

**CITY OF COLDWATER  
BRANCH COUNTY, MICHIGAN**

**FINANCIAL STATEMENTS**

**JUNE 30, 2006**

## CONTENTS

	<u>Page</u>
<b>Report Letter</b>	1-2
<b>Management’s Discussion and Analysis</b>	3-12
<b>Basic Financial Statements</b>	
Government-Wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	15
Reconciliation of Balance Sheet of Governmental Funds to Net Assets	16
Statement of Revenues, Expenditures, and Changes in Fund Balance	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	18
Proprietary Funds:	
Statement of Net Assets	19
Statement Revenues, Expenses, and Changes in Net Assets	20
Statement of Cash Flows	21-22
Fiduciary Funds:	
Statement of Fiduciary Net Assets	23
Component Units:	
Statement of Net Assets	24
Statement of Activities	25
<b>Notes to Financial Statements</b>	26-48
<b>Required Supplemental Information</b>	
Budgetary Comparison Schedule – General Fund	49
Budgetary Comparison Schedule – Revolving Development Fund	50
Notes to Required Supplemental Information	51
Retirement System Analysis of Funding Progress	52

**CONTENTS – Continued**

Page

**Other Supplemental Information**

Combining Balance Sheet – Nonmajor Governmental Funds	53
Combining Statement of Revenues, Expenditures, and Changes In Fund Balance – Nonmajor Governmental Funds	54
Combining Balance Sheet – Fiduciary Funds	55

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## **INDEPENDENT AUDITOR'S REPORT**

**City Council  
City of Coldwater, Michigan**

**September 29, 2006**

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, 2006, 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, 2006 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 12 and 49 through 52 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, Michigan'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.

A handwritten signature in cursive script that reads "Rumsey & Watkins PC".

**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, 2006. 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, 2006:

- The City's governmental activities' total net assets increased by \$518,469. Approximately, \$164,000 of the increase was due to a bad debt recovery on a previously written off loan in the City's Revolving Loan Fund. The increase was also due to interest income earned on rising interest rates, increases in property taxes, payments in lieu of taxes from utility operations and building permits. Increased revenues coupled with continuing fiscal conservatism on behalf of the City Council and staff reductions continued the trend of holding expenditures in check, leading to increased net assets.
- Net assets for business-type activities increased by approximately \$2.2 million, of which \$2.4 million was primarily due to the Electric Fund. Approximately \$1.9 million was due to the operating results of the Michigan South Central Power Agency of which the City owns roughly 40%, and records its investment on the equity method. The Electric Fund had operating income of \$250,000
- Operating results for Water and Wastewater Funds ended in a deficit operating income. The deficits are the result of reduced revenues primarily due to a planned conversion of all users to meters versus flat rate service, coupled with a wet spring. Subsequently, rate increases were adopted to increase revenues.
- General revenues increased by 2.9% over the prior year, while primary governmental activity expenditures decreased .8%.
- State revenue sharing has been cut by the State of Michigan for the fourth 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	
	2006	2005	2006	2005	2006	2005
<b>Assets</b>	\$ 9,254,037	\$ 9,503,053	\$ 71,955,293	\$ 69,133,041	\$ 81,209,330	\$ 78,636,094
<b>Liabilities</b>	3,026,895	3,405,158	31,171,095	30,614,379	34,197,990	34,019,537
<b>Fund Equity</b>						
Investment in capital - Net of related debt	-	-	18,454,580	19,593,737	18,454,580	19,593,737
Retained earnings:						
Restricted	-	-	5,610,304	4,956,534	5,610,304	4,956,534
Unreserved	-	-	16,719,314	13,968,391	16,719,314	13,968,391
Fund balances:						
Reserved	175,167	336,987	-	-	175,167	336,987
Designated	619,634	1,081,216	-	-	619,634	1,081,216
Undesignated	5,432,341	4,679,692	-	-	5,432,341	4,679,692
Total fund equity	<u>\$ 6,227,142</u>	<u>\$ 6,097,895</u>	<u>\$ 40,784,198</u>	<u>\$ 38,518,662</u>	<u>\$ 47,011,340</u>	<u>\$ 44,616,557</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	
	2006	2005	2006	2005	2006	2005
<b>Assets</b>						
Current and other assets	\$ 9,254,037	\$ 9,503,053	\$ 25,351,670	\$ 23,651,105	\$ 34,605,707	\$ 33,154,158
Capital assets	17,967,111	17,780,427	44,469,896	43,449,812	62,437,007	61,230,239
Total assets	27,221,148	27,283,480	69,821,566	67,100,917	97,042,714	94,384,397
<b>Liabilities</b>						
Long-term debt outstanding	3,099,503	3,788,553	23,857,855	23,938,210	26,957,358	27,726,763
Other liabilities	1,062,165	953,916	5,179,513	4,644,045	6,241,678	5,597,961
Total liabilities	4,161,668	4,742,469	29,037,368	28,582,255	33,199,036	33,324,724
<b>Net Assets</b>						
Investment in capital assets- Net of related debt	14,700,213	13,914,592	18,454,580	19,593,737	33,154,793	33,508,329
Restricted	175,167	1,460,421	5,610,304	4,956,534	5,785,471	6,416,955
Unrestricted	8,184,100	7,165,998	16,719,314	13,968,391	24,903,414	21,134,389
Total net assets	<u>\$ 23,059,480</u>	<u>\$ 22,541,011</u>	<u>\$ 40,784,198</u>	<u>\$ 38,518,662</u>	<u>\$ 63,843,678</u>	<u>\$ 61,059,673</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	
	2006	2005	2006	2005	2006	2005
<b>Revenue</b>						
Taxes	\$ 3,579,785	\$ 3,946,206	\$ -	\$ -	\$ 3,579,785	\$ 3,946,206
Special assessments	368,426	-	-	-	368,426	-
Licenses and permits	171,265	134,741	-	-	171,265	134,741
Federal sources	71,070	52,162	-	-	71,070	52,162
State shared revenue	1,839,517	1,854,197	-	-	1,839,517	1,854,197
State sources	93,679	111,179	-	-	93,679	111,179
Charges for services	564,915	630,618	32,300,563	29,746,039	32,865,478	30,376,657
Rent	257,472	259,729	-	-	257,472	259,729
Payment in lieu of taxes	1,735,656	1,685,940	-	-	1,735,656	1,685,940
Interest income	421,964	360,950	2,261,102	1,279,053	2,683,066	1,640,003
Contributions	5,875	5,530	-	-	5,875	5,530
Other income	347,193	183,591	120,783	-	467,976	183,591
Sale of fixed assets and land	-	-	-	302,422	-	302,422
<b>Total income</b>	<b>9,456,817</b>	<b>9,224,843</b>	<b>34,682,448</b>	<b>31,327,514</b>	<b>44,139,265</b>	<b>40,552,357</b>
<b>Program expenses</b>						
General government	1,165,766	1,127,428	-	-	1,165,766	1,127,428
Public safety	3,248,955	3,076,048	-	-	3,248,955	3,076,048
Public works	2,377,255	2,053,726	-	-	2,377,255	2,053,726
Recreation and cultural	961,015	794,701	-	-	961,015	794,701
Planning	158,895	149,848	-	-	158,895	149,848
Economic development	199,401	328,221	-	-	199,401	328,221
Debt service	784,607	800,448	-	-	784,607	800,448
Other expenditures	452,649	513,189	-	-	452,649	513,189
Purchased power	-	-	19,287,503	16,769,357	19,287,503	16,769,357
Power plant	-	-	327,262	424,864	327,262	424,864
Distribution	-	-	2,882,759	2,729,903	2,882,759	2,729,903
Substation	-	-	179,257	188,900	179,257	188,900
Sanitation	-	-	337,389	329,960	337,389	329,960
Metering and lighting	-	-	358,865	305,874	358,865	305,874
Wells	-	-	77,782	92,472	77,782	92,472
Treatment	-	-	1,077,777	957,779	1,077,777	957,779
Collection system	-	-	139,102	131,552	139,102	131,552
Customer service	-	-	349,064	150,736	349,064	150,736
Administration	-	-	1,992,148	1,735,556	1,992,148	1,735,556
Payments in lieu of taxes	-	-	1,735,656	1,685,940	1,735,656	1,685,940
Depreciation and amortization	-	-	2,407,608	2,431,902	2,407,608	2,431,902
Interest expense	-	-	1,269,909	1,287,261	1,269,909	1,287,261
<b>Total expenses</b>	<b>9,348,543</b>	<b>8,843,609</b>	<b>32,422,081</b>	<b>29,222,056</b>	<b>41,770,624</b>	<b>38,065,665</b>
<b>Excess of revenues over expenditures</b>	<b>\$ 108,274</b>	<b>\$ 381,234</b>	<b>\$ 2,260,367</b>	<b>\$ 2,105,458</b>	<b>\$ 2,368,641</b>	<b>\$ 2,486,692</b>

