

**CITY OF COLDWATER
BRANCH COUNTY, MICHIGAN**

FINANCIAL STATEMENTS

JUNE 30, 2010

CONTENTS

	<u>Page</u>
Report Letter	1-2
Management's Discussion and Analysis	3-17
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Assets	18
Statement of Activities	19
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	20
Reconciliation of Balance Sheet of Governmental Funds to Net Assets	21
Statement of Revenues, Expenditures and Changes in Fund Balance	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	23
Proprietary Funds:	
Statement of Net Assets	24
Statement Revenues, Expenses and Changes in Net Assets	25
Statement of Cash Flows	26-27
Fiduciary Funds:	
Statement of Fiduciary Net Assets	28
Component Units:	
Statement of Net Assets	29
Statement of Activities	30
Notes to Financial Statements	31-51
Required Supplemental Information	
General Fund:	
Budgetary Comparison Schedule	52
Revolving Development Fund:	
Budgetary Comparison Schedule	53
Notes to Required Supplemental Information	54
Retirement System Analysis of Funding Progress	55

CONTENTS – Continued

Page

Other Supplemental Information

Nonmajor Governmental Funds: Combining Balance Sheet	56
Nonmajor Governmental Funds: Combining Statement of Revenues, Expenditures and Changes In Fund Balance	57
Fiduciary Funds: Combining Balance Sheet	58

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INDEPENDENT AUDITOR'S REPORT

**City Council
City of Coldwater, Michigan**

December 6, 2010

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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit, also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Coldwater, Michigan as of June 30, 2010 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.

In accordance with Governmental Auditing Standards, we have also issued our report dated December 6, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison schedules, and pension system schedule of funding progress pages 3 through 17 and 52 through 55 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management, about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Combining Financial Statements and Other Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Coldwater's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide assurance on them.



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, 2010. 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, 2010:

- The City saw total assets increase by \$6.2 million or 7.1%, while liabilities increased by \$750,000 or 2.7% under the modified accrual basis of accounting. This resulted in total fund equity increasing by \$5.5 million or 9.3%. These positive operating results were directly related to the City's Enterprise Funds. The Electric Fund saw a bottom line increase of \$4.2 million of which \$2.7 million is attributed to an increase in the equity of the Michigan South Central Power Agency which the City is a 40% owner.
- All the individual Enterprise Funds ended the year with an increase in net assets except for the Telecommunications Fund which saw a deficit of \$79,000.
- The City's Governmental Funds ended the year with an increase of \$245,000, primarily resulting from decreased expenditures in the City's General Fund; federal revenue and debt proceeds from street projects funded by American Recovery and Reinvestment Act and loans from the State of Michigan's Revolving Loan Fund.
- A review of the City's balance sheet under the full accrual basis method of accounting, which provides more of a longer term view of the City's finances, also reflects a \$5.6 million increase in total net assets primarily attributed to the Enterprise Funds. The City's Governmental Activities show an increase in net assets of \$404,000.
- Overall, the total change in fund equity of \$1.6 million is a reflection of increased revenues of \$1.3 million with a decrease in expenditures of \$300,000.
- Governmental Funds saw an increase in revenues of \$500,000; \$373,000 from debt proceeds and \$321,000 in federal revenue from the previously mentioned street projects. Other than this one time event, revenues from historic revenue streams were down from the prior year.
- Of the City's 3 main revenue sources; property taxes, operating transfers from the Enterprise Funds and State shared revenue; property taxes and operating transfers were relatively flat, but revenue sharing decreased by \$140,000.
- Total expenditures for Governmental Funds decreased by \$452,000. The largest decrease resulted from reduced debt service.
- Other operating expenditures were reduced as the City cut costs by reducing staffing and expenditures due to declining revenues associated with revenue sharing and predicted future property taxes.
- Enterprise Funds revenues showed an increase in revenues of \$849,000; however, \$1.1 million came from federal revenues.
- Charges for services actually decreased by \$316,000 as the Electric Fund did not pass along increased power supply costs through power cost adjustments. Instead a conscious effort was made to use reserves to protect residents and businesses from increased costs during this period of economic decline on both the National and State levels.
- Expenditures for the Enterprise Funds increased by \$149,000, primarily the result of increased power supply costs.

CITY OF COLDWATER

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

- Overall, the Enterprise Funds saw a change in fund equity of \$5.2 million. \$4.1 million is directly attributable to the operating results of the Electric Fund.

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 to 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	
	2010	2009	2010	2009	2010	2009
Assets	\$ 6,822,243	\$ 6,549,870	\$ 86,865,842	\$ 80,936,807	\$ 93,688,085	\$ 87,486,677
Liabilities	1,178,050	1,150,466	27,707,318	26,985,289	28,885,368	28,135,755
Fund Equity						
Investment in capital - Net of related debt	-	-	22,847,880	20,870,111	22,847,880	20,870,111
Retained earnings:						
Restricted	-	-	2,896,638	3,404,245	2,896,638	3,404,245
Unreserved	-	-	33,414,006	29,677,162	33,414,006	29,677,162
Fund balances:						
Reserved	-	-	-	-	-	-
Designated	450,000	450,000	-	-	450,000	450,000
Undesignated	5,194,193	4,949,404	-	-	5,194,193	4,949,404
Total fund equity	\$ 5,644,193	\$ 5,399,404	\$ 59,158,524	\$ 53,951,518	\$ 64,802,717	\$ 59,350,922

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	
	2010	2009	2010	2009	2010	2009
Assets						
Current and other assets	\$ 6,822,243	\$ 6,549,870	\$ 40,102,107	\$ 36,364,989	\$ 46,924,350	\$ 42,914,859
Capital assets	19,639,274	19,215,164	45,761,542	44,080,111	65,400,816	63,295,275
Total assets	26,461,517	25,765,034	85,863,649	80,445,100	112,325,166	106,210,134
Liabilities						
Long-term debt outstanding	1,997,549	1,876,829	21,539,271	22,024,279	23,536,820	23,901,108
Other liabilities	807,116	636,125	5,165,854	4,469,303	5,972,970	5,105,428
Total liabilities	2,804,665	2,512,954	26,705,125	26,493,582	29,509,790	29,006,536
Net Assets						
Investment in capital assets- Net of related debt	17,900,905	17,625,164	22,847,880	20,870,111	40,748,785	38,495,275
Restricted	-	-	2,896,638	3,404,245	2,896,638	3,404,245
Unrestricted	5,755,947	5,627,051	33,414,006	29,677,162	39,169,953	35,304,213
Total net assets	\$ 23,656,852	\$ 23,252,215	\$ 59,158,524	\$ 53,951,518	\$ 82,815,376	\$ 77,203,733

CITY OF COLDWATER

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

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

	Governmental Funds		Enterprise Funds		Total	
	2010	2009	2010	2009	2010	2009
Revenue						
Taxes	\$ 4,170,342	\$ 4,158,130	\$ -	\$ -	\$ 4,170,342	\$ 4,158,130
Special assessments	110,229	193,215	-	-	110,229	193,215
Licenses and permits	151,817	163,685	-	-	151,817	163,685
Federal sources	326,482	5,914	1,113,317	-	1,439,799	5,914
State shared revenue	1,600,785	1,740,456	-	-	1,600,785	1,740,456
State sources	267,948	137,409	-	-	267,948	137,409
Charges for services	512,705	520,614	35,798,016	36,119,781	36,310,721	36,640,395
Rent	538,067	557,603	-	-	538,067	557,603
Interest income	129,938	272,227	2,894,827	2,968,798	3,024,765	3,241,025
Contributions	27,156	1,702	-	-	27,156	1,702
Other income	89,581	64,692	84,640	101,679	174,221	166,371
Proceeds from debt	373,369	-	-	-	373,369	-
Sale of fixed assets	1,948	6,582	166,660	18,402	168,608	24,984
Total income	8,300,367	7,822,229	40,057,460	39,208,660	48,357,827	47,030,889
Program expenses						
General government	1,296,477	1,313,751	-	-	1,296,477	1,313,751
Public safety	3,508,362	3,546,295	-	-	3,508,362	3,546,295
Public works	3,155,791	3,163,288	-	-	3,155,791	3,163,288
Recreation and cultural	961,693	1,190,715	-	-	961,693	1,190,715
Planning	152,494	135,134	-	-	152,494	135,134
Economic development	277,622	44,508	-	-	277,622	44,508
Debt service	302,739	714,530	-	-	302,739	714,530
Other expenditures	431,388	429,844	-	-	431,388	429,844
Purchased power	-	-	21,237,466	20,828,416	21,237,466	20,828,416
Power plant	-	-	313,089	304,116	313,089	304,116
Distribution	-	-	2,955,755	3,004,157	2,955,755	3,004,157
Substation	-	-	101,154	161,913	101,154	161,913
Sanitation	-	-	411,831	432,977	411,831	432,977
Metering and lighting	-	-	437,621	415,292	437,621	415,292
Wells	-	-	87,613	56,362	87,613	56,362
Treatment	-	-	1,221,911	1,179,397	1,221,911	1,179,397
Collection system	-	-	195,573	173,575	195,573	173,575
Customer service	-	-	361,988	340,393	361,988	340,393
Administration	-	-	2,099,464	2,273,636	2,099,464	2,273,636
Depreciation and amortization	-	-	2,437,213	2,460,398	2,437,213	2,460,398
Interest expense	-	-	958,788	1,040,282	958,788	1,040,282
Total expenses	10,086,566	10,538,065	32,819,466	32,670,914	42,906,032	43,208,979
Excess (deficit) of revenues over expenditures	(1,786,199)	(2,715,836)	7,237,994	6,537,746	5,451,795	3,821,910
Other Sources (Uses)	2,030,988	1,898,184	(2,030,988)	(1,898,184)	-	-
Change in fund equity	\$ 244,789	\$ (817,652)	\$ 5,207,006	\$ 4,639,562	\$ 5,451,795	\$ 3,821,910

