,537	-	-	4,604	12,537
Total revenue	9,061,204	9,704,038	29,613,367	30,663,272	40,367,310	40,367,310
<b>Program Expenses</b>						
General government	1,218,264	1,068,649	-	-	1,218,264	1,068,649
Public safety	2,942,293	2,838,608	-	-	2,942,293	2,838,608
Public works	1,952,045	2,444,632	-	-	1,952,045	2,444,632
Recreation and culture	978,891	1,675,132	-	-	978,891	1,675,132
Planning	120,232	252,615	-	-	120,232	252,615
Economic development	156,239	77,008	-	-	156,239	77,008
Retirement contributions	-	196,150	-	-	-	196,150
Other	370,823	468,379	-	-	370,823	468,379
Capital outlay	18,663	366,126	-	-	18,663	366,126
Debt service	822,838	859,414	-	-	822,838	859,414
Purchased power	-	-	16,143,003	15,584,609	16,143,003	15,584,609
Power plant	-	-	490,988	493,208	490,988	493,208
Distribution	-	-	2,944,801	2,701,446	2,944,801	2,701,446
Substation	-	-	109,920	67,261	109,920	67,261
Sanitation	-	-	311,215	341,796	311,215	341,796
Metering/lighting	-	-	328,562	321,994	328,562	321,994
Wells	-	-	80,648	83,346	80,648	83,346
Treatment	-	-	967,394	891,549	967,394	891,549
Collection systems	-	-	150,899	154,756	150,899	154,756
Customer service	-	-	111,049	68,354	111,049	68,354
Billing, accounting, collections and administration and general	-	-	1,719,369	2,014,417	1,719,369	2,014,417
Payments in lieu of taxes	-	-	1,535,640	1,449,446	1,535,640	1,449,446
Depreciation and amortization	-	-	2,323,316	2,139,336	2,323,316	2,139,336
Loss on sale of fixed assets	-	-	-	54,373	-	54,373
Interest expense	-	-	1,218,840	1,259,461	1,218,840	1,259,461
Total expenses	8,580,288	10,246,713	28,435,644	27,625,352	37,015,932	37,872,065
<b>Excess (Deficiency) of Revenue Over Expenditures</b>	<b>\$ 480,916</b>	<b>\$ (542,675)</b>	<b>\$ 1,177,723</b>	<b>\$ 3,037,920</b>	<b>\$ 3,351,378</b>	<b>\$ 2,495,245</b>

# City of Coldwater

## Management's Discussion and Analysis (Continued)

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

	Governmental Activities		Business-type Activities	
	2004	2003	2004	2003
<b>Revenues</b>				
Program revenues				
Charges for services	\$ 866,180	\$ 1,410,053	\$ 29,227,459	\$ 28,419,226
Operating grants and contributions	1,063,620	1,157,602	-	-
Capital grants and contributions	59,303	293,521	-	-
General revenues				
Property taxes	3,367,196	3,238,251	-	-
State-shared revenues	1,034,308	1,091,601	-	-
Unrestricted investment earnings	379,086	364,124	123,335	2,133,635
Miscellaneous	115,386	59,793	176,403	56,038
Payments in lieu	1,550,005	1,461,319	-	-
Total revenues	8,435,084	9,076,264	29,527,197	30,608,899
<b>Expenses</b>				
General government	1,756,079	1,423,629	-	-
Public safety	2,974,467	2,833,019	-	-
Public works	2,141,846	2,167,742	-	-
Community/economic development	328,683	429,042	-	-
Recreation and culture	806,618	859,562	-	-
Interest on long-term debt	235,026	251,928	-	-
Electric	-	-	21,319,056	20,768,021
Telecommunications	-	-	3,046,415	2,772,903
Water	-	-	1,777,171	1,783,101
Rubbish	-	-	323,721	346,852
Waste water	-	-	1,883,111	1,900,102
Total expenses	8,242,719	7,964,922	28,349,474	27,570,979
Increase in net assets	<b>\$ 192,365</b>	<b>\$ 1,111,342</b>	<b>\$ 1,177,723</b>	<b>\$ 3,037,920</b>

### Governmental Activities

The City's General Fund revenues decreased by approximately \$160,000 compared to the fiscal year ended June 30, 2003. This is approximately \$385,000 less than the revenues received at June 30, 2002 (Net of GASB 34 changes and internal accounting changes). The driving force behind reduced revenues correlates to decreased state revenue sharing. State revenue sharing has dropped from approximately \$1,240,000 for fiscal year June 30, 2002 to \$1,040,000 in the current fiscal year. This decrease along with decreased federal grant income and a decline in building permits are the major factors contributing to the decline in General Fund revenues.

Fortunately, the City has been able to avoid Headlee millage rollbacks for the last two years. Property tax revenue increased marginally in comparison with prior years as a result of minimal growth. The General Fund does continue to benefit from the growth of the utility operations through payments in lieu of taxes based on gross utility revenues.

Because of the decreased revenue and overall economic outlook of the State of Michigan, the City Council has taken a very conservative fiscal outlook. Council has downsized several projects and put other capital projects on hold. To further reduce costs two employee positions resulting from retirement were not filled.

In order to maintain the current fund balance the City Council also adopted a conservative budget for the fiscal year ending June 30, 2005. Until the Michigan economy recovers, the City will work to maintain its current programs and services, while maintaining appropriate reserves.

### Business-type Activities

The City's business-type activities consist of the Electric, Water, Wastewater, Telecommunications and Sanitation services. The utilities increased total net assets by approximately \$1.2 million. Consistent with prior years, the bulk of this increase was due to the electric fund. A concerted effort is being made to increase reserve balances to prepare for future capital expenditures. A capital improvement plan has been developed that will utilize these additional resources to minimize the cost of borrowing in the future.

Rate increases have been implemented in both the Water and Wastewater Funds. The rate increases will provide for future capital needs of the system and improve the financial reserves. Revenue bonds were sold subsequent to the end of the year for the wastewater fund to make improvements the State of Michigan mandated at the wastewater treatment plant.

The Telecommunications Fund revenue increased by approximately \$211,000. This increase is the continued result of adding additional services such as wireless internet and expanding its service area to adjacent townships. Even with this significant growth, a concerted effort has been made to contain expenditures and avoid the addition of staff.

### 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.

# City of Coldwater

## Management's Discussion and Analysis (Continued)

### The City's Funds

Our analysis of the City's major funds begins on page 12, 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, 2004 include the General Fund, Revolving Development Fund, Capital Improvement Fund and the Coldwater Municipal Building Authority 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.

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

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.

### General Fund Budgetary Highlights

As shown in the required supplemental information, the City's amended budget shows a deficit of \$202,160. Actual operating results ended up as a surplus of \$102,115, a difference of \$304,275. The significant budget-to-actual differences are as follows:

- Federal grant income was lower than the original budget due to the downtown apartment grant program being delayed into the June 30, 2005 fiscal year.
- State shared revenue based on original estimates from the State of Michigan was initially estimated to be \$66,000 higher. The City amended the budget to reflect the decrease in statutory revenue sharing during the year.
- Charges for services originally included revenues for the Rubbish fund that were accounted for in a separate fund due to GASB 34.
- Recording the actual cost of retirement increased the total expenditures for all General Fund line items. In the past, retirement costs were accounted for in the Retirement Fund. Starting with the beginning of the fiscal year these expenditures were recorded in the individual departments and a corresponding operating transfer was recorded from the Retirement Fund. This produces a net zero effect on the change in fund balance, but does correctly state the true cost of operations. This change was reflected in a budget amendment during the fiscal year.
- The original planning budget was amended to reflect the downtown apartment grant project being delayed.
- The Public Works original budget was amended to reflect the change in accounting for the Rubbish Fund as noted above.
- Recreational and cultural expenditures were increased by budget amendments to reflect the completion of the remodeling of the Heritage Service Building in fiscal year June 30, 2004 that was originally supposed to be completed in the prior fiscal year.
- Operating transfers in of \$200,000 reflect the contributions from the Retirement Fund to fund the cost of retirement expenditures as discussed above.
- Budget amendments were made to operating transfers out as various projects were scaled back or put on hold due to the decrease in statutory revenue sharing.