# 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	
	2006	2005	2006	2005
<b>Revenues</b>				
Program revenues:				
Charges for services	\$ 873,247	\$ 701,458	\$ 32,300,563	\$ 29,743,836
Operating grants and contributions	55,950	1,051,735	-	-
Capital grants and contributions	238,199	166,310	-	-
General revenues:				
Property taxes	3,579,784	3,526,528	-	-
State shared revenues	1,839,517	991,318	-	-
Unrestricted investment earnings	421,964	360,951	2,261,102	1,272,387
Miscellaneous	48,733	41,572	120,783	311,287
Payments in lieu of taxes	1,735,656	1,705,007	-	-
Total revenues	8,793,050	8,544,879	34,682,448	31,327,510
<b>Expenses</b>				
General government	1,550,716	1,843,897	-	-
Public safety	3,173,953	3,108,208	-	-
Public works	2,020,897	2,016,692	-	-
Recreation and cultural	979,880	326,992	-	-
Economic development	358,296	835,865	-	-
Interest	185,670	207,919	-	-
Transfers	5,169	5,477	(5,169)	(5,477)
Electric	-	-	24,840,277	22,053,608
Telecommunications	-	-	3,205,012	3,056,344
Water	-	-	1,889,898	1,769,837
Waste water	-	-	2,134,868	344,597
Rubbish	-	-	352,026	1,997,666
Total expenses	8,274,581	8,345,050	32,416,912	29,216,575
<b>Increase in Net Assets</b>	<u>\$ 518,469</u>	<u>\$ 199,829</u>	<u>\$ 2,265,536</u>	<u>\$ 2,110,935</u>

Overall the City remains in a very stable financial condition. The City's combined fund equity increased approximately 5.4% under the modified accrual basis, from \$44,616,557 to \$47,011,340. Governmental Funds increased 2.1% and Enterprise Funds 5.9%. The longer view of total net assets for Governmental activities shows an increase of 2.3%.

In terms of governmental funds, the City has 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. Budgets continue to be adopted that maintain current fund balance and make sure costs are not passed on to future generations.

## **CITY OF COLDWATER**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**

Revenues for the governmental activities and governmental funds have increased approximately 2.5%, even with the fourth year in a row of cuts to state shared revenue. City revenues are derived from three main sources: property taxes, state shared revenue and payments in lieu of taxes from City owned utilities. Increases in taxes and utility payments to the General Fund were able to offset cuts in state revenue sharing.

Property tax revenue increased 1.5% (\$51,000) for the year. For the 2006 fiscal year, the City experienced a millage rollback due to State Headlee limitations. The City maximum millage levy for 2006 was 11.5978 compared to 11.7079 mills in 2005. The City Charter authorizes 12.5000 mills. Taxable value for the City of Coldwater increased 2.3% for the 2006 fiscal year and 1.5% for 2005 indicating growth has slowed which is reflective of the current economy of the State of Michigan.

Payments in lieu of taxes are set by the City Charter at 6.5% of gross revenue of the utility operations. For the 2006 fiscal year, revenues received by the General Fund increased by \$49,716, a 2.9% increase over the prior year. The added revenue is the result of rate increases to cover cost of service, build reserve funds and to fund capital improvements.

State shared revenue from the State of Michigan was frozen at \$983,350 which in effect was a fourth consecutive reduction. This amount is equivalent to what was received in the 1997 fiscal year. The State economy continues to suffer as more manufacturing jobs are lost. State shared revenue may continue to be cut as the State looks for alternative ways to balance its budget in a time of declining revenue. Should the State Legislature decide to eliminate the statutory component of State shared revenue, the City would lose approximately \$250,000.

Expenditures were primarily held in check, increasing by 3.2% under modified accrual and decreasing .8% under the full accrual basis. As stated previously, the City Council has adopted conservative fiscal policies that have kept expenditures down while continuing to provide quality services to City residents. Additionally, staff reductions continue to be made when possible by combining positions and redistribution of responsibilities.

Final operating results for the General Fund, under the modified accrual basis, show a surplus of \$198,929. Revenue from interest income, contribution from Coldwater Township for compost operations and increased building permit revenue, plus increases in taxes and payment in lieu of taxes all contributed to the end of the year surplus. With this additional revenue, the City was able to construct an addition to the public safety building and additional warning signals for our residents. Other General Fund capital improvements included sidewalks and various recreation facility upgrades. For the 2007 fiscal year a number of capital improvements have been planned including expanding the City's existing trail system and purchase of additional park land with lake access. Subsequent to the end of year, the City continued its aggressive road projects funded by street funds.

## **CITY OF COLDWATER**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**

The City's utility funds all continued to experience revenue growth with total revenues increasing by 8.6%. However, costs increased 11.5% due primarily to increase in purchased power. Not all of the increased power costs could be passes along to the customers, thus operating income did decrease compared to prior year. The City continues to monitor utility rates to ensure future expansion, growth and reserves.

Over \$1.3 million was invested in utility system improvements and improvements during fiscal year 2006. In addition, \$2.5 million of construction continues on expanding the wastewater treatment facility. This improvement was funded through capital improvement bonds that will also cover water system improvements which are in the preliminary engineering and design phase.

Overall, the utility operations continue to operate efficiently and effectively. Continued emphasis on reliability, customer service and community remain a vital key to the financial success of the utility systems.

#### **Governmental Activities**

The City's General Fund revenues increased by 2.3%. This year's increase is largely attributed to increased interest income due to increasing interest rates in the amount of approximately \$83,000. Other significant increases were from property taxes and payments in lieu of taxes as discussed earlier. Expenditures increased by 3.2%, which left a deficit operating result of \$81,234. This deficit was offset by Retirement Fund operating transfers for the cost of General Fund retirement expenses and sales of various fixed assets. The result was a final operating surplus of \$198,929.

The final Fund Balance of the General Fund is approximately \$2.3 million. This is approximately 30% of General Fund revenues which shows the City continues to maintain a stable General Fund. A caveat to the continued health of the City's Fund Balance is the Retirement Fund which has been used to offset retirement costs will be at a zero balance near the end of the 2007 fiscal year. Once the Retirement Fund has been fully depleted these retirement costs will be paid out of the General Fund or additional taxes will need to be levied.

City Council has instructed staff to keep future budgets at break even and does not wish to use fund balance for future costs. Projected capital and equipment expenditures have been reviewed and approved by the Council in the City's Capital Improvement Plan.

In the City's other major funds, the Revolving Development and Capital Improvement there were no significant changes, other than the collection of a loan that had been written off as previously discussed.

Other governmental funds to note are the Major and Local Street Funds. Subsequent to the end of the fiscal year, the City continued its aggressive road construction projects that started in fiscal year 2006. The result of the 2006 and 2007 road projects will be a planned reduction of the fund balance of both funds.

## **CITY OF COLDWATER**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**

#### **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 \$2.2 million. Consistent with prior years, the bulk of this increase was in 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.

Overall business-type revenues increased 8.6%. The increase was due to increased power costs which were billed to offset the increasing costs of purchased power. Rate increases were implemented for the Telecommunications, Water and Wastewater Funds as well. Rate increases were implemented to build reserves and to keep up with the increase in ongoing operational costs as well.

Even though rate increases were implemented for the Water and Wastewater Funds, it has not necessarily equated to increased revenues. During the fiscal year, the City installed water meters on all accounts that were previously unmetered. This has led to water conservation and customers paying their fair share for the amount of water they were using. However, revenues decreased due to a higher average rainfall coupled with less customer usage. The City continues to evaluate rates that will mitigate any revenue effect of the meter conversion.

Overall expenditures continue to be managed through staff attrition, technological advances and ongoing maintenance programs. Operating expenditures increased by 11.5%, but when you adjust for the increased cost of purchased power that increase drops to 6.3%.

During the fiscal year, the City completed an advance refunding of a 1996 electric revenue bond which resulted in a lower interest rate and a reduction of future debt service payments of \$280,078. Additionally, the City issued \$1.5 million in capital improvement bonds to pay for wastewater treatment plant expansion as well as improvements to the existing water system.

#### **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 15, 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, 2006 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.

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.