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	
	2010	2009	2010	2009
Revenues				
Program revenues:				
Charges for services	\$ 1,061,138	\$ 1,114,608	\$ 35,798,016	\$ 36,119,781
Operating grants and contributions	331,518	94,926	-	-
Capital grants and contributions	248,913	10,000	1,113,317	-
General revenues:				
Property taxes	4,170,342	4,158,130	-	-
State shared revenues	1,600,785	1,740,456	-	-
Unrestricted investment earnings	129,938	272,227	2,894,827	2,968,798
Gain on sale of assets	-	-	166,660	18,402
Miscellaneous	40,020	26,177	84,640	101,679
Capital contributions	-	-	-	-
Payments in lieu of taxes	2,030,988	1,898,184	(2,030,988)	(1,898,184)
Total revenues	9,613,642	9,314,708	38,026,472	37,310,476
Expenses				
General government	2,234,599	2,263,241	-	-
Public safety	3,532,213	3,576,666	-	-
Public works	1,871,295	2,355,687	-	-
Recreation and cultural	1,063,043	864,383	-	-
Economic development	430,116	179,642	-	-
Interest	77,739	104,518	-	-
Transfers	-	-	-	-
Electric	-	-	25,238,533	25,133,189
Telecommunications	-	-	2,965,636	2,895,141
Water	-	-	1,870,257	1,849,338
Waste water	-	-	2,320,551	2,346,643
Rubbish	-	-	424,489	446,603
Total expenses	9,209,005	9,344,137	32,819,466	32,670,914
Increase in Net Assets	\$ 404,637	\$ (29,429)	\$ 5,207,006	\$ 4,639,562

The City's overall financial position improved over the prior year under both the full accrual (long-term view) and modified accrual (short-term view) perspectives. Balance sheet assets have grown by \$6.2 and \$6.1 million respectively reflecting the overall improvement of the financial condition of the City when viewing the operating results in aggregate.

During this time of economic decline and declining revenues the City took proactive steps to contain operating costs. These difficult decisions involving staffing were made to position the City of weather the continual and predicted declines in both revenue sharing and property taxes.

CITY OF COLDWATER

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

The State of Michigan's continual budget woes have had an adverse affect on revenue sharing. Currently, the City's general fund receives \$816,000 from the State for operations. This amount is down over \$400,000 from the amounts received in past years. Ultimately, this affects the services the City will be able to provide. Employment costs continue to rise in the labor intensive business of providing public safety and public works to the City's residents.

Adding to the fiscal stress of the City is the continual decline in taxable values. While, Coldwater has not seen the dramatic declines as other municipalities in southeastern Michigan, they have been declining nonetheless. Luckily, commercial and industrial values did not decline for the 2010 fiscal years as much as residential value. However, assessing predictions show this will change in the near future, adding to the decline in property tax revenues for the City.

The City's Enterprise Funds continue to show a strong financial condition. Since the utility rates are based on the cost of providing these services, the financial position has not been as drastically affected by the economic decline. However, with higher unemployment it becomes harder to pass utility rate increases on to City residents and businesses.

Continuing the conservative fiscal approach to managing the City's finances will allow the City to withstand the current fiscal stress experienced by many other municipalities in the State. The overall financial condition of the City remains stable. Proactive management responses to the future revenue declines will benefit the City's long term financial success.

There remain several ominous unknowns in the City's future. Aging infrastructure, wage and benefit costs, local unemployment and continual decline in the economy will continue to challenge the City to provide services in its current form for the immediate future.

Governmental Funds

Reviewing the City's Governmental Funds you will see the financial operating results of a surplus of \$244,789 under the modified accrual basis (short-term outlook) and a \$404,637 surplus under the full accrual basis (long-term outlook). As previously discussed the surplus was primarily the result of federal grant and debt proceeds in relation to the street and sewer project that reconstructed the infrastructure for Washington and Sprague Streets. This project was funded by ARRA funds resulting in a 40% federal grant and the balance of the project financed through bonds with the State of Michigan's Revolving Loan Fund. In total \$649,000 of new streets and sidewalks were constructed, while only incurring \$373,000 in debt.

Revenues of the City show an increase of \$478,000; however, adjusting for the street and sewer project, revenues are \$7,678,000. When comparing the adjusted revenues to the prior year you will find an actual decrease in revenues of \$144,144. This is primarily related to the decrease in State revenue sharing of \$139,671. In addition, interest income decreased by \$142,289 due to falling interest rates.

CITY OF COLDWATER

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

The City did receive \$147,000 in a State Transportation Grant. This grant paid for the reconstruction of Michigan Avenue. In addition, the City received \$25,000 for a one time revenue source from the Coldwater Community Schools to assist with the resurfacing of the City's tennis courts which are used by the school district.

Property taxes remain the primary revenue source of the City and increased only \$12,000 from the prior year. Residential property tax values declined as the current economy declined. Home foreclosures and high unemployment rates have had a significant impact on the City's housing market. This decline is expected to continue in the forthcoming fiscal years and will further decrease as commercial and industrial values are predicted to continue to drop into the 2012 fiscal year.

Fortunately, the City receives a payment in lieu of tax (PILOT) in the amount of 6.5% of revenues from the utility funds. The PILOT increased \$132,804 over the prior year. This revenue stream has offset other revenue losses and prevented the City from making service cuts to our residents.

To overcome the current and predicted revenue losses, the City made several hard decisions to reduce expenditures. Several staff reductions were made and operating costs were held to a minimum. By proactively managing our expenditures the City was able to reduce expenditures.

When looking at the combined statements this is not evident as the City was able to continue to invest in the City's infrastructure primarily funded by the grants described above. In all \$1.6 million in capital assets were added during the fiscal year in the City's Governmental Funds.

The City also saw reduced debt service of \$411,791. General obligation debt has continued to be reduced as the City's conservative policies prefers to pay for infrastructure and capital assets on a pay as you go basis.

Enterprise Funds

The Enterprise Funds as whole saw net assets increase by \$5,207,006 or 9.6%. Of this amount \$4,160,124 or 80% is attributed to the Electric Fund. The Wastewater Fund also contributed \$870,580, mostly due to \$1.1 million of federal grants for the ARRA funded sewer project on Sprague and Washington Streets. These ARRA funds were also used to construct improvements at the wastewater treatment plant.

Overall operating revenues of the utility funds decreased by \$321,765, or .9%. This decrease results from a decision made by the City to elect not to recover the entire amount of power costs from the City's electric customers. Due to the current economy, the City elected to use reserves to offset a portion of the costs that would normally be passed on to customers through the power cost adjustment.

Revenues were enhanced by the sale of the City's substation assets. The substation was sold to an outside party who previously handled the maintenance.

CITY OF COLDWATER

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

Purchased power increased by \$409,050, or 1.9%. Included in the cost of purchased power is the debt owed on the generating station operated by the Michigan South Central Power Agency, of which the City is a 40% owner. The generating station will be entirely debt free in March, 2011.

Expenditures as a whole increased by \$148,552, or .5%. The City makes every effort to minimize costs and to utilize best practices to continue to provide high quality services at the lowest cost possible to all utility customers.

PILOT expenditures increased by \$132,804, or 7%. The PILOT is calculated based on the final operating revenues of the 2008 fiscal year.

Overall, the City's Enterprise Funds continue to be financially stable. Annually, utility rates are analyzed to determine the cost of providing these services and rates are adjusted as required. During this economic decline, raising utility rates are never popular. But, in order to maintain reserves and to protect against the decline of the aging water and wastewater infrastructure, rates must be adjusted to maintain the financial stability of all the utility funds.

When reviewing the operating results of Enterprise funds, it is important to review each fund on an individual case basis. Please review the individual fund discussions in the following sections.

Component Units

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

Financial Analysis of the City's Funds

In the proceeding analysis we have been discussing the financial results of the City in aggregate. To fully understand the reasons behind significant changes in fund balance or fund net assets, it is important to look at these funds on an individual basis as well as in the aggregate.

Our presentation of the City's major funds begins on page 20, 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, 2010 include the General Fund, Revolving Development Fund and Capital Improvement Fund.

The General Fund is the City's main operational Fund. Revenues are primarily derived from taxpayers for basic services including public safety, general maintenance, parks and recreation and City administration.. Reviewing the General Fund financial operating results will broadly inform a taxpayer what has been received in exchange for the payment of property taxes.

CITY OF COLDWATER

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

Financial results for the General Fund saw an increase in fund balance of \$547,576. This surplus is a result of reduced expenditures from the prior year in the amount of \$963,546, while revenues decreased by \$152,475.

General Fund revenues are derived from two main sources. The largest of which are property taxes. As previously discussed, property taxes were relatively flat compared to the prior year as taxable values were affected by the downturn in the residential housing market. Property taxes increased by only \$12,228, for a total of \$4 million.

The second largest revenue is state shared revenue which decreased by \$126,701. Revenue sharing continues to dwindle as the State of Michigan struggles to balance their budget. Over the last several years, revenue sharing has been a favorite target for cuts by the State's Legislators. In 2002 the City received \$1,235,176 compared to \$816,050 in the current year, which is a loss of \$419,126.

In addition to the loss of funding from the State, the City is also experiencing declines in building permits. This ultimately will impact future property tax growth and add to the difficulties of balancing future City budgets.

Federal grant proceeds for radios for the police department and housing grants to pay for the demolition of vacant and blighted homes did increase revenues by \$77,569.

The economy has also had a dramatic impact to the amount of interest the City earns on investments. Historically low interest rates have led to a decrease of interest income of \$87,919.

As previously discussed, the City did see an increase in the PILOT which is shown as an other source of revenue. The PILOT increased by \$132,804 which helped to offset the loss of revenue sharing and interest income.

Transfers from other funds are from the retirement millage levied in the amount of 1/3rd of a mill as well as a transfer from the Parking Authority Fund to reimburse the General Fund for prior year transfers.

