

**CITY OF COLDWATER  
BRANCH COUNTY, MICHIGAN**

**FINANCIAL STATEMENTS**

**JUNE 30, 2021**

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## **INDEPENDENT AUDITOR'S REPORT**

**City Council  
City of Coldwater, Michigan**

**November 15, 2021**

### **Report on the Financial Statements**

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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and the fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments; the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide basis for our audit opinions.

### **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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter – Change in Accounting Principle**

As discussed in notes to financial statements, the City implemented Governmental Accounting Standards Board Statement No. 84 Fiduciary Activities, during the year. Our opinions are not modified with respect to this matter.

### **Required Supplemental Information**

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information, and retirement system information as identified in the table of contents 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated November 15, 2021, on our consideration of the City of Coldwater, Michigan'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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Coldwater, Michigan's internal control over financial reporting and compliance.

*Taylor, Plant & Watkins, P.C.*

**TAYLOR, PLANT & WATKINS, P.C.  
COLDWATER, MICHIGAN**

## **CITY OF COLDWATER MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**

Our discussion and analysis of the City of Coldwater's financial performance provides a narrative overview of the City's financial activities for the fiscal year ended June 30, 2021. Please read it in conjunction with the City's financial statements, which begin on page 16.

### **Financial Highlights**

- The City's assets exceeded liabilities by \$117.6 million. Of this amount, \$87 million relate to investment in capital assets (net of depreciation and related debt). \$3.6 million are restricted assets and \$27 million represent unrestricted net assets. Unrestricted net assets may be used to meet the City's ongoing obligations to residents and creditors, without legal restriction.
- Overall revenues exceeded expenditures by \$1.6 million. This includes a \$419,000 decrease in the equity share of the Michigan South Central Power Agency.
- Governmental revenues generated \$13.5 million compared to \$13.1 million in the prior year. Included in the current year is \$322,000 of Federal CARES Act funding, \$129,000 of MSHDA housing grants, and a \$416,000 repayment from the Local Development Finance Authority (LDFA) relating to past road construction in a tax capture district. In the prior year revenues included \$261,000 of Small Urban Development (SUD) road grants, \$169,000 state transportation road grants, and \$180,000 of MSHDA housing grants.
- Governmental expenses totaled \$12 million compared to \$12.4 million in the prior year. Included in the current year is \$224,000 for the Smith Street rebuild project, \$202,000 for the Monroe Street rebuild project, \$90,000 for the Sprague Street maintenance project, \$133,000 for a MSHDA house project, and \$57,000 for work on the Four Corners Park. The prior year included \$750,000 for the Jefferson Street rebuild project, \$292,000 for the Allen Avenue expansion project, \$456,000 for the Thompson Boulevard extension project, and \$187,000 for the MSHDA house project.
- In the City's business-type activities, revenues generated \$49.8 million. This includes the \$419,000 decrease in the equity share of the Michigan South Central Power Agency. Overall, utility fund charges for services increased \$2.2 million. Expenses totaled \$49.8 million. This was an increase of \$3 million from the prior year.
- Governmental funds reported combined fund balances of \$9 million, an increase of \$1.4 million over the year before.
- Fund balance for the General fund was \$6 million, or approximately 62% of total General Fund expenditures.

### **Using this Annual Report**

The City's basic financial statements consist of three components: government-wide financial statements, fund financial statements, and notes and other supplementary information:

## **CITY OF COLDWATER MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**

**Government-wide Financial Statements** – Government-wide financial statements begin on page 16 and provide readers with a broad overview of the finances of the City of Coldwater as a whole, in a manner similar to a private sector business, distinguishing functions of the City that are principally supported by taxes and intergovernmental revenues (referred to as “governmental activities”) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (referred to as “business-type activities”). These statements present a longer-term view using the accrual basis of accounting, which requires that revenues are reported when they are earned and expenses are reported when incurred. They measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services. The statements include a Statement of Net Position and Statement of Activities.

The Statement of Net Position presents information on all of the City’s assets and liabilities, with the difference between the two reported as net position. The Statement of Activities reports the current year’s revenues and expenses and how the City’s net position changed during the year. Over time, increases or decreases in net position can serve as one indicator of the financial position of the City. Other indicators include factors such as changes in the City’s property tax base and the condition of the City’s roads and other infrastructure.

**Fund Financial Statements** – The fund financial statements begin on page 18 and present more detailed information about the City’s most significant funds, not the City as a whole. The fund financial statements present a short-term view, using a modified accrual basis of accounting, and tell us how the taxpayers’ resources were spent during the year as well as how much is available for future spending. Funds are accounting tools the City uses to keep track of specific sources of funding and spending for particular purposes. The City’s major funds for 2021 include the General Fund and three of the proprietary funds. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

- **Governmental funds** account for most, if not all, of a government’s tax-supported functions. They are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements.
- **Proprietary funds** account for a government’s business-type activities, where all or part of the cost of activities are supported by fees and charges that are paid by those who benefit from the activities. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided and are an integral part of the government-wide and fund financial statements.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report also contains certain required supplementary information concerning budgetary comparisons of the General Fund and the funding progress for the City’s retirement system, as well as other supplementary information.

**CITY OF COLDWATER  
MANAGEMENT’S DISCUSSION AND ANALYSIS - Continued**

**The City as a Whole**

**Statement of Net Position** – As noted earlier, changes in net assets may serve as a useful indicator of a government’s financial position. The City’s assets exceeded total liabilities by \$117.6 million at the close of June 30, 2021. The following table shows, in a condensed format, the net assets as of June 30, 2021 and 2020.

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>Assets</b>						
Current and other assets	10,577,769	\$ 8,983,520	\$ 38,507,055	\$ 44,416,272	\$ 49,084,824	\$ 53,399,792
Capital assets	40,133,921	41,451,161	91,336,176	87,902,335	131,470,097	129,353,496
Total assets	50,711,690	50,434,681	129,843,231	132,318,607	180,554,921	182,753,288
<b>Deferred Outflows</b>	35,695	402,883	215,934	519,273	251,629	922,156
<b>Liabilities</b>						
Long-term debt outstanding	3,984,841	5,196,068	38,429,359	40,678,709	42,414,200	45,874,777
Other liabilities	6,058,996	6,319,328	14,394,624	15,017,867	20,453,620	21,337,195
Total liabilities	10,043,837	11,515,396	52,823,983	55,696,576	62,867,820	67,211,972
<b>Deferred Inflows</b>	352,899	470,933	-	-	352,899	470,933
<b>Net Assets</b>						
Investment in capital assets- Net of related debt	35,886,562	35,900,711	51,068,772	45,312,131	86,955,334	81,212,842
Restricted	1,606,309	1,747,332	2,002,086	5,113,813	3,608,395	6,861,145
Unrestricted	2,857,778	1,203,192	24,164,324	26,715,360	27,022,102	27,918,552
Total net assets	\$ 40,350,649	\$ 38,851,235	\$ 77,235,182	\$ 77,141,304	\$ 117,585,831	\$ 115,992,539

Over 50% of the City’s net assets reflect its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The City’s capital assets are used to provide a variety of services to our citizens. Accordingly, these assets are not available for future spending. An additional portion of the City’s net position, 3%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$27 million, or 23% of the City’s net position, is unrestricted and may be used to meet the City’s ongoing obligations to its residents and creditors. Of the unrestricted funds, \$2.9 million is available to the governmental funds.

**CITY OF COLDWATER  
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**

**Statement of Activities** – The following table shows, in condensed format, the changes of net position as of June 30, 2021, compared to prior year:

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 1,180,739	\$ 1,050,846	\$ 53,114,231	\$ 50,885,681	\$ 54,294,970	\$ 51,936,527
Operating grants and contributions	538,256	641,587	-	-	538,256	641,587
Capital grants and contributions	544,720	208,581	-	-	544,720	208,581
General revenues:						
Property taxes	4,750,608	4,591,684	-	-	4,750,608	4,591,684
State revenues	3,174,919	3,181,012	-	-	3,174,919	3,181,012
Unrestricted investment	61,186	155,987	166,801	422,669	227,987	578,656
Gain (loss) on investment	-	-	(419,117)	932,270	(419,117)	932,270
Gain (loss) on sale	(143,340)	(12,340)	95,738	(32,414)	(47,602)	(44,754)
Miscellaneous	63,443	130,775	163,095	122,480	226,538	253,255
Transfers - internal balance:	(50,000)	(50,000)	50,000	50,000	-	-
Payments in lieu of taxes	3,332,664	3,183,492	(3,332,664)	(3,183,492)	-	-
<b>Total revenues</b>	<b>13,453,195</b>	<b>13,081,624</b>	<b>49,838,084</b>	<b>49,197,194</b>	<b>63,291,279</b>	<b>62,278,818</b>
<b>Expenses</b>						
General government	3,130,772	3,010,430	-	-	3,130,772	3,010,430
Public safety	4,570,640	4,722,123	-	-	4,570,640	4,722,123
Public works	2,568,754	2,800,247	-	-	2,568,754	2,800,247
Recreation and cultural	1,369,255	1,515,522	-	-	1,369,255	1,515,522
Economic development	170,697	210,782	-	-	170,697	210,782
Interest	143,663	163,581	-	-	143,663	163,581
Electric	-	-	39,024,612	35,935,233	39,024,612	35,935,233
Telecommunications	-	-	2,474,713	2,523,634	2,474,713	2,523,634
Water	-	-	3,162,834	3,061,577	3,162,834	3,061,577
Waste water	-	-	4,322,925	4,528,103	4,322,925	4,528,103
Rubbish	-	-	600,125	553,121	600,125	553,121
GIS	-	-	188,476	164,824	188,476	164,824
<b>Total expenses</b>	<b>11,953,781</b>	<b>12,422,685</b>	<b>49,773,685</b>	<b>46,766,492</b>	<b>61,727,466</b>	<b>59,189,177</b>
<b>Change in Net Position</b>	<b>\$ 1,499,414</b>	<b>\$ 658,939</b>	<b>\$ 64,399</b>	<b>\$ 2,430,702</b>	<b>\$ 1,563,813</b>	<b>\$ 3,089,641</b>

During the current fiscal year, the net asset position for the City as a whole increased \$1.6 million. Governmental activities increased its net position by \$1.5 million and Business-type activities increased by \$64,000.

**CITY OF COLDWATER  
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**

**Governmental Activities**

Total Governmental revenue is reported at \$13,453,195, an increase from the \$13,081,624 reported for the prior year. The current year included \$321,905 of Coronavirus Aid, Relief, and Economic Security (CARES) Act funding from the Federal government, \$129,749 from the Michigan State Housing Development Authority (MDSHA) for a housing construction grant and a \$415,971 repayment from the Local Development Finance Authority (LDFA) related to the Fiske Road extension project that is within a tax capture district. \$570,933 was received through a road millage previously approved by City residents. The funds from the sale of the related bonds were used for road and parking lot projects in the City. 2021 was the sixth year of that assessment.

Total Governmental expenses are reported at \$11,953,781, a decrease of \$468,904 from the prior year. Included in the current year is \$223,658 for the rebuild of a section of Smith Street, \$201,941 to rebuild North Monroe Street, \$90,028 to do a paving project on the southern portion of Sprague Street, \$133,000 for a 2<sup>nd</sup> MSHDA house project, and \$57,000 for work on the Four Corners Park.

**Business-type Activities**

The City of Coldwater's business-type activities consist of electricity, water supply, and wastewater (all classified as Major Funds), as well as telecommunications, rubbish and GIS services. Charges to residents for utility services amounted to \$53,114,231. The majority of the \$49,773,685 of expenditures relate to operational expenses to provide utility services. Additional significant costs relate to a payment in lieu of tax which is a 6.5% of revenue City charter provision transfer to the City's General Fund. Current year PILOT transfers were based on the 2019 fiscal operating results. Overall, total revenues exceeded expenditures by \$64,399.

**Financial Analysis of the City's Funds**

In the preceding analysis, we have been discussing the Government-wide Financial Statements, which report the financial results of the City in aggregate. To fully understand the reasons behind significant changes in fund balance or fund net position, it is important to look at these funds on an individual basis. For this more detailed information about the City's most significant funds, we look at the Fund Financial Statements, which begin on page 18.

**Governmental Funds**

**General 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 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**

In the General Fund, revenues exceeded expenditures by \$971,822. General Fund revenues increased \$579,186 from the prior year and expenditures increased by \$24,418. These changes, along with a \$49,061 increase in other sources of revenue resulted in the overall increase in fund balance.

General Fund revenues are derived from three main sources. The largest source is property tax collections, which were \$3,752,239 this year, an increase of \$162,999 from the prior year. The second largest revenue source is PILOT payments which increased \$149,172 to \$3,332,664. Rounding out the top three is state shared revenue, which increased by \$17,784 to \$1,114,233. State shared revenue continues to trend up roughly 3% annually in recent years, following a decade of reduced funding from the State. Even with the recent increases the amount of state shared revenue received by the City was \$120,000 less than it was in 2002. Other significant revenues include charges for services which include fees generated by the recreation department and the cemeteries as well as contractual fire protection service charges paid by two local townships. Also, state sources which include funds distributed by the state to compensate local governments for losses caused by changes in Michigan's personal property tax laws.

Other sources of revenue include transfers of \$428,675 from the retirement millage levied in the amount of one and one-third of a mill.

Overall, General Fund expenditures were very similar to the prior year. Current year capital spending included \$30,000 in the municipal services department for equipment, \$40,000 for the construction of a storage building at the cemetery, \$85,000 for two police patrol vehicles, \$24,000 for a police body camera system, \$68,000 for a fire utility vehicle, \$43,000 for locker room facilities at the public safety building, and \$37,000 for technology upgrades in the City Council chambers.