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 \$63,964. Actual operating results ended up as a surplus of \$198,929, a difference of \$262,893. The significant budget-to-actual differences are as follows:

- Interest earned on investments increased greater than expected due to increasing interest rates. In prior years interest rates were at historical lows.
- Recreational activities including fees from the municipal swimming pool and summer programs ended the year higher than originally anticipated.
- General Government expenditures ended the fiscal year \$33,617 under budget. However there were no individually significant items related to any specific department. Rather the surplus was due to a large number of insignificant items.
- Public Safety expenditures was primarily under budget due to staff turnover in the Fire Department that led to reduced salaries being paid to new employees. Neighborhood Services expenditures also ended up being less than budget as estimates as contractual services were higher than final actual amounts for property abatements.
- Public Works wage and benefit expenses were lower due to the reduction of staff that was not replaced until after the fiscal year plus building improvements to City garage were put off until the 2007 fiscal year.
- Planning expenditures were over budget as final expenditures related to the City's federal grant for downtown apartment buildings were unexpectedly turned in before the end of the fiscal year.

## **CITY OF COLDWATER**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**

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

Road improvements of over \$700,000 were completed in the fiscal year continuing the City practice of continuing to invest in infrastructure. Other significant capital items were the garage addition to the public safety building, two new early protection sirens and the demolition of a dilapidated old industrial building the costs of which are capitalized as part of the land acquisition cost. Various other equipment was purchased to assist in providing services to the residents of the City.

For business-type activities there were several capital items purchased for the various utility funds. The largest item is the ongoing construction of the wastewater treatment plant expansion. This expansion will improve our treatment process, increase capacity and allow for additional revenues with the construction of our septage receiving station. A portion of this expansion was necessary to comply with regulations promulgated by the Michigan Department of Environmental Quality. The expansion was funded by issuing capital improvement bonds this year for \$1.5 million which will be used in conjunction with the \$1.4 million in revenue bonds issued in the previous fiscal year.

Other significant business-type capital expenditures were for electrical system voltage upgrades and equipment to automate our starting procedure for our diesel generators. The water meter conversion required the capitalization of new meters in the Water Fund as well.

The City did not issue any additional debt for governmental activities. However, as previously discussed the City did issue an advance refunding of electrical revenue bonds to reduce future debt service payments and a capital improvement bond to finish construction of the wastewater treatment plant.

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

The adopted budget for the fiscal year ending June 30, 2007 continues to reflect the current Michigan economy. City Council continues to maintain its policy of fiscal conservatism while providing the citizens of Coldwater quality services.

A small budget deficit was budgeted for the June 30, 2007 fiscal year. Revenues are anticipated to be slightly higher than fiscal year 2006 due to very little growth in the City's current tax base, state revenue sharing being frozen at 1997 levels and payments in lieu of taxes will increase as a result of gross utility revenue increasing. But overall, revenues will be relatively stable and the City Council adopted a 2007 fiscal year budget that works within these revenue parameters.

The 2007 fiscal year budget does include various capital expenditures to improve the quality of life for our citizens. These items include additions to our current linear park trail, water slides for the pool and additional sidewalks to connect our community together. New City entrance signs are also going to be installed. However, the bulk of the City's General Fund budget will be spent on everyday operational costs for public safety, public works and recreation.

## **CITY OF COLDWATER**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**

The economy of the State of Michigan continues to lag behind the national economy. This puts greater pressures on State legislatures to balance the budget with less revenue. One item that is always subject to reduction is the statutory portion of the City's state shared revenue. While, currently the State Legislature has indicated there will be no further cuts to state shared revenue, there is no guarantee.

The City also was subject to a Headlee rollback for the 2006 fiscal year. This year's maximum rate is 11.5970, which is down from 11.7079 in 2005. Approximately \$32,000 in tax revenue was lost due to the rollback.

Labor negotiations are ongoing with the fire union. This union contract expired on June 30, 2005. The City is hopeful a settlement will be reached with the union soon. Subsequent to the end of the year the City did sign a contract with the police sergeants covering a four-year period. All other contracts were settled during the fiscal year.

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, 2006**

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>ASSETS</b>				
Cash and investments	\$ 5,607,241	\$ 8,227,517	\$ 13,834,758	\$ 663,746
Accounts receivable	127,982	3,593,167	3,721,149	-
Special assessment receivable	854,517	-	854,517	-
Notes receivable	955,765	-	955,765	37,558
Inventory	-	119,022	119,022	-
Due from other governmental units	145,855	-	145,855	-
Prepaid expenses	120,000	90,855	210,855	-
Unamortized bond costs	-	1,296,775	1,296,775	-
Investment in Power Agency	-	7,231,540	7,231,540	-
Internal balances	817,510	(817,510)	-	-
Restricted assets	625,167	5,610,304	6,235,471	-
Capital assets, less accumulated depreciation	17,967,111	44,469,896	62,437,007	882,372
Total assets	27,221,148	69,821,566	97,042,714	1,583,676
<b>LIABILITIES</b>				
Accounts payable	246,059	2,710,080	2,956,139	7,918
Accrued expenditures	197,909	821,111	1,019,020	-
Deferred revenue	-	-	-	-
Due to others	4,769	-	4,769	562,052
Long term liabilities:				
Bonds payable, due within one year	613,428	1,648,322	2,261,750	50,000
Bonds payable, due in more than one year	2,653,470	23,549,484	26,202,954	717,817
Compensated absences	446,033	308,371	754,404	-
Total liabilities	4,161,668	29,037,368	33,199,036	1,337,787
<b>NET ASSETS</b>				
Investment in capital assets - net of related debt	14,700,213	18,454,580	33,154,793	290,277
Restricted	175,167	5,610,304	5,785,471	-
Unrestricted (deficit)	8,184,100	16,719,314	24,903,414	(44,388)
Total net assets	<u>\$ 23,059,480</u>	<u>\$ 40,784,198</u>	<u>\$ 63,843,678</u>	<u>\$ 245,889</u>

See Notes to Financial Statements

**CITY OF COLDWATER**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2006**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating / Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Governmental activities:</b>				
General government	\$ 1,550,716	\$ 250,194	\$ -	\$ -
Public safety	3,173,953	279,870	21,995	-
Public works	2,020,897	169,514	33,955	-
Recreation and cultural	979,880	154,708	-	-
Economic development	358,296	18,961	-	238,199
Interest	185,670	-	-	-
Total governmental activities	8,269,412	873,247	55,950	238,199
<b>Business-type activities:</b>				
Electric	24,840,277	25,082,753	-	-
Telecommunications	3,205,012	3,163,664	-	-
Water	1,889,898	1,803,254	-	-
Waste water	2,134,868	1,819,316	-	-
Rubbish	352,026	431,576	-	-
Total business-type activities	32,422,081	32,300,563	-	-
Total primary government	<u>\$ 40,691,493</u>	<u>\$ 33,173,810</u>	<u>\$ 55,950</u>	<u>\$ 238,199</u>
<b>Component units:</b>				
Downtown Development Authority	\$ 215,569	\$ 8,700	\$ 30,000	\$ -
Local Development Authority	65,730	-	-	-
Total component units	<u>\$ 281,299</u>	<u>\$ 8,700</u>	<u>\$ 30,000</u>	<u>\$ -</u>

General revenues:

Property taxes  
State shared revenues  
Unrestricted investment earnings  
Miscellaneous  
Transfers  
Payments in lieu of taxes

Total general revenues, transfers, 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**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Units</b>
\$ (1,300,522)	\$ -	\$ (1,300,522)	\$ -
(2,872,088)	-	(2,872,088)	-
(1,817,428)	-	(1,817,428)	-
(825,172)	-	(825,172)	-
(101,136)	-	(101,136)	-
(185,670)	-	(185,670)	-
(7,102,016)	-	(7,102,016)	-
-	242,476	242,476	-
-	(41,348)	(41,348)	-
-	(86,644)	(86,644)	-
-	(315,552)	(315,552)	-
-	79,550	79,550	-
-	(121,518)	(121,518)	-
(7,102,016)	(121,518)	(7,223,534)	-
-	-	-	(176,869)
-	-	-	(65,730)
-	-	-	(242,599)
3,579,784	-	3,579,784	366,769
1,839,517	-	1,839,517	-
421,964	2,261,102	2,683,066	23,933
48,733	120,783	169,516	-
(5,169)	5,169	-	-
1,735,656	-	1,735,656	-
7,620,485	2,387,054	10,007,539	390,702
518,469	2,265,536	2,784,005	148,103
22,541,011	38,518,662	61,059,673	97,786
<u>\$ 23,059,480</u>	<u>\$ 40,784,198</u>	<u>\$ 63,843,678</u>	<u>\$ 245,889</u>