Even with the decline in overall operating revenues the City was able to report a surplus for the fiscal year due to the reduction in expenditures. The City reacted proactively to the current and future prediction of reduced revenues by making difficult decisions to reduce staffing levels, including choosing not to replace positions lost through attrition. Additionally, operational costs were pared back to necessity purchases only and budgeted capital projects were put on hold as discussed below.

The General Government expenditures were reduced by \$17,274. If the City had not cut costs and plans for capital equipment purchases this amount would have increased over the prior year. The City's long-term serving City Manager also retired in March and was not replaced by the end of the fiscal year saving an additional \$40,000.

CITY OF COLDWATER

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

Public Safety also saw expenditures decrease by \$37,933. Two staff positions were eliminated and not replaced during the year which accounts for a majority of the decrease.

The largest decrease in expenditures is attributable to Public Works. Expenditures decreased \$462,316 from the prior year. This reduction is due to the elimination of three staff positions, postponement of capital asset acquisitions and infrastructure projects, plus reducing operating costs. Long-term the continual postponement of these assets and positions is not sustainable and only pushes these costs to future years. A large dump truck used as a front line snow plowing truck was purchased during the year.

Recreational and Cultural expenditures decreased as a result of postponing planned expenditures in the City's parks. In addition, the City invested \$231,000 into the City's park system in the prior year.

The City paid off all remaining general obligation debt in the prior year. This will provide the City flexibility in future years if revenues continue to decline and capital assets are needed to be purchased.

Financially, the City's General Fund is in a very strong financial position. This will help offset the declining revenues predicted for the near future without adversely affecting the services provided to the citizens of the City.

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. This fund also assists low income residents with emergency housing grants. During the year the City also used funds to reconstruct the Hudson Street parking lot.

The Capital Improvement Fund accounts for various capital projects as they are constructed. The fund also provides for payment of the liabilities through special assessments or bonded special assessments. Revenues from special assessments and interest earned are used to offset debt service payments. In 2010 there was no other significant activity involving this fund.

Enterprise Funds comprise the bulk of the City's total assets. These funds include Electric, Water, Wastewater, Telecommunications and Refuse services.

The City's Electric Fund ended the fiscal year with a positive change in net assets of \$4,160,124. As previously discussed the actual operating results include \$2,691,996 in investment earnings from the City's 40% share of ownership of the Michigan South Central Power Agency. Adjusting for the noncash transaction, the change in net assets would have reflected an increase of \$1,468,128.

CITY OF COLDWATER

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

One of the biggest reasons for the improved bottom line is the finalization of two special contracts the City had with 2 large industrial customers. These customers were offered special contracts in return for their locating in the City. When the contracts ended, these customers were switched to a traditional rate class resulting in increased revenue. This offset the loss of other revenue as a result of the downturn in the economy.

Operating revenues is also down due to the previously discussed reduction in the power cost adjustment. If the City had charged the entire power cost adjustment revenues would have been significantly higher.

Purchased power costs were higher for the year by \$409,050. The City pays for the cost of power based on the costs incurred at the Michigan South Central Power Agency. This includes the debt service on the generating station, which will be paid off in March, 2011.

During the year there were no significant repairs or unexpected expenditures. Primarily the costs shown are operational costs, labor costs, fuels and ordinary repairs and maintenance. In comparison to the prior year the largest difference is in the Administration category where the City experienced a large write off due to a large industrial company declaring bankruptcy.

The Telecommunications Fund experienced a \$79,082 operating loss. The City continues to be challenged to keep up with the ever changing technology in today's market place. Management is looking at other business solutions including offering new fiber optic business services.

The City has also divested from the wireless internet service and sold the operations to an outside provider. Future capital cost considerations and utilization of labor resources made the business case for selling that portion of the internet services.

Revenues from operations decreased from the prior year as expected. Technology has made dial up internet service obsolete leading to reduced revenues as rural customers continue to gain access to other means of internet access. The same is true of the reselling of long distance service. Cell phone technology has significantly reduced traditional phone service and the need for having a long distance carrier. These two services have seen an aggregate drop of \$83,232 in gross revenues.

Remaining revenue streams from the services of cable television, internet help desk and VOIP phone service all increased during the year.

There were no significant changes in the expenditures during the year in comparison to prior years. The primary costs are programming charges, data line charges, depreciation and 3rd party costs to administer the VOIP and long distance services, which comprise 61% of the total expenditures.

Water rate increases attribute to the balance of the increased operating revenues in the Water Fund. Rate increases were instituted as a result of a cost of service study to charge rates that offset the costs of providing water services to business and residents. Revenues increased by \$104,250 due to the rate increases as there was no significant change in the customer base.

CITY OF COLDWATER

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

Operating costs were primarily related to the cost to pump, treat and distribute water to residents and businesses. Other than normal maintenance and repairs there were no other significant expenditures incurred during the year.

As expected, the net change in assets of \$242,329 was primarily the result of rate increases and reduced operating costs from the prior year.

Net change in assets for the Wastewater Fund was \$870,580 attributed directly to receiving \$1.1 million in federal assistance for the wastewater main reconstruction and the construction at the wastewater treatment plant as previously discussed.

Adjusting for the federal grant revenues, the actual operating costs resulted in a net decrease of \$242,737. This is consistent with the adjusted loss in the previous year of \$221,707. Even though a rate increase was approved for the fiscal year, additional rate increases will be needed in the future years to keep pace with increasing operating costs and the need to improve aging infrastructure.

Regulatory considerations have continued to require significant capital improvements to the wastewater treatment plant. These improvements require the issuance of debt, resulting in increased debt service requirements.

The Sanitation Fund is essentially operating at a breakeven level. However, the Fund has significant cash reserves to offset nominal deficits and to finance the future garbage truck replacement. Rate increases may need to be adopted in future years.

General Fund Budgetary Highlights

As shown in the required supplemental information, the City's final amended budget shows a planned budgeted surplus of \$199,442. Actual operating resulted in a surplus of \$547,576, a difference of \$348,134. The significant budget-to-actual differences are as follows:

Revenues -

- Federal sources were over budget by \$42,569 as the City received a grant from the State to demolish vacant and blighted homes. This grant was originally thought to be a State grant and subsequently determined to be federally funded.
- State grants were under budget by \$47,930 for the same reason stated above.
- Rental income was over budget by \$19,368 due to final equipment rental costs determined after the end of the fiscal year.
- Interest earned was over budget by \$17,649 due to interest earned from the Local Development Finance Authority not being included in the final budget amendments.

CITY OF COLDWATER

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

Expenditures –

- General Government expenditures were under budget by \$38,952 primarily resulting from reduction of operating costs and the retirement of the City Manager.
- Public Safety expenditures were under budget by \$55,338 due to staffing reductions.
- Public Works costs for wages, benefits and operating costs were under estimated resulting in a budget overage of \$18,302.
- Recreation and Cultural budget was under budget primarily due to capital expenditures being postponed and other projects being delayed until a future date.
- Other budget was over budget by \$22,530 due to the cost of charging the City-wide trash pickup to the General Fund versus the Sanitation Fund.

Other Sources -

- Other Sources was over budget by \$21,982 due to the reimbursement from the Parking Authority which was not determined until after the end of the fiscal year.

Capital Asset and Debt Administration

As previously stated, the City has continued its efforts to improve the City's infrastructure. This fiscal year saw the reinvestment of \$8.5 million in capital assets for the City's Governmental and Enterprise Funds combined.

The majority of this investment was made to the City's utility infrastructure. Expansion of the wastewater treatment plant, reconstruction of the sewer and water mains, reconstruction of Michigan Avenue, Sprague and Washington streets were the main improvements made to the City's infrastructure during the year. Additionally, the City reconstructed the Hudson Street parking lot and improved several lane miles of City streets.

Necessary capital equipment was also purchased. Most significant of these expenditures was the purchase of a large dump truck as well as the continual replacement of patrol cars. There were several capital expenditures that were delayed until future years.

There are several planned capital expenditures for the upcoming fiscal year. A contract has been entered into for the purchase of a new fire truck that will be paid for with a \$25,000 federal grant and financed with a low interest rate loan through the United States Department of Agriculture Rural Development. Several other items have been identified in the City's capital improvement plan and include purchasing a new tractor, backhoe and small dump truck to replace aging and outdated equipment.

In connection with the State of Michigan's urban transportation grant the City is looking to reconstruct the balance of Michigan Avenue which is also in need of major repairs to the existing water and wastewater lines serving that area. The City will also be continuing with their annual street maintenance programs based on available transportation funds from the State.

CITY OF COLDWATER

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

At present, there are no plans to issue any debt, except for the fire truck mentioned above. Historically, the City has taken a pay as you go approach to improving the City's infrastructure, except in the case of major utility improvements where bonding is the preferred method.

The Standard & Poor's rating agency did affirm the City's A+ credit rating with a stable outlook.

Economic Factors, Next Year's Budgets and Rates

The City has historically been a very fiscally conservative community. This has paid off during this recent time of declining revenues. While other Michigan communities are struggling to meet their obligations, reducing services and laying off staff, the City has so far been able to avoid these pitfalls due to the strong financial position of the City's reserves.

However, recent assessing predictions for the 2012 fiscal year are indicating yet another 5% decline in the residential property values and a 20% reduction in commercial tax base. Industrial tax base is also expected to drop as well. Ultimately, the City will continue to see less property tax revenues for the near future.

To combat this decline the City has proactively taken several steps to reduce operating costs and continually looking for ways to improve efficiency. Staffing reductions are not popular, but at times are unavoidable. While no further staffing cuts are currently being considered, if revenues continue to decrease the City will continue to analyze staffing and service levels.

Presently, the State of Michigan has adopted a budget with no further cuts to revenue sharing. This is good news in light of the 8 straight years of reduced revenue. Unfortunately, the continual decline of Michigan's economy may change this fact as the State's sales tax collections continue to lag projections.