# City of Coldwater

## Management's Discussion and Analysis (Continued)

### Capital Asset and Debt Administration

With the continuing decline in the Michigan economy and resulting tax revenue, no major capital projects were completed during the year. The significant projects that were completed during the fiscal year were items that were not completed in the June 30, 2003 fiscal year. These included \$80,000 for the skate park, \$70,000 for the Heritage Service Building and \$54,000 to complete the purchase of additional park land. Various equipment expenditures were made to upgrade police cars and street equipment during the year as well.

All of these capital additions were financed with reserve funds. No additional bonded indebtedness was incurred.

For business-type activities there were several capital items purchased for the various utility funds. In the Electric Fund \$380,000 was spent on capital projects. The most significant items included an aerial bucket truck and the addition of a storage barn. A total of \$970,000 was spent for capital items in the Telecommunications fund with the majority committed to the launch of digital television service and expand the system into the adjacent townships. No significant capital projects were incurred for the Water or Wastewater Funds.

The Telecommunications Fund did enter into installment purchase contracts to finance its expansion and capital costs. Remaining capital costs were financed through operations.

Subsequent to the end of the year the City issued revenue bonds for the Electric and Wastewater Funds to fund various capital projects. The electric bond issue was for \$2,315,000 and the wastewater bond issue \$1,375,000.

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

The adopted budget for the fiscal year ending June 30, 2005 continues to reflect the current Michigan economy. Additional State budget cuts are expected to slash the City's statutory revenue sharing. The City Council has maintained its policy of fiscal conservatism while providing the citizens of Coldwater quality services.

A small surplus has been budgeted for the June 30, 2005 fiscal year. However, various capital projects, equipment purchases, staffing requests and programs have been reduced, eliminated or remain vacant in order to keep expenditures down.

Utility rate increases are scheduled for the Water and Wastewater Funds to increase cash reserves, meet debt service coverage and match the cost of providing these services. Rate studies have shown both of these funds need rate increases to achieve these goals.

The City continues to contract economic development services through the Branch County Economic Growth Alliance. The City is hoping to attract significant commercial and industrial development to spur the local economy.

### 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, we welcome you to contact the Clerk's office.

# City of Coldwater

## Statement of Net Assets (Deficit) June 30, 2004

	Primary Government		Total	Component Units
	Governmental Activities	Business-type Activities		
<b>Assets</b>				
Cash and investments (Note 2)	\$ 4,535,951	\$ 3,368,013	\$ 7,903,964	\$ 740,375
Receivables - Special assessments	1,537,500	-	1,537,500	-
Customers	162,535	3,272,489	3,435,024	-
Loans and other	1,161,566	-	1,161,566	61,754
Due from others	323,122	-	323,122	-
Prepaid costs and other assets	-	83,247	83,247	-
Inventories	-	94,485	94,485	-
Unamortized bond costs	-	971,991	971,991	-
Investment in South Central Power Agency (Note 11)	-	7,687,730	7,687,730	-
Internal balances	817,510	(817,510)	-	-
Restricted assets (Note 7)	924,787	3,556,371	4,481,158	-
Capital assets - Net (Note 4)	18,087,454	44,014,302	62,101,756	899,768
<b>Total assets</b>	<b>27,550,425</b>	<b>62,231,118</b>	<b>89,781,543</b>	<b>1,701,897</b>
<b>Liabilities</b>				
Accounts payable	193,623	1,473,463	1,667,086	59,122
Accrued and other liabilities	172,307	1,326,776	1,499,083	-
Due to others	4,769	-	4,769	656,603
Notes payable: (Note 6)				
Due within one year	592,560	1,341,737	1,934,297	173,966
Due in more than one year	3,730,805	21,342,069	25,072,874	995,455
Employee absences	515,179	339,346	854,525	-
<b>Total liabilities</b>	<b>5,209,243</b>	<b>25,823,391</b>	<b>31,032,634</b>	<b>1,885,146</b>
<b>Net Assets (Deficit)</b>				
Invested in capital assets - Net of related debt	13,764,089	21,330,496	35,094,585	116,821
Restricted:				
Debt service	-	3,146,625	3,146,625	-
Other purposes	924,787	409,746	1,334,533	-
Unrestricted	7,652,306	11,520,860	19,173,166	(300,070)
<b>Total net assets (deficit)</b>	<b>\$ 22,341,182</b>	<b>\$ 36,407,727</b>	<b>\$ 58,748,909</b>	<b>\$ (183,249)</b>

# City of Coldwater

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,756,079	\$ 430,809	\$ 5,437	\$ -
Public safety	2,974,467	49,069	131,735	-
Public works	2,141,846	239,348	926,323	35,003
Community and economic development	328,683	-	-	24,300
Recreation and culture	806,618	146,954	125	-
Interest on long-term debt	235,026	-	-	-
Total governmental activities	8,242,719	866,180	1,063,620	59,303
Business-type activities:				
Electric	21,319,056	22,316,189	-	-
Telecommunications	3,046,415	2,937,187	-	-
Water	1,777,171	1,711,158	-	-
Rubbish	323,721	418,401	-	-
Waste water	1,883,111	1,844,524	-	-
Total primary government	<b>\$ 36,592,193</b>	<b>\$ 30,093,639</b>	<b>\$ 1,063,620</b>	<b>\$ 59,303</b>
Component units:				
Downtown Development Authority	\$ 433,929	\$ 9,090	\$ 306,977	\$ -
Local Development Authority	241,798	-	-	-
Total component units	<b>\$ 675,727</b>	<b>\$ 9,090</b>	<b>\$ 306,977</b>	<b>\$ -</b>

General revenues:  
 Property taxes  
 State-shared revenues  
 Unrestricted investment earnings  
 Miscellaneous  
 Gain on sale  
 Transfers  
 Payments in lieu of taxes  
 Total general revenues and transfers

**Change in Net Assets**

**Net Assets** - Beginning of year

**Net Assets** - End of year

## Statement of Activities Year Ended June 30, 2004

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (1,319,833)	\$ -	\$ (1,319,833)	\$ -
(2,793,663)	-	(2,793,663)	-
(941,172)	-	(941,172)	-
(304,383)	-	(304,383)	-
(659,539)	-	(659,539)	-
(235,026)	-	(235,026)	-
<u>(6,253,616)</u>	<u>-</u>	<u>(6,253,616)</u>	<u>-</u>
-	997,133	997,133	-
-	(109,228)	(109,228)	-
-	(66,013)	(66,013)	-
-	94,680	94,680	-
-	(38,587)	(38,587)	-
<u>(6,253,616)</u>	<u>877,985</u>	<u>(5,375,631)</u>	<u>\$ -</u>
			\$ (117,862)
			<u>(241,798)</u>
			(359,660)
3,367,196	-	3,367,196	385,747
1,034,308	-	1,034,308	-
379,086	123,335	502,421	13,577
115,386	176,403	291,789	-
4,010	-	4,010	-
(2,126)	2,126	-	-
1,550,005	-	1,550,005	-
<u>6,447,865</u>	<u>301,864</u>	<u>6,749,729</u>	<u>399,324</u>
194,249	1,179,849	1,374,098	39,664
22,146,933	35,227,878	57,374,811	(222,913)
<u>\$ 22,341,182</u>	<u>\$ 36,407,727</u>	<u>\$ 58,748,909</u>	<u>\$ (183,249)</u>

# City of Coldwater

## Governmental Funds Balance Sheet June 30, 2004

	General	Revolving Development Fund	Capital Improvement Fund	Other Non-major Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and investments	\$ 1,764,731	\$ 929,487	\$ 987,796	\$ 853,936	\$ 4,535,950
Receivables:					
Customers	162,535	-	-	-	162,535
Special assessments	-	-	1,483,083	54,418	1,537,501
Loans	412,947	1,566,129	-	-	1,979,076
Due from other governmental units	148,232	-	-	174,894	323,126
Restricted assets	-	-	-	924,787	924,787
<b>Total assets</b>	<b>\$ 2,488,445</b>	<b>\$ 2,495,616</b>	<b>\$ 2,470,879</b>	<b>\$ 2,008,035</b>	<b>\$ 9,462,975</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 178,052	\$ -	\$ -	\$ 15,576	\$ 193,628
Accrued and other liabilities	172,306	-	-	-	172,306
Due to others	4,769	-	-	-	4,769
Deferred revenue	412,947	1,566,130	1,483,083	54,418	3,516,578
<b>Total liabilities</b>	<b>768,074</b>	<b>1,566,130</b>	<b>1,483,083</b>	<b>69,994</b>	<b>3,887,281</b>
<b>Fund Balances</b>					
Reserved (Note 7)	-	-	-	924,787	924,787
Unreserved, reported in:					
General Fund	1,720,371	-	-	-	1,720,371
Special Revenue Funds	-	929,486	-	742,277	1,671,763
Capital Projects Funds	-	-	987,796	270,977	1,258,773
<b>Total fund balances</b>	<b>1,720,371</b>	<b>929,486</b>	<b>987,796</b>	<b>1,938,041</b>	<b>5,575,694</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,488,445</b>	<b>\$ 2,495,616</b>	<b>\$ 2,470,879</b>	<b>\$ 2,008,035</b>	<b>\$ 9,462,975</b>