**CITY OF COLDWATER**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**JUNE 30, 2006**

	<b>General Fund</b>	<b>Revolving Development Fund</b>	<b>Capital Improvement Fund</b>
<b>ASSETS</b>			
Cash and investments	\$ 2,569,629	\$ 887,813	\$ 1,045,460
Accounts receivable	127,982	-	-
Special assessment receivable	-	-	817,278
Notes receivable	390,702	1,502,573	-
Due from other governmental units	-	-	-
Restricted assets	-	-	-
	<u>\$ 3,088,313</u>	<u>\$ 2,390,386</u>	<u>\$ 1,862,738</u>
Total assets	<u>\$ 3,088,313</u>	<u>\$ 2,390,386</u>	<u>\$ 1,862,738</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 226,894	\$ 1,013	\$ -
Accrued expenditures	193,933	-	-
Deferred revenue	390,702	1,332,939	817,278
Due to others	4,769	-	-
	<u>816,298</u>	<u>1,333,952</u>	<u>817,278</u>
Total liabilities	816,298	1,333,952	817,278
<b>FUND BALANCE</b>			
Reserved	-	-	-
Designated	-	169,634	-
Undesignated	2,272,015	886,800	1,045,460
	<u>2,272,015</u>	<u>1,056,434</u>	<u>1,045,460</u>
Total fund balance	2,272,015	1,056,434	1,045,460
	<u>\$ 3,088,313</u>	<u>\$ 2,390,386</u>	<u>\$ 1,862,738</u>
Total liabilities and fund balance	<u>\$ 3,088,313</u>	<u>\$ 2,390,386</u>	<u>\$ 1,862,738</u>

See Notes to Financial Statements

<b>Other Nonmajor Governmental Funds</b>	<b>Totals</b>
\$ 1,104,339	\$ 5,607,241
-	127,982
37,239	854,517
-	1,893,275
145,855	145,855
625,167	625,167
<u>\$ 1,912,600</u>	<u>\$ 9,254,037</u>
\$ 18,152	\$ 246,059
3,976	197,909
37,239	2,578,158
-	4,769
<u>59,367</u>	<u>3,026,895</u>
175,167	175,167
450,000	619,634
<u>1,228,066</u>	<u>5,432,341</u>
<u>1,853,233</u>	<u>6,227,142</u>
<u>\$ 1,912,600</u>	<u>\$ 9,254,037</u>

**CITY OF COLDWATER**  
**GOVERNMENTAL FUNDS**  
**RECONCILIATION OF BALANCE SHEET OF**  
**GOVERNMENTAL FUNDS TO NET ASSETS**  
**JUNE 30, 2006**

<b>Total Fund Balance - Governmental Funds</b>	<b>\$ 6,227,142</b>
<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	25,506,518
Accumulated depreciation	<u>(7,539,407)</u>
Total capital assets not reported in funds	17,967,111
<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>	
	2,578,158
<p>Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:</p>	
Bonds payable	(3,266,898)
Compensated absences	<u>(446,033)</u>
Total long-term liabilities not reported in funds	<u>(3,712,931)</u>
<b>Total Net Assets - Governmental activities</b>	<b><u><u>\$ 23,059,480</u></u></b>

**CITY OF COLDWATER**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	<b>General Fund</b>	<b>Revolving Development Fund</b>	<b>Capital Improvement Fund</b>
<b>REVENUES</b>			
Taxes	\$ 3,476,675	\$ -	\$ -
Special assessments	-	-	324,834
Licenses and permits	171,265	-	-
Federal sources	71,070	-	-
State shared revenue	983,349	-	-
State sources	59,724	-	-
Charges for services	557,675	-	-
Rent	38,621	-	-
Payment in lieu of taxes	1,735,656	-	-
Interest income	189,346	112,933	84,231
Contributions	4,780	-	-
Other income	41,092	302,936	-
	<hr/>	<hr/>	<hr/>
Total revenues	7,329,253	415,869	409,065
<b>EXPENDITURES</b>			
General government	1,165,766	-	-
Public safety	3,248,955	-	-
Public works	1,259,150	-	-
Recreation and cultural Planning	939,786	-	-
	158,895	-	-
Economic development	-	199,401	-
Debt service	195,663	-	370,093
Other expenditures	442,272	-	10,377
	<hr/>	<hr/>	<hr/>
Total expenditures	7,410,487	199,401	380,470
Excess (deficiency) of revenues over expenditures	(81,234)	216,468	28,595
<b>OTHER SOURCES (USES)</b>			
Sale of fixed assets	26,142	-	-
Transfers from (to) other funds	254,021	-	-
	<hr/>	<hr/>	<hr/>
Total other sources (uses)	280,163	-	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	198,929	216,468	28,595
<b>FUND BALANCE - BEGINNING</b>	<hr/>	<hr/>	<hr/>
	2,073,086	839,966	1,016,865
<b>FUND BALANCE - ENDING</b>	<hr/>	<hr/>	<hr/>
	\$ 2,272,015	\$ 1,056,434	\$ 1,045,460

See Notes to Financial Statements

<b>Other Nonmajor Governmental Funds</b>	<b>Totals</b>
\$ 103,110	\$ 3,579,785
43,592	368,426
-	171,265
-	71,070
856,168	1,839,517
33,955	93,679
7,240	564,915
218,851	257,472
-	1,735,656
35,454	421,964
1,095	5,875
3,165	347,193
1,302,630	9,456,817
-	1,165,766
-	3,248,955
1,118,105	2,377,255
21,229	961,015
-	158,895
-	199,401
218,851	784,607
-	452,649
1,358,185	9,348,543
(55,555)	108,274
-	26,142
(259,190)	(5,169)
(259,190)	20,973
(314,745)	129,247
2,167,978	6,097,895
\$ 1,853,233	\$ 6,227,142

**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, 2006**

<b>Net change in Fund Balance - Total Governmental Funds</b>	<b>\$ 129,247</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Depreciation expense	(955,613)
Capital outlay	1,142,297
	1,142,297
Total	186,684
Special assessment revenues are recorded in the statement of activities when the assessment is assessed; they are not reported in the funds until collected:	
New special assessments	10,377
Payments received	(333,424)
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	(148,435)
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	598,937
Decreases in compensated absences are reported as a reduction to expenditures	
	75,083
<b>Change in Net Assets of Governmental Activities</b>	<b>\$ 518,469</b>

See Notes to Financial Statements

**CITY OF COLDWATER**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2006**

	<u>Electric Fund</u>	<u>Telecommunications Fund</u>	<u>Water Fund</u>
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and investments	\$ 6,584,008	\$ -	\$ 98,125
Accounts receivable	2,937,634	196,565	215,241
Inventories	63,663	-	55,359
Due from other funds	1,058,751	-	-
Prepaid and other assets	20,111	63,703	3,666
Total current assets	<u>10,664,167</u>	<u>260,268</u>	<u>372,391</u>
<b>Noncurrent assets:</b>			
Unamortized bond costs	543,224	42,879	415,030
Investment in Power Agency	7,231,540	-	-
Restricted assets	2,453,738	732,253	418,066
Capital assets, less accumulated depreciation	15,803,119	6,800,451	8,811,611
Total noncurrent assets	<u>26,031,621</u>	<u>7,575,583</u>	<u>9,644,707</u>
Total assets	<u>\$ 36,695,788</u>	<u>\$ 7,835,851</u>	<u>\$ 10,017,098</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts payable	\$ 1,879,653	\$ 99,767	\$ 31,894
Accrued expenditures	390,718	110,115	118,736
Due to other funds	-	1,058,751	257,466
Notes payable, due within one year	620,000	268,322	285,000
Total current liabilities	<u>2,890,371</u>	<u>1,536,955</u>	<u>693,096</u>
<b>Noncurrent liabilities</b>			
Notes payable, due in more than one year	8,850,000	4,816,994	3,960,000
Compensated absences	160,758	44,056	45,152
Total noncurrent liabilities	<u>9,010,758</u>	<u>4,861,050</u>	<u>4,005,152</u>
Total liabilities	<u>11,901,129</u>	<u>6,398,005</u>	<u>4,698,248</u>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	6,333,119	1,715,135	4,566,611
Restricted	2,453,738	732,253	418,066
Unrestricted	16,007,802	(1,009,542)	334,173
Total net assets	<u>\$ 24,794,659</u>	<u>\$ 1,437,846</u>	<u>\$ 5,318,850</u>