Fortunately, the City is a public power municipality. Owning its' own electrical and telecommunication systems, in addition to traditional water and wastewater services, has had a dramatic impact to the City's ability to offer services to our residents. PILOT revenues help stabilize the loss of property taxes and state revenue sharing.

Utility rates will continue to be analyzed on an annual basis. These utility services are based on the cost to provide the service. Increasing rates are never popular, especially in a time of economic decline, but are necessary to ensure the safety and reliability of these services.

A balanced budget has been adopted for the 2011 fiscal year. Even though the 2010 fiscal year ended higher than expected, the City Council again followed their conservative principles and asked City staff to propose a balanced budget. Looking out for the long-term benefit of the community they did not want to use reserves during this uncertain economic climate, preferring to keep current reserve levels to protect against future revenue declines.

CITY OF COLDWATER

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

In today's economic climate, Coldwater is fortunate to be in a very strong financial position. Unlike other municipalities in Michigan experiencing layoffs and reduced services, the City has been able to maintain the high quality services our residents have come to expect and enjoy. However, the City will be faced with difficult financial challenges in the near future with continual revenue declines. Short-term the City has reserves sufficient to withstand these challenges, but unless there is a major change in the State, this period of declining revenues appears to be here for the long-term.

Contacting the City's Management

This financial report is intended to provide 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, 2010

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and investments	\$ 4,948,133	\$ 14,397,852	\$ 19,345,985	\$ 563,918
Accounts receivable	141,781	4,177,586	4,319,367	-
Special assessment receivable	107,742	-	107,742	-
Notes receivable	525,257	-	525,257	693
Inventory	-	150,821	150,821	-
Due from other governmental units	177,749	-	177,749	-
Prepaid expenses	471,581	42,744	514,325	-
Unamortized bond costs	-	1,025,059	1,025,059	-
Investment in Power Agency	-	17,411,407	17,411,407	-
Restricted assets	450,000	2,896,638	3,346,638	-
Capital assets, less accumulated depreciation	19,639,274	45,761,542	65,400,816	1,150,263
Total assets	26,461,517	85,863,649	112,325,166	1,714,874
LIABILITIES				
Accounts payable	308,307	2,190,488	2,498,795	179,824
Accrued expenditures	247,653	1,228,523	1,476,176	-
Due to others	-	-	-	373,509
Long term liabilities:				
Bonds payable, due within one year	251,156	1,746,843	1,997,999	-
Bonds and notes payable, due in more than one year	1,487,213	21,166,819	22,654,032	425,152
Compensated absences	510,336	372,452	882,788	-
Total liabilities	2,804,665	26,705,125	29,509,790	978,485
NET ASSETS				
Investment in capital assets - net of related debt	17,900,905	22,847,880	40,748,785	793,250
Restricted	-	2,896,638	2,896,638	-
Unrestricted	5,755,947	33,414,006	39,169,953	(56,861)
Total net assets	<u>\$ 23,656,852</u>	<u>\$ 59,158,524</u>	<u>\$ 82,815,376</u>	<u>\$ 736,389</u>

See Notes to Financial Statements

CITY OF COLDWATER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating / Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 2,234,599	\$ 264,579	\$ -	\$ 248,913
Public safety	3,532,213	251,891	107,640	-
Public works	1,871,295	350,533	223,878	-
Recreation and cultural	1,063,043	179,865	-	-
Economic development	430,116	14,270	-	-
Interest	77,739	-	-	-
Total governmental activities	9,209,005	1,061,138	331,518	248,913
Business-type activities:				
Electric	25,238,533	27,997,246	-	-
Telecommunications	2,965,636	2,965,702	-	-
Water	1,870,257	2,221,011	-	-
Waste water	2,320,551	2,182,609	-	1,113,317
Rubbish	424,489	431,448	-	-
Total business-type activities	32,819,466	35,798,016	-	1,113,317
Total primary government	<u>\$ 42,028,471</u>	<u>\$ 36,859,154</u>	<u>\$ 331,518</u>	<u>\$ 1,362,230</u>
Component units:				
Downtown Development Authority	\$ 102,695	\$ 8,250	\$ 100,516	\$ -
Local Development Authority	26,919	-	-	-
Total component units	<u>\$ 129,614</u>	<u>\$ 8,250</u>	<u>\$ 100,516</u>	<u>\$ -</u>

General revenues:

Property taxes
State shared revenues
Unrestricted investment earnings
Gain on sale of assets
Miscellaneous
Payments in lieu of taxes

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

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

Net (Expense) Revenue and Changes in Net Assets

Primary Government

Governmental Activities	Business-type Activities	Total	Component Units
\$ (1,721,107)	\$ -	\$ (1,721,107)	\$ -
(3,172,682)	-	(3,172,682)	-
(1,296,884)	-	(1,296,884)	-
(883,178)	-	(883,178)	-
(415,846)	-	(415,846)	-
(77,739)	-	(77,739)	-
(7,567,436)	-	(7,567,436)	-
-	2,758,713	2,758,713	-
-	66	66	-
-	350,754	350,754	-
-	975,375	975,375	-
-	6,959	6,959	-
-	4,091,867	4,091,867	-
(7,567,436)	4,091,867	(3,475,569)	-
-	-	-	6,071
-	-	-	(26,919)
-	-	-	(20,848)
4,170,342	-	4,170,342	175,730
1,600,785	-	1,600,785	-
129,938	2,894,827	3,024,765	7,200
-	166,660	166,660	-
40,020	84,640	124,660	14,096
2,030,988	(2,030,988)	-	-
7,972,073	1,115,139	9,087,212	197,026
404,637	5,207,006	5,611,643	176,178
23,252,215	53,951,518	77,203,733	560,211
\$ 23,656,852	\$ 59,158,524	\$ 82,815,376	\$ 736,389

CITY OF COLDWATER
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2010

	General Fund	Revolving Development Fund	Capital Improvement Fund
ASSETS			
Cash and investments	\$ 2,536,607	\$ 1,221,489	\$ 786,604
Accounts receivable	130,769	-	-
Special assessment receivable	-	-	104,860
Notes receivable	357,013	168,244	-
Due from other governmental units	43,574	-	-
Prepaid expenses	471,581	-	-
Restricted assets	-	-	-
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 3,539,544</u>	<u>\$ 1,389,733</u>	<u>\$ 891,464</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$ 217,178	\$ -	\$ -
Due to other funds	41,240	-	-
Accrued expenditures	238,045	-	-
Deferred revenue	357,013	157,335	104,860
	<hr/>	<hr/>	<hr/>
Total liabilities	853,476	157,335	104,860
FUND BALANCE			
Designated	-	-	-
Undesignated	2,686,068	1,232,398	786,604
	<hr/>	<hr/>	<hr/>
Total fund balance	2,686,068	1,232,398	786,604
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balance	<u>\$ 3,539,544</u>	<u>\$ 1,389,733</u>	<u>\$ 891,464</u>

See Notes to Financial Statements

Other Nonmajor Governmental Funds	Totals
\$ 403,433	\$ 4,948,133
11,012	141,781
2,882	107,742
-	525,257
134,175	177,749
-	471,581
450,000	450,000
<hr/>	<hr/>
<u>\$ 1,001,502</u>	<u>\$ 6,822,243</u>

\$ 23,451	\$ 240,629
26,438	67,678
9,608	247,653
2,882	622,090
<hr/>	<hr/>
62,379	1,178,050
450,000	450,000
489,123	5,194,193
<hr/>	<hr/>
939,123	5,644,193
<hr/>	<hr/>
<u>\$ 1,001,502</u>	<u>\$ 6,822,243</u>

CITY OF COLDWATER
GOVERNMENTAL FUNDS
RECONCILIATION OF BALANCE SHEET OF
GOVERNMENTAL FUNDS TO NET ASSETS
JUNE 30, 2010

Total Fund Balance - Governmental Funds	\$ 5,644,193
<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	30,842,508
Accumulated depreciation	<u>(11,203,234)</u>
Total capital assets not reported in funds	19,639,274
<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>	
	622,090
<p>Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:</p>	
Bonds payable	(1,738,369)
Compensated absences	<u>(510,336)</u>
Total long-term liabilities not reported in funds	<u>(2,248,705)</u>
Total Net Assets - Governmental Activities	<u><u>\$ 23,656,852</u></u>

CITY OF COLDWATER
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010

	General Fund	Revolving Development Fund	Capital Improvement Fund
REVENUES			
Taxes	\$ 4,055,257	\$ -	\$ -
Special assessments	-	-	61,381
Licenses and permits	151,817	-	-
Federal sources	77,569	-	-
State shared revenue	816,050	-	-
State sources	44,070	-	-
Charges for services	506,546	-	-
Rent	311,108	-	-
Interest income	71,649	31,759	18,749
Contributions	26,411	-	-
Other income	39,525	47,416	-
Total revenues	<u>6,100,002</u>	<u>79,175</u>	<u>80,130</u>
EXPENDITURES			
General government	1,296,477	-	-
Public safety	3,508,362	-	-
Public works	1,399,586	-	-
Recreation and cultural Planning	936,937 152,494	-	-
Economic development	-	277,622	-
Debt service	-	-	75,780
Other expenditures	431,388	-	-
Total expenditures	<u>7,725,244</u>	<u>277,622</u>	<u>75,780</u>
Excess (deficiency) of revenues over expenditures	(1,625,242)	(198,447)	4,350
OTHER SOURCES (USES)			
Sale of fixed assets	1,948	-	-
Payment in lieu of taxes	2,030,988	-	-
Debt proceeds	-	-	-
Transfers from (to) other funds	139,882	-	-
Total other sources (uses)	<u>2,172,818</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	547,576	(198,447)	4,350
FUND BALANCE - BEGINNING	<u>2,138,492</u>	<u>1,430,845</u>	<u>782,254</u>
FUND BALANCE - ENDING	<u>\$ 2,686,068</u>	<u>\$ 1,232,398</u>	<u>\$ 786,604</u>