The majority of costs associated with the General Fund are directly tied to labor and fringe benefits and represent over 60 percent of non-debt financed expenses. Providing City services is very labor intensive, especially in the area of public safety where coverage is provided 24 hours a day to protect the safety and welfare of City residents. Outside of retirement costs, labor spending continues to hold steady with minimal increases. Due to many cost-saving initiatives over the past years, including reduction of staff levels, health care cost reductions, improvement and streamlining of work processes, and greater use of technology to improve productivity and create efficiencies, non-retirement related labor costs have risen less than 9% in the last five years. The City continues to experience a significant increase in retirement costs related to our long closed defined benefit plans. Annual defined benefit retirement payments have risen from \$143,000 in 2011 to \$735,000 in 2021. While we unfortunately see continued increases in the cost of payments into the defined benefit plan the City is working with the Municipal Employees Retirement System (MERS) to spread out the payments over time. While painful in the short term, for the long term Coldwater remains positioned very well. By moving away from defined benefit pensions many years ago the City's long-term legacy cost obligations are much less than those experienced by many other municipalities.

## **CITY OF COLDWATER MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**

**Major and Local Street Funds** – The Major and Local Street Funds account for the maintenance of the City's street infrastructure. The majority of revenues are made up of Act 51 money received from the State of Michigan. Act 51 money is provided by the State to finance the construction and maintenance of streets within the City of Coldwater. Other money is received from the State of Michigan to pay for the maintenance of Highway US-12 that runs through the City.

### **Proprietary Funds**

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

**Electric** – The Electric Fund ended the fiscal year with a \$1,138,884 decrease in net position compared to the prior year when the fund experienced an increase of \$1,510,534. A significant portion of the change from the prior year was a due to a \$419,117 loss in the current year related to the City's 53% ownership of the Michigan South Central Power Agency (MSCPA). In the prior year the investment resulted in a \$932,270 gain. Electric revenues increased by \$1,998,710 over the 2020 fiscal year in part due to the fact that 2020 included a roughly \$2 million decrease in sales for the March – May, 2020 time period when a number of local operations were shut down because of COVID-19.

The most significant cost of the Electric Fund is the cost of power. Power is purchased through the MSCPA. During the current year power purchases increased 7.8% to \$30,783,826 even though usage decreased by 6.2%. This was due to an overall increase in market costs, some of which were specific to the 2021 fiscal year. The Board of Public Utilities elected not to pass along all the one-time cost increases to its customers. This resulted in a significant decrease in net operating income for 2021. Remaining costs shown are for operational and labor costs, fuels and ordinary repairs and maintenance.

**Telecommunications** – The Telecommunications Fund experienced a \$191,840 decrease in net position. Most of the revenue decrease is due to a decrease in the number of television customers. Costs have increased significantly industry wide as television content has increased. As a result of the corresponding price increases more and more consumers have switched to streaming services. Revenue from internet services remained steady. The fund's primary costs are programming charges, data line charges and depreciation. The City has been challenged with the increasing cost of programming, however while this fund has lost money it continues to produce positive cash flow. The City is transitioning to a super high speed one GIG fiber telecommunication system. The system began to come on line to external customers late in the 2021 fiscal year. While it is expected that traditional cable customers will continue to decrease the internet operation is expected to grow.

**Water Fund** – The Water Fund saw net position increase by \$362,502. This was greater than the prior year when the Fund had an increase of \$206,776. Operating costs are primarily related to the cost to pump, treat and distribute water to residents and businesses. During the current year \$475,000 of capital was invested back into the system. Of this, \$293,000 was the installation of new water lines as part of the Smith Street and Monroe Street projects.

## **CITY OF COLDWATER MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**

**Wastewater** – The Wastewater Fund had a \$1,002,308 increase in net position compared to the prior year when net position increased by \$774,445. Operating costs are primarily related to the cost to transport the wastewater from residences and businesses and treat it at the City's wastewater resource recovery facility (WRRF). In 2018, the City completed a \$13.4 million investment into the WRRF. To prepare for those costs as well as for future upgrades and expansion of the WRRF the City began multi-step annual rate increases. Due to uncertainties in the economy brought about by COVID 19 rate increases were paused for the 2021 fiscal year with the next increase being held until July, 2021. In the current year, \$996,000 of system capital was invested back into the City's sanitary system. \$759,000 of that was to rebuild the sanitary lift station that serves the US-12 / I-69 corridor and \$237,000 was spent installing new sanitary lines as part of the Smith Street and Monroe Street projects.

**Rubbish** – The Rubbish Fund saw an increase in net assets of \$7,273 compared to an increase of \$2,008 in the prior year. As in the prior year, the City increased its one totter rate by \$1 per month due to continuing contractual cost increases. Garbage collection services are billed by the City, but operated by a private contractor.

**GIS** – The GIS Fund saw an increase in net assets of \$23,040 compared to a \$51,348 increase in the prior year. The City has partnered with Branch County as well as the City of Bronson and a number of local townships to coordinate and consolidate GIS services within the county. Due to the collaborative endeavor the City applied for and received a \$406,645 grant from the State of Michigan. A portion of the grant money was spent to collect, input and map various data into the system. In 2018, the remainder of the grant funds were spent on updating aerial imagery. In the current year the fund received \$107,500 of membership fees from its partners. Additionally, the City's General and Electric Funds each transferred \$50,000 to the fund to cover its operating costs. The fund also offers fee based services to individuals and outside organizations.

### **General Fund Budgetary Highlights**

As shown in the required supplemental information, the City's final amended budget showed a planned budget surplus of \$47,000; however, actual operations resulted in an increase in fund balance of \$971,822. The City continues to budget conservatively. In the current year, revenues came in roughly 3.6% higher than budgeted with expenditures coming in at 6% under budget. The significant budget-to-actual differences are as follows:

Revenues –

- Contributions from State Sources were under budgeted by \$180,000. The City received an excess funding distribution from the State of Michigan's Local Community Stabilization Authority (LCSA) after the final budget amendment was complete. Given the economic uncertainties associated with the pandemic at that time the City elected to be conservative and did not budget an estimate for the excess distribution.

## **CITY OF COLDWATER MANAGEMENT’S DISCUSSION AND ANALYSIS - Continued**

### Expenditures –

- Expenditures for Public Safety were \$200,000 under budget. Roughly 50% of the savings were related to wages and benefits. The main reasons were lesser use of part paid police officers during the COVID 19 outbreak as well as lower police overtime than the prior year. Lower firefighter wages were due to having an employee off work for an extended time on workmen’s compensation and less use of part paid firefighters than anticipated. A significant part of the remainder of the amount under budget was due to lower than anticipated operational costs in the police department.
- Expenditures for Public Works were \$87,000 under budget. Included in the budget were a full year of wages for the former Public Works Director who retired midway through the year. Also included was an estimate for a full year of wages for a new City Engineer. The City hired a new Director and there was some overlap with the prior Director, but the engineering position wasn’t filled.
- Expenditures for Recreation were \$141,000 under budget. Due to COVID 19 rules the City was forced to keep the recreation center fully closed for much of the first half of the year and when it was able to reopen it was with reduced hours and programming. With the facility closed or operating at reduced levels all costs including employee labor were significantly lower than the original estimates and the portion of the budget specific to the recreation center was conservatively reduced by \$261,000. In the end, the closure related cost savings were greater than the budget reductions. Within the parks specific part of the recreation budget, the purchase of a new large mower, budgeted at \$25,000, was delayed.

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

The City has continued its efforts to improve infrastructure. This fiscal year saw the reinvestment of \$9 million in capital assets for the City’s Governmental and Enterprise Funds combined, \$8.1 million of which was reinvested in the City’s infrastructure. In addition to the utility infrastructure, various vehicles and equipment were replaced during the year.

Because capital equipment and infrastructure are central to providing high-level service to our citizens, it is imperative that we keep those items in good, serviceable condition. Emergency and service vehicles, underground utility pipes and systems, roads, sidewalks, parking lots and parks benefit our citizens and contribute to our safety, welfare and quality of life. Capital expenditures for these items are carefully planned. The City maintains a five-year capital project and replacement plan. A sequenced and prioritized set of projects and a replacement schedule for equipment and vehicles is incorporated into the master plan. Each year, purchases and projects are completed as planned, or delayed, based on availability of funds.

## **CITY OF COLDWATER MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**

In June, 2020 the City's Electric Fund issued \$11.8 million in debt to purchase the Project IV natural gas peaking facility in Coldwater from the Michigan South Central Power Agency (MSCPA). Coldwater was already the 100% user of the facility, but is now operating the plant vs. paying MSCPA to do so. At the same time the Electric Fund also issued \$5.3 million in debt to construct a substation on Butters Avenue in the City's industrial park. Construction began in Spring, 2020 and concluded midway through the 2021 fiscal year. The new substation has reduced the number of customers on each circuit resulting in less risk of outages and increased available capacity. It also allows for increased redundancy to connect and back feed circuits throughout the entire electrical system. This project was made necessary by a new electric transmission feed coming into the City from the north. The additional transmission feed has been long awaited and gives our local electric system needed redundancy with separate feeds coming into the City from the north and south. The City has completed phase one of a fiber project at a cost of \$1.1 million which connected all City and CBPU internal utility infrastructure. Phase two of this fiber to the premise (FTTX) project will allow all residential and business customers to connect at symmetric broadband speeds ranging from 1gbps to 10gbps. Phase two construction began in February, 2020 and is anticipated to be complete in 2022. The current cost is estimated at \$4.2 million.

During the current fiscal year, the City undertook reconstruction projects on both Smith and Monroe Streets. These projects also included replacement of aging storm, water and wastewater infrastructure. In Spring, 2021 the City started a road project on Sauk Trail to add a turn lane as well as replace existing water mains. That project was completed later in the Summer.

### **Economic Factors**

The adopted budget for the fiscal year ending June 30, 2022, reflects the current funding assumptions of the City. City Council continues to maintain its policy of fiscal conservatism while providing the citizens of Coldwater quality services.

The City's initial budget projects a deficit of \$559,000. That figure will be evaluated by staff and the Council as the year progresses. Even with the projected deficit, the City will remain in a financially strong position with an operating fund balance reserve of over 51% of expenditures.

City revenues in the next fiscal year are expected to be lower than in 2021. Our largest source of revenue is property taxes. Based on 2021 valuations we expect to see a 2% increase in collections as opposed to the 5% increase that was seen in the prior year. All of the increase will come from real property growth. This year, that is a combination of new development as well as increases due to the inflation factor used by the State. 2022 will bring a small decrease in personal property taxes due to lack of growth in nonindustrial personal property. Overall the trend is for decreases in personal property revenues due to changes in state law that reduce the amount of personal property subject to taxes. Most of that loss will be made up by the State via payments from the State's Local Community Stabilization Authority (LCSA). So far, those payments have come in above projections, however, it is expected that those excess payments will end, and we are budgeting the reimbursement to be lower in 2022.

## **CITY OF COLDWATER MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**

The second largest source of revenue, PILOT, is expected to decrease by \$250,000 to \$3.08 million due to lower utility revenues in the 2020 base year, much of which was the result of COVID 19 related manufacturing shutdowns in the spring of 2020. State revenue sharing, also a significant source of revenue for the City was initially forecasted by the State to decrease in 2021 due to COVID 19 related economic slowdowns. Thanks to continued spending by consumers those decreases didn't materialize. Our initial 2022 budget also showed a small decrease, however the most recent data released by the State projects Coldwater's State Shared Revenue to increase slightly from pre-pandemic levels to approximately \$1,140,000. State revenue sharing is based in part on population from the most recent census. The 2020 census figures have been released and show Coldwater's population increasing to approximately 12,400 (net of the Lakeland Correctional Facility) up from 10,945 in the 2010 census. This jump will mean an increase in state shared revenue once the State switches to the 2020 population numbers.

The local housing market is strong with a need for mid-range priced housing. The City purchased lots on Thompson Boulevard early in 2019 and extended Thompson past Michael Drive. Two of the lots have been developed by the City through a program with the Michigan State Housing Development Authority (MSHDA). The City is currently working with a developer who would purchase and develop the remaining properties over the next couple years.

Several other housing projects are in various stages of development. The Lofts on Milnes, a four story, 50-unit apartment complex located on the Milnes Plaza in downtown began leasing apartments at the end of the 2020 calendar year. A seven-unit complex to be located in the former Gillespie funeral home has cleared various State funding hurdles and is in the pre-construction development stage. Additionally, proposed projects on S. Fremont Street and N. Willowbrook Road are moving forward.

The demand for housing reflects a strong local economy where there is a high demand for workers. However, even with a solid local economy there are still concerns for the City. Property tax revenue continues to lag behind the increasing cost of labor which is paramount to providing essential City services. Legislative constraints limit the ability to raise property taxes even as home values increase. Growth in funding from State sources is hard to predict due to an uncertain economy currently facing supply chain and inflationary factors brought on by Corona virus fallout.

### **Future Infrastructure**

Concerns exist over aging infrastructure and the escalating costs to repair and replace underground pipes and roads. We continue to maximize our resources to strategically minimize the financial impact to our citizens and rate payers. In recent years the City has invested substantial resources in our local infrastructure. These projects have been paid from a variety of funding sources including debt issued through the City's Local Development Finance Authority (LDFA), grant funding from the Michigan Economic Development Corporation and the Michigan Department of Transportation, the issuance of local road bonds, and our Act 51 road funding from the State.