See Notes to Financial Statements

<b>Waste Water Fund</b>	<b>Nonmajor Sanitation Fund</b>	<b>Totals</b>
\$ 1,278,134	\$ 267,250	\$ 8,227,517
217,875	25,852	3,593,167
-	-	119,022
257,466	-	1,316,217
3,375	-	90,855
<hr/> 1,756,850	<hr/> 293,102	<hr/> 13,346,778
295,642	-	1,296,775
-	-	7,231,540
2,006,247	-	5,610,304
<hr/> 12,978,342	<hr/> 76,373	<hr/> 44,469,896
<hr/> 15,280,231	<hr/> 76,373	<hr/> 58,608,515
<hr/> <b>\$ 17,037,081</b>	<hr/> <b>\$ 369,475</b>	<hr/> <b>\$ 71,955,293</b>
\$ 693,874	\$ 4,892	\$ 2,710,080
199,754	1,788	821,111
-	-	1,316,217
475,000	-	1,648,322
<hr/> 1,368,628	<hr/> 6,680	<hr/> 6,495,730
6,740,000	-	24,366,994
58,405	-	308,371
<hr/> 6,798,405	<hr/> -	<hr/> 24,675,365
8,167,033	6,680	31,171,095
5,763,342	76,373	18,454,580
2,006,247	-	5,610,304
1,100,459	286,422	16,719,314
<hr/> \$ 8,870,048	<hr/> \$ 362,795	<hr/> \$ 40,784,198

**CITY OF COLDWATER**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	<b>Electric Fund</b>	<b>Telecommunications Fund</b>	<b>Water Fund</b>
<b>REVENUES</b>			
Charges for services	\$ 25,082,753	\$ 3,163,664	\$ 1,803,254
<b>OPERATING EXPENSES</b>			
Purchased power	19,287,503	-	-
Power plant	327,262	-	-
Distribution	812,098	1,695,262	375,399
Substation	179,257	-	-
Sanitation	-	-	-
Metering and lighting	358,865	-	-
Wells	-	-	77,782
Treatment	-	-	347,712
Collection system	-	-	-
Customer service	158,530	190,534	-
Administration	863,647	424,788	367,703
Payments in lieu of taxes	1,420,716	88,764	108,528
Depreciation and amortization	933,280	530,219	407,334
Total operating expenditures	<u>24,341,158</u>	<u>2,929,567</u>	<u>1,684,458</u>
<b>OPERATING INCOME (LOSS)</b>	741,595	234,097	118,796
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment income	2,109,975	18,222	11,407
Interest expense	(499,119)	(275,445)	(205,440)
Miscellaneous	32,273	7,446	41,795
Total nonoperating revenues (expenses)	<u>1,643,129</u>	<u>(249,777)</u>	<u>(152,238)</u>
<b>INCOME (LOSS) - BEFORE TRANSFERS</b>	2,384,724	(15,680)	(33,442)
<b>TRANSFERS FROM OTHER FUNDS</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>	2,384,724	(15,680)	(33,442)
<b>NET ASSETS - BEGINNING</b>	<u>22,409,935</u>	<u>1,453,526</u>	<u>5,352,292</u>
<b>NET ASSETS - ENDING</b>	<u>\$ 24,794,659</u>	<u>\$ 1,437,846</u>	<u>\$ 5,318,850</u>

See Notes to Financial Statements

<b>Waste Water Fund</b>	<b>Nonmajor Sanitation Fund</b>	<b>Totals</b>
\$ 1,819,316	\$ 431,576	\$ 32,300,563
-	-	19,287,503
-	-	327,262
-	-	2,882,759
-	-	179,257
-	337,389	337,389
-	-	358,865
-	-	77,782
730,065	-	1,077,777
139,102	-	139,102
-	-	349,064
336,010	-	1,992,148
117,648	-	1,735,656
522,138	14,637	2,407,608
<u>1,844,963</u>	<u>352,026</u>	<u>31,152,172</u>
(25,647)	79,550	1,148,391
121,498	-	2,261,102
(289,905)	-	(1,269,909)
39,269	-	120,783
<u>(129,138)</u>	<u>-</u>	<u>1,111,976</u>
(154,785)	79,550	2,260,367
-	5,169	5,169
<u>(154,785)</u>	<u>84,719</u>	<u>2,265,536</u>
9,024,833	278,076	38,518,662
<u>\$ 8,870,048</u>	<u>\$ 362,795</u>	<u>\$ 40,784,198</u>

**CITY OF COLDWATER**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Electric Fund</u>	<u>Telecommunications Fund</u>	<u>Water Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 25,178,645	\$ 3,205,216	\$ 1,887,544
Payments made to suppliers	(22,486,856)	(1,947,547)	(655,160)
Payments made to employees	(1,028,413)	(601,288)	(419,662)
Net cash provided by operating activities	1,663,376	656,381	812,722
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Principal and interest paid on capital debt	(6,354,119)	(532,955)	(475,440)
Proceeds of issuance of bonds	5,455,000	-	-
Payment of bond issuance costs	(203,057)	-	-
Purchase of capital assets	(829,509)	(153,900)	(303,116)
Transfer from Retirement Fund	-	-	-
Net cash provided by (used) in capital and related financing activities	(1,931,685)	(686,855)	(778,556)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received on investments	2,109,975	18,222	11,407
Change in investments	1,629,261	-	(13,041)
Net cash provided by (used) in investing activities	3,739,236	18,222	(1,634)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	3,470,927	(12,252)	32,532
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	3,922,557	744,505	65,593
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<u>\$ 7,393,484</u>	<u>\$ 732,253</u>	<u>\$ 98,125</u>

See Notes to Financial Statements

<b>Waste Water Fund</b>	<b>Nonmajor Sanitation Fund</b>	<b>Totals</b>
\$ 1,895,945	\$ 437,787	\$ 32,605,137
(528,745)	(282,376)	(25,900,684)
(358,142)	(52,625)	(2,460,130)
1,009,058	102,786	4,244,323
(744,905)	-	(8,107,419)
1,500,000	-	6,955,000
(80,157)	-	(283,214)
(2,050,924)	-	(3,337,449)
-	5,169	5,169
(1,375,986)	5,169	(4,767,913)
121,498	-	2,261,102
647,537	-	2,263,757
769,035	-	4,524,859
402,107	107,955	4,001,269
876,027	159,295	5,767,977
<u>\$ 1,278,134</u>	<u>\$ 267,250</u>	<u>\$ 9,769,246</u>

**CITY OF COLDWATER**

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS - Continued  
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Electric Fund</u>	<u>Telecommunications Fund</u>	<u>Water Fund</u>
<b>BALANCE SHEET CLASSIFICATION OF CASH AND CASH EQUIVALENTS</b>			
Cash and investments	\$ 6,584,008	\$ -	\$ 98,125
Restricted cash and investments	2,453,738	732,253	418,066
Less amounts classified as investments	<u>(1,644,262)</u>	<u>-</u>	<u>(418,066)</u>
Total cash and cash equivalents	<u>\$ 7,393,484</u>	<u>\$ 732,253</u>	<u>\$ 98,125</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 741,595	\$ 234,097	\$ 118,796
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Other income	32,273	7,446	41,795
Depreciation and amortization	933,280	530,219	407,334
Loss on sale of assets	8,039	2,832	2,830
Changes in assets and liabilities:			
Receivables	63,619	34,106	42,495
Inventories	(21,269)	-	1,229
Prepays and other assets	(1,717)	43,838	4,604
Due from (to) other funds	155,863	(155,863)	257,466
Accounts payable	(77,790)	(28,430)	(59,319)
Accrued expenditures	(165,648)	(2,954)	(4,302)
Compensated absences	<u>(4,869)</u>	<u>(8,910)</u>	<u>(206)</u>
Net cash provided by operating activities	<u>\$ 1,663,376</u>	<u>\$ 656,381</u>	<u>\$ 812,722</u>

See Notes to Financial Statements

<b>Waste Water Fund</b>	<b>Nonmajor Sanitation Fund</b>	<b>Totals</b>
\$ 1,278,134	\$ 267,250	\$ 8,227,517
2,006,247	-	5,610,304
(2,006,247)	-	(4,068,575)
<u>\$ 1,278,134</u>	<u>\$ 267,250</u>	<u>\$ 9,769,246</u>
\$ (25,647)	\$ 79,550	\$ 1,148,391
39,269	-	120,783
522,138	14,637	2,407,608
2,832	-	16,533
37,360	6,211	183,791
-	-	(20,040)
4,007	-	50,732
(257,466)	-	-
666,905	2,263	503,629
42,710	125	(130,069)
(23,050)	-	(37,035)
<u>\$ 1,009,058</u>	<u>\$ 102,786</u>	<u>\$ 4,244,323</u>

**CITY OF COLDWATER**  
**FIDUCIARY FUNDS**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**JUNE 30, 2006**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ 51,386</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 41,488
Due to other governmental units	<u>9,898</u>
Total liabilities	<u>\$ 51,386</u>