See Notes to Financial Statements

Other Nonmajor Governmental Funds	Totals
\$ 115,085	\$ 4,170,342
48,848	110,229
-	151,817
248,913	326,482
784,735	1,600,785
223,878	267,948
6,159	512,705
226,959	538,067
7,781	129,938
745	27,156
2,640	89,581
1,665,743	7,925,050
-	1,296,477
-	3,508,362
1,756,205	3,155,791
24,756	961,693
-	152,494
-	277,622
226,959	302,739
-	431,388
2,007,920	10,086,566
(342,177)	(2,161,516)
-	1,948
-	2,030,988
373,369	373,369
(139,882)	-
233,487	2,406,305
(108,690)	244,789
1,047,813	5,399,404
\$ 939,123	\$ 5,644,193

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, 2010

Net change in Fund Balance - Total Governmental Funds	\$ 244,789
Amounts reported for governmental activities in the statement of activities are different because:	
Depreciation expense	(1,184,761)
Capital outlay	<u>1,608,871</u>
Total	424,110
Special assessment revenues are recorded in the statement of activities when the assessment is assessed; they are not reported in the funds until collected:	
Payments received	(69,970)
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	(47,416)
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):	
Debt proceeds	(373,369)
Principal repayment	225,000
Decreases in compensated absences are reported as an increase to expenditures	<u>1,493</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 404,637</u></u>

CITY OF COLDWATER
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2010

	<u>Electric Fund</u>	<u>Telecommunications Fund</u>	<u>Water Fund</u>
ASSETS			
Current assets:			
Cash and investments	\$ 11,918,636	\$ -	\$ 533,471
Accounts receivable	3,294,423	244,163	266,392
Inventories	24,954	-	125,867
Due from other governmental units	-	-	-
Due from other funds	670,129	-	-
Prepaid and other assets	13,730	15,415	7,120
Total current assets	<u>15,921,872</u>	<u>259,578</u>	<u>932,850</u>
Noncurrent assets:			
Unamortized bond costs	366,518	27,404	400,279
Investment in Power Agency	17,411,407	-	-
Restricted assets	1,554,831	333,131	473,206
Capital assets, less accumulated depreciation	15,746,463	4,701,359	10,735,675
Total noncurrent assets	<u>35,079,219</u>	<u>5,061,894</u>	<u>11,609,160</u>
Total assets	<u><u>\$ 51,001,091</u></u>	<u><u>\$ 5,321,472</u></u>	<u><u>\$ 12,542,010</u></u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 1,927,033	\$ 96,644	\$ 34,497
Accrued expenditures	871,885	93,001	99,872
Due to other funds	-	670,129	332,064
Bonds and notes payable, due within one year	723,000	280,000	400,000
Total current liabilities	<u>3,521,918</u>	<u>1,139,774</u>	<u>866,433</u>
Noncurrent liabilities			
Bonds and notes payable, due in more than one year	6,233,000	2,450,000	5,410,000
Compensated absences	199,846	56,989	54,960
Total noncurrent liabilities	<u>6,432,846</u>	<u>2,506,989</u>	<u>5,464,960</u>
Total liabilities	<u>9,954,764</u>	<u>3,646,763</u>	<u>6,331,393</u>
NET ASSETS			
Investment in capital assets, net of related debt	8,790,463	1,971,359	4,925,675
Restricted	1,554,831	333,131	473,206
Unrestricted	30,701,033	(629,781)	811,736
Total net assets	<u><u>\$ 41,046,327</u></u>	<u><u>\$ 1,674,709</u></u>	<u><u>\$ 6,210,617</u></u>

See Notes to Financial Statements

Waste Water Fund	Nonmajor Sanitation Fund	Totals
\$ 1,515,594	\$ 430,151	\$ 14,397,852
273,629	31,301	4,109,908
-	-	150,821
-	-	-
399,742	-	1,069,871
6,479	-	42,744
<u>2,195,444</u>	<u>461,452</u>	<u>19,771,196</u>
230,858	-	1,025,059
-	-	17,411,407
535,470	-	2,896,638
<u>14,549,863</u>	<u>28,182</u>	<u>45,761,542</u>
<u>15,316,191</u>	<u>28,182</u>	<u>67,094,646</u>
<u>\$ 17,511,635</u>	<u>\$ 489,634</u>	<u>\$ 86,865,842</u>
\$ 117,601	\$ 14,713	\$ 2,190,488
159,631	4,134	1,228,523
-	-	1,002,193
<u>343,843</u>	<u>-</u>	<u>1,746,843</u>
621,075	18,847	6,168,047
7,073,819	-	21,166,819
60,657	-	372,452
<u>7,134,476</u>	<u>-</u>	<u>21,539,271</u>
7,755,551	18,847	27,707,318
7,132,201	28,182	22,847,880
535,470	-	2,896,638
2,088,413	442,605	33,414,006
<u>\$ 9,756,084</u>	<u>\$ 470,787</u>	<u>\$ 59,158,524</u>

CITY OF COLDWATER
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

	Electric Fund	Telecommunications Fund	Water Fund
REVENUES			
Charges for services	\$ 27,997,246	\$ 2,965,702	\$ 2,221,011
Federal sources	-	-	-
Total revenues	27,997,246	2,965,702	2,221,011
OPERATING EXPENSES			
Purchased power	21,237,466	-	-
Power plant	313,089	-	-
Distribution	835,342	1,787,391	333,022
Substation	101,154	-	-
Sanitation	-	-	-
Metering and lighting	437,621	-	-
Wells	-	-	87,613
Treatment	-	-	408,756
Collection system	-	-	-
Customer service	135,264	226,724	-
Administration	971,087	339,212	401,141
Depreciation and amortization	906,787	460,921	404,758
Total operating expenditures	24,937,810	2,814,248	1,635,290
OPERATING INCOME	3,059,436	151,454	585,721
NONOPERATING REVENUES (EXPENSES)			
Investment income	2,852,075	2,838	7,109
Interest expense	(300,723)	(151,388)	(234,967)
Gain (loss) on sale of fixed assets	164,989	345	950
Miscellaneous	55,707	14,653	11,016
Total nonoperating revenues (expenses)	2,772,048	(133,552)	(215,892)
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS			
	5,831,484	17,902	369,829
TRANSFERS			
Payments in lieu of taxes	(1,671,360)	(96,984)	(127,500)
CHANGE IN NET ASSETS	4,160,124	(79,082)	242,329
NET ASSETS - BEGINNING	36,886,203	1,753,791	5,968,288
NET ASSETS - ENDING	\$ 41,046,327	\$ 1,674,709	\$ 6,210,617

See Notes to Financial Statements

Waste Water Fund	Nonmajor Sanitation Fund	Totals
\$ 2,182,609	\$ 431,448	\$ 35,798,016
1,113,317	-	1,113,317
3,295,926	431,448	36,911,333
-	-	21,237,466
-	-	313,089
-	-	2,955,755
-	-	101,154
-	411,831	411,831
-	-	437,621
-	-	87,613
813,155	-	1,221,911
195,573	-	195,573
-	-	361,988
388,024	-	2,099,464
652,089	12,658	2,437,213
2,048,841	424,489	31,860,678
1,247,085	6,959	5,050,655
26,709	6,096	2,894,827
(271,710)	-	(958,788)
376	-	166,660
3,264	-	84,640
(241,361)	6,096	2,187,339
1,005,724	13,055	7,237,994
(135,144)	-	(2,030,988)
870,580	13,055	5,207,006
8,885,504	457,732	53,951,518
<u>\$ 9,756,084</u>	<u>\$ 470,787</u>	<u>\$ 59,158,524</u>

CITY OF COLDWATER
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Electric Fund</u>	<u>Telecommunications Fund</u>	<u>Water Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 28,031,810	\$ 2,885,620	\$ 2,199,248
Payments made to suppliers	(24,299,743)	(1,687,340)	(624,780)
Payments made to employees	(1,123,993)	(574,102)	(461,268)
Net cash provided by (used in) operating activities	2,608,074	624,178	1,113,200
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal and interest paid on capital debt	(2,035,723)	(421,388)	(619,967)
Proceeds of issuance of bonds	1,046,000	-	-
Payment of bond issuance costs	(19,039)	-	-
Purchase of capital assets	(199,697)	(202,790)	(844,933)
Net cash provided by (used in) capital and related financing activities	(1,208,459)	(624,178)	(1,464,900)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on investments	2,852,075	2,838	7,109
Change in investments	(2,650,929)	-	444,872
Net cash provided by investing activities	201,146	2,838	451,981
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,600,761	2,838	100,281
CASH AND CASH EQUIVALENTS - BEGINNING	10,317,875	330,293	433,190
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 11,918,636</u>	<u>\$ 333,131</u>	<u>\$ 533,471</u>

See Notes to Financial Statements

Waste Water Fund	Nonmajor Sanitation Fund	Totals
\$ 3,267,201	\$ 424,152	\$ 36,808,031
(1,145,983)	(339,324)	(28,097,170)
(448,640)	(76,296)	(2,684,299)
1,672,578	8,532	6,026,562
(526,710)	-	(3,603,788)
1,302,662	-	2,348,662
-	-	(19,039)
(2,766,481)	(6,355)	(4,020,256)
(1,990,529)	(6,355)	(5,294,421)
26,709	6,096	2,894,827
21,850	-	(2,184,207)
48,559	6,096	710,620
(269,392)	8,273	1,442,761
1,784,986	421,878	13,288,222
<u>\$ 1,515,594</u>	<u>\$ 430,151</u>	<u>\$ 14,730,983</u>