## **CITY OF COLDWATER MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**

Continuing with the ongoing effort to cost effectively maintain water and wastewater infrastructure, the City completed the rebuilding of a wastewater lift station that operates in the commercial area east of downtown. The road construction project on Smith Street early in the year addressed water and wastewater infrastructure issues and during the past summer a smaller project on Monroe Street did the same. Looking ahead there are various infrastructure projects currently being planned that are needed due to capacity issues or simply the aging of the City's underground pipes. Projects on South Michigan Avenue as well as Washington and Perkins Streets will be bid in 2022. Late in the 2022 fiscal year the City, with funding support via a grant through the State's Drinking Water Revolving Fund Program, will embark on a multi-year program to replace all of the lead and copper piping water services with the City.

As we look forward, we also see the need to expand our water resource recovery facility (WRRF). As our industrial base continues to expand, we will need to expand capacity at the WRRF. We are currently in the early stages of planning for this project which will require a large capital contribution funded with bond proceeds. Also on the horizon, is the possible construction of a new water tower to serve industrial areas in the northern part of the system. The timing of that project is dependent upon industrial growth in that area.

The City continues to hold the line on expenditures, scrutinizing spending to ensure it fits with the conservative fiscal philosophy of the City Council and delivers benefit to the community. The result is a City in sound financial condition and able to weather unforeseen financial conditions and provide excellent service and improved quality of life to its citizens.

### **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 POSITION**  
**JUNE 30, 2021**

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>ASSETS</b>				
Cash and investments	\$ 9,438,649	\$16,683,668	\$ 26,122,317	\$ 357,410
Accounts receivable	127,219	5,532,573	5,659,792	280,000
Special assessment receivable	21,879	-	21,879	-
Inventories	-	121,504	121,504	-
Due from other governmental units	315,100	-	315,100	-
Prepaid expenses	224,922	118,245	343,167	-
Investment in Power Agency	-	14,357,169	14,357,169	-
Restricted assets	450,000	1,693,896	2,143,896	-
Capital assets, less accumulated depreciation	40,133,921	91,336,176	131,470,097	593,226
<b>Total assets</b>	<b>50,711,690</b>	<b>129,843,231</b>	<b>180,554,921</b>	<b>1,230,636</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
	35,695	215,934	251,629	-
<b>Total assets and deferred outflows of resources</b>	<b>50,747,385</b>	<b>130,059,165</b>	<b>180,806,550</b>	<b>1,230,636</b>
<b>LIABILITIES</b>				
Accounts payable	877,716	4,825,085	5,702,801	2,680
Accrued expenditures	384,971	1,680,328	2,065,299	18,003
Long term liabilities:				
Bonds payable, due within one year	707,091	2,222,800	2,929,891	185,000
Bonds and notes payable, due in more than one year	3,540,268	38,044,604	41,584,872	5,360,000
Premium on bonds	-	760,183	760,183	81,970
Net pension liability	4,089,218	4,906,228	8,995,446	-
Compensated absences	444,573	384,755	829,328	-
<b>Total liabilities</b>	<b>10,043,837</b>	<b>52,823,983</b>	<b>62,867,820</b>	<b>5,647,653</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
	352,899	-	352,899	275,000
<b>Total liabilities and deferred inflows of resources</b>	<b>10,396,736</b>	<b>52,823,983</b>	<b>63,220,719</b>	<b>5,922,653</b>
<b>NET POSITION</b>				
Investment in capital assets - net of related debt	35,886,562	51,068,772	86,955,334	(4,951,774)
Restricted	1,606,309	2,002,086	3,608,395	259,757
Unrestricted	2,857,778	24,164,324	27,022,102	-
<b>Total net position</b>	<b>\$40,350,649</b>	<b>\$77,235,182</b>	<b>\$117,585,831</b>	<b>\$ (4,692,017)</b>

See Notes to Financial Statements

**CITY OF COLDWATER**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating / Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
<b>Governmental activities:</b>								
General government	\$ 3,130,772	\$ 371,442	\$ 54,698	\$ -	\$ (2,704,632)	\$ -	\$ (2,704,632)	\$ -
Public safety	4,570,640	437,657	379,434	-	(3,753,549)	-	(3,753,549)	-
Public works	2,568,754	294,158	88,949	415,971	(1,769,676)	-	(1,769,676)	-
Recreation and cultural	1,369,255	77,482	15,175	-	(1,276,598)	-	(1,276,598)	-
Economic development	170,697	-	-	128,749	(41,948)	-	(41,948)	-
Interest	143,663	-	-	-	(143,663)	-	(143,663)	-
Total governmental activities	11,953,781	1,180,739	538,256	544,720	(9,690,066)	-	(9,690,066)	-
<b>Business-type activities:</b>								
Electric	39,024,612	40,744,852	-	-	-	1,720,240	1,720,240	-
Telecommunications	2,474,713	2,352,760	-	-	-	(121,953)	(121,953)	-
Water	3,162,834	3,715,130	-	-	-	552,296	552,296	-
Waste water	4,322,925	5,586,028	-	-	-	1,263,103	1,263,103	-
Rubbish	600,125	606,213	-	-	-	6,088	6,088	-
GIS	188,476	109,248	-	-	-	(79,228)	(79,228)	-
Total business-type activities	49,773,685	53,114,231	-	-	-	3,340,546	3,340,546	-
Total primary government	<u>\$61,727,466</u>	<u>\$54,294,970</u>	<u>\$ 538,256</u>	<u>\$ 544,720</u>	(9,690,066)	3,340,546	(6,349,520)	-
<b>Component units:</b>								
Downtown Development Authority	\$ 129,320	\$ -	\$ 37,000	\$ -	-	-	-	(92,320)
Local Development Authority	236,484	-	-	-	-	-	-	(236,484)
Total component units	<u>\$ 365,804</u>	<u>\$ -</u>	<u>\$ 37,000</u>	<u>\$ -</u>	-	-	-	(328,804)
General revenues:								
Property taxes					4,750,608	-	4,750,608	588,950
State revenues					3,174,919	-	3,174,919	-
Unrestricted investment earnings					61,186	166,801	227,987	5,773
Gain (loss) on investments					-	(419,117)	(419,117)	-
Gain (loss) on sale of assets					(143,340)	95,738	(47,602)	-
Miscellaneous					63,443	163,095	226,538	46,757
Transfers - internal balances					(50,000)	50,000	-	-
Payments in lieu of taxes					3,332,664	(3,332,664)	-	-
Total general revenues, transfers, forgiveness of debt and payments in lieu of taxes					11,189,480	(3,276,147)	7,913,333	641,480
<b>Change in Net Position</b>					1,499,414	64,399	1,563,813	312,676
<b>Net Position - Beginning</b>					38,851,235	77,141,304	115,992,539	(5,004,693)
Contribution in aid of construction					-	29,479	29,479	-
<b>Net Position - Ending</b>					<u>\$ 40,350,649</u>	<u>\$ 77,235,182</u>	<u>\$117,585,831</u>	<u>\$ (4,692,017)</u>

See Notes to Financial Statements

**CITY OF COLDWATER**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**JUNE 30, 2021**

	<b>General Fund</b>	<b>Other Nonmajor Governmental Funds</b>	<b>Totals</b>
<b>ASSETS</b>			
Cash and investments	\$ 6,680,264	\$ 2,758,385	\$ 9,438,649
Accounts receivable	115,219	12,000	127,219
Special assessment receivable	-	21,879	21,879
Due from other governmental units	2,008	313,092	315,100
Prepaid expenses	69,557	155,365	224,922
Restricted assets	-	450,000	450,000
	<u>        </u>	<u>        </u>	<u>        </u>
Total assets	<u>\$ 6,867,048</u>	<u>\$ 3,710,721</u>	<u>\$10,577,769</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 445,448	\$ 432,268	\$ 877,716
Accrued expenditures	285,747	6,935	292,682
Due to other governmental units	64,610	-	64,610
Unearned revenue	47,825	326,953	374,778
	<u>        </u>	<u>        </u>	<u>        </u>
Total liabilities	843,630	766,156	1,609,786
<b>FUND BALANCE</b>			
Nonspendable	69,557	155,365	224,922
Restricted	-	1,606,309	1,606,309
Committed	-	654,036	654,036
Assigned	2,522,450	528,855	3,051,305
Unassigned	3,431,411	-	3,431,411
	<u>        </u>	<u>        </u>	<u>        </u>
Total fund balance	<u>6,023,418</u>	<u>2,944,565</u>	<u>8,967,983</u>
	<u>        </u>	<u>        </u>	<u>        </u>
Total liabilities and fund balance	<u>\$ 6,867,048</u>	<u>\$ 3,710,721</u>	<u>\$10,577,769</u>

See Notes to Financial Statements

**CITY OF COLDWATER**  
**GOVERNMENTAL FUNDS**  
**RECONCILIATION OF BALANCE SHEET OF**  
**GOVERNMENTAL FUNDS TO NET POSITION**  
**JUNE 30, 2021**

<b>Total Fund Balance - Governmental Funds</b>	<b>\$ 8,967,983</b>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in funds:	
The cost of the capital assets	61,388,893
Accumulated depreciation	<u>(21,254,972)</u>
Total capital assets not reported in funds	40,133,921
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	
	21,879
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when paid	
	(27,679)
Long-term liabilities and related deferred outflows are not due and payable in the current period and are not reported in the governmental funds:	
Bonds payable	(4,247,359)
Deferred outflows	35,695
Net pension liability	(4,089,218)
Compensated absences	<u>(444,573)</u>
Total long-term liabilities not reported in funds	<u>(8,745,455)</u>
<b>Total Net Position - Governmental Activities</b>	<b><u>\$ 40,350,649</u></b>

**CITY OF COLDWATER**

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2021**

	<b>General Fund</b>	<b>Other Nonmajor Governmental Funds</b>	<b>Totals</b>
<b>REVENUES</b>			
Taxes	\$ 3,752,239	\$ 998,369	\$ 4,750,608
Payment in lieu of taxes	3,332,664	-	3,332,664
Special assessments	-	56,323	56,323
Licenses and permits	369,674	-	369,674
Federal sources	335,671	349	336,020
State grants	-	164,356	164,356
State shared revenue	1,114,233	1,452,602	2,566,835
State sources	599,391	140,125	739,516
Charges for services	489,980	3,570	493,550
Rent	275,362	-	275,362
Interest income	46,560	14,628	61,188
Contributions	20,022	-	20,022
Other income	63,445	416,975	480,420
Total revenues	<u>10,399,241</u>	<u>3,247,297</u>	<u>13,646,538</u>
<b>EXPENDITURES</b>			
General government	1,707,536	-	1,707,536
Public safety	4,632,360	-	4,632,360
Public works	1,299,899	1,401,032	2,700,931
Recreation and cultural	856,894	-	856,894
Planning	172,633	-	172,633
Debt service	242,173	1,208,305	1,450,478
Other expenditures	793,518	-	793,518
Total expenditures	<u>9,705,013</u>	<u>2,609,337</u>	<u>12,314,350</u>
Excess (deficiency) of revenues over expenditures	694,228	637,960	1,332,188
<b>OTHER SOURCES (USES)</b>			
Sale of fixed assets	15,773	39,119	54,892
Transfers from (to) other funds	261,821	(311,821)	(50,000)
Total other sources (uses)	<u>277,594</u>	<u>(272,702)</u>	<u>4,892</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	971,822	365,258	1,337,080
<b>FUND BALANCE - BEGINNING</b>	<u>5,051,596</u>	<u>2,579,307</u>	<u>7,630,903</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 6,023,418</u>	<u>\$ 2,944,565</u>	<u>\$ 8,967,983</u>

**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, 2021**

<b>Net change in Fund Balance - Total Governmental Funds</b>	<b>\$ 1,337,080</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Depreciation expense	(2,245,877)
Loss on sale of assets	(198,232)
Capital outlay	<u>1,126,869</u>
Total	(1,317,240)
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	(3)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Decrease in accrued interest is reported as a increase to expenditures	3,724
Change in net pension liability and related deferred outflows	193,626
Proceeds and repayments of principal on long-term debt are other financing sources and expenditures in the governmental funds, but not in the statement of activities (where they are additions and reductions of liabilities):	
Principal repayment	1,303,091
Increase in compensated absences are reported as an decrease to expenditures	<u>(20,864)</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ 1,499,414</u></u></b>