**CITY OF COLDWATER**  
**COMPONENT UNITS**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2006**

	<b>Downtown Development Authority</b>	<b>Local Development Finance Authority</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and investments	\$ 101,694	\$ 562,052	\$ 663,746
Notes receivable	37,558	-	37,558
Capital assets, less accumulated depreciation	439,469	442,903	882,372
 Total assets	 578,721	 1,004,955	 1,583,676
<b>LIABILITIES</b>			
Accounts payable	7,918	-	7,918
Due to others	-	562,052	562,052
Long term liabilities:			
Notes payable, due within one year	50,000	-	50,000
Notes payable, due in more than one year	151,393	566,424	717,817
 Total liabilities	 209,311	 1,128,476	 1,337,787
<b>NET ASSETS (DEFICIT)</b>			
Investment in capital assets - net of related debt	238,076	52,201	290,277
Undesignated	131,334	(175,722)	(44,388)
 Total net assets (deficit)	 \$ 369,410	 \$ (123,521)	 \$ 245,889

**CITY OF COLDWATER**  
**COMPONENT UNITS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2006**

<b>Functions/Programs</b>	<b>Program Revenues</b>		
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating / Grants and Contributions</b>
Downtown Development Authority	\$ 215,569	\$ 8,700	\$ 30,000
Local Development Finance Authority	65,730	-	-
Total component activities	\$ 281,299	\$ 8,700	\$ 30,000

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**

<b>Downtown Development Authority</b>	<b>Local Development Finance Authority</b>	<b>Total</b>
\$ (176,869)	\$ -	\$ (176,869)
-	(65,730)	(65,730)
(176,869)	(65,730)	(242,599)
200,173	166,596	366,769
6,158	17,775	23,933
206,331	184,371	390,702
29,462	118,641	148,103
339,948	(242,162)	97,786
<u>\$ 369,410</u>	<u>\$ (123,521)</u>	<u>\$ 245,889</u>

**CITY OF COLDWATER**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**NOTE A – 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 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.

**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, 2006**

#### **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, 2006

#### 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, 2006

#### 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, respectively. Rates are established by the Board of Public Utilities. The Board consists of five nonpartisan 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 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.

##### **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, 2006**

#### **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

##### **PROPERTY TAX REVENUE**

The City's property taxes are levied each July 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 assessed.

The City's 2006 tax is levied and collectible on July 1, 2005 and is recognized as revenue in the year ended June 30, 2006, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2005 taxable valuation of the City totaled \$289.6 million, a portion of which is abated and a portion of which is captured by the TIFA and DDA. Taxes levied consisted of 11.5978 mills for operating purposes and .3333 mills for the retirement system. This resulted in almost \$3.5 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, 2006**

**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, 2006**

#### **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 preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

#### **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 3.03% to 4.82%.

**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, 2006**

**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)	\$ 3,436,097	0.0027
U.S. government or agency bond or note	14,576,019	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>Standard &amp; Poor's Rating</u>
Michigan CLASS pool	\$ 3,436,097	AAA m

**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, 2006, \$20,454,472 the City’s bank balance of \$20,854,474 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, 2006**

**NOTE C – DUE FROM (TO) OTHER FUNDS**

The due from (to) other funds, at June 30, 2006, for the City are as follows:

**ELECTRIC FUND**

Due from Telecommunications Fund	\$ 1,058,751
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**WASTE WATER FUND**

Due from Water Fund	<u>257,466</u>
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Total due from other funds	<u><u>\$ 1,316,217</u></u>
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**CITY OF COLDWATER**

**NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2006**

**NOTE D – TRANSFERS FROM (TO) OTHER FUNDS**

Transfers from (to) other funds, during the year ended June 30, 2006, for the City are as follows:

**GENERAL FUND**

Transfer from Retirement Fund \$ 254,021

**NONMAJOR SANITATION FUND**

Transfer from Retirement Fund \$ 5,169

**OTHER NONMAJOR FUNDS**

Major Streets Fund

Transfer from Retirement Fund \$ 7,262

Transfer to Local Streets Fund (163,366)

Total Major Streets Fund (156,104)

Local Streets Fund

Transfer from Retirement Fund 4,908

Transfer from Major Streets Fund 163,366

Total Local Streets Fund 168,274

Parking Authority

Transfer from Retirement Fund 1,015

Retirement Fund

Transfer to General Fund (254,021)

Transfer to Major Streets Fund (7,262)

Transfer to Local Streets Fund (4,908)

Transfer to Parking Authority Fund (1,015)

Transfer to Sanitation Fund (5,169)

Total Retirement Fund (272,375)

Total other nonmajor governmental funds \$ (259,190)

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, 2006**

**NOTE E – CAPITAL ASSETS**

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

**GOVERNMENTAL ACTIVITIES**

	<b>Balance July 1, 2005</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance June 30, 2006</b>
<b>GROUP:</b>				
Land	\$ 655,880	\$ 120,989	\$ -	\$ 776,869
Roads and sidewalks	9,484,993	713,206	-	10,198,199
Land improvements	672,653	-	-	672,653
Buildings and improvements	10,808,787	128,591	-	10,937,378
Vehicles	1,696,306	59,557	-	1,755,863
Other tools and equipment	1,045,602	119,954	-	1,165,556
Subtotal	24,364,221	1,142,297	-	25,506,518

**ACCUMULATED DEPRECIATION:**

Roads and sidewalks	3,240,891	441,482	-	3,682,373
Land improvements	211,128	7,884	-	219,012
Building and improvements	1,532,692	274,821	-	1,807,513
Vehicles	881,162	133,466	-	1,014,628
Other tools and equipment	717,921	97,960	-	815,881
Total accumulated depreciation	6,583,794	955,613	-	7,539,407
Net capital assets	<u>\$ 17,780,427</u>	<u>\$ 186,684</u>	<u>\$ -</u>	<u>\$ 17,967,111</u>

**CITY OF COLDWATER**

**NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2006**

**NOTE E – CAPITAL ASSETS – Continued**

**BUSINESS-TYPE ACTIVITIES**

<b>GROUP:</b>	<b>Balance July 1, 2005</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance June 30, 2006</b>
Land	\$ 101,124	\$ -	\$ -	\$ 101,124
Work in progress	68,421	2,001,541	-	2,069,962
Utility systems	39,348,678	1,083,560	-	40,432,238
Buildings	18,937,081	31,512	-	18,968,593
Machinery and equipment	8,457,771	220,836	128,573	8,550,034
	<u>66,913,075</u>	<u>3,337,449</u>	<u>128,573</u>	<u>70,121,951</u>
Subtotal	66,913,075	3,337,449	128,573	70,121,951

**ACCUMULATED DEPRECIATION:**

Electric	10,560,410	902,054	54,798	11,407,666
Telecommunications	2,729,149	525,252	17,103	3,237,298
Water	4,027,405	365,831	22,970	4,370,266
Waste water	6,064,109	493,059	17,170	6,539,998
Sanitation	82,190	14,637	-	96,827
	<u>23,463,263</u>	<u>2,300,833</u>	<u>112,041</u>	<u>25,652,055</u>
Total accumulated depreciation	23,463,263	2,300,833	112,041	25,652,055
Net capital assets	<u>\$ 43,449,812</u>	<u>\$ 1,036,616</u>	<u>\$ 16,532</u>	<u>\$ 44,469,896</u>

**CITY OF COLDWATER**

**NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2006**

**NOTE E – CAPITAL ASSETS – Continued**

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

**GOVERNMENTAL ACTIVITIES:**

General government	\$ 672,233
Public safety	121,409
Public works	97,992
Recreation and culture	<u>63,979</u>
Total governmental activities	<u>\$ 955,613</u>

**BUSINESS -TYPE ACTIVITIES:**

Electric	\$ 902,054
Telecommunications	525,252
Water	365,831
Waste water	493,059
Sanitation	<u>14,637</u>
Total business-type activities	<u>\$ 2,300,833</u>

The component units' capital assets at June 30, 2006 consist of the following:

**COMPONENT UNITS:**

Land	\$ 715,521
Building	<u>226,096</u>
Total component units	941,617
Less, accumulated depreciation	<u>59,245</u>
Net capital assets of component units	<u>\$ 882,372</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, 2006**

**NOTE F – LONG-TERM DEBT**

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2006</u>
<b>Governmental Activities:</b>				
General obligation bonds	\$ 220,000	\$ -	\$ 55,000	\$ 165,000
Building authority bonds	1,985,000	-	120,000	1,865,000
Installment purchase agreements	360,835	-	113,937	246,898
Special assessment bonds	1,300,000	-	310,000	990,000
Compensated absences	521,116	-	75,083	446,033
	<u>4,386,951</u>	<u>-</u>	<u>674,020</u>	<u>3,712,931</u>
Total governmental activities	<u>\$ 4,386,951</u>	<u>\$ -</u>	<u>\$ 674,020</u>	<u>\$ 3,712,931</u>
<b>Business-type Activities:</b>				
Revenue bonds	\$ 24,505,000	\$ 5,455,000	\$ 6,800,000	\$ 23,160,000
General obligation capital improvement bond	-	1,500,000	-	1,500,000
Notes payable	1,392,826	-	37,510	1,355,316
Compensated absences	345,406	-	37,035	308,371
	<u>26,243,232</u>	<u>6,955,000</u>	<u>6,874,545</u>	<u>26,323,687</u>
Total business-type activities	<u>\$ 26,243,232</u>	<u>\$ 6,955,000</u>	<u>\$ 6,874,545</u>	<u>\$ 26,323,687</u>