CITY OF COLDWATER

PROPRIETARY FUNDS

**STATEMENT OF CASH FLOWS - Continued
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Electric Fund</u>	<u>Telecommunications Fund</u>	<u>Water Fund</u>
BALANCE SHEET CLASSIFICATION OF CASH AND CASH EQUIVALENTS			
Cash and investments	\$ 11,918,636	\$ -	\$ 533,471
Restricted cash and investments	1,554,831	333,131	473,206
Less amounts classified as investments	<u>(1,554,831)</u>	<u>-</u>	<u>(473,206)</u>
Total cash and cash equivalents	<u><u>\$ 11,918,636</u></u>	<u><u>\$ 333,131</u></u>	<u><u>\$ 533,471</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES			
Operating income	\$ 3,059,436	\$ 151,454	\$ 585,721
Adjustments to reconcile operating income to net cash from operating activities:			
Other income (expense)	55,707	14,653	11,016
Depreciation and amortization	906,787	460,921	404,758
Loss (Gain) on sale of assets	164,989	345	950
Payments in lieu of taxes	(1,671,360)	(96,984)	(127,500)
Changes in assets and liabilities:			
Receivables	(186,132)	(95,080)	(33,729)
Inventories	(5,424)	-	(53,691)
Prepays and other assets	(3,320)	14,394	(3,328)
Due from (to) other funds	(178,422)	178,422	332,064
Accounts payable	151,825	(2,715)	159
Accrued expenditures	297,813	(3,020)	(4,953)
Compensated absences	<u>16,175</u>	<u>1,788</u>	<u>1,733</u>
Net cash provided by operating activities	<u><u>\$ 2,608,074</u></u>	<u><u>\$ 624,178</u></u>	<u><u>\$ 1,113,200</u></u>

See Notes to Financial Statements

Waste Water Fund	Nonmajor Sanitation Fund	Totals
\$ 1,515,594	\$ 430,151	\$ 14,397,852
535,470	-	2,896,638
(535,470)	-	(2,563,507)
<u>\$ 1,515,594</u>	<u>\$ 430,151</u>	<u>\$ 14,730,983</u>
\$ 1,247,085	\$ 6,959	\$ 5,050,655
3,264	-	84,640
652,089	12,658	2,437,213
376	-	166,660
(135,144)	-	(2,030,988)
(32,365)	(7,296)	(354,602)
-	-	(59,115)
(3,620)	-	4,126
(111,972)	-	220,092
63,955	(4,075)	209,149
433	286	290,559
(11,523)	-	8,173
<u>\$ 1,672,578</u>	<u>\$ 8,532</u>	<u>\$ 6,026,562</u>

CITY OF COLDWATER
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2010

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 54,338
LIABILITIES	
Accounts payable	\$ 52,828
Due to other governmental units	1,510
	<hr/>
Total liabilities	\$ 54,338
	<hr/> <hr/>

CITY OF COLDWATER
COMPONENT UNITS
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Downtown Development Authority	Local Development Finance Authority	Total
ASSETS			
Cash and investments	\$ 190,409	\$ 373,509	\$ 563,918
Notes receivable	693	-	693
Capital assets, less accumulated depreciation	707,360	442,903	1,150,263
Total assets	898,462	816,412	1,714,874
LIABILITIES			
Accounts payable	179,824	-	179,824
Due to others	-	373,509	373,509
Long term liabilities:			
Notes payable, due in more than one year	-	425,152	425,152
Total liabilities	179,824	798,661	978,485
NET ASSETS (DEFICIT)			
Investment in capital assets - net of related debt	707,360	85,890	793,250
Unrestricted (deficit)	11,278	(68,139)	(56,861)
Total net assets	\$ 718,638	\$ 17,751	\$ 736,389

**CITY OF COLDWATER
 COMPONENT UNITS
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2010**

Functions/Programs	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u> <u>Operating / Grants and Contributions</u>
Downtown Development Authority	\$ 102,695	\$ 8,250	\$ 100,516
Local Development Finance Authority	26,919	-	-
Total component activities	<u>\$ 129,614</u>	<u>\$ 8,250</u>	<u>\$ 100,516</u>

General revenues:

- Property taxes
- Interest
- Miscellaneous

Total general revenues

Change in Net Assets

Net Assets (Deficit) - Beginning

Net Assets - Ending

Net (Expense) Revenue and Changes in Net Assets

Downtown Development Authority	Local Development Finance Authority	Total
\$ 6,071	\$ -	\$ 6,071
-	(26,919)	(26,919)
6,071	(26,919)	(20,848)
136,951	38,779	175,730
1,172	6,028	7,200
14,096	-	14,096
152,219	44,807	197,026
158,290	17,888	176,178
560,348	(137)	560,211
<u>\$ 718,638</u>	<u>\$ 17,751</u>	<u>\$ 736,389</u>

CITY OF COLDWATER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

REPORTING ENTITY:

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

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

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

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

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

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

CITY OF COLDWATER

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED JUNE 30, 2010

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, 2010

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, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION: - Continued

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

MAJOR PROPRIETARY FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

CITY OF COLDWATER

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED JUNE 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

PROPERTY TAX REVENUE

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

The City's 2009 tax is levied and collectible on August 1, 2009 and is recognized as revenue in the year ended June 30, 2010, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2009 taxable valuation of the City totaled \$337 million, a portion of which is abated and a portion of which is captured by the LDFA and DDA. Taxes levied consisted of 11.5978 mills for operating purposes and .3333 mills for the retirement system. This resulted in almost \$3.9 million for general operating and approximately \$116,000 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, 2010**

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, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF BUDGETING:

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

USE OF ESTIMATES:

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

NOTE B – DEPOSITS AND INVESTMENTS

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

Investments consist of certificate of deposits with an original maturity date of greater than three months. The investments are carried at cost which approximates market value. The certificates of deposits are currently earning rates of .5% to 2.13%.

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, 2010**

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)	\$ 3,568,493	0.0027
U.S. government or agency bond or note	7,373,476	2.8

1 day maturity equals 0.0027, one year equals 1.00

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

<u>Investment</u>	<u>Fair Value</u>	<u>Fitch Rating</u>
Michigan CLASS pool	\$ 3,568,493	AAA

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

Custodial credit risk for deposits – In the case of deposits, this is the risk that in the event of a financial institution failure, the City’s deposits may not be recovered. As of June 30, 2010, \$20,828,236 of the City’s bank balance of \$23,276,970 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, 2010**

NOTE C – DUE FROM (TO) OTHER FUNDS

The due from (to) other funds, at June 30, 2010, for the City are as follows:

ELECTRIC FUND

Due from Telecommunications Fund \$ 670,129

WASTEWATER FUND

Due from General Fund 41,240

Due from Other Nonmajor
Governmental Funds 26,438

Due from Water Fund 332,064

Total WasteWater Fund 399,742

NOTE D – TRANSFERS FROM (TO) OTHER FUNDS

Transfers from (to) other funds, during the year ended June 30, 2010, for the City are as follows:

GENERAL FUND

Transfer from Parking Authority \$ 23,920

Transfer from Retirement Fund 115,962

Total General Fund \$ 139,882

OTHER NONMAJOR FUNDS

Major Streets Fund
Transfer to Local Streets Fund \$ (149,122)

Local Streets Fund
Transfer from Major Streets Fund 149,122

Parking Authority
Transfer to General Fund (23,920)

Retirement Fund
Transfer to General Fund (115,962)

Total other nonmajor governmental funds \$ (139,882)

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, 2010**

NOTE E – CAPITAL ASSETS

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

GOVERNMENTAL ACTIVITIES

GROUP:	Balance July 1, 2009	Additions	Disposals	Balance June 30, 2010
Land	\$ 1,458,189	\$ 52,012	\$ -	\$ 1,510,201
Roads and sidewalks	12,574,684	1,290,972	669,427	13,196,229
Land improvements	704,923	32,340	-	737,263
Buildings and improvements	11,221,843	2,200	-	11,224,043
Vehicles	2,111,468	131,506	-	2,242,974
Other tools and equipment	<u>1,831,957</u>	<u>99,841</u>	<u>-</u>	<u>1,931,798</u>
Subtotal	29,903,064	1,608,871	669,427	30,842,508
ACCUMULATED DEPRECIATION:				
Roads and sidewalks	5,240,537	595,263	669,427	5,166,373
Land improvements	283,655	42,482	-	326,137
Building and improvements	2,604,533	269,557	-	2,874,090
Vehicles	1,427,175	154,693	-	1,581,868
Other tools and equipment	<u>1,132,000</u>	<u>122,766</u>	<u>-</u>	<u>1,254,766</u>
Total accumulated depreciation	<u>10,687,900</u>	<u>1,184,761</u>	<u>669,427</u>	<u>11,203,234</u>
Net capital assets	<u>\$ 19,215,164</u>	<u>\$ 424,110</u>	<u>\$ -</u>	<u>\$ 19,639,274</u>

CITY OF COLDWATER

**NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE E – CAPITAL ASSETS – Continued

BUSINESS-TYPE ACTIVITIES

GROUP:	Balance July 1, 2009	Additions	Disposals	Balance June 30, 2010
Land	\$ 685,155	\$ -	\$ -	\$ 685,155
Work in progress	2,528,789	2,136,989	2,624,558	2,041,220
Utility systems	46,345,066	4,716,737	594,436	50,467,367
Buildings	18,973,690	18,700	-	18,992,390
Machinery and equipment	7,213,706	45,994	419,794	6,839,906
Subtotal	75,746,406	6,918,420	3,638,788	79,026,038
ACCUMULATED DEPRECIATION:				
Electric	13,836,862	855,003	562,141	14,129,724
Telecommunications	4,138,693	457,051	100,071	4,495,673
Water	5,370,618	378,220	50,697	5,698,141
Waste water	8,181,407	635,892	27,714	8,789,585
Sanitation	138,715	12,658	-	151,373
Total accumulated depreciation	31,666,295	2,338,824	740,623	33,264,496
Net capital assets	<u>\$ 44,080,111</u>	<u>\$ 4,579,596</u>	<u>\$ 2,898,165</u>	<u>\$ 45,761,542</u>

CITY OF COLDWATER

**NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE E – CAPITAL ASSETS – Continued

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

GOVERNMENTAL ACTIVITIES:

General government	\$ 829,639
Public safety	92,983
Public works	141,679
Recreation and culture	<u>120,460</u>
Total governmental activities	<u><u>\$ 1,184,761</u></u>

BUSINESS -TYPE ACTIVITIES:

Electric	\$ 855,003
Telecommunications	457,051
Water	378,220
Waste water	635,892
Sanitation	<u>12,658</u>
Total business-type activities	<u><u>\$ 2,338,824</u></u>

The component units capital assets at June 30, 2010 consist of the following:

COMPONENT UNITS:

Land	\$ 715,521
Building	226,221
Infrastructure	<u>300,396</u>
Total component units	1,242,138
Less, accumulated depreciation	<u>91,875</u>
Net capital assets of component units	<u><u>\$ 1,150,263</u></u>

All assets are held in the Downtown Development Authority, except for land of approximately \$442,903 held in the Local Development Finance Authority. The component unit's depreciation expense for the year ended June 30, 2010 amounted to \$8,544.