# CITY OF COLDWATER

## PROPRIETARY FUNDS STATEMENT OF NET POSITION JUNE 30, 2021

	Electric Fund	Water Fund	Waste Water Fund	Nonmajor Telecom- munications Fund	Nonmajor Rubbish Fund	Nonmajor GIS Fund	Totals
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>							
<b>ASSETS</b>							
<b>Current assets:</b>							
Cash and investments	\$ 8,596,160	\$ 2,132,996	\$ 5,301,205	\$ 124,938	\$ 213,516	\$ 314,853	\$ 16,683,668
Accounts receivable	4,284,266	416,974	599,421	182,288	48,219	1,405	5,532,573
Inventories	-	121,504	-	-	-	-	121,504
Prepaid and other assets	58,374	23,094	16,377	16,455	-	3,945	118,245
Total current assets	12,938,800	2,694,568	5,917,003	323,681	261,735	320,203	22,455,990
<b>Noncurrent assets:</b>							
Investment in Power Agency	14,357,169	-	-	-	-	-	14,357,169
Restricted assets	445,064	58,969	1,189,863	-	-	-	1,693,896
Capital assets, less accumulated depreciation	43,592,211	16,348,928	29,476,916	1,750,635	167,486	-	91,336,176
Total noncurrent assets	58,394,444	16,407,897	30,666,779	1,750,635	167,486	-	107,387,241
Total assets	71,333,244	19,102,465	36,583,782	2,074,316	429,221	320,203	129,843,231
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
	104,968	47,385	47,386	16,195	-	-	215,934
Total assets and deferred outflows of resources	\$71,438,212	\$19,149,850	\$36,631,168	\$ 2,090,511	\$ 429,221	\$ 320,203	\$ 130,059,165
<b>LIABILITIES AND NET POSITION</b>							
<b>LIABILITIES</b>							
<b>Current liabilities:</b>							
Accounts payable	\$ 4,464,270	\$ 164,669	\$ 93,758	\$ 102,388	\$ -	\$ -	\$ 4,825,085
Accrued expenditures	1,243,427	70,900	321,714	38,534	537	5,216	1,680,328
Bonds and notes payable, due within one year	845,000	364,678	1,013,122	-	-	-	2,222,800
Total current liabilities	6,552,697	600,247	1,428,594	140,922	537	5,216	8,728,213
<b>Noncurrent liabilities</b>							
Bonds and notes payable, due in more than one year	19,445,000	2,563,529	16,036,075	-	-	-	38,044,604
Premium on bonds payable	378,200	45,838	336,145	-	-	-	760,183
Net pension liability	2,340,338	1,111,044	1,110,739	344,107	-	-	4,906,228
Compensated absences	183,733	92,059	61,341	40,543	282	6,797	384,755
Total noncurrent liabilities	22,347,271	3,812,470	17,544,300	384,650	282	6,797	44,095,770
Total liabilities	28,899,968	4,412,717	18,972,894	525,572	819	12,013	52,823,983
<b>NET POSITION</b>							
Investment in capital assets, net of related debt	23,302,211	13,420,721	12,427,719	1,750,635	167,486	-	51,068,772
Restricted	445,064	58,969	1,189,863	-	-	308,190	2,002,086
Unrestricted	18,790,969	1,257,443	4,040,692	(185,696)	260,916	-	24,164,324
Total net position	\$42,538,244	\$14,737,133	\$17,658,274	\$ 1,564,939	\$ 428,402	\$ 308,190	\$ 77,235,182

See Notes to Financial Statements

# CITY OF COLDWATER

## PROPRIETARY FUNDS STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2021

	Electric Fund	Water Fund	Waste Water Fund	Nonmajor Telecom- munications Fund	Nonmajor Rubbish Fund	Nonmajor GIS Fund	Totals
<b>REVENUES</b>							
Charges for services	\$40,744,852	\$ 3,715,130	\$ 5,586,028	\$ 2,352,760	\$ 606,213	\$ 109,248	\$53,114,231
<b>OPERATING EXPENSES</b>							
Purchased power	30,783,826	-	-	-	-	-	30,783,826
Power plant	26,757	-	-	-	-	-	26,757
Natural gas plant	547,994	-	-	-	-	-	547,994
Distribution	1,769,328	602,638	-	1,498,947	-	-	3,870,913
Substation	192,488	-	-	-	-	-	192,488
Sanitation	-	-	-	-	580,125	-	580,125
Metering and lighting	1,039,320	-	-	-	-	-	1,039,320
Wells	-	95,284	-	-	-	-	95,284
Treatment	-	804,369	1,094,335	-	-	-	1,898,704
Collection system	-	-	188,986	-	-	-	188,986
Customer service	375,215	-	-	90,753	-	-	465,968
Administration	1,780,702	787,468	820,673	481,731	-	-	3,870,574
Public works	-	-	-	-	-	188,476	188,476
Payments in lieu of taxes	2,692,404	225,792	324,432	90,036	-	-	3,332,664
Depreciation	1,815,555	788,384	1,545,480	403,282	20,000	-	4,572,701
Total operating expenditures	41,023,589	3,303,935	3,973,906	2,564,749	600,125	188,476	51,654,780
<b>OPERATING INCOME</b>	(278,737)	411,195	1,612,122	(211,989)	6,088	(79,228)	1,459,451
<b>NONOPERATING REVENUES (EXPENSES)</b>							
Investment income	100,231	13,087	49,936	94	1,185	2,268	166,801
Interest expense	(693,427)	(84,691)	(673,451)	-	-	-	(1,451,569)
Gain (loss) on investments	(419,117)	-	-	-	-	-	(419,117)
Gain (loss) on sale of fixed assets	88,052	5,926	160	1,600	-	-	95,738
Miscellaneous income	114,114	16,985	13,541	18,455	-	-	163,095
Total nonoperating revenues (expenses)	(810,147)	(48,693)	(609,814)	20,149	1,185	2,268	(1,445,052)
<b>INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS</b>	(1,088,884)	362,502	1,002,308	(191,840)	7,273	(76,960)	14,399
<b>TRANSFERS</b>							
Transfers from (to) other funds	(50,000)	-	-	-	-	100,000	50,000
<b>CHANGE IN NET POSITION</b>	(1,138,884)	362,502	1,002,308	(191,840)	7,273	23,040	64,399
<b>NET POSITION - BEGINNING</b>	43,647,649	14,374,631	16,655,966	1,756,779	421,129	285,150	77,141,304
Contribution in aid of construction	29,479	-	-	-	-	-	29,479
<b>NET POSITION - ENDING</b>	\$42,538,244	\$14,737,133	\$17,658,274	\$ 1,564,939	\$428,402	\$308,190	\$77,235,182

See Notes to Financial Statements

# CITY OF COLDWATER

## PROPRIETARY FUNDS STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2021

	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Waste Water Fund</u>	<u>Nonmajor Telecom- munications Fund</u>	<u>Nonmajor Rubbish Fund</u>	<u>Nonmajor GIS Fund</u>	<u>Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Cash received from customers	\$ 40,623,193	\$ 3,670,919	\$ 5,587,469	\$ 2,338,179	\$ 590,406	\$ 107,843	\$ 52,918,009
Payments made to suppliers	(35,962,872)	(1,289,923)	(1,441,589)	(1,494,695)	(565,725)	(127,153)	(40,881,957)
Payments made to employees	(3,241,828)	(1,217,704)	(1,106,715)	(720,240)	(14,223)	(136,636)	(6,437,346)
Net cash provided by operating activities	1,418,493	1,163,292	3,039,165	123,244	10,458	(155,946)	5,598,706
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
Transfers in (out)	(50,000)	-	-	-	-	100,000	50,000
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Principal and interest paid on capital debt	(1,683,427)	(439,642)	(1,651,300)	-	-	-	(3,774,369)
Contribution in aid of construction	29,479	-	-	-	-	-	29,479
Proceeds on sale of assets	88,052	5,926	1,600	1,600	-	-	97,178
Purchase of capital assets	(6,003,262)	(859,278)	(1,145,442)	-	-	-	(8,007,982)
Net cash provided by (used in) capital and related financing activities	(7,569,158)	(1,292,994)	(2,795,142)	1,600	-	-	(11,655,694)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Interest received on investments	100,231	13,087	49,936	94	1,185	2,268	166,801
Change in investments	3,500,285	40,215	280,423	-	-	-	3,820,923
Net cash provided by investing activities	3,600,516	53,302	330,359	94	1,185	2,268	3,987,724
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>							
	(2,600,149)	(76,400)	574,382	124,938	11,643	(53,678)	(2,019,264)
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>							
	11,196,309	2,209,396	4,726,823	-	201,873	368,531	18,702,932
<b>CASH AND CASH EQUIVALENTS - ENDING</b>							
	<u>\$ 8,596,160</u>	<u>\$ 2,132,996</u>	<u>\$ 5,301,205</u>	<u>\$ 124,938</u>	<u>\$ 213,516</u>	<u>\$ 314,853</u>	<u>\$ 16,683,668</u>

**PROPRIETARY FUNDS**

See Notes to Financial Statements

# CITY OF COLDWATER

FOR THE YEAR ENDED JUNE 30, 2021

	<b>Electric Fund</b>	<b>Water Fund</b>	<b>Waste Water Fund</b>	<b>Nonmajor Telecom- munications Fund</b>	<b>Nonmajor Rubbish Fund</b>	<b>Nonmajor GIS Fund</b>	<b>Totals</b>
<b>BALANCE SHEET CLASSIFICATION OF CASH AND CASH EQUIVALENTS</b>							
Cash and investments	\$ 8,596,160	\$2,132,996	\$ 5,301,205	\$ 124,938	\$213,516	\$ 314,853	\$16,683,668
Restricted cash and investments	445,064	58,969	1,189,863	-	-	-	1,693,896
Less amounts classified as investments	(445,064)	(58,969)	(1,189,863)	-	-	-	(1,693,896)
<b>Total cash and cash equivalents</b>	<b>\$ 8,596,160</b>	<b>\$2,132,996</b>	<b>\$ 5,301,205</b>	<b>\$ 124,938</b>	<b>\$213,516</b>	<b>\$ 314,853</b>	<b>\$16,683,668</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES</b>							
Operating income (loss)	\$ (278,737)	\$ 411,195	\$ 1,612,122	\$ (211,989)	\$ 6,088	\$ (79,228)	\$ 1,459,451
Adjustments to reconcile operating income to net cash from operating activities:							
Miscellaneous income	114,114	16,985	13,541	18,455	-	-	163,095
Depreciation	1,815,555	788,384	1,545,480	403,282	20,000	-	4,572,701
Amortization	(23,264)	(2,283)	(16,738)	-	-	-	(42,285)
Changes in assets and liabilities:							
Receivables	(235,773)	(61,196)	(12,100)	(33,036)	(15,807)	(1,405)	(359,317)
Inventories	-	(2,925)	-	-	-	-	(2,925)
Prepays and other assets	(13,281)	1,103	195	27,521	-	(3,383)	12,155
Deferred outflows	147,483	66,553	66,553	22,750	-	-	303,339
Due from (to) other funds	67,202	-	-	(67,202)	-	-	-
Accounts payable	(15,573)	80,845	(26,626)	22,071	-	(74,158)	(13,441)
Accrued expenditures	140,108	865	(2,765)	(3,066)	100	506	135,748
Net pension liability	(293,270)	(132,375)	(132,375)	(45,244)	-	-	(603,264)
Compensated absences	(6,071)	(3,859)	(8,122)	(10,298)	77	1,722	(26,551)
<b>Net cash provided by operating activities</b>	<b>\$ 1,418,493</b>	<b>\$1,163,292</b>	<b>\$ 3,039,165</b>	<b>\$ 123,244</b>	<b>\$ 10,458</b>	<b>\$(155,946)</b>	<b>\$ 5,598,706</b>

See Notes to Financial Statements

**CITY OF COLDWATER**  
**COMPONENT UNITS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2021**

	<b>Downtown Development Authority</b>	<b>Local Development Finance Authority</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and investments	\$ 109,181	\$ 248,229	\$ 357,410
Accounts receivable	-	280,000	280,000
Capital assets, less accumulated depreciation	243,815	349,411	593,226
	352,996	877,640	1,230,636
<b>LIABILITIES</b>			
Accounts payable	2,680	-	2,680
Accrued expenditures	-	18,003	18,003
Bonds and notes payable, due within one year	-	185,000	185,000
Long term liabilities:			
Bonds and notes payable, due in more than one year	-	5,360,000	5,360,000
Unearned revenue	-	275,000	275,000
Premium on bonds payable	-	81,970	81,970
	2,680	5,919,973	5,922,653
<b>NET ASSETS</b>			
Investment in capital assets - net of related debt	243,815	(5,195,589)	(4,951,774)
Restricted	106,501	153,256	259,757
	\$ 350,316	\$ (5,042,333)	\$ (4,692,017)

See Notes to Financial Statements

**CITY OF COLDWATER**  
**COMPONENT UNITS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating / Grants and Contributions	Capital Grants and Contributions	Downtown Development Authority	Local Development Finance Authority	Total
Downtown Development Authority	\$ 129,320	\$ -	\$ 37,000	-	\$ (92,320)	\$ -	\$ (92,320)
Local Development Finance Authority	236,484	-	-	-	-	(236,484)	(236,484)
Total component activities	\$ 365,804	\$ -	\$ 37,000	\$ -	(92,320)	(236,484)	(328,804)
General revenues:							
Property taxes					90,587	498,363	588,950
Interest					824	4,949	5,773
Other income					3,757	43,000	46,757
Total general revenues					95,168	546,312	641,480
<b>Change in Net Position</b>					2,848	309,828	312,676
<b>Net Position - Beginning</b>					347,468	(5,352,161)	(5,004,693)
Contribution in aid of construction					-	-	-
<b>Net Position - Ending</b>					\$ 350,316	\$ (5,042,333)	\$ (4,692,017)

See Notes to Financial Statements

**CITY OF COLDWATER**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**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 wastewater 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 LDFA currently has a negative net position which will be eliminated in future years with tax recapture.

## CITY OF COLDWATER

### NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED JUNE 30, 2021

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

##### **GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:**

The government-wide financial statements, the statement of net position 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. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, 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.

The City first utilizes restricted resources to finance qualifying activities.

##### **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, 2021**

**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.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, interest income and other revenues).

The City does not allocate indirect costs.

**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.

## CITY OF COLDWATER

### NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED JUNE 30, 2021

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

##### **BASIS OF PRESENTATION:** - Continued

##### **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.

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**

**Custodial Funds** The fiduciary financials statements are reported using economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities to the beneficiaries of a fiduciary activity. Liabilities to beneficiaries are recognized when an event has occurred that compels the City to disburse fiduciary resources. City has no custodial funds.