**CITY OF COLDWATER**

**NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2006**

**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 rates of 4.75% to 4.8%, principal payments of \$65,000, due March 2008	\$ 130,000
1998 general obligation limited tax bonds payable at interest rates varying from 4.6% to 4.8%, annual principal payments ranging from \$15,000 to \$20,000, due March 2008	35,000
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	85,000
1999 special assessment bonds payable at interest rates varying from 5.05% to 5.15%, annual principal payments of \$35,000, due March 2009	105,000
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	305,000
2001 special assessment bonds payable at an interest rate of 3.95%, annual principal payments of \$70,000 to \$75,000, due February 2011	365,000
1999 general obligation limited tax bonds payable at interest rates of 4.85% to 5.0%, annual principal payments of \$30,000 to \$35,000, due March 2009	100,000
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	1,580,000
2000 Building Authority Bonds payable at interest rates of 5.15% to 5.25%, semiannual principal payments of \$50,000 to \$65,000, due October 2010	285,000

**CITY OF COLDWATER**

**NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2006**

**NOTE F – LONG-TERM DEBT – Continued**

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	30,000
Act 99 contract payable at an interest rate of 5.1%, semiannual payments of \$48,680 including interest, due September 2007	138,898
Act 99 contract payable at an interest rate of 3.75%, annual payments of \$27,000 plus interest, due November 2009	<u>108,000</u>
Total bonds and notes payable	3,266,898
Accumulated compensated absences	<u>446,033</u>
Total governmental activities debt	<u><u>\$ 3,712,931</u></u>

**BUSINESS-TYPE ACTIVITIES**

Series 2000 Electric Revenue Bonds interest rates varying from 5.7% to 6.0%, annual principal payments ranging from \$65,000 to \$140,000, due August 2019	\$ 1,385,000
Series 1996 Electric Revenue Bonds, at an interest rate of 5.3%, annual principal payment of \$390,000, due August 2006	390,000
Series 1998 Water Supply and Waste Water System Revenue Refunding Bonds interest rates varying from 4.55% to 5.0%, annual principal payments ranging from \$285,000 to \$480,000, due July 2016	4,245,000
Series 1993 Water Supply and Waste Water Sytem Revenue Refunding Bonds at an interest rate of 5.0%, annual principal payment of \$355,000, due July 2006	355,000
Series 1999 Waste Water System Revenue Bonds, interest rates varying from 4.5% to 4.6%, annual principal payments ranging from \$120,000 to \$330,000, due July 2024	3,985,000

**CITY OF COLDWATER**

**NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2006**

**NOTE F – LONG-TERM DEBT – Continued**

Series 2002 Telecommunications System Revenue Refunding Bonds, at an interest rate of 5.5%, annual principal payments ranging from \$230,000 to \$390,000, due August 2017	3,730,000
Act 99 contract payable at an interest rate of 4.3%, monthly payments of \$1,097 including interest, due August 2018	124,062
Act 99 contract payable at an interest rate of 4.3%, monthly payments of \$1,177 including interest, due August 2018	133,135
Act 99 contract payable at an interest rate of 4.3%, quarterly payments of \$4,846 including interest, due August 2018	237,443
Act 99 contract payable at an interest rate of 4.5%, monthly payments of \$370 plus interest, due April 2019	43,166
Series 2004 Electric Utility System Revenue Bonds, interest rates varying from 2.0% to 4.9%, annual payments ranging from \$75,000 to \$180,000, due August 2024	2,240,000
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
Series 2006 Electric Utility System Revenue Refunding Bonds, interest rates varying from 4.0% to 4.5%, annual payments ranging from \$90,000 to \$650,000, due August 2016	5,455,000
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
Loans payable to Revolving Loan Fund	<u>817,510</u>
Total bonds and notes payable	26,015,316
Accumulated compensated absences	<u>308,371</u>
Total business-type activities debt	<u><u>\$ 26,323,687</u></u>

**CITY OF COLDWATER**

**NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2006**

**NOTE F – LONG-TERM DEBT – Continued**

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.

**COMPONENT UNITS**

Downtown Development Authority note payable, at interest of 5.0%, annual payments vary, due 2008	\$ 101,393
Downtown Development Authority Bond, at interest rates varying from 4.75% to 7.2%, annual payments of \$50,000, due April 2008	100,000
Local Development Finance Authority note payable, at an interest rate of 7.0%, due 2008	<u>566,424</u>
Total component units debt	<u><u>\$ 767,817</u></u>

**REFUNDING OF BONDS**

On May 3, 2006, City of Coldwater issued Electric Refund bonds of \$5,455,000 with an interest rate ranging from 4.0% to 4.5% to advance refund bonds with an interest rate ranging from 5.4% to 5.75%. The bonds mature in August 2016. The Electric Refund bonds were issued at premium after paying issuance costs of \$130,516 which includes underwriters discount, the net proceeds were \$5,448,183. The net proceeds from the issuance of the Electric Refund 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 1996 Series Electric Revenue 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 \$280,078, which resulted in an economic gain, difference between present value of the debt service payments on the old and new debt of \$188,070.

The City has defeased 1996 Series Electric Revenue Bond 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, 2006, \$5,350,000 of bonds outstanding is considered defeased.

**CITY OF COLDWATER**

**NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2006**

**NOTE F – LONG-TERM DEBT – Continued**

The annual requirements to service all debt outstanding as of June 30, 2006, including interest payments of \$11,023,364 for the debt service requirements are as follows:

	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2007	\$ 613,428	\$ 154,978	\$ 768,406
2008	589,470	125,949	715,419
2009	447,000	97,431	544,431
2010	252,000	77,926	329,926
2011	230,000	66,275	296,275
2012-2016	565,000	229,591	794,591
2017-2021	570,000	63,425	633,425
<b>Total</b>	<b>\$ 3,266,898</b>	<b>\$ 815,575</b>	<b>\$ 4,082,473</b>
	<b>Business-type Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2007	\$ 1,648,322	\$ 1,291,172	\$ 2,939,494
2008	1,384,141	1,116,456	2,500,597
2009	1,500,051	1,053,252	2,553,303
2010	1,565,975	985,946	2,551,921
2011	1,641,939	914,910	2,556,849
2012-2016	9,510,713	3,320,781	12,831,494
2017-2021	5,969,175	1,245,617	7,214,792
2022-2026	2,795,000	279,655	3,074,655
<b>Total</b>	<b>\$ 26,015,316</b>	<b>\$ 10,207,789</b>	<b>\$ 36,223,105</b>

Interest expense for the year ended June 30, 2006 was \$1,452,654. Total interest incurred by component units for the year ended June 30, 2006 amounted to \$56,255.

**CITY OF COLDWATER**

**NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2006**

**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, 2006, as follows:

	<b>Governmental Funds</b>	<b>Enterprise Funds</b>
Reserved and designated:		
Cemetery maintenance	\$ 450,000	
Revolving development fund	169,634	
Future retirement contributions	<u>175,167</u>	
 Total reserved and designated fund balances	 <u>\$ 794,801</u>	
 Restricted		
Bond reserve		<u>\$ 5,610,304</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, 2006

#### 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, 2006, the City’s required and actual pension cost was \$377,196. The annual required contribution percentage was determined as a part of an actuarial valuation at December 31, 2003, 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, 2006, there were 62 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 \$223,208. Plan provisions and contribution requirements are established and may be amended by the Coldwater City Council.