CITY OF COLDWATER

**NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE F – LONG-TERM DEBT

	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010
Governmental Activities:				
Revenue bonds	\$ -	\$ 373,369	\$ -	\$ 373,369
Building authority bonds	1,450,000	-	155,000	1,295,000
Special assessment bonds	140,000	-	70,000	70,000
Compensated absences	511,829	-	1,493	510,336
	<u>\$ 2,101,829</u>	<u>\$ 373,369</u>	<u>\$ 226,493</u>	<u>\$ 2,248,705</u>
Business-type Activities:				
Revenue bonds and Refunding bonds	\$ 15,565,000	\$ 2,348,662	\$ 2,210,000	\$ 15,703,662
General obligation capital improvement bond	1,450,000	-	50,000	1,400,000
General obligation capital improvement and Refunding bonds	6,195,000	-	385,000	5,810,000
Compensated absences	364,279	8,173	-	372,452
	<u>\$ 23,574,279</u>	<u>\$ 2,356,835</u>	<u>\$ 2,645,000</u>	<u>\$ 23,286,114</u>

CITY OF COLDWATER

**NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE F – LONG-TERM DEBT – Continued

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

GOVERNMENTAL ACTIVITIES

2001 special assessment bonds payable at an interest rate of 3.95%, annual principal payments of \$70,000, due February 2011	\$ 70,000
1999 Building Authority Bonds payable at interest rates of 4.80% to 5.375%, semiannually principal payments of \$95,000 to \$155,000, due October 2019	1,230,000
2000 Building Authority Bonds payable at an interest rate of 5.25%, semiannual principal payment of \$65,000, due October 2010	65,000
Series 2009 Water Supply and Waste Water System Revenue Bonds, interest rate of 2.5%, annual payments ranging from \$95,000 to \$150,000, due April 2025	<u>373,369</u>
Total bonds and installment purchase agreements	1,738,369
Accumulated compensated absences	<u>510,336</u>
Total governmental activities debt	<u><u>\$ 2,248,705</u></u>

BUSINESS-TYPE ACTIVITIES

Series 2004 Electric Utility System Revenue Bonds, interest rates varying from 3.2% to 4.9%, annual payments ranging from \$90,000 to \$180,000, due August 2024	1,920,000
Series 2006 Electric Utility System Revenue Refunding Bonds, interest rates varying from 4.0% to 4.5%, annual payments ranging from \$500,000 to \$650,000, due August 2016	3,990,000
Series 2009 Electric Utility System Revenue Refunding Bonds, interest rates varying from 3.4% to 4.25%, annual payments ranging from \$133,000 to \$168,000, due August 2016	1,046,000

CITY OF COLDWATER

**NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2010**

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 \$280,000 to \$390,000, due August 2017	2,730,000
Series 2007 Water Supply and Waste Water System General Obligation Capital Improvement and Refunding Bonds at an interest rate of 4.0%, annual principal payments ranging from \$265,000 to \$485,000, due September 2025	5,810,000
Series 1999 Waste Water System Revenue Bonds, interest rates varying from 4.5% to 4.6%, annual principal payments ranging from \$155,000 to \$330,000, due July 2024	3,455,000
Series 2005 Water Supply and Waste Water System General Obligation Capital Improvement Bonds, interest rates varying from 3.5% to 4.45%, annual payments ranging from \$55,000 to \$130,000, due July 2025	1,400,000
Series 2004 Water Supply and Waste Water System Revenue Bonds, interest rates varying from 3.5% to 4.6%, annual payments ranging from \$60,000 to \$115,000, due July 2024	1,260,000
Series 2009 Water Supply and Waste Water System Revenue Bonds, interest rate of 2.5%, annual payments ranging from \$95,000 to \$150,000, due April 2025	<u>1,302,662</u>
Total bonds and installment purchase agreements	22,913,662
Accumulated compensated absences	<u>372,452</u>
Total business-type activities debt	<u><u>\$ 23,286,114</u></u>

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

The City has a Series 2009 Water Supply and Waste Water System Revenue Bond that has a draw left of \$798,969, all of which is expected to be spent by June 30, 2011. Some of the debt related to this revenue bond has been allocated to Major and Local Streets as part of the proceeds were used in projects related to the respective funds.

CITY OF COLDWATER

**NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE F – LONG-TERM DEBT – Continued

COMPONENT UNITS

Local Development Finance Authority note payable, at an interest rate
of 7.0%, due 2011

\$ 425,152

REFUNDING OF BONDS

In July 2009, City of Coldwater issued Electric Utility System Revenue Refunding bonds of \$1,046,000 with an interest rate of ranging from 3.4% to 4.25% to advance \$1,095,000 of refund bonds with an interest rate ranging from 5.7% to 6.0%. The bonds mature in August 2016. The Electric Utility System Revenue Refunding bonds were issued at par after paying issuance costs of \$19,077 which includes underwriters discount, the net proceeds were \$1,046,000. The net proceeds from the issuance of the Electric Utility System Revenue Refunding bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are paid in full. The advance refunding met the requirements of an in-substance debt defeasance and the 2000 Electric Utility System Revenue Refunding bonds were removed from the City's government – wide financial statements.

As a result of the advance refunding, the City reduced its total debt service requirements by \$295,259, which resulted in an economic gain, difference between present value of the debt service payments on the old and new debt of \$187,616.

The City has defeased 2000 Electric Utility System Revenue Refunding bonds by placing the proceeds of new bond in an irrevocable trust to provide for all future debt service payments on the old bond. Accordingly, the trust account assets and liability for the defeased bond is not included in the City's financial statements. At June 30, 2010, \$1,095,000 of bonds outstanding is considered defeased, subsequently paid on August 1, 2010.

CITY OF COLDWATER

**NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE F – LONG-TERM DEBT – Continued

The annual requirements to service all debt outstanding as of June 30, 2010, including interest payments of \$7,118,361 for the debt service requirements are as follows:

	Governmental Activities		
	Principal	Interest	Total
2011	\$ 251,156	\$ 77,329	\$ 328,485
2012	122,270	68,558	190,828
2013	127,270	62,876	190,146
2014	138,384	56,820	195,204
2015	143,384	50,300	193,684
2016-2020	824,166	134,372	958,538
2021	131,739	20,466	152,205
Total	\$ 1,738,369	\$ 470,721	\$ 2,209,090

	Business-type Activities		
	Principal	Interest	Total
2011	\$ 1,746,843	\$ 950,019	\$ 2,696,862
2012	1,825,730	879,011	2,704,741
2013	1,900,730	799,104	2,699,834
2014	1,989,617	714,930	2,704,547
2015	2,081,617	626,088	2,707,705
2016-2020	7,434,834	1,925,171	9,360,005
2021-2025	5,439,291	743,124	6,182,415
2026	495,000	10,193	505,193
Total	\$ 22,913,662	\$ 6,647,640	\$ 29,561,302

Interest expense for the year ended June 30, 2010 was \$958,788 for Business-type Activities and \$77,739 for the Governmental Activities. Total interest incurred by component units for the year ended June 30, 2010 amounted to \$20,892.

CITY OF COLDWATER

**NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2010**

**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, 2010, as follows:

	<u>Governmental Funds</u>	<u>Enterprise Funds</u>
Reserved and designated:		
Cemetery maintenance	<u>\$ 450,000</u>	
Restricted		
Bond reserve		<u>\$ 2,896,638</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 purchased commercial insurance for employee medical benefit claims and participates in the Michigan Municipal Liability and Property Pool and Michigan Municipal Workers' Compensation Fund for all other claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

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

CITY OF COLDWATER

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED JUNE 30, 2010

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, 2010, the City’s required and actual pension cost was \$345,540. The annual required contribution percentage was determined as a part of an actuarial valuation at December 31, 2007, 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, 2010, there were 83 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, 2010 was \$286,802. Plan provisions and contribution requirements are established and may be amended by the City Council.

CITY OF COLDWATER

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED JUNE 30, 2010

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, 2010 is \$168,244.

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 \$157,335 at June 30, 2010. Repayment of the local portion of these loans is recorded as a reduction of the loan receivable and interest income when received. Upon repayment of the balance of each loan, deferred revenue will either be recognized as revenue when deemed available by the granting agency or the funds will be returned to the granting agency.

NOTE K – JOINT VENTURES

The City is a member of the Michigan South Central Power Agency, which provides electric services to the residents of its member communities. The participating communities provide annual funding for its operations. During the current year, the City paid \$21,237,466 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, 2010**

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, 2009	\$ (1,407,228)
Current year building permit revenue	13,193
Less related expenses - Direct costs	<u>(219,272)</u>
Shortfall at June 30, 2010	<u><u>\$ (1,613,307)</u></u>

NOTE M – COMMITMENTS

The City of Coldwater has entered into contracts with various firms for construction and renovation to wastewater plant. The wastewater improvements were nearly completed at year end with only approximately \$250,000 estimated for costs to complete the construction.