## CITY OF COLDWATER

### NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED JUNE 30, 2021

#### 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 2020 tax is levied and collectible on August 1, 2020 and is recognized as revenue in the year ended June 30, 2021, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2020 taxable valuation of the City totaled \$348 million, a portion of which is abated and a portion of which is captured by the LDFA and DDA. Taxes levied consisted of 11.5827 mills for operating purposes, 1.3333 mills for the retirement system, and 1.65 mills for roadway construction. This resulted in almost \$3.6 million for general operating and approximately \$425,000 and \$571,000 for retirement and roadways. These amounts are reported in the respective General, Retirement and Road Debt Service Funds in the financial statements.

**Tax Abatements** - Industrial property tax abatements are granted in the State of Michigan under Public Act 198, as amended, to promote economic development, creation of jobs, and new or improvement facilities. The industrial facilities tax (IFT) exemption must be approved by both the local unit (after public hearing is held) and the State of Michigan. IFT exemptions can cover real and/or personal property. By State law, the exemption must be applied for no later than six months after commencement of the project, and must be accompanied by a written agreement between the taxpayer and the local unit. An exemption allows for taxation on IFT property at 50% of the local property tax millage rate for a period of 1 to 12 years. The abatements also include; hydroponic facilities, which are abated under Public Act 512, 2014 and receive an abatement of 75% of the existing levy, and rehabilitated facilities abated under Public Act 14 of 2000, The Obsolete Property Rehabilitation Act "OPRA". Accordingly, such agreements meet the criteria of "tax abatements" under GASB Statement No. 77. Property taxes abated by the City in fiscal year 2021 amounted to \$698,299.

##### **ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION:**

**Cash 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.

**CITY OF COLDWATER**

**NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2021**

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

**ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND  
NET POSITION: - Continued**

**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”.

**Inventory and Prepaid items** – Inventory is valued at cost, on a first-in, first-out basis. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**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

**Deferred Outflows/Inflows of Resources** – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category, which is the deferred outflows of resources related to pensions resulting from City contributions subsequent to June 30, 2021, which will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

## CITY OF COLDWATER

### NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED JUNE 30, 2021

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

##### **ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION:** – Continued

**Deferred Outflows/Inflows of Resources** – In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City only has one item that qualifies for reporting in this category, which is unearned revenue. The City collected sponsorship money for their recreation program. Sponsors can elect to pay multiple years at a time. The sponsorship money is deferred until future years, when the revenue applies.

**Compensated Absences** – It is the City’s policy to permit employees to accumulate earned but unused paid time off/sick and vacation pay. All paid time off/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 and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

**Net Pension Liability** – For purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS’ fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Fund Balance** – The City implemented GASB statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. The Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

**Nonspendable fund balance** – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.

**CITY OF COLDWATER**

**NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2021**

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

**ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND  
NET POSITION: – Continued**

**Fund Balance – Continued**

**Restricted fund balance** – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation. The City’s Revolving Development Fund, Major Streets Fund, Local Streets Fund, Retirement Fund, Road Debt Service Fund, Road Construction Bond Fund, and Grant Fund balances are considered restricted.

**Committed fund balance** – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

**Assigned fund balance** – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

**Unassigned fund balance** – amounts that are available for any purpose; positive amounts are reported only in the general fund.

The City establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the City’s Board through adoption or amendment of the budget as intended for specific purpose. The City would typically use restricted fund balance first, followed by committed resources, and then assigned resources as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these classified funds.

**CITY OF COLDWATER**

**NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2021**

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

**ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND  
NET POSITION: – Continued**

**Fund Balance – Continued**

The specific purpose detail of the fund balances presented in the Governmental Funds are as follows:

	<u>General Fund</u>	<u>Other Nonmajor Governmental Funds</u>
Nonspendable:		
Prepaid expenses	\$ 69,557	\$ 155,365
Restricted:		
Grant Fund	-	14,083
Road Construction Bond	-	3,214
Major streets	-	676,580
Local streets	-	48,227
Road debt service	-	592,194
Revolving development	-	272,011
Committed:		
Parking authority	-	50,105
Library Memorial	-	137,816
Brownfield redevelopment	-	16,115
Cemetery	-	450,000
Assigned:		
Fund balancing	2,522,450	528,855
Unassigned:	3,431,411	-
	<u>          </u>	<u>          </u>
Total	<u>\$ 6,023,418</u>	<u>\$ 2,944,565</u>

**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.

## **CITY OF COLDWATER**

### **NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED JUNE 30, 2021**

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

##### **ENCUMBRANCE ACCOUNTING:**

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year end may be reappropriated in the next year. No reservation of fund balance equal to outstanding encumbrances at year end is required.

##### **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.

##### **SUBSEQUENT EVENTS:**

The City evaluates events and transactions that occur after year end for potential recognition or disclosure in the financial statements. These subsequent events have been considered through the audit date.

#### **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 .05% to 1.85%.

**CITY OF COLDWATER**

**NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2021**

**NOTE B – DEPOSITS AND INVESTMENTS – Continued**

**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.

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Bank investment pool (not 2a-7)	\$ 11,013,941	0.0027
U.S. government or agency bond or note	6,907	1

1 day maturity equals 0.0027, one year equals 1.00

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

<u>Investment</u>	<u>Fair Value</u>	<u>Standard &amp; Poor's Rating</u>
Michigan CLASS pool	\$ 11,013,941	AAAm

**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, 2021, \$27,137,639 of the City’s bank balance of \$28,622,256 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, 2021**

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

Transfers from (to) other funds, during the year ended June 30, 2021, for the City are as follows:

**GOVERNMENTAL FUNDS**

**GENERAL FUND**

---

Transfer from Retirement Fund	\$ 428,675
Transfer to Grant Fund	(116,854)
Transfer to GIS Fund	(50,000)
	<hr/>
Total General Fund	261,821

**MAJOR STREETS FUND**

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Transfer to Local Streets Fund	(400,000)
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**LOCAL STREETS FUND**

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Transfer from Major Streets Fund	400,000
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**GRANT FUND**

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Transfer from General Fund	116,854
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**RETIREMENT FUND**

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Transfer to General Fund	(428,675)
	<hr/>
Total governmental funds	<u><u>\$ (50,000)</u></u>

**CITY OF COLDWATER**

**NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2021**

**NOTE C – TRANSFERS FROM (TO) OTHER FUNDS - Continued**

**PROPRIETARY FUNDS**

**ELECTRIC FUND**

Transfer to GIS Fund	(50,000)
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**GIS FUND**

Transfer from General Fund	50,000
Transfer from Electric Fund	<u>50,000</u>
Total GIS Fund	<u>100,000</u>
Total proprietary funds	<u>\$ 50,000</u>

The transfers from the Retirement Fund represent the distribution of retirement funds. The City and the BPU split non-grant costs for the GIS Fund. The Grant Fund received transfers from the General Fund to cover major projects completed during the year.

**CITY OF COLDWATER**

**NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2021**

**NOTE D – CAPITAL ASSETS**

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

**GOVERNMENTAL ACTIVITIES**

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2021</u>
<b>GROUP:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,091,213	\$ -	\$ 198,232	\$ 1,892,981
Capital assets, being depreciated:				
Roads and sidewalks	11,591,946	184,885	1,135,281	10,641,550
Land improvements	13,582,204	542,475	-	14,124,679
Buildings and improvements	27,381,061	157,372	5,502	27,532,931
Vehicles	4,825,859	165,434	97,457	4,893,836
Other tools and equipment	2,097,175	148,887	-	2,246,062
Construction in progress	129,038	56,854	129,038	56,854
Total assets being depreciated	<u>59,607,283</u>	<u>1,255,907</u>	<u>1,367,278</u>	<u>59,495,912</u>
Total assets	61,698,496	1,255,907	1,565,510	61,388,893
<b>ACCUMULATED DEPRECIATION:</b>				
Roads and sidewalks	6,560,407	579,598	1,135,281	6,004,724
Land improvements	1,823,089	520,868	-	2,343,957
Building and improvements	8,151,443	724,307	5,502	8,870,248
Vehicles	2,297,719	271,492	97,457	2,471,754
Other tools and equipment	1,414,677	149,612	-	1,564,289
Total accumulated depreciation	<u>20,247,335</u>	<u>2,245,877</u>	<u>1,238,240</u>	<u>21,254,972</u>
Net capital assets	<u>\$41,451,161</u>	<u>\$ (989,970)</u>	<u>\$ 327,270</u>	<u>\$ 40,133,921</u>

**CITY OF COLDWATER**

**NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2021**

**NOTE D – CAPITAL ASSETS – Continued**

**BUSINESS-TYPE ACTIVITIES**

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2021</u>
<b>GROUP:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,893,366	\$ -	\$ -	\$ 1,893,366
Capital assets, being depreciated:				
Work in progress	3,143,907	3,501,240	3,143,907	3,501,240
Land improvements	535,882	35,000	-	570,882
Utility systems	87,485,781	7,477,097	284,545	94,678,333
Buildings	38,329,877	-	2,358	38,327,519
Office equipment	877,442	37,042	-	914,484
Vehicles	2,838,336	-	22,708	2,815,628
Machinery and equipment	4,505,339	101,509	63,118	4,543,730
Total assets being depreciated	<u>137,716,564</u>	<u>11,151,888</u>	<u>3,516,636</u>	<u>145,351,816</u>
Total assets	139,609,930	11,151,888	3,516,636	147,245,182
<b>ACCUMULATED DEPRECIATION:</b>				
Electric	15,902,741	1,815,555	323,276	17,395,020
Telecommunications	7,298,211	403,282	14,774	7,686,719
Rubbish	12,514	20,000	-	32,514
Water	10,528,369	788,384	13,214	11,303,539
Waste water	17,965,760	1,545,480	20,026	19,491,214
Total accumulated depreciation	<u>51,707,595</u>	<u>4,572,701</u>	<u>371,290</u>	<u>55,909,006</u>
Net capital assets	<u>\$87,902,335</u>	<u>\$ 6,579,187</u>	<u>\$3,145,346</u>	<u>\$ 91,336,176</u>

**CITY OF COLDWATER**

**NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2021**

**NOTE D – CAPITAL ASSETS – Continued**

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

**GOVERNMENTAL ACTIVITIES:**

General government	\$ 653,388
Public safety	265,239
Public works	752,646
Recreation and culture	<u>574,604</u>
Total governmental activities	<u>\$ 2,245,877</u>

**BUSINESS -TYPE ACTIVITIES:**

Electric	\$ 1,815,555
Telecommunications	403,282
Rubbish	20,000
Water	788,384
Waste water	<u>1,545,480</u>
Total business-type activities	<u>\$ 4,572,701</u>

The component units' capital assets at June 30, 2021 consist of the following:

**COMPONENT UNITS:**

Infrastructure	\$ 825,775
Less, accumulated depreciation	<u>232,549</u>
Net capital assets of component units	<u>\$ 593,226</u>

Assets are held in the Downtown Development Authority and the Local Development Finance Authority. The component units' depreciation expense for the year ended June 30, 2021 amounted to \$31,731.

**CITY OF COLDWATER**

**NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2021**

**NOTE E – LONG-TERM DEBT**

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2021</u>
<b>Governmental Activities:</b>				
Revenue bonds	\$ 200,213	\$ -	\$ 19,200	\$ 181,013
General obligation capital improvement bond	1,249,000	-	49,000	1,200,000
Unlimited tax general obligation bond	2,640,000	-	505,000	2,135,000
General obligation capital improvement bond	608,000	-	608,000	-
Equipment loan	853,237	-	121,891	731,346
Compensated absences	423,709	20,864	-	444,573
	<u>\$ 5,974,159</u>	<u>\$ 20,864</u>	<u>\$ 1,303,091</u>	<u>\$ 4,691,932</u>
<b>Business-type Activities:</b>				
Revenue bonds and Refunding bonds	\$ 38,478,204	\$ -	\$ 1,639,800	\$ 36,838,404
General obligation capital improvement and Refunding bonds	4,112,000	-	683,000	3,429,000
Compensated absences	411,306	-	26,551	384,755
	<u>\$ 43,001,510</u>	<u>\$ -</u>	<u>\$ 2,349,351</u>	<u>\$ 40,652,159</u>

**CITY OF COLDWATER**

**NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2021**

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

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

**GOVERNMENTAL ACTIVITIES**

Series 2009 Water Supply and Waste Water System Revenue Bonds, interest rate of 2.5%, annual payments ranging from \$19,200 to \$23,035, due April 2030	\$ 181,013
Series 2013 Pool and Recreation Hall Limited Tax General Obligation Capital Improvement Bonds, interest rates varying from 2.55% to 4.65%, annual principal payments ranging from \$51,000 to \$98,000, due April 2038	1,200,000
Series 2015 Road Construction Unlimited Tax General Obligation Bonds, interest rates varying from 2.100% to 2.9%, annual principal payments ranging from \$515,000 to \$555,000, due May 2025	2,135,000
Note payable to bank, interest rate of 2.37%, annual principal payments of \$121,891, due October 2026, secured by equipment	731,346
Accumulated compensated absences	<u>444,573</u>
Total governmental activities debt	<u><u>\$ 4,691,932</u></u>