## **CITY OF COLDWATER**

### **NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED JUNE 30, 2006**

#### **NOTE I – RETIREMENT PROGRAM – Continued**

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 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, 2006 is \$565,063. In addition, the City has loaned \$817,510 to the Telecommunications Fund, which is non-interest bearing

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 \$1,332,939 at June 30, 2006. 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 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 \$19,287,503 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, 2006**

**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, 2005	\$ (611,446)
Current year building permit revenue	62,228
Less related expenses - Direct costs	<u>(264,514)</u>
Shortfall at June 30, 2006	<u><u>\$ (813,732)</u></u>

**CITY OF COLDWATER**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 3,469,920	\$ 3,472,894	\$ 3,476,675	\$ 3,781
Licenses and permits	119,000	166,401	171,265	4,864
Federal sources	100,000	70,772	71,070	298
State shared revenue	1,000,647	983,349	983,349	-
State sources	58,400	57,652	59,724	2,072
Charges for services	502,500	543,404	557,675	14,271
Rent	264,096	37,075	38,621	1,546
Payment in lieu of taxes	1,735,663	1,735,663	1,735,656	(7)
Interest earned	75,000	133,000	189,346	56,346
Contributions	3,400	4,400	4,780	380
Other	29,300	32,172	41,092	8,920
	<u>7,357,926</u>	<u>7,236,782</u>	<u>7,329,253</u>	<u>92,471</u>
<b>EXPENDITURES</b>				
General government	1,188,273	1,199,383	1,165,766	(33,617)
Public safety	3,202,825	3,308,125	3,248,955	(59,170)
Public works	1,287,085	1,309,347	1,259,150	(50,197)
Recreation and cultural	1,032,750	953,050	939,786	(13,264)
Planning	244,645	150,545	158,895	8,350
Other	426,511	455,011	442,272	(12,739)
Debt service	196,227	196,227	195,663	(564)
	<u>7,578,316</u>	<u>7,571,688</u>	<u>7,410,487</u>	<u>(161,201)</u>
Excess (deficiency) of revenues over expenditures	(220,390)	(334,906)	(81,234)	253,672
<b>OTHER SOURCES</b>				
Sale of fixed assets	200	26,142	26,142	-
Transfers from other funds	260,800	244,800	254,021	9,221
	<u>261,000</u>	<u>270,942</u>	<u>280,163</u>	<u>9,221</u>
Excess (deficiency) of revenues and other sources over expenditures	40,610	(63,964)	198,929	262,893
<b>FUND BALANCE - BEGINNING</b>	<u>2,073,086</u>	<u>2,073,086</u>	<u>2,073,086</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 2,113,696</u>	<u>\$ 2,009,122</u>	<u>\$ 2,272,015</u>	<u>\$ 262,893</u>

**CITY OF COLDWATER**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**REVOLVING DEVELOPMENT FUND**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Interest income	\$ 100,000	\$ 100,000	\$ 112,933	\$ 12,933
Other	-	-	302,936	302,936
	<u>100,000</u>	<u>100,000</u>	<u>415,869</u>	<u>315,869</u>
<b>EXPENDITURES</b>				
Economic development	<u>100,000</u>	<u>100,000</u>	<u>199,401</u>	<u>99,401</u>
Excess of revenues over expenditures	-	-	216,468	216,468
<b>FUND BALANCE - BEGINNING</b>	<u>839,966</u>	<u>839,966</u>	<u>839,966</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u><u>\$ 839,966</u></u>	<u><u>\$ 839,966</u></u>	<u><u>\$ 1,056,434</u></u>	<u><u>\$ 216,468</u></u>

**CITY OF COLDWATER**  
**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**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:

	<u>Final Budget</u>	<u>Actual</u>
General Fund		
Planning	\$ 150,545	\$ 158,895
Revolving Development Fund		
Economic development	\$ 100,000	\$ 199,401

**CITY OF COLDWATER**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**RETIREMENT SYSTEM ANALYSIS OF FUNDING PROGRESS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

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>
2001	300,264	100%	-	19,710,361	20,106,759	396,398
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

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

Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability Percentage of Covered Payroll
98%	3,694,472	10.73%
93%	3,096,838	47.43%
92%	3,018,999	59.07%
88%	2,903,461	96.93%
88%	2,796,620	101.51%

**CITY OF COLDWATER**  
**OTHER SUPPLEMENTAL INFORMATION**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**Nonmajor Special Revenue Funds**

	<b>Major Streets Fund</b>	<b>Local Streets Fund</b>	<b>Parking Authority Fund</b>	<b>Retirement Fund</b>
<b>ASSETS</b>				
Cash and investments	\$ 475,757	\$ 369,140	\$ 11,820	\$ -
Special assessment receivable	37,239	-	-	-
Due from other governmental units	112,384	33,471	-	-
Restricted assets	-	-	-	175,167
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 625,380</u>	<u>\$ 402,611</u>	<u>\$ 11,820</u>	<u>\$ 175,167</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 13,622	\$ 1,225	\$ 40	\$ -
Accrued expenditures	2,211	1,453	312	-
Deferred revenue	37,239	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	53,072	2,678	352	-
<b>FUND BALANCE</b>				
Reserved	-	-	-	175,167
Designated	-	-	-	-
Unreserved	572,308	399,933	11,468	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balance	<u>572,308</u>	<u>399,933</u>	<u>11,468</u>	<u>175,167</u>
Total liabilities and fund balance	<u>\$ 625,380</u>	<u>\$ 402,611</u>	<u>\$ 11,820</u>	<u>\$ 175,167</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>
\$ 247,622	\$ -	\$ -	\$ -	\$ 1,104,339
-	-	-	-	37,239
-	-	-	-	145,855
-	-	450,000	-	625,167
<u>\$ 247,622</u>	<u>\$ -</u>	<u>\$ 450,000</u>	<u>\$ -</u>	<u>\$ 1,912,600</u>
\$ 3,265	\$ -	\$ -	\$ -	\$ 18,152
-	-	-	-	3,976
-	-	-	-	37,239
3,265	-	-	-	59,367
-	-	-	-	175,167
-	-	450,000	-	450,000
244,357	-	-	-	1,228,066
<u>244,357</u>	<u>-</u>	<u>450,000</u>	<u>-</u>	<u>1,853,233</u>
<u>\$ 247,622</u>	<u>\$ -</u>	<u>\$ 450,000</u>	<u>\$ -</u>	<u>\$ 1,912,600</u>

**CITY OF COLDWATER**  
**OTHER SUPPLEMENTAL INFORMATION**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**Nonmajor Special Revenue Funds**

	<b>Major Streets Fund</b>	<b>Local Streets Fund</b>	<b>Parking Authority Fund</b>	<b>Retirement Fund</b>
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ 103,110
Special assessments	8,589	-	35,003	-
State shared revenue	653,463	202,705	-	-
State sources	33,955	-	-	-
Charges for services	-	-	6,203	-
Rent and royalties	-	-	-	-
Interest income	16,426	5,249	-	6,980
Contributions	-	-	-	-
Other income	2,617	-	-	465
Total revenues	715,050	207,954	41,206	110,555
<b>EXPENDITURES</b>				
Public works	764,512	321,855	31,738	-
Recreation and cultural	-	-	-	-
Debt service	-	-	-	-
Total expenditures	764,512	321,855	31,738	-
Excess (deficiency) of revenues over expenditures	(49,462)	(113,901)	9,468	110,555
<b>OTHER SOURCES (USES)</b>				
Transfers from (to) other funds	(156,104)	168,274	1,015	(272,375)
Excess (deficiency) of revenues and other sources over expenditures and other uses	(205,566)	54,373	10,483	(161,820)
<b>FUND BALANCE - BEGINNING</b>	777,874	345,560	985	336,987
<b>FUND BALANCE - ENDING</b>	\$ 572,308	\$ 399,933	\$ 11,468	\$ 175,167

<b>Nonmajor Capital Project Funds</b>		<b>Nonmajor Permanent Fund</b>		
<b>Library Memorial Fund</b>	<b>Coldwater Municipal Building Authority Fund</b>	<b>Cemetery Special and Perpetual Care Nonexpendable Trust Fund</b>	<b>Totals</b>	
\$ -	\$ -	\$ -	\$	103,110
-	-	-		43,592
-	-	-		856,168
-	-	-		33,955
1,037	-	-		7,240
-	218,851	-		218,851
6,799	-	-		35,454
1,095	-	-		1,095
83	-	-		3,165
9,014	218,851	-		1,302,630
-	-	-		1,118,105
21,229	-	-		21,229
-	218,851	-		218,851
21,229	218,851	-		1,358,185
(12,215)	-	-		(55,555)
-	-	-		(259,190)
(12,215)	-	-		(314,745)
256,572	-	450,000		2,167,978
<u>\$ 244,357</u>	<u>\$ -</u>	<u>\$ 450,000</u>	<u>\$</u>	<u>1,853,233</u>

**CITY OF COLDWATER**  
**OTHER SUPPLEMENTAL INFORMATION**  
**COMBINING BALANCE SHEET**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2006**

	<b>Agency Funds</b>		
	<b>Health Insurance Fund</b>	<b>Tax Collection Fund</b>	<b>Totals</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 41,470	\$ 9,916	\$ 51,386
 <b>LIABILITIES</b>			
Accounts payable	\$ 41,470	\$ 18	\$ 41,488
Due to other governmental units	-	9,898	9,898
Total liabilities	\$ 41,470	\$ 9,916	\$ 51,386