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds	\$ 18,087,454
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	3,516,578
Long-term liabilities are not due and payable in the current period and are not reported in the funds	<u>(4,838,544)</u>
<b>Net assets of governmental activities</b>	<b><u>\$ 22,341,182</u></b>

# City of Coldwater

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2004

	General	Revolving Development Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenue</b>					
Property taxes and special assessments	\$ 3,253,572	\$ -	\$ 446,994	\$ 43,592	\$ 3,744,158
Licenses and permits	154,183	-	-	-	154,183
Federal grants	25,014	-	-	-	25,014
State-shared revenues	1,034,308	-	-	894,210	1,928,518
State grants	40,163	-	-	32,113	72,276
Charges for services	703,608	-	-	6,171	709,779
Interest income	85,686	155,681	113,375	24,344	379,086
Rents and royalties	1,565,443	-	-	187,470	1,752,913
Contributions from private sources	3,471	-	-	1,133	4,604
Other	77,897	212,109	-	667	290,673
<b>Total revenue</b>	<b>6,943,345</b>	<b>367,790</b>	<b>560,369</b>	<b>1,189,700</b>	<b>9,061,204</b>
<b>Expenditures</b>					
General government	1,218,264	-	-	-	1,218,264
Public safety	2,942,293	-	-	-	2,942,293
Public works	1,333,746	-	-	618,299	1,952,045
Recreation and culture	978,891	-	-	-	978,891
Planning	120,232	-	-	-	120,232
Economic development	-	156,239	-	-	156,239
Other	349,982	-	-	20,841	370,823
Capital outlay	-	-	-	18,663	18,663
Debt service	190,386	-	407,563	224,889	822,838
<b>Total expenditures</b>	<b>7,133,794</b>	<b>156,239</b>	<b>407,563</b>	<b>882,692</b>	<b>8,580,288</b>
<b>Excess (Deficiency) of Revenue Over Expenditures</b>	<b>(190,449)</b>	<b>211,551</b>	<b>152,806</b>	<b>307,008</b>	<b>480,916</b>
<b>Other Financing Sources (Uses)</b>					
Sale of fixed assets and land	116,506	-	-	-	116,506
Transfers in	194,708	-	-	125,505	320,213
Transfers out	(18,650)	-	-	(303,689)	(322,339)
<b>Total other financing sources</b>	<b>292,564</b>	<b>-</b>	<b>-</b>	<b>(178,184)</b>	<b>114,380</b>
<b>Change in Fund Balances</b>	<b>102,115</b>	<b>211,551</b>	<b>152,806</b>	<b>128,824</b>	<b>595,296</b>
<b>Fund Balances - Beginning of year</b>	<b>1,618,256</b>	<b>717,935</b>	<b>834,990</b>	<b>1,809,217</b>	<b>4,980,398</b>
<b>Fund Balances - End of year</b>	<b>\$ 1,720,371</b>	<b>\$ 929,486</b>	<b>\$ 987,796</b>	<b>\$ 1,938,041</b>	<b>\$ 5,575,694</b>

# City of Coldwater

## Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2004

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ 595,296
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	689,922
Transfer of rubbish assets from General Fixed Asset Account to the Rubbish Enterprise fund, gain (loss) reported on the Fund based statements and excluded from the Government-wide	(107,500)
Removal of net accrued interest receivable and payable recorded in prior year	9,951
Depreciation	(924,152)
Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end	(631,121)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	587,812
Increase in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	<u>(25,959)</u>
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ 194,249</u></b>

## Proprietary Funds Statement of Net Assets June 30, 2004

	Electric Fund	Telecommunications Fund	Water Fund	Waste Water Fund	Non-major - Rubbish Fund	Total
<b>Assets</b>						
Current assets:						
Cash and cash equivalents	\$ 2,131,461	\$ 22,169	\$ 93,636	\$ 1,045,355	\$ 75,392	\$ 3,368,013
Receivables - Net	2,701,590	159,529	183,793	204,285	23,292	3,272,489
Inventories	33,313	-	61,172	-	-	94,485
Due from other funds	823,591	-	215,976	231,143	-	1,270,710
Prepaid costs and other assets	21,291	37,163	12,610	12,179	-	83,243
<b>Total current assets</b>	<b>5,711,246</b>	<b>218,861</b>	<b>567,187</b>	<b>1,492,962</b>	<b>98,684</b>	<b>8,088,940</b>
Noncurrent assets:						
Unamortized bond costs	274,982	-	498,036	198,974	-	971,992
Investment in South Central Power Agency	7,687,730	-	-	-	-	7,687,730
Restricted assets	1,358,563	721,862	395,718	1,080,228	-	3,556,371
Capital assets	15,684,193	7,563,345	8,963,401	11,708,369	94,994	44,014,302
<b>Total noncurrent assets</b>	<b>25,005,468</b>	<b>8,285,207</b>	<b>9,857,155</b>	<b>12,987,571</b>	<b>94,994</b>	<b>56,230,395</b>
<b>Total assets</b>	<b>30,716,714</b>	<b>8,504,068</b>	<b>10,424,342</b>	<b>14,480,533</b>	<b>193,678</b>	<b>64,319,335</b>
<b>Liabilities</b>						
Current liabilities:						
Accounts payable	1,257,037	114,250	64,950	35,275	1,952	1,473,464
Accrued and other liabilities	906,507	116,610	128,087	174,538	1,030	1,326,772
Due to other funds	-	1,163,040	107,670	-	-	1,270,710
Current portion of long-term debt	405,000	246,737	255,000	435,000	-	1,341,737
<b>Total current liabilities</b>	<b>2,568,544</b>	<b>1,640,637</b>	<b>555,707</b>	<b>644,813</b>	<b>2,982</b>	<b>5,412,683</b>
Noncurrent liabilities:						
Long-term debt - Net of current portion	7,720,370	5,344,766	4,563,792	4,869,997	-	22,498,925
<b>Total liabilities</b>	<b>10,288,914</b>	<b>6,985,403</b>	<b>5,119,499</b>	<b>5,514,810</b>	<b>2,982</b>	<b>27,911,608</b>
<b>Net Assets (Deficit)</b>						
Investment in capital assets - Net of related debt	7,558,823	1,971,842	4,144,609	6,403,372	94,994	20,173,640
Restricted - debt retirement	1,358,563	721,862	395,718	1,080,228	-	3,556,371
Unrestricted	11,510,414	(1,175,039)	764,516	1,482,123	95,702	12,677,716
<b>Total net assets</b>	<b>\$ 20,427,800</b>	<b>\$ 1,518,665</b>	<b>\$ 5,304,843</b>	<b>\$ 8,965,723</b>	<b>\$ 190,696</b>	<b>\$ 36,407,727</b>