CITY OF COLDWATER
REQUIRED SUPPLEMENTAL INFORMATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 4,066,000	\$ 4,042,283	\$ 4,055,257	\$ 12,974
Licenses and permits	138,800	148,100	151,817	3,717
Federal sources	-	35,000	77,569	42,569
State shared revenue	952,011	809,204	816,050	6,846
State sources	42,000	92,000	44,070	(47,930)
Charges for services	503,700	501,300	506,546	5,246
Rent	291,740	291,740	311,108	19,368
Interest earned	180,000	54,000	71,649	17,649
Contributions	1,500	26,500	26,411	(89)
Other	35,500	32,500	39,525	7,025
	<u>6,211,251</u>	<u>6,032,627</u>	<u>6,100,002</u>	<u>67,375</u>
EXPENDITURES				
General government	1,423,054	1,335,429	1,296,477	(38,952)
Public safety	4,062,850	3,563,700	3,508,362	(55,338)
Public works	1,578,150	1,381,284	1,399,586	18,302
Recreation and cultural	1,163,850	1,137,850	936,937	(200,913)
Planning	122,900	156,900	152,494	(4,406)
Other	455,358	408,858	431,388	22,530
	<u>8,806,162</u>	<u>7,984,021</u>	<u>7,725,244</u>	<u>(258,777)</u>
Excess (deficiency) of revenues over expenditures	(2,594,911)	(1,951,394)	(1,625,242)	326,152
OTHER SOURCES				
Sale of fixed assets	-	1,948	1,948	-
Payment in lieu of taxes	2,030,988	2,030,988	2,030,988	-
Debt proceeds	450,000	-	-	-
Transfers from other funds	117,900	117,900	139,882	21,982
	<u>2,598,888</u>	<u>2,150,836</u>	<u>2,172,818</u>	<u>21,982</u>
Excess (deficiency) of revenues and other sources over expenditures	3,977	199,442	547,576	348,134
FUND BALANCE - BEGINNING	<u>2,138,492</u>	<u>2,138,492</u>	<u>2,138,492</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 2,142,469</u>	<u>\$ 2,337,934</u>	<u>\$ 2,686,068</u>	<u>\$ 348,134</u>

CITY OF COLDWATER
REQUIRED SUPPLEMENTAL INFORMATION
REVOLVING DEVELOPMENT FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest income	\$ 62,000	\$ 62,000	\$ 31,759	\$ (30,241)
Other	30,000	30,000	47,416	17,416
Total revenue	92,000	92,000	79,175	(12,825)
EXPENDITURES				
Economic development	65,000	65,000	277,622	212,622
Excess of revenues over expenditures	27,000	27,000	(198,447)	(225,447)
FUND BALANCE - BEGINNING	1,394,155	1,394,155	1,430,845	(36,690)
FUND BALANCE - ENDING	<u>\$ 1,421,155</u>	<u>\$ 1,421,155</u>	<u>\$ 1,232,398</u>	<u>\$ (262,137)</u>

CITY OF COLDWATER
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2010

NOTE A - COMPLIANCE WITH STATE REGULATIONS

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

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

	Final Budget	Actual
General Fund		
Public works	\$ 1,381,284	\$ 1,399,586
Other	\$ 408,858	\$ 431,388
Revolving Development Fund		
Economic development	\$ 65,000	\$ 277,622

CITY OF COLDWATER
REQUIRED SUPPLEMENTAL INFORMATION
RETIREMENT SYSTEM ANALYSIS OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2010

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>
2005	377,196	100%	-	20,024,113	22,863,080	2,838,967
2006	451,514	100%	-	20,702,863	23,267,283	2,564,420
2007	337,640	100%	-	21,433,474	24,026,708	2,593,234
2008	322,106	100%	-	21,228,432	24,695,681	3,467,249
2009	345,540	100%	-	20,736,364	25,353,044	4,616,680

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

Funded Ratio	Covered Payroll	Underfunded Actuarial Accrued Liability Percentage of Covered Payroll
88%	2,796,620	101.51%
89%	2,798,056	91.65%
89%	2,809,097	92.32%
86%	2,703,461	128.25%
82%	2,600,872	177.51%

CITY OF COLDWATER
OTHER SUPPLEMENTAL INFORMATION
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
FOR THE YEAR ENDED JUNE 30, 2010

Nonmajor Special Revenue Funds

	Major Streets Fund	Local Streets Fund	Parking Authority Fund	Retirement Fund
ASSETS				
Cash and investments	\$ 197,166	\$ 15,652	\$ 39	\$ -
Accounts receivable	11,012	-	-	-
Special assessment receivable	2,882	-	-	-
Due from other governmental units	103,343	30,832	-	-
Restricted assets	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 314,403</u>	<u>\$ 46,484</u>	<u>\$ 39</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ 19,496	\$ 375	\$ -	\$ -
Due to other funds	17,978	8,460	-	-
Accrued expenditures	5,558	4,011	39	-
Deferred revenue	2,882	-	-	-
	<u>45,914</u>	<u>12,846</u>	<u>39</u>	<u>-</u>
Total liabilities	45,914	12,846	39	-
FUND BALANCE				
Designated	-	-	-	-
Unreserved	268,489	33,638	-	-
	<u>268,489</u>	<u>33,638</u>	<u>-</u>	<u>-</u>
Total fund balance	268,489	33,638	-	-
Total liabilities and fund balance	<u>\$ 314,403</u>	<u>\$ 46,484</u>	<u>\$ 39</u>	<u>\$ -</u>

<u>Nonmajor Capital Project Funds</u>		<u>Nonmajor Permanent Fund</u>		
<u>Library Memorial Fund</u>	<u>Coldwater Municipal Building Authority Fund</u>	<u>Cemetery Special and Perpetual Care Nonexpendable Trust Fund</u>		<u>Totals</u>
\$ 190,576	\$ -	\$ -	\$ -	\$ 403,433
-	-	-	-	11,012
-	-	-	-	2,882
-	-	-	-	134,175
-	-	450,000	-	450,000
<u>\$ 190,576</u>	<u>\$ -</u>	<u>\$ 450,000</u>		<u>\$ 1,001,502</u>
\$ 3,580	\$ -	\$ -	\$ -	\$ 23,451
-	-	-	-	26,438
-	-	-	-	9,608
-	-	-	-	2,882
3,580	-	-	-	62,379
-	-	450,000	-	450,000
186,996	-	-	-	489,123
186,996	-	450,000	-	939,123
<u>\$ 190,576</u>	<u>\$ -</u>	<u>\$ 450,000</u>		<u>\$ 1,001,502</u>

CITY OF COLDWATER
OTHER SUPPLEMENTAL INFORMATION
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010

Nonmajor Special Revenue Funds

	Major Streets Fund	Local Streets Fund	Parking Authority Fund	Retirement Fund
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ 115,085
Special assessments	8,589	-	40,259	-
Federal sources	169,261	79,652	-	-
State shared revenue	596,489	188,246	-	-
State sources	223,878	-	-	-
Charges for services	-	-	5,493	-
Rent and royalties	-	-	-	-
Interest income	4,034	596	-	100
Contributions	-	-	-	-
Other income	1,863	-	-	777
Total revenues	1,004,114	268,494	45,752	115,962
EXPENDITURES				
Public works	1,093,694	640,679	21,832	-
Recreation and cultural	-	-	-	-
Debt service	-	-	-	-
Total expenditures	1,093,694	640,679	21,832	-
Excess (deficiency) of revenues over expenditures	(89,580)	(372,185)	23,920	115,962
OTHER SOURCES (USES)				
Debt proceeds	253,891	119,478	-	-
Transfers from (to) other funds	(149,122)	149,122	(23,920)	(115,962)
Total other sources (uses)	104,769	268,600	(23,920)	(115,962)
Excess (deficiency) of revenues and other sources over expenditures and other uses	15,189	(103,585)	-	-
FUND BALANCE - BEGINNING	253,300	137,223	-	-
FUND BALANCE - ENDING	\$ 268,489	\$ 33,638	\$ -	\$ -

Nonmajor Capital Project Funds		Nonmajor Permanent Fund	
Library Memorial Fund	Coldwater Municipal Building Authority Fund	Cemetery Special and Perpetual Care Nonexpendable Trust Fund	Totals
\$ -	\$ -	\$ -	\$ 115,085
-	-	-	48,848
-	-	-	248,913
-	-	-	784,735
-	-	-	223,878
666	-	-	6,159
-	226,959	-	226,959
3,051	-	-	7,781
745	-	-	745
-	-	-	2,640
4,462	226,959	-	1,665,743
-	-	-	1,756,205
24,756	-	-	24,756
-	226,959	-	226,959
24,756	226,959	-	2,007,920
(20,294)	-	-	(342,177)
-	-	-	373,369
-	-	-	(139,882)
-	-	-	233,487
(20,294)	-	-	(108,690)
207,290	-	450,000	1,047,813
<u>\$ 186,996</u>	<u>\$ -</u>	<u>\$ 450,000</u>	<u>\$ 939,123</u>

CITY OF COLDWATER
OTHER SUPPLEMENTAL INFORMATION
FIDUCIARY FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2010

	Agency Funds		
	Health Insurance Fund	Tax Collection Fund	Totals
ASSETS			
Cash and cash equivalents	\$ 52,828	\$ 1,510	\$ 54,338
LIABILITIES			
Accounts payable	\$ 52,828	\$ -	\$ 52,828
Due to other governmental units	-	1,510	1,510
Total liabilities	\$ 52,828	\$ 1,510	\$ 54,338