**CITY OF COLDWATER**

**NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2021**

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

**BUSINESS-TYPE ACTIVITIES**

Series 2017 Electric Utility System Revenue Bonds, at an interest rate of 4.0%, annual payments ranging from \$185,000 to \$330,000, due February 2037	4,020,000
Series 2020A Electric Utility System Revenue Bonds, at an interest rate of 3.0%, annual payments ranging from \$200,000 to \$345,000, due February 2040	5,075,000
Series 2020B Electric Utility System Revenue Bonds, interest rates varying from 1.858% to 3.905%, annual payments ranging from \$460,000 to \$780,000, due February 2040	11,195,000
Series 2016 Water Supply and Wastewater System General Obligation Capital Improvement and Refunding Bonds, interest rates varying from 1.55% to 2.05%, annual payments of \$328,000 to \$354,000, due September 2025	1,698,000
Series 2016 Water Supply and Wastewater System Revenue Bonds, at an interest rate of 4.0% to 5.0%, annual payments ranging from \$425,000 to \$1,000,000, due August 2041	14,255,000
Series 2010 Wastewater Limited Tax General Obligation Refunding Bonds, interest rates varying from 3.70% to 4.1%, annual principal payments ranging from \$270,000 to \$315,000, due July 2024	1,165,000
Series 2009 Water Supply and Wastewater System Revenue Bonds, interest rate of 2.5%, annual payments ranging from \$100,800 to \$120,934, due April 2030	1,022,956
Series 2016 Water Supply and Wastewater System Revenue Refunding Bonds, at an interest rate of 2.25%, annual principal payments ranging from \$98,000 to \$105,000, due July 2024	406,000

## CITY OF COLDWATER

### NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED JUNE 30, 2021

#### NOTE E – LONG-TERM DEBT – Continued

Series 2015 Water Supply and Wastewater System General Obligation Limited Tax Refunding Bonds, interest rates varying from 1.85 to 2.9%, annual principal payments ranging from \$106,000 to \$122,000, due July 2025	566,000
Series 2014 Wastewater supply revenue bonds, interest rate of 2.5%, annual principal payments ranging from \$50,000 to \$74,448, due October 2034	<u>864,448</u>
Total bonds and installment purchase agreements	40,267,404
Accumulated compensated absences	<u>384,755</u>
Total business-type activities debt	<u><u>\$ 40,652,159</u></u>

#### COMPONENT UNITS

Local Development Finance Authority Series 2016A Limited Tax General Obligation Bonds, interest rates ranging from 3.0% to 5.0%, annual principal payments ranging from \$80,000 to \$170,000, due December 2040	2,405,000
Local Development Finance Authority Series 2016B Limited Tax General Obligation Bonds, interest rates ranging from 3.0% to 5.0%, annual principal payments ranging from \$105,000 to \$220,000, due December 2040	<u>3,140,000</u>
Total component units debt	<u><u>\$ 5,545,000</u></u>

**CITY OF COLDWATER**

**NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2021**

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

The annual requirements to service all debt outstanding as of June 30, 2021, including interest payments of \$15,825,169 for the debt service requirements are as follows:

	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2022	\$ 707,091	\$ 127,368	\$ 834,459
2023	718,891	110,546	829,437
2024	736,691	92,310	829,001
2025	753,691	72,394	826,085
2026	201,491	50,786	252,277
2027-2031	527,504	187,058	714,562
2032-2036	410,000	98,724	508,724
2037-2041	192,000	11,253	203,253
Total	<u>\$ 4,247,359</u>	<u>\$ 750,439</u>	<u>\$ 4,997,798</u>
	<b>Business-type Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2022	\$ 2,222,800	\$ 1,397,712	\$ 3,620,512
2023	2,294,000	1,333,069	3,627,069
2024	2,367,200	1,264,863	3,632,063
2025	2,444,200	1,192,853	3,637,053
2026	2,084,400	1,125,501	3,209,901
2027-2031	8,840,356	4,701,464	13,541,820
2032-2036	9,969,448	2,973,607	12,943,055
2037-2041	9,045,000	1,065,661	10,110,661
2042	1,000,000	20,000	1,020,000
Total	<u>\$ 40,267,404</u>	<u>\$ 15,074,730</u>	<u>\$ 55,342,134</u>

**CITY OF COLDWATER**

**NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2021**

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

	<b>Component Units</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2022	\$ 185,000	\$ 213,256	\$ 398,256
2023	190,000	207,631	397,631
2024	195,000	201,856	396,856
2025	205,000	193,806	398,806
2026	220,000	183,181	403,181
2027-2031	1,240,000	754,756	1,994,756
2032-2036	1,500,000	500,134	2,000,134
2037-2041	1,810,000	180,963	1,990,963
<b>Total</b>	<b>\$ 5,545,000</b>	<b>\$ 2,435,583</b>	<b>\$ 7,980,583</b>

Interest expense for the year ended June 30, 2021 was \$1,451,569 for Business-type Activities and \$147,387 for the Governmental Activities. Total interest incurred by component units for the year ended June 30, 2021 amounted to \$218,806.

**NOTE F – 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, 2021**

**NOTE G – RETIREMENT PROGRAM**

Defined Benefit Plan – The City’s defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The City participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at [www.mersofmich.com](http://www.mersofmich.com).

Benefits provided – Benefits provided include plans with multipliers ranging from 1.5% to 2.5%. Vesting periods are 10 years for all divisions. Normal retirement age is 60 with reduced early retirement options at 50 with 25 years of service or at age 55 with 15 years of service. The union also has an unreduced early retirement options at 50 with 25 years of service, age 55 with 25 years of service, or at age 55 with 30 years of service. Final average compensation is calculated based on 3 years. Member contributions range from 0% to 6%.

Employees covered by benefit terms – At the December 31, 2020 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	86
Inactive employees entitled to but not yet receiving benefits	12
Active employees	19
Total	<u>117</u>

Contributions – The City is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City may establish contribution rates to be paid by its covered employees. All divisions are closed to new employees.

Net Pension Liability – The employer’s Net Pension Liability was measured as of December 31, 2020, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

**CITY OF COLDWATER**

**NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2021**

**NOTE G – RETIREMENT PROGRAM – Continued**

Actuarial assumptions – The total pension liability in the December 31, 2020 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation: 2.5%
- Salary Increases: 3.0% in the long-term
- Investment rate of return: 7.35%, net of investment and administrative expense including inflation..
- Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.
- The actuarial assumptions used in valuation were based on the results of 2014-2018 five year experience study.
- The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Expected Money-Weighted Rate of Return</u>
Global Equity	60.0%	5.25%	3.15%
Global Fixed Income	20.0%	1.25%	0.25%
Private Investments	20.0%	7.25%	1.45%
Inflation			2.50%
Assumed investment rate of return			7.35%
Administrative expense netted above			0.25%
Investment rate of return			<u>7.60%</u>

Discount rate – The discount rate used to measure the total pension liability is 7.6% for 2020. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF COLDWATER**

**NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2021**

**NOTE G – RETIREMENT PROGRAM – Continued**

Changes in Net Pension Liability –

Calculating Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/19	\$ 30,356,899	\$ 20,197,376	\$ 10,159,523
Changes for the Year			
Service Cost	156,303	-	156,303
Interest on Total Pension Liability	2,345,645	-	2,345,645
Changes in benefits	-	-	-
Difference between expected and actual experience	(132,021)	-	(132,021)
Changes in assumptions	776,971	-	776,971
Employer Contribution	-	1,653,500	(1,653,500)
Employee Contribution	-	39,232	(39,232)
Net investment income	-	2,541,231	(2,541,231)
Benefit payments, including employee refunds	(2,228,970)	(2,228,970)	-
Administrative expense	-	(40,271)	40,271
Other changes	(117,283)	-	(117,283)
	800,645	1,964,722	(1,164,077)
Net Changes			
Balances as of 12/31/20	\$ 31,157,544	\$ 22,162,098	\$ 8,995,446

**CITY OF COLDWATER**

**NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2021**

**NOTE G – RETIREMENT PROGRAM – Continued**

Sensitivity of the Net Pension Liability to changes in the discount rate – The following presents the Net Pension Liability of the City, calculated using the discount rate of 7.6%, as well as what the City’s Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.6%) or 1% higher (8.6%) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total Pension Liability (a)	\$ 34,112,187	\$ 31,157,544	\$ 28,623,852
Fiduciary Net Position (b)	<u>22,162,098</u>	<u>22,162,098</u>	<u>22,162,098</u>
Net Pension Liability (a-b)	<u>\$ 11,950,089</u>	<u>\$ 8,995,446</u>	<u>\$ 6,461,754</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions – For the year ended June 30, 2021, the employer recognized pension expense of \$1,201,450. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences in experience	\$ -	\$ -
Differences in assumptions	-	-
Excess (Deficit) Investment Returns	932,770	1,558,641
Contributions subsequent to the measurement date*	<u>877,500</u>	<u>-</u>
Total	<u>\$ 1,810,270</u>	<u>\$ 1,558,641</u>

\*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ended June 30, 2021.

## CITY OF COLDWATER

### NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED JUNE 30, 2021

#### NOTE G – RETIREMENT PROGRAM – Continued

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	
2021	\$(118,310)
2022	74,263
2023	(392,124)
2024	(189,700)

Defined Contribution Plan – The City also participates in the MERS defined contribution retirement plan that was 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, 2021, there were 116 plan members. Plan members are required to contribute 0% to 7.5% of covered payroll. The City is required to contribute 10% to 11% of annual covered payroll. The City’s contribution for the year ended June 30, 2021 was \$677,927. Plan provisions and contribution requirements are established and may be amended by the City Council.

#### NOTE H – 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 \$30,783,826 for purchased power and debt retirement. The City is unaware of any other 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 168 Division St, Coldwater, Michigan 49036.

The City’s Board of Public Utilities owns an approximate 50% interest in the Michigan South Central Power Agency (MSCPA). The City records the investment using the equity method and calculates 50% 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 50% of the equity net of the City’s assets.

## CITY OF COLDWATER

### NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED JUNE 30, 2021

#### NOTE I – 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, 2020	\$ (3,124,136)
Current year building permit revenue	125,121
Less related expenses - Direct costs	<u>(358,361)</u>
Shortfall at June 30, 2021	<u><u>\$ (3,357,376)</u></u>

#### NOTE J – PURCHASED POWER CONTRACTS

**American Municipal Power Generating Station (AMPGS)** - Until November 2009, AMP had been developing a 960 MW twin unit, supercritical boiler, coal-fired, steam and electric generating facility, to be known as the American Municipal Power Generating Station (“AMPGS”), in Meigs County, in southeastern Ohio, on the Ohio River. AMP had planned for AMPGS to enter commercial operation in 2014 at a total capital cost of approximately \$3 billion. In the fourth quarter of 2009, however, the estimated capital costs increased by 37% and Bechtel Power Corporation (“Bechtel”), the EPC (engineer, procure and construct) contractor, would not guarantee that the costs would not continue to escalate. As a result of the estimated cost increases and prior to the commencement of major construction at the project site, the 81 AMP Members that had subscribed for capacity from AMPGS (“AMPGS Participants”) voted to cease development of AMPGS as a coal fired project.

In August 2016, AMP and Bechtel engaged in court-ordered mediation to resolve disputes raised in litigation relating to the cancellation of the AMPGS Project. Following the mediation, AMP and Bechtel reached a comprehensive settlement which resolved all claims. The terms of such settlement are confidential.

The City is reporting a payable to AMP in its business-type activities and in its electric enterprise fund for its share of the AMPGS impaired costs. AMP financed these costs on its revolving line of credit. The City makes monthly payments against the liability.

As of June 30, 2021, Coldwater had paid off its share of stranded cost portion of the liability. A liability of \$1,522,495 remains for its share of what AMP has designated as Plant Held for Future Use (PHFU). The PHFU related liability consists of the property at the Meigs County, Ohio site.

## CITY OF COLDWATER

### NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED JUNE 30, 2021

#### NOTE J – PURCHASED POWER CONTRACTS – Continued

**Prairie State Energy Campus (PSEC)** – On December 20, 2007, AMP acquired a 23.26% undivided ownership interest (the “*PSEC Ownership Interest*”) in the Prairie State Energy Campus (“*PSEC*”), a two-unit, supercritical coal-fired power plant designed to have a net rated capacity of approximately 1,582 MW and associated facilities in southwest Illinois. The PSEC Ownership Interest is held by AMP 368 LLC, a single-member Delaware limited liability company (“*AMP 368 LLC*”). AMP is the owner of the sole membership interest in AMP 368 LLC. Construction of the PSEC commenced in October 2007. Unit 1 of the PSEC commenced operations in the second quarter of 2012 and Unit 2 of the PSEC commenced operations in the fourth quarter of 2012.

From July 2008 through September 2010, AMP issued five series of Prairie State Energy Campus Revenue Bonds (collectively, the “*Initial Prairie State Bonds*”) to finance PSEC project costs and PSEC related expenses. The Initial Prairie State Bonds consist of tax-exempt, taxable and tax advantaged Build America Bonds issued in the original aggregate principal amount of \$1,696,800,000. In 2015, 2017 and 2019, AMP issued bonds (the “*Prairie State Refunding Bonds*” and, together with the Initial Prairie State Bonds, the “*Prairie State Bonds*”) to refund all of the callable tax-exempt Initial Prairie State Bonds issued in 2008 and 2009, certain of callable outstanding Initial Prairie State Bonds issued as Build America Bonds and certain of the bonds issued in 2015 to refund the Initial Prairie State Bonds. As of June 30, 2021, AMP had \$1,439,610,000 aggregate principal amount of Prairie State Bonds outstanding.