# City of Coldwater

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2004

	Electric Fund	Telecommunications Fund	Water Fund	Waste Water Fund	Non-major - Rubbish Fund	Total
<b>Operating Revenue</b>						
Charges for services	\$ 22,316,189	\$ 2,937,187	\$ 1,711,158	\$ 1,844,524	\$ 418,401	\$ 29,227,459
<b>Operating Expenses</b>						
Purchased power	16,143,003	-	-	-	-	16,143,003
Power plant	490,988	-	-	-	-	490,988
Distribution	841,704	1,825,305	277,792	-	-	2,944,801
Substation	109,920	-	-	-	-	109,920
Sanitation	-	-	-	-	311,215	311,215
Metering/lighting	328,562	-	-	-	-	328,562
Wells	-	-	80,648	-	-	80,648
Treatment	-	-	381,103	586,291	-	967,394
Collection systems	-	-	-	150,899	-	150,899
Customer service	111,049	-	-	-	-	111,049
Billing, accounting, collections and administration and general	711,614	411,090	303,697	292,968	-	1,719,369
Payments in lieu of taxes	1,263,960	66,936	96,132	108,612	-	1,535,640
Depreciation and amortization	914,043	446,721	406,488	543,558	12,506	2,323,316
Total operating expenses	<u>20,914,843</u>	<u>2,750,052</u>	<u>1,545,860</u>	<u>1,682,328</u>	<u>323,721</u>	<u>27,216,804</u>
<b>Operating Income</b>	1,401,346	187,135	165,298	162,196	94,680	2,010,655
<b>Nonoperating Revenue (Expenses)</b>						
Investment income	95,371	13,632	2,847	25,117	-	136,967
Interest expense	(450,557)	(296,363)	(231,315)	(240,605)	-	(1,218,840)
Miscellaneous	134,712	20,702	34,690	58,837	-	248,941
Total nonoperating revenue (expenses)	<u>(220,474)</u>	<u>(262,029)</u>	<u>(193,778)</u>	<u>(156,651)</u>	<u>-</u>	<u>(832,932)</u>
<b>Income (Loss) before transfers</b>	1,180,872	(74,894)	(28,480)	5,545	94,680	1,177,723
Transfers from other funds	-	-	-	-	2,126	2,126
<b>Change in net assets</b>	1,180,872	(74,894)	(28,480)	5,545	96,806	1,179,849
Net Assets - Beginning of year	<u>19,246,928</u>	<u>1,593,559</u>	<u>5,333,323</u>	<u>8,960,178</u>	<u>93,890</u>	<u>35,227,878</u>
<b>Net Assets - End of year</b>	<u>\$ 20,427,800</u>	<u>\$ 1,518,665</u>	<u>\$ 5,304,843</u>	<u>\$ 8,965,723</u>	<u>\$ 190,696</u>	<u>\$ 36,407,727</u>

# City of Coldwater

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2004

	Electric Fund	Telecommunications Fund	Water Fund	Waste Water Fund	Non-major - Rubbish Fund	Total
<b>Cash Flows from Operating Activities</b>						
Cash received from customers	\$ 21,812,103	\$ 2,958,411	\$ 1,529,191	\$ 1,664,704	\$ 488,999	\$ 28,453,408
Payments made to suppliers	(19,267,371)	(831,800)	(626,136)	(769,100)	(259,467)	(21,753,874)
Payments made to employees	(986,135)	(625,850)	(399,633)	(372,930)	(48,766)	(2,433,314)
Net cash provided by operating activities	1,558,597	1,500,761	503,422	522,674	180,766	4,266,220
<b>Cash Flows from Capital and Related Financing Activities</b>						
Principal and interest paid on capital debt	(843,713)	(504,455)	(486,441)	(652,603)	-	(2,487,212)
Proceeds for issuance of bonds	-	654,883	-	-	-	654,883
Purchase of capital assets	(174,588)	(1,617,395)	35,589	85,500	(107,500)	(1,778,394)
Transfers	-	-	-	-	2,126	2,126
Net cash used in capital and related financing activities	(1,018,301)	(1,466,967)	(450,852)	(567,103)	(105,374)	(3,608,597)
<b>Cash Flows from Investing Activities</b>						
Interest received on investments	95,371	13,632	2,847	25,117	-	136,967
Change in investments	25,215	-	24,901	(11,965)	-	38,151
Net cash provided by (used in) investing activities	120,586	13,632	27,748	13,152	-	175,118
<b>Net Increase in Cash and Cash Equivalents</b>	<b>660,882</b>	<b>47,426</b>	<b>80,318</b>	<b>(31,277)</b>	<b>75,392</b>	<b>832,741</b>
<b>Cash and Cash Equivalents - Beginning of year</b>	<b>1,265,425</b>	<b>696,605</b>	<b>13,318</b>	<b>666,680</b>	<b>-</b>	<b>2,642,028</b>
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 1,926,307</b>	<b>\$ 744,031</b>	<b>\$ 93,636</b>	<b>\$ 635,403</b>	<b>\$ 75,392</b>	<b>\$ 3,474,769</b>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>						
Cash and investments	\$ 2,131,461	\$ 22,169	\$ 93,636	\$ 1,045,355	\$ 75,392	\$ 3,368,013
Balance Sheet Classification of Cash & Less amounts classified as investments (Note 2)	1,358,563	721,862	395,718	1,080,228	-	3,556,371
	(1,563,717)	-	(395,718)	(1,490,180)	-	(3,449,615)
<b>Total cash and cash equivalents</b>	<b>\$ 1,926,307</b>	<b>\$ 744,031</b>	<b>\$ 93,636</b>	<b>\$ 635,403</b>	<b>\$ 75,392</b>	<b>\$ 3,474,769</b>

## Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2004

### Reconciliation of Operating Income to Net Cash from Operating Activities

Operating income (loss)	\$ 1,401,346	\$ 187,135	\$ 165,298	\$ 162,196	\$ 94,680	\$ 2,010,655
Adjustments to reconcile operating income (loss) to net cash from operating activities:						
Other income	134,712	20,702	34,690	58,837	-	248,941
Depreciation and amortization	914,043	446,721	406,488	543,558	12,506	2,323,316
Changes in assets and liabilities:						
Receivables	(201,483)	522	(681)	(7,514)	(23,292)	(232,448)
Inventories	(1,283)	-	1,599	-	-	316
Prepays and other assets	(10,566)	47,191	(8,606)	(8,005)	-	20,014
Due from's	(437,315)	-	(215,976)	(231,143)	93,890	(790,544)
Accounts payable	(166,207)	(352,176)	29,947	7,088	1,952	(479,396)
Accrueds	(60,890)	1,388	(3,247)	11,417	1,030	(50,302)
Due to's	(13,760)	1,149,278	93,910	(13,760)	-	1,215,668
	<u>\$ 1,558,597</u>	<u>\$ 1,500,761</u>	<u>\$ 503,422</u>	<u>\$ 522,674</u>	<u>\$ 180,766</u>	<u>\$ 4,266,220</u>

# City of Coldwater

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## Fiduciary Funds Balance Sheet June 30, 2004

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	<u>\$ 67,131</u>
<b>Liabilities</b>	
Accounts payable	2,049
Due to other governmental units	<u>65,082</u>
Total liabilities	<u>\$ 67,131</u>

# City of Coldwater

## Component Units Statement of Net Assets June 30, 2004

	Downtown Development Authority	Local Development Finance Authority	Totals
<b>Assets</b>			
Cash and investments	\$ 83,772	\$ 656,603	\$ 740,375
Receivables - Loans and other	61,754	-	61,754
Capital assets	456,865	442,903	899,768
Total assets	602,391	1,099,506	1,701,897
<b>Liabilities</b>			
Accounts payable	59,122	-	59,122
Noncurrent liabilities:			
Due to others	-	656,603	656,603
Notes payable, due within one year	115,000	58,966	173,966
Notes payable, due in more than one year	255,000	740,455	995,455
Total liabilities	429,122	1,456,024	1,885,146
<b>Net Assets (Deficit)</b>			
Investment in capital assets - Net of related debt	86,865	29,956	116,821
Unrestricted	86,404	(386,474)	(300,070)
Total net assets (deficit)	<b>\$ 173,269</b>	<b>\$ (356,518)</b>	<b>\$ (183,249)</b>

# City of Coldwater

## Component Units Statement of Activities Year Ended June 30, 2004

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants/ Contributions	Downtown Development Authority	Local Development Authority	Total
Downtown Development Authority	\$ 433,929	\$ 9,090	\$ 306,977	\$ (117,862)	\$ -	\$ (117,862)
Local Development Finance Authority	<u>241,798</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(241,798)</u>	<u>(241,798)</u>
Total governmental activities	<b><u>\$ 675,727</u></b>	<b><u>\$ 9,090</u></b>	<b><u>\$ 306,977</u></b>	(117,862)	(241,798)	(359,660)
General revenues - Interest				3,226	10,351	13,577
Property taxes				<u>235,544</u>	<u>150,203</u>	<u>385,747</u>
Total general revenues				<u>238,770</u>	<u>160,554</u>	<u>399,324</u>
<b>Change in Net Assets</b>				120,908	(81,244)	39,664
<b>Net Assets (Deficit) - Beginning of year</b>				52,361	(275,274)	(222,913)
<b>Net Assets (Deficit) - End of year</b>				<b><u>\$ 173,269</u></b>	<b><u>\$ (356,518)</u></b>	<b><u>\$ (183,249)</u></b>

### Note 1 - Summary of Significant Accounting Policies

The accounting policies of the City of Coldwater (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Coldwater:

#### Reporting Entity

The City is governed by an elected nine-member Council. As required by generally accepted accounting principles, these financial statements present the City of Coldwater and its component units. The individual component units discussed 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. In addition, the Board's budget, rates and charges are subject to approval by the City Council. 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 component units 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.

- a. 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's governing body, which consists of nine individuals, is selected by the Mayor and City Council. In addition, the Authority's budget is subject to approval by the City Council.
- b. The Local Development Finance Authority (LDFA) was created to provide means and methods for the encouragement and assistance of industry in relocation, 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 Authority's governing body, which consists of nine individuals, is selected by the Mayor with City Council approval. In addition, the Authority's budget is subject to approval by the City Council.
- c. The Coldwater Municipal Building Authority was created for the purpose of financing the site acquisition, construction, furnishing, and equipping municipal buildings. The 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 Authority's governing body, consisting of three individuals, is appointed by the Mayor with City Council approval. The Authority is treated as a blended component unit in accordance with GASB 14.

### Note 1 - Summary of Significant Accounting Policies (Continued)

#### Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) 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, normally 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 the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (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 instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-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

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.

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 the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are 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, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

## Note 1 - Summary of Significant Accounting Policies (Continued)

Those revenues susceptible to accrual are property taxes, special assessments, licenses, interest revenue and charges for services. Sales taxes collected and held by the state at year end on behalf of the government also are recognized as revenue. Fines, permits and parking meter revenues are not susceptible to accrual because generally they are not measurable until received in cash.

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned. Other revenue is recorded when received.

The City reports the following major governmental funds:

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

**Revolving Development Fund** – The purpose of this fund is to loan money to various projects that will improve housing industry or infrastructure of the City. Revenue is derived from interest received on outstanding loans.

**Capital Improvement Fund** – This fund was established to account for capital improvements in the City of Coldwater. The fund includes payment of debt service on special assessment bonds used to finance the various capital projects.

The City reports the following major proprietary funds:

**Electric Fund** – Is a Municipal utility formed by City Charter to generate and distribute electricity. Rates are established by the Board of Public Utilities. The Board consists of five non-partisan members appointed by the Mayor with City Council approval.

**Water Fund** – Is a Municipal utility formed by City Charter to pump and distribute the City water supply. Rates are established by the Board of Public Utilities. The Board consists of five members selected by the Mayor with City Council approval.

**Waste Water Fund** – Is a Municipal utility formed by City Charter to operate and maintain the wastewater collections and treatment. Rates are established by the Board of Public Utilities. The Board consists of five members selected by the Mayor with City Council approval.

## Note 1 - Summary of Significant Accounting Policies (Continued)

**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 function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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.

### Assets, Liabilities, and Net Assets or Equity

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

**Receivables and Payables** – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advance to/from 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."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are assessed December 31 and the related property taxes become a lien on August 1 of the following year. These taxes are due on August 1 with the final collection date of September 15. The taxes are then added to the county tax rolls in March of the following year. The City bills and collects its own property taxes and those of the Coldwater Community Schools, Branch Intermediate School District and Branch County.

**Inventories** – Inventories are valued at cost, on a first-in, first-out basis.

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Capital Assets** – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), 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.

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

Land improvements	40 years
Roads and sidewalks	15 to 20 years
Utility systems	40 to 75 years
Buildings and building improvements	40 to 50 years
Machinery and equipment	5 to 20 years
Vehicles	3 to 5 years
Office furnishings	5 to 7 years
Other tools and equipment	3 to 7 years

**Long-term Obligations** – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

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

### Note 2 - Deposits and Investments

The City's deposits and investments are included on the balance sheet under the following classifications:

Cash and investments	\$ 7,971,095
Restricted assets	<u>4,481,158</u>
Total	<u>\$ 12,452,253</u>

The City's deposits and investments are classified by Governmental Accounting Standards Board Statement No. 3 in the following categories:

Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 6,585,268
Investments in securities, mutual funds, and similar vehicles	5,865,775
Petty cash or cash on hand	<u>1,210</u>
Total	<u>\$ 12,452,253</u>

**Deposits** – The deposits of the City were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at approximately \$5,918,041. Of that amount, approximately \$325,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The federal depository insurance coverage pertains to all deposits of the City; hence, the specific coverage pertaining to component units deposits, if any, is not determinable.

The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution it deposits City funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**Component Units** – The deposits of the City's component units consist of bank deposits totaling \$88,358 and investments of \$652,017. The deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at approximately \$106,314, all of which was covered by federal depository insurance.

### Note 2 - Deposits and Investments (Continued)

**Investments** – The City is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies (of nonpension funds) in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers acceptances and mutual funds and investment pools that are composed of authorized investment vehicles. To the extent that cash from various funds has been pooled in an investment, related investment income is allocated to each fund based on relative participation in the pool, except that Agency Funds' investment earnings are allocated to the General Fund.

The City's investments are categorized below to give an indication of the level of risk assumed by the entity at June 30, 2004. Risk Category 1 includes those investments that meet any one of the following criteria:

- a. Insured
- b. Registered
- c. Held by the City or its agent

Risk Categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the City's name. Category 3 includes investments held by:

- a. The Counterparty or
- b. The Counterparty's trust department (or agent) but not in the City's name

	Category			Reported Amount (Fair Value)
	1	2	3	
U.S. Government Obligations	\$ -	\$ 1,078,944	\$ -	\$ 1,078,944
Total	\$ -	\$ 1,078,944	\$ -	1,078,944
Bank investment pools				4,786,831
Total				\$ 5,865,775

The bank investment pools are held by the Trust Department of the bank, and are regulated by the Michigan Banking Act. They are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that these investments comply with the investment authority noted above.

### Note 2 - Deposits and Investments (Continued)

Included in the City's investments at June 30, 2004 are the following:

Approximately \$627,000 of securities are issued by the Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA) and the Federal Home Loan Bank (FHLB). These investments are backed by the full faith and credit of the U.S. government. The yields provided by these mortgage-related securities historically have exceeded the yields on other types of U.S. government securities with comparable maturities, in large measure due to the potential for prepayment. Prepayment could result in difficulty in reinvesting and prepaid amounts in investments with comparable yields.

### Note 3 - Stewardship, Compliance, and Accountability

The annual budget is prepared by the City management and adopted by the City Council; subsequent amendments are approved by the City Council. Unexpended appropriations lapse at year-end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2004 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with generally accepted accounting principles.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the City Council) for the General Fund and Major Special Revenue Fund is presented as Required Supplemental Information.

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

	Budget	Actual
Special Revenue - Revolving Development Fund	\$ 63,000	\$ 156,239

The Local Development Finance Authority reported a net deficit in the Government-wide financial statements stated under the requirement of GASB 34. The LDFA, as accounted for under the modified accrual basis, has a positive fund balance for the year ended June 30, 2004.

### Note 4 - Capital Assets

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

Governmental Activities	As Amended			Balance June 30, 2004
	Balance July 1, 2003	Additions	Disposals	
Capital assets not being depreciated:				
Land	\$ 401,072	\$ 54,410	\$ -	\$ 455,482
Capital assets being depreciated:				
Roads and sidewalks	9,229,505	155,418	-	9,384,923
Land improvements	663,883	-	-	663,883
Buildings and improvements	10,692,946	113,610	-	10,806,556
Vehicles	1,408,828	152,658	(114,950)	1,446,536
Other tools and equipment	792,614	213,826	(47,597)	958,843
Subtotal	22,787,776	635,512	(162,547)	23,260,741
Accumulated depreciation:				
Roads and sidewalks	2,353,545	443,673	-	2,797,218
Land improvements	196,232	7,008	-	203,240
Buildings and improvements	983,495	274,375	-	1,257,870
Vehicles	640,898	114,236	(11,495)	743,639
Other tools and equipment	585,494	84,860	(43,552)	626,802
Subtotal	4,759,664	924,152	(55,047)	5,628,769
Net capital assets being depreciated	18,028,112	(288,640)	(107,500)	17,631,972
Net capital assets	\$ 18,429,184	\$ (234,230)	\$ (107,500)	\$ 18,087,454
<b>Business-type Activities</b>				
Capital assets not being depreciated:				
Land	\$ 101,124	\$ -	\$ -	\$ 101,124
Capital assets being depreciated:				
Utility systems	37,420,101	1,211,512	-	38,631,613
Buildings	18,300,918	35,321	-	18,336,239
Machinery and equipment	7,634,333	573,065	(124,462)	8,082,936
Subtotal	63,355,352	1,819,898	(124,462)	65,050,788
Accumulated depreciation:				
Electric	8,865,790	892,320	(82,485)	9,675,625
Telecommunications	1,731,560	441,619	(6,962)	2,166,217
Water	3,311,913	364,986	(11,208)	3,665,691
Waste water	5,075,210	511,121	(23,807)	5,562,524
Rubbish	-	67,553	-	67,553
Subtotal	18,984,473	2,277,599	(124,462)	21,137,610
Net capital assets being depreciated	44,370,879	(457,701)	-	43,913,178
Net capital assets	\$ 44,472,003	\$ (457,701)	\$ -	\$ 44,014,302