AMP sells the power and energy from the PSEC Ownership Interest pursuant to a take-or-pay power sales contract (the “*Prairie State Power Sales Contract*”) with 68 Members (the “*Prairie State Participants*”). The Prairie State Bonds are net revenue obligations of AMP, secured by a master trust indenture, payable primarily from the payments to be made by the Prairie State Participants under the terms of the Prairie State Power Sales Contract.

The City of Coldwater has executed a take-or-pay power sales contract with AMP as a participant of the PSEC of 9,952 kW or 2.7% kW of capacity and associated energy from the PSEC.

**AMP Fremont Energy Center (AFEC)** – On July 28, 2011, AMP acquired from FirstEnergy Generation Corporation (“*FirstEnergy*”) the Fremont Energy Center (“*AFEC*”), a combined cycle, natural gas fueled electric generating plant, then nearing completion of construction and located in Fremont, Sandusky County, Ohio. Following completion of the commissioning and testing, AMP declared AFEC to be in commercial operation as of January 20, 2012. AFEC has a capacity of 512 MW (unfired)/675 MW (fired) and consists of two combustion turbines, two heat recovery steam generators and one steam turbine and condenser.

## CITY OF COLDWATER

### NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED JUNE 30, 2021

#### NOTE J – PURCHASED POWER CONTRACTS – Continued

AMP subsequently sold a 5.16% undivided ownership interest in AFEC to Michigan Public Power Agency and entered into a power sales contract with the Central Virginia Electric Cooperative for the output associated with a 4.15% undivided ownership interest in AFEC. The output of AFEC associated with the remaining 90.69% undivided ownership interest (the “90.69% Interest”) is sold to AMP Members pursuant to a take-or-pay power sales contract with 86 of its Members (the “AFEC Power Sales Contract”).

In 2012, to provide permanent financing for the 90.69% Interest, AMP issued, in two series, \$546,085,000 of its AMP Fremont Energy Center Project Revenue Bonds (the “2012 AFEC Bonds”), consisting of taxable and tax-exempt obligations. The AFEC Bonds are net revenue obligations of AMP, secured by a master trust indenture and payable from amounts received by AMP under the AFEC Power Sales Contract. In 2017, AMP issued bonds (the “AFEC Refunding Bonds” and, together with the 2012 AFEC Bonds, the “AFEC Bonds”) to refund a portion of the 2012 AFEC Bonds. As of June 30, 2021, \$468,135,000 aggregate principal amount of AFEC Bonds was outstanding.

In April 2021, AMP executed a Gas Supply Contract (the “Gas Supply Contract”) with Tennergy Corporation (“Tennergy”) under the terms of which Tennergy will provide a portion of the natural gas made available to Tennergy under the terms of a Prepaid Natural Gas Sales Agreement (“Prepaid Natural Gas Sales Agreement”) between Tennergy and a subsidiary of Morgan Stanley. Under the Gas Supply Contract, AMP receives the benefit of a discount from market index gas priced.

The City of Coldwater has executed a take-or-pay power sales contract with AMP as a participant of the AFEC of 18,055 kW or 3.88% kW of capacity and associated energy from the AFEC.

**Combined Hydroelectric Projects** – AMP owns and operates three hydroelectric projects, the Cannelton, the Smithland and the Willow Island hydroelectric generating facilities (the “Combined Hydroelectric Projects”), all on the Ohio River, with an aggregate generating capacity of approximately 208 MW. Each of the Combined Hydroelectric Projects is in commercial operation and consists of run-of-the-river hydroelectric generating facilities on existing Army Corps dams and includes associated transmission facilities. AMP holds the licenses from FERC for the Combined Hydroelectric Projects.

To provide financing for, or refinance certain obligations incurred in respect of, the Combined Hydroelectric Projects, AMP has issued ten series of its Combined Hydroelectric Projects Revenue Bonds (the “Combined Hydroelectric Bonds”), in an original aggregate principal amount of \$2,483,845,000 and consisting of taxable, tax-exempt and tax advantaged obligations (Build America Bonds, Clean Renewable Energy Bonds and New Clean Renewable Energy Bonds). The Combined Hydroelectric Bonds are secured by a master trust indenture and payable from amounts received by AMP under a take-or-pay power sales contract with 79 of its Members.

## CITY OF COLDWATER

### NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED JUNE 30, 2021

#### NOTE J – PURCHASED POWER CONTRACTS – Continued

As of June 30, 2021, \$2,120,512,059 aggregate principal amount of the Combined Hydroelectric Bonds and approximately \$10.7 million aggregate principal amount of subordinate obligations, consisting of notes evidencing draws on the Line of Credit, were outstanding under the indenture securing the Combined Hydroelectric Bonds.

The City of Coldwater has executed a take-or-pay power sales contract with AMP as a participant of the Combined Hydroelectric Projects of 6,496 kW or 3.12% of capacity and associated energy from the Combined Hydroelectric Projects.

**Meldahl Hydroelectric Project** – AMP owns and, together with the City of Hamilton, Ohio, an AMP Member, developed and constructed a 108.8 MW, three-unit hydroelectric generation facility on the Captain Anthony Meldahl Locks and Dam, an existing Army Corps dam on the Ohio River, and related equipment and associated transmission facilities (the “*Meldahl Project*”). The Meldahl Project is operated by the City of Hamilton.

In order to finance the construction of the Meldahl Project and related costs, AMP issued seven series of its Meldahl Hydroelectric Project Revenue Bonds (“*Meldahl Bonds*”) in an original aggregate principal amount of \$820,185,000 consisting of taxable, tax-exempt and tax advantaged obligations (Build America Bonds, Clean Renewable Energy Bonds and New Clean Renewable Energy Bonds). The Meldahl Bonds are secured by a master trust indenture and payable from amounts received by AMP under a take-or-pay power sales contract with 48 of its Members. As of June 30, 2021, \$665,050,000 aggregate principal amount of the Meldahl Bonds and approximately \$.7 million aggregate principal amount of subordinate obligations, consisting of notes evidencing draws on the Line of Credit, were outstanding under the indenture securing the Meldahl Bonds.

On August 14, 2017, AMP filed a lawsuit in the U.S. District Court for the Southern District of Ohio against Voith Hydro, Inc. (“Voith”), which was the supplier of major powerhouse equipment, including the turbines and generators for the Combined Hydroelectric Projects and the Meldahl Project. In the lawsuit, AMP alleges, among other things that Voith failed to deliver equipment on a timely basis and that certain of the equipment delivered was materially defective, causing significant delays. AMP has alleged proven damages of at least \$40 million. On October 16, 2017, Voith filed its answer, denying each of AMP’s claims, and asserting two counterclaims seeking the payment of amounts it claims are due under the contract, amounts currently held by AMP as purported liquidated damages and \$40 million in damages, plus interest and legal fees. On December 1, 2017, AMP filed its answer to the Voith counterclaims, denying all liability to Voith.

## CITY OF COLDWATER

### NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED JUNE 30, 2021

#### NOTE J – PURCHASED POWER CONTRACTS – Continued

As part of the initial disclosures, AMP listed 70 potential witnesses and \$90 million in gross damages, while Voith listed over 100 potential witnesses and \$65 million in gross damages. A scheduling order has been established which provides for an October 31, 2022 trial date.

The City of Coldwater has executed a take-or-pay power sales contract with AMP as a participant of the Meldahl Project of 1,794 kW or 1.71% of capacity and associated energy from the Meldahl Project.

**Greenup Hydroelectric Project** – In connection with the development of the Meldahl Project, Hamilton agreed to sell and AMP agreed to purchase a 48.6% undivided ownership interest (the “AMP Interest”) in the Greenup Hydroelectric Facility. On May 11, 2016, AMP issued \$125,630,000 aggregate principal amount of its Greenup Hydroelectric Project Revenue Bonds, Series 2016A (the “2016 Greenup Bonds”) and, with a portion of the proceeds thereof, acquired the AMP Interest. The 2016 Greenup Bonds are secured by a separate power sales contract that has been executed by the same Members (with the exception of Hamilton, which retained title to a 51.4% ownership interest in the Greenup Hydroelectric Facility) that executed the Meldahl Power Sales Contract. As of June 30, 2021, \$120,600,000 aggregate principal amount of the Greenup Bonds was outstanding.

The City of Coldwater has executed a take-or-pay power sales contract with AMP as a participant of the Greenup Project of 1,175 kW or 3.45% of capacity and associated energy from the Greenup Project.

**Solar Electricity Prepayment Project** – In 2016, AMP entered into the NextEra PPA pursuant to the terms of which AMP agreed to purchase and a subsidiary of NextEra agreed to sell all of the power and energy generated by solar generation facilities (each, a “System”), each of which is located behind the meter of an AMP Member’s Electric System. Under the terms of the NextEra PPA, AMP is has prepaid for twenty-five years of energy to be generated by each System at a “P90” confidence interval, meaning that, in any given year, the probability of exceeding such level of production is ninety percent (90%), and assuming a 0.5% degradation factor. Sixteen Systems with a rated capacity of approximately 58.325 MW have entered commercial operation.

On January 31, 2019, AMP issued \$55,195,000 of its Solar Electricity Prepayment Project Revenue Bonds, Series 2019A (the “Solar Prepayment Bonds”) to refinance draws on its Line of Credit associated with the first 13 Systems, with a rated capacity of approximately 36.83 MW. On August 20, 2020, AMP issued its \$25,480,000 Solar Electricity Prepayment Project Revenue Bonds, Series 2020 (Green Bonds) (collectively, with the 2019 Solar Prepayment Bonds, the “Solar Prepayment Bonds”) to refinance draws on the Line of Credit associated with the remaining three Systems. Such Solar Prepayment Bonds are secured by a trust indenture (the “Solar Indenture”) and payable from amounts received by AMP under a take-and-pay power sales contract with 22 of its Members.

## **CITY OF COLDWATER**

### **NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED JUNE 30, 2021**

#### **NOTE J – PURCHASED POWER CONTRACTS – Continued**

As of June 30, 2021, \$77,605,000 aggregate principal amount of the Solar Prepayment Bonds were outstanding under the Solar Indenture and approximately \$8.4 million aggregate principal amount was on the Line of Credit, which includes certain developmental costs. Amounts on the Line of Credit are payable as a subordinate obligation under the Solar Indenture.

The City of Coldwater has executed a take-or-pay power sales contract with AMP as a participant of the Solar Electricity Project of 1,208 kW or 1.996% of capacity and associated energy from the Solar Electricity Project.

#### **NOTE K – COMMITMENTS**

The City of Coldwater has entered into contracts to complete various road construction and capital improvement projects. The amount committed to finish the projects at June 30, 2021 was approximately \$2.5 million. All of the committed funds will be paid for with bond proceeds received.

#### **NOTE L – CHANGE IN ACCOUNTING PRINCIPLES**

GASB Statement No. 84, Fiduciary Activities, establishes specific criteria for identifying activities that should be reported as fiduciary activities. The focus on the criteria generally is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

**CITY OF COLDWATER**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 3,775,000	\$ 3,750,000	\$ 3,752,239	\$ 2,239
Payment in lieu of taxes	3,332,661	3,332,661	3,332,664	3
Licenses and permits	250,000	344,000	369,674	25,674
Federal sources	-	323,280	335,671	12,391
State shared revenue	975,000	1,050,000	1,114,233	64,233
State sources	573,972	419,544	599,391	179,847
Charges for services	601,757	463,757	489,980	26,223
Rent	274,000	265,500	275,362	9,862
Interest earned	65,000	38,000	46,560	8,560
Contributions	10,000	20,000	20,022	22
Other	40,000	29,000	63,445	34,445
Total revenues	9,897,390	10,035,742	10,399,241	363,499
<b>EXPENDITURES</b>				
General government	1,798,761	1,862,761	1,707,536	(155,225)
Public safety	4,802,739	4,832,740	4,632,360	(200,380)
Public works	1,545,893	1,386,893	1,299,899	(86,994)
Recreation and cultural	1,187,593	997,744	856,894	(140,850)
Planning	160,099	195,099	172,633	(22,466)
Debt service	243,000	243,000	242,173	(827)
Other	726,500	800,515	793,518	(6,997)
Total expenditures	10,464,585	10,318,752	9,705,013	(613,739)
Excess (deficiency) of revenues over expenditures	(567,195)	(283,010)	694,228	977,238
<b>OTHER SOURCES</b>				
Sale of fixed assets	10,000	20,000	15,773	(4,227)
Transfers from other funds	310,000	310,000	261,821	(48,179)
Total other sources	320,000	330,000	277,594	(52,406)
Excess (deficiency) of revenues and other sources over expenditures	(247,195)	46,990	971,822	924,832
<b>FUND BALANCE - BEGINNING</b>	4,309,365	5,051,596	5,051,596	-
<b>FUND BALANCE - ENDING</b>	<u>\$ 4,062,170</u>	<u>\$ 5,098,586</u>	<u>\$ 6,023,418</u>	<u>\$ 924,832</u>