### Note 4 - Capital Assets (Continued)

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

Governmental activities:

General government	\$	681,387
Public safety		103,410
Public works		80,365
Recreation and culture		<u>58,990</u>
Total governmental activities	\$	<u>924,152</u>

Business-type activities:

Water	\$	364,986
Sewer		511,121
Telecommunications		441,619
Electric		892,320
Rubbish		<u>67,553</u>
Total business-type activities	\$	<u>2,277,599</u>

The component units' capital assets at June 30, 2004 consist of the following:

Land	\$	715,522
Building		<u>226,096</u>
Subtotal		941,618
Less accumulated depreciation		<u>(41,849)</u>
Net carrying amount	\$	<u>899,769</u>

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

### Note 5 - Interfund Receivables

The following are the interfund receivables at June 30, 2004:

<u>Fund due to:</u>	<u>Fund due from:</u>	<u>Amount</u>
Electric fund	Water fund	\$ 107,670
Electric fund	Telecommunications fund	<u>715,921</u>
	Total Electric fund	823,591
Wastewater fund	Telecommunications fund	231,143
Water fund	Telecommunications fund	<u>215,976</u>
	Total due from other funds	<u>\$ 1,270,710</u>

Interfund receivable balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are comprised of the following:

<u>Fund providing resources:</u>	<u>Fund receiving resources:</u>	<u>Amount</u>
General Fund	Local roads fund	\$ 18,650
Major street fund	Local roads fund	100,000
Retirement fund	General Fund	194,708
Retirement fund	Major street fund	3,459
Retirement fund	Local roads fund	2,730
Retirement fund	Parking Authority fund	666
Retirement fund	Rubbish fund	<u>2,126</u>
	Total interfund transfers	<u>\$ 322,339</u>

The transfers from the General Fund to the local street funds represent the use of unrestricted resources to finance those programs, in accordance with budgetary authorizations; the transfer from the major streets fund to the local streets fund represents the sharing of gas and weight tax revenues, in accordance with Act 51; the transfers from the Retirement fund to the General fund, Major street fund, Local roads fund, Parking Authority fund, and the Rubbish fund represents the distribution of retirement funds.

### Note 6 - Long-term Debt

#### Outstanding Debt

The following is a summary of the debt outstanding of the City as of June 30, 2004:

#### Governmental Activities:

1998 special assessment bonds payable at interest rates of 4.50% to 5.00%, principal payments of \$65,000 due annually on March 1, concluding in 2007	\$ 260,000
1998 general obligation limited tax bonds payable at interest rates of 4.60% to 4.8%, principal payments of \$10,000 to \$20,000 due annually on March 1, concluding in 2007	60,000
1999 special assessment bonds payable at interest rates of 4.00% to 4.50%, principal payments of \$15,000 to \$40,000 due annually on March 1, concluding in 2009	155,000
1999 special assessment bonds payable at interest rates of 4.90% to 5.15%, principal payments of \$35,000 due annually on March 1, concluding in 2009	175,000
1999 special assessment bonds payable at interest rates of 4.50% to 5.00%, principal payments of \$100,000 to \$105,000 due annually on March 1, concluding in 2009	505,000
2001 special assessment bonds payable at interest rates of 3.95%, principal payments of \$70,000 to \$75,000 due semi-annually on February 1 and September 1, concluding in 2011	515,000
1999 general obligation limited tax bonds payable at interest rates of 4.50% to 5.00%, principal payments of \$25,000 to \$35,000 due annually on March 1, concluding in 2009	160,000
1999 Building Authority Bonds, maturing on October 1, 2019, plus interest ranging from 4.30% to 5.375% semi-annually, principal payments of \$75,000 to \$155,000	1,730,000
2000 Building Authority Bonds, maturing on October 1, 2010, plus interest ranging from 5.00% to 5.250% semi-annually, principal payments of \$45,000 to \$60,000	375,000

### Note 6 - Long-term Debt (Continued)

1999 general obligation limited tax bonds payable at interest rates of 4.10% to 4.50%, principal payments of \$5,000 to \$10,000 due annually on March 1, concluding in 2009	50,000
Act 99 contract payable, semi-annual payments of \$16,217 including interest at 6.15%. Payments due on March 1 and September 1, concluding in 2005	29,862
Act 99 contract payable, semi-annual payments of \$48,680 including interest at 5.1%. Payments due on March 1 and September 1, concluding in 2007	<u>308,503</u>
Total bonds and note payable	4,323,365
Compensated absences	<u>515,179</u>
Total governmental activity debt	4,838,544

### Business-type Activities

Series 2000 Electric Revenue Bonds, maturing \$55,000 to \$140,000 annually, plus interest ranging from 5.7% to 6.0% semi-annually through August 1, 2019	1,500,000
Series 1996 Electric Revenue Bonds, maturing \$350,000 to \$685,000 annually, plus interest ranging from 5.10% to 5.75% semi-annually through August 1, 2016	6,460,000
Series 1994 Water Supply and Waste Water System Revenue Bonds, maturing \$235,000 to \$240,000 annually plus interest of 5.5% semi-annually through July 1, 2004	240,000
Series 1998 Water Supply and Waste Water System Revenue Refunding Bonds, maturing \$15,000 to \$480,000 annually, plus interest ranging from 4.40% to 5.00% semi-annually through July 1, 2016	4,530,000
Series 1993 Water Supply and Waste Water System Revenue Refunding Bonds, maturing \$305,000 to \$355,000 annually, plus interest ranging from 4.70% to 5.00% semi-annually through July 1, 2007	1,020,000
Series 1999 Waste Water System Revenue Bonds, maturing \$110,000 to \$330,000 annually, plus interest ranging from 4.4% to 4.6% semi-annually through July 1, 2024	4,210,000

### Note 6 – Long-term Debt (Continued)

Series 2002 Telecommunications System Revenue Refunding Bonds, maturing \$210,000 to \$390,000 annually, plus interest of 5.5% semiannually through August 1, 2017	4,160,000
Note payable to financing company due in monthly installments of \$3,120 including interest through November 2004	3,613
Act 99 contract payable, semi-annual payments of \$1,097 including interest at 4.30%. Payments due monthly, concluding in 2018	138,279
Act 99 contract payable, semi-annual payments of \$1,177 including interest at 4.30%. Payments due monthly, concluding in 2018	148,391
Act 99 contract payable, semi-annual payments of \$4,846 including interest at 4.30%. Payments due quarterly, concluding in 2018	276,209
Act 99 contract payable, semi-annual payments of \$370 including interest at 4.50%. Payments due monthly, concluding in 2019	47,931
Loans payable to Revolving Loan Fund	817,510
Less: unamortized excess costs to reacquire 1986 and 1998 bonds	<u>(50,617)</u>
Total bonds and notes payable	23,486,007
Compensated absences	<u>339,346</u>
Total business-type activity debt	<u>23,840,662</u>
Total	<u>\$ 28,648,588</u>

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

### Component Units Debt

Debt outstanding for component units consisted of Downtown Development Authority Bonds totaling \$265,000, bearing interest at rates from 4.75% to 7.2%, maturing through 2008. The Downtown Development Authority also has a note payable to a bank of \$105,000, bearing an interest rate of 5%. The Local Development Finance Authority has notes payable to the City totaling \$799,421, bearing an interest rate of 7.5%. These loans have varying maturities through 2008.

### Note 6 - Long-term Debt (Continued)

#### Changes in Long-term Debt

The following are summaries of long-term debt transactions of the City for the year ended June 30, 2004.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
General obligation bonds	\$ 315,000	\$ -	\$ 45,000	\$ 270,000	\$ 50,000
Building authority bonds	2,220,000	-	115,000	2,105,000	120,000
Installment purchase agreements	446,177	-	107,813	338,364	112,560
Special assessment bonds	1,930,000	-	320,000	1,610,000	310,000
Other liabilities:					
Compensated absences	489,220	25,959	-	515,179	-
Total governmental activities	5,400,397	25,959	587,813	4,838,543	592,560
<b>Business-type Activities</b>					
Revenue bonds	23,265,557	-	1,211,483	22,054,074	1,305,000
Notes payable	858,561	654,213	65,532	1,447,242	36,737
Other liabilities:					
Compensated absences	300,075	39,271	-	339,346	-
Total business-type activities	\$ 24,424,193	\$ 693,484	\$ 1,277,015	\$ 23,840,662	\$ 1,341,737

#### Debt Service Requirements

The annual requirements to service all debt outstanding as of June 30, 2004 (excluding capital leases and employee benefits), including both principal and interest, are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 592,560	\$ 205,041	\$ 797,601	\$ 1,341,737	\$ 1,201,823	\$ 2,543,560
2006	571,938	177,795	749,733	1,412,512	1,132,750	2,545,262
2007	586,428	150,929	737,357	1,483,322	1,061,601	2,544,923
2008	562,438	122,911	685,349	1,219,141	985,774	2,204,915
2009	420,000	95,406	515,406	1,285,051	921,972	2,207,023
2010-2015	775,000	298,367	1,073,367	7,519,990	3,511,592	11,031,582
2015-2020	660,000	133,673	793,673	7,369,563	1,370,372	8,739,935
2020-2025	155,000	4,164	159,164	1,540,000	248,000	1,788,000
2025-2030	-	-	-	330,000	7,590	337,590
Total	\$ 4,323,364	\$ 1,188,286	\$ 5,511,650	\$ 23,501,316	\$ 10,441,474	\$ 33,942,790

### Note 6 - Long-term Debt (Continued)

Total interest incurred for the City for the year amounted to approximately \$1,451,000 which was accounted for in the General and Enterprise Funds. Total interest incurred by component units for the year ended June 30, 2004 amounted to approximately \$111,500.

#### Defeased Debt

During the year ended June 30, 2004, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the general purpose financial statements. At June 30, 2004, \$4,500,000 of bonds outstanding are considered defeased.

### Note 7 - Restricted Net Assets and Reserved Fund Balances

The balances of the restricted net asset accounts are as follows:

	Governmental Activities	Business-type Activities
Cemetery maintenance	\$ 450,000	\$ -
Future retirement contributions	474,787	-
Revenue bond restrictions:		
Improvement and replacement account	-	409,746
Bond reserve	-	3,146,625
Total restricted assets	<u>\$ 924,787</u>	<u>\$ 3,556,371</u>

Fund balances have been reserved in the Cemetery and Perpetual Care Fund and the Retirement Fund in the amounts of \$450,000 and \$474,787, respectively.

### Note 8 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased 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.

## Note 9 - Pension Plans

### Defined Benefit Plan

The City contributes to the Michigan Municipal Employees' Retirement System (MMERS) which is an agent multiple employer retirement system that covers all employees of the City. The System provides retirement benefits, as well as death and disability benefits. Service retirement benefits vest after 10 years of service or after age 60 is attained; 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 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 System at MMERS at 1134 Municipal Way, Lansing, Michigan, 48917.

### Funding Policy

The obligation to contribute to and maintain the System for these employees was established by negotiation with the six competitive bargaining units and requires a contribution from the employees of 0 percent to 10 percent of gross wages.

### Annual Pension Cost

For the year ended June 30, 2004, the City's required and actual pension cost was \$217,007. The annual required contribution percentage was determined as a part of an actuarial valuation at December 31, 2001, using the entry age normal cost method. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 8 percent per year compounded annually, (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0 percent to 4.2 percent per year, depending on age, attributable to seniority/merit and (d) the assumption that benefits will increase 2.5 percent per 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.

### Note 9 - Pension Plans (Continued)

#### 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 all employees hired after that date. At June 30, 2004, there were 67 plan members. Plan members are required to contribute 0 to 7.5 percent of covered payroll. The City is required to contribute 6 to 13.5 percent of annual covered payroll. The City's contribution for the year ended June 30, 2004 was \$199,533. Plan provisions and contribution requirements are established and may be amended by the Coldwater City Council.

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price.

### Note 10 - Loans Receivable - Revolving Development Fund

During the last several years, the City has loaned local and CDBG funds to several local companies. The balance of these loans receivable at June 30, 2004 is \$748,619. In addition, the City has loaned \$817,510 to the Telecommunications Fund.

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 \$1,566,130 at June 30, 2004. 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 de-obligated by the granting agency or funds will be returned to the granting agency.

### Note 11 - 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 approximately \$16,143,000 for purchased power and debt retirement. The City is unaware of any circumstances that would cause any additional benefit or burden to the 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 percent interest in the Michigan South Central Power Agency. The City records the investment using the equity method and calculates 40 percent of the MSCPA's equity at year-end. The Agency also holds assets of the City's, which have been closed into the Agency's equity over the years. The calculation of the investment includes 100 percent of the City's assets held at the MSCPA plus 40 percent of the equity net of the City's assets.

## **Note 13 - 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:

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## **Note 14 - Subsequent Event**

In September, 2004, the City issued \$1,375,000 of Revenue Bonds, Series 2004 to finance the cost of acquiring and constructing additions, extensions and improvements to the City's Water Supply and Wastewater System. The City also issued \$2,315,000 of Revenue Bonds, Series 2004 to finance the cost of acquiring and construction additions to the City's Electric systems.

## Required Supplemental Information

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# City of Coldwater

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenues</b>				
Property taxes	\$ 3,327,500	\$ 3,241,500	\$ 3,253,572	\$ 12,072
Licenses and permits	96,750	96,750	154,183	57,433
Federal sources	180,000	-	25,014	25,014
State shared revenue	1,100,000	1,034,000	1,034,308	308
State sources	4,000	4,000	40,163	36,163
Local sources	1,200	1,200	-	(1,200)
Charges for services	1,094,650	720,650	703,608	(17,042)
Interest income	100,000	100,000	85,686	(14,314)
Rental and royalties	1,550,000	1,550,000	1,565,443	15,443
Miscellaneous	133,900	132,400	77,897	(54,503)
Contributions from private sources	3,700	<u>5,200</u>	<u>3,471</u>	<u>(1,729)</u>
Total revenues	7,591,700	6,885,700	6,943,345	57,645
<b>Expenditures</b>				
General government	1,209,220	1,259,220	1,218,264	40,956
Public safety	2,853,600	2,953,600	2,942,293	11,307
Public works	1,644,093	1,356,373	1,333,746	22,627
Recreation and cultural	859,615	984,615	978,891	5,724
Planning	322,405	142,405	120,232	22,173
Other	319,400	324,400	349,982	(25,582)
Debt service	190,837	190,837	190,386	451
Total expenditures	<u>7,399,170</u>	<u>7,211,450</u>	<u>7,133,794</u>	<u>77,656</u>
Deficiency of revenues over expenditures	192,530	(325,750)	(190,449)	135,301
<b>Other Financing Sources (Uses)</b>				
Sale of fixed assets and land	3,000	3,000	116,506	113,506
Operating transfers in	-	200,000	194,708	(5,292)
Operating transfers out	(179,410)	(79,410)	(18,650)	<u>60,760</u>
Total other financing sources (uses)	<u>(176,410)</u>	<u>123,590</u>	<u>292,564</u>	<u>168,974</u>
<b>Change in Fund Balance</b>	16,120	(202,160)	(864,478)	7,477
<b>Fund Balance - Beginning of year</b>	1,542,206	1,542,206	1,618,256	76,050
<b>Fund Balance - End of year</b>	<u>\$ 1,558,326</u>	<u>\$ 1,340,046</u>	<u>\$ 1,720,371</u>	<u>\$ 380,325</u>

# City of Coldwater

## Required Supplemental Information Budgetary Comparison Schedule Revolving Development Fund Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Interest income	\$ 100,000	\$ 100,000	\$ 155,681	\$ 55,681
Other	-	-	212,109	-
Total revenue	100,000	100,000	367,790	55,681
<b>Expenditures</b>				
Economic development	<u>63,000</u>	<u>63,000</u>	<u>156,239</u>	<u>(93,239)</u>
Excess of revenue over expenditures	37,000	37,000	211,551	(37,558)
<b>Fund Balance</b> - Beginning of year	701,035	717,935	717,935	-
<b>Fund Balance</b> - End of year	<u>\$ 738,035</u>	<u>\$ 754,935</u>	<u>\$ 929,486</u>	<u>\$ (37,558)</u>

# City of Coldwater

## Required Supplemental Information Retirement System Analysis of Funding Progress June 30, 2004

### Michigan Municipal Employees' Retirement System

<u>Fiscal Year Ended June 30</u>										
As of December 31	Annual Pension Cost*	Percent of APC Contributed	Net Pension Obligation	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded (Overfunded) AAL	Funded Ratio	Covered Payroll	Unfunded (Overfunded) AAL as % of Covered Payroll	
1998	\$ 183,268	100%	-	\$ 16,770,958	\$ 17,596,157	\$ 825,199	95%	\$ 4,154,940	19.86%	
1999	300,265	100%	-	18,063,599	17,326,686	(736,913)	104%	3,578,132	-20.59%	
2000	251,744	100%	-	19,161,167	19,386,397	225,230	99%	3,608,121	6.24%	
2001	300,264	100%	-	19,710,361	20,106,759	396,398	98%	3,694,472	10.73%	
2002	226,383	100%	-	19,237,443	20,706,136	1,468,693	93%	3,096,838	47.43%	
2003	217,007	100%	-	19,578,175	21,361,625	1,783,450	92%	3,018,999	59.07%	

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

## Other Supplemental Information

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# City of Coldwater

## Nonmajor Governmental Funds Combining Balance Sheet June 30, 2004

	Nonmajor Special Revenue Funds				Capital Projects	Nonmajor		Total Nonmajor Governmental Funds
	Major Roads	Local Roads	Parking Authority	Retirement Fund	Fund	Perpetual Care Nonexpendable Trust Fund	Permanent Fund	
<b>Assets</b>								
Cash and investments	\$ 418,687	\$ 145,511	\$ 16,079	\$ -	\$ 273,659	\$ -	\$ -	\$ 853,936
Receivables:								
Special assessments	54,418	-	-	-	-	-	-	54,418
Due from other governmental units	138,829	36,065	-	-	-	-	-	174,894
Restricted assets	-	-	-	474,787	-	450,000	-	924,787
<b>Total assets</b>	<b>\$ 611,934</b>	<b>\$ 181,576</b>	<b>\$ 16,079</b>	<b>\$ 474,787</b>	<b>\$ 273,659</b>	<b>\$ 450,000</b>	<b>\$ -</b>	<b>\$ 2,008,035</b>
<b>Liabilities and Fund Balances</b>								
<b>Liabilities</b>								
Accounts payable	\$ 7,142	\$ 5,691	\$ 61	\$ -	\$ 2,682	\$ -	\$ -	\$ 15,576
Deferred revenue	54,418	-	-	-	-	-	-	54,418
<b>Total liabilities</b>	<b>61,560</b>	<b>5,691</b>	<b>61</b>	<b>-</b>	<b>2,682</b>	<b>-</b>	<b>-</b>	<b>69,994</b>
<b>Fund Balances</b>								
Reserved	-	-	-	474,787	-	450,000	-	924,787
Unreserved	550,374	175,885	16,018	-	270,977	-	-	1,013,254
<b>Total fund balances</b>	<b>550,374</b>	<b>175,885</b>	<b>16,018</b>	<b>474,787</b>	<b>270,977</b>	<b>450,000</b>	<b>-</b>	<b>1,938,041</b>
<b>Total liabilities and fund balances</b>	<b>\$ 611,934</b>	<b>\$ 181,576</b>	<b>\$ 16,079</b>	<b>\$ 474,787</b>	<b>\$ 273,659</b>	<b>\$ 450,000</b>	<b>\$ -</b>	<b>\$ 2,008,035</b>

# City of Coldwater

## Nonmajor Governmental Funds Combining Statement of Revenue, Expenditures and Changes in Fund Balances Year Ended June 30, 2004

	Nonmajor Special Revenue Funds				Nonmajor Capital Projects Fund		Nonmajor Permanent Fund		Total Nonmajor Governmental Funds
	Major Roads	Local Roads	Parking Authority	Retirement Fund	Library Memorial Fund	Coldwater Municipal Building Authority Fund	Cemetery Special and Perpetual Care Nonexpendable Trust Fund		
<b>Revenue</b>									
Special assessments	\$ 8,589	\$ -	\$ 35,003	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 43,592
State sources	682,005	212,205	-	-	-	-	-	-	894,210
Grants	32,113	-	-	-	-	-	-	-	32,113
Charges for services	-	-	4,963	-	1,208	-	-	-	6,171
Rents and royalties	-	-	-	-	-	187,470	-	-	187,470
Interest income	9,592	398	-	9,863	4,491	-	-	-	24,344
Other income	656	-	-	-	11	-	-	-	667
Contributions from private sources	-	-	-	-	1,133	-	-	-	1,133
<b>Total revenue</b>	<b>732,955</b>	<b>212,603</b>	<b>39,966</b>	<b>9,863</b>	<b>6,843</b>	<b>187,470</b>	<b>-</b>	<b>-</b>	<b>1,189,700</b>
<b>Expenditures</b>									
Current:									
Public works	393,451	189,826	35,022	-	-	-	-	-	618,299
Debt service	-	-	-	-	-	224,889	-	-	224,889
Other	-	-	-	-	20,841	18,663	-	-	39,504
<b>Total expenditures</b>	<b>393,451</b>	<b>189,826</b>	<b>35,022</b>	<b>-</b>	<b>20,841</b>	<b>243,552</b>	<b>-</b>	<b>-</b>	<b>882,692</b>
<b>Excess (Deficiency) of Revenue Over Expenditures</b>	<b>339,504</b>	<b>22,777</b>	<b>4,944</b>	<b>9,863</b>	<b>(13,998)</b>	<b>(56,082)</b>	<b>-</b>	<b>-</b>	<b>307,008</b>
<b>Other Financing Sources (Uses)</b>									
Transfers in	3,459	121,380	666	-	-	-	-	-	125,505
Transfers out	(100,000)	-	-	(203,689)	-	-	-	-	(303,689)
<b>Total other financing sources (uses)</b>	<b>(96,541)</b>	<b>121,380</b>	<b>666</b>	<b>(203,689)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(178,184)</b>
<b>Excess (Deficiency) of Revenue and Other Financing Sources Over Expenditures and Other Uses</b>	<b>242,963</b>	<b>144,157</b>	<b>5,610</b>	<b>(193,826)</b>	<b>(13,998)</b>	<b>(56,082)</b>	<b>-</b>	<b>-</b>	<b>128,824</b>
<b>Fund Balances - Beginning of year</b>	<b>307,411</b>	<b>31,728</b>	<b>10,408</b>	<b>668,613</b>	<b>284,975</b>	<b>56,082</b>	<b>450,000</b>	<b>-</b>	<b>1,809,217</b>
<b>Fund Balances - End of year</b>	<b>\$ 550,374</b>	<b>\$ 175,885</b>	<b>\$ 16,018</b>	<b>\$ 474,787</b>	<b>\$ 270,977</b>	<b>\$ -</b>	<b>\$ 450,000</b>	<b>\$ -</b>	<b>\$ 1,938,041</b>

# City of Coldwater

## Other Supplemental Information Combining Balance Sheet Fiduciary Funds June 30, 2004

	Agency Funds		
	Health Insurance Agency Fund	Tax Collection Escrow Fund	Totals
<b>Assets</b>			
Cash and investments	\$ 62,380	\$ 4,751	\$ 67,131
Receivables	-	-	-
Total assets	<b>\$ 62,380</b>	<b>\$ 4,751</b>	<b>\$ 67,131</b>
<b>Liabilities and Net Assets</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 62,380	\$ 2,049	\$ 64,429
Due to other governmental units	-	2,702	2,702
Total liabilities	<b>\$ 62,380</b>	<b>\$ 4,751</b>	<b>\$ 67,131</b>