**CITY OF COLDWATER**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	2021	2020	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>							
Service cost	\$ 156,303	\$ 162,056	\$ 164,223	\$ 164,356	\$ 197,701	\$ 201,065	\$ 200,716
Interest	2,345,645	2,241,860	2,229,644	2,200,592	2,210,238	2,154,627	2,124,546
Changes of benefit terms	-	-	-	-	-	-	-
Difference between expected and actual experience	(132,021)	272,870	16,702	186,006	(459,710)	(204,284)	-
Changes of assumptions	776,971	871,706	-	-	-	1,340,439	-
Benefit payments including employee refunds	(2,228,970)	(2,267,619)	(2,245,976)	(2,129,490)	(1,982,096)	(1,991,878)	(1,908,501)
Other	(117,283)	-	-	(2)	272	876	(2)
<b>Net Change in Total Pension Liability</b>	<b>800,645</b>	<b>1,280,873</b>	<b>164,593</b>	<b>421,462</b>	<b>(33,595)</b>	<b>1,500,845</b>	<b>416,759</b>
<b>Total Pension Liability - beginning</b>	<b>30,356,899</b>	<b>29,076,026</b>	<b>28,911,433</b>	<b>28,489,971</b>	<b>28,523,566</b>	<b>27,022,721</b>	<b>26,605,962</b>
<b>Total Pension Liability - ending</b>	<b>\$ 31,157,544</b>	<b>\$ 30,356,899</b>	<b>\$ 29,076,026</b>	<b>\$ 28,911,433</b>	<b>\$ 28,489,971</b>	<b>\$ 28,523,566</b>	<b>\$ 27,022,721</b>
<b>Plan Fiduciary Net Position</b>							
Contributions - employer	\$ 1,653,500	\$ 1,606,000	\$ 1,290,000	\$ 1,160,202	\$ 1,005,222	\$ 919,890	\$ 827,702
Contributions - employee	39,232	39,927	38,625	44,639	53,287	56,904	60,722
Net investment income	2,541,231	2,457,841	(760,574)	2,417,550	1,965,325	(274,268)	1,172,725
Benefit payments including employee refunds	(2,228,970)	(2,267,619)	(2,245,976)	(2,129,490)	(1,982,096)	(1,991,878)	(1,908,501)
Administrative expense	(40,271)	(42,328)	(38,308)	(38,348)	(38,837)	(40,691)	(42,877)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>1,964,722</b>	<b>1,793,821</b>	<b>(1,716,233)</b>	<b>1,454,553</b>	<b>1,002,901</b>	<b>(1,330,043)</b>	<b>109,771</b>
<b>Plan Fiduciary Net Position - beginning</b>	<b>20,197,375</b>	<b>18,403,554</b>	<b>20,119,787</b>	<b>18,665,234</b>	<b>17,662,333</b>	<b>18,992,376</b>	<b>18,882,605</b>
<b>Plan Fiduciary Net Position - ending</b>	<b>\$ 22,162,097</b>	<b>\$ 20,197,375</b>	<b>\$ 18,403,554</b>	<b>\$ 20,119,787</b>	<b>\$ 18,665,234</b>	<b>\$ 17,662,333</b>	<b>\$ 18,992,376</b>
<b>Employer Net Pension Liability</b>	<b>\$ 8,995,447</b>	<b>\$ 10,159,524</b>	<b>\$ 10,672,472</b>	<b>\$ 8,791,646</b>	<b>\$ 9,824,737</b>	<b>\$ 10,861,233</b>	<b>\$ 8,030,345</b>
<b>Plan Fiduciary Net Position as a percentage of the Total Pension Liability</b>	<b>71%</b>	<b>67%</b>	<b>63%</b>	<b>70%</b>	<b>66%</b>	<b>62%</b>	<b>70%</b>
<b>Covered Employee Payroll</b>	<b>1,523,053</b>	<b>1,567,502</b>	<b>1,587,580</b>	<b>1,603,897</b>	<b>1,919,518</b>	<b>1,994,277</b>	<b>1,998,959</b>
<b>Employer's Net Pension Liability as a percentage of covered employee payroll</b>	<b>591%</b>	<b>648%</b>	<b>672%</b>	<b>548%</b>	<b>512%</b>	<b>545%</b>	<b>402%</b>

Note to schedule: The above amounts are based on measurement date of December 31<sup>st</sup>.

**CITY OF COLDWATER  
REQUIRED SUPPLEMENTAL INFORMATION  
SCHEDULE OF EMPLOYER'S CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2021**

	2021	2020	2019	2018	2017	2016	2015
Actuarial determined contributions	\$1,196,940	\$1,055,292	\$ 991,032	\$1,012,554	\$ 919,584	\$ 847,229	\$ 796,640
Contributions in relation to the actuarially determined contribution	1,653,500	1,606,000	1,290,000	1,160,202	1,005,222	919,890	827,702
Contribution deficiency (excess)	<u>\$ (456,560)</u>	<u>\$ (550,708)</u>	<u>\$ (298,968)</u>	<u>\$ (147,648)</u>	<u>\$ (85,638)</u>	<u>\$ (72,661)</u>	<u>\$ (31,062)</u>
 Covered Employee Payroll	 \$1,523,053	 \$1,567,502	 \$1,587,580	 \$1,603,897	 \$ 1,919,518	 \$ 1,994,277	 \$1,998,959
 Contributions as a percentage of covered employee payroll	 109%	 102%	 81%	 72%	 52%	 46%	 41%

**Notes to Schedule**

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	10 - 12 years
Asset valuation method	5 year smoothed
Inflation	2.5%
Salary increases	3.00%
Investment rate of return	Reduction from 7.75% to 7.60%
Retirement age	60
Mortality	50% Female/50% Male RP-2014 Group Annual Mortality Table

The above amounts are based on measurement date of December 31<sup>st</sup>, which does not tie to the fiscal year.

**CITY OF COLDWATER**

**OTHER SUPPLEMENTAL INFORMATION  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
FOR THE YEAR ENDED JUNE 30, 2021**

	<b>Nonmajor Special Revenue Funds</b>					<b>Nonmajor Debt Fund</b>
	<b>Major Streets Fund</b>	<b>Local Streets Fund</b>	<b>Parking Authority Fund</b>	<b>Retirement Fund</b>	<b>Revolving Development Fund</b>	<b>Road Debt Service Fund</b>
<b>ASSETS</b>						
Cash and investments	\$ 1,124,801	\$ 4,422	\$ 46,179	\$ 123	\$ 272,011	\$ 590,078
Accounts receivable	3,530	-	4,097	1,677	-	2,116
Special assessment receivable	-	-	-	-	-	-
Due from other governmental units	219,965	57,520	-	-	-	-
Prepaid expenses	155,365	-	-	-	-	-
Restricted assets	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 1,503,661</b>	<b>\$ 61,942</b>	<b>\$ 50,276</b>	<b>\$ 1,800</b>	<b>\$ 272,011</b>	<b>\$ 592,194</b>
<b>LIABILITIES AND FUND BALANCE</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 364,453	\$ 9,140	\$ -	\$ 1,800	\$ -	\$ -
Accrued expenditures	2,189	4,575	171	-	-	-
Unearned revenue	305,074	-	-	-	-	-
<b>Total liabilities</b>	<b>671,716</b>	<b>13,715</b>	<b>171</b>	<b>1,800</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE</b>						
Nonspendable	155,365	-	-	-	-	-
Restricted	676,580	48,227	-	-	272,011	592,194
Committed	-	-	50,105	-	-	-
Assigned	-	-	-	-	-	-
<b>Total fund balance</b>	<b>831,945</b>	<b>48,227</b>	<b>50,105</b>	<b>-</b>	<b>272,011</b>	<b>592,194</b>
<b>Total liabilities and fund balance</b>	<b>\$ 1,503,661</b>	<b>\$ 61,942</b>	<b>\$ 50,276</b>	<b>\$ 1,800</b>	<b>\$ 272,011</b>	<b>\$ 592,194</b>

**CITY OF COLDWATER**

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2021**

	<b>Nonmajor Capital Project Funds</b>					<b>Nonmajor Permanent Fund</b>	<b>Totals</b>
	<b>Library Memorial Fund</b>	<b>Capital Improvement Fund</b>	<b>Road Construction Bond Fund</b>	<b>Capital Project Grant Fund</b>	<b>Brownfield Redevelopment Fund</b>	<b>Cemetery Special and Perpetual Care Nonexpendable Trust Fund</b>	
<b>ASSETS</b>							
Cash and investments	\$137,816	\$ 528,296	\$ 3,214	\$ 35,330	\$ 16,115	\$ -	\$2,758,385
Accounts receivable	-	580	-	-	-	-	12,000
Special assessment receivable	-	21,879	-	-	-	-	21,879
Due from other governmental units	-	-	-	35,607	-	-	313,092
Prepaid expenses	-	-	-	-	-	-	155,365
Restricted assets	-	-	-	-	-	450,000	450,000
<b>Total assets</b>	<b>\$137,816</b>	<b>\$ 550,755</b>	<b>\$ 3,214</b>	<b>\$ 70,937</b>	<b>\$ 16,115</b>	<b>\$ 450,000</b>	<b>\$3,710,721</b>
<b>LIABILITIES AND FUND BALANCE</b>							
<b>LIABILITIES</b>							
Accounts payable	\$ -	\$ 21	\$ -	\$ 56,854	\$ -	\$ -	\$ 432,268
Accrued expenditures	-	-	-	-	-	-	6,935
Unearned revenue	-	21,879	-	-	-	-	326,953
<b>Total liabilities</b>	<b>-</b>	<b>21,900</b>	<b>-</b>	<b>56,854</b>	<b>-</b>	<b>-</b>	<b>766,156</b>
<b>FUND BALANCE</b>							
Nonspendable	-	-	-	-	-	-	155,365
Restricted	-	-	3,214	14,083	-	-	1,606,309
Committed	137,816	-	-	-	16,115	450,000	654,036
Assigned	-	528,855	-	-	-	-	528,855
<b>Total fund balance</b>	<b>137,816</b>	<b>528,855</b>	<b>3,214</b>	<b>14,083</b>	<b>16,115</b>	<b>450,000</b>	<b>2,944,565</b>
<b>Total liabilities and fund balance</b>	<b>\$137,816</b>	<b>\$ 550,755</b>	<b>\$ 3,214</b>	<b>\$ 70,937</b>	<b>\$ 16,115</b>	<b>\$ 450,000</b>	<b>\$3,710,721</b>

**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, 2021**

	<b>Nonmajor Special Revenue Funds</b>				<b>Nonmajor Debt Fund</b>	
	<b>Major Streets Fund</b>	<b>Local Streets Fund</b>	<b>Parking Authority Fund</b>	<b>Retirement Fund</b>	<b>Revolving Development Fund</b>	<b>Road Debt Service Fund</b>
<b>REVENUES</b>						
Taxes	\$ -	\$ -	\$ -	\$ 425,676	\$ -	\$ 572,693
Special assessments	-	-	56,323	-	-	-
Federal sources	349	-	-	-	-	-
State grants	-	-	-	-	-	-
State shared revenue	1,101,317	351,285	-	-	-	-
State sources	52,992	-	-	-	-	87,133
Charges for services	-	-	3,570	-	-	-
Interest income	2,671	80	-	1,995	1,665	5,621
Other income	-	-	-	1,004	-	-
Total revenues	1,157,329	351,365	59,893	428,675	1,665	665,447
<b>EXPENDITURES</b>						
Public works	358,357	720,262	65,585	-	-	-
Debt service						
Principal	13,200	6,000	-	-	-	505,000
Interest	3,641	1,654	-	-	-	66,250
Total expenditures	375,198	727,916	65,585	-	-	571,250
Excess (deficiency) of revenues over expenditures	782,131	(376,551)	(5,692)	428,675	1,665	94,197
<b>OTHER SOURCES (USES)</b>						
Sale of fixed assets	-	-	-	-	-	-
Transfers from (to) other funds	(400,000)	400,000	-	(428,675)	-	-
Total other sources (uses)	(400,000)	400,000	-	(428,675)	-	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	382,131	23,449	(5,692)	-	1,665	94,197
<b>FUND BALANCE - BEGINNING</b>	449,814	24,778	55,797	-	270,346	497,997
<b>FUND BALANCE - ENDING</b>	\$ 831,945	\$ 48,227	\$50,105	\$ -	\$ 272,011	\$ 592,194

# CITY OF COLDWATER

**OTHER SUPPLEMENTAL INFORMATION  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2021**

	Nonmajor Capital Project Funds					Nonmajor Permanent Fund	Totals
	Library Memorial Fund	Capital Improvement Fund	Road Construction Bond Fund	Capital Project Grant Fund	Brownfield Redevelopment Fund	Cemetery Special and Perpetual Care Nonexpendable Trust Fund	
<b>REVENUES</b>							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 998,369
Special assessments	-	-	-	-	-	-	56,323
Federal sources	-	-	-	-	-	-	349
State grants	-	128,749	-	35,607	-	-	164,356
State shared revenue	-	-	-	-	-	-	1,452,602
State sources	-	-	-	-	-	-	140,125
Charges for services	-	-	-	-	-	-	3,570
Interest income	844	766	8	962	16	-	14,628
Other income	-	415,971	-	-	-	-	416,975
Total revenues	844	545,486	8	36,569	16	-	3,247,297
<b>EXPENDITURES</b>							
Public works	-	135,377	3,022	118,429	-	-	1,401,032
Debt service							
Principal	-	-	-	608,000	-	-	1,132,200
Interest	-	-	-	4,560	-	-	76,105
Total expenditures	-	135,377	3,022	730,989	-	-	2,609,337
Excess (deficiency) of revenues over expenditures	844	410,109	(3,014)	(694,420)	16	-	637,960
<b>OTHER SOURCES (USES)</b>							
Sale of fixed assets	-	39,119	-	-	-	-	39,119
Transfers from (to) other funds	-	-	-	116,854	-	-	(311,821)
Total other sources (uses)	-	39,119	-	116,854	-	-	(272,702)
Excess (deficiency) of revenues and other sources over expenditures and other uses	844	449,228	(3,014)	(577,566)	16	-	365,258
<b>FUND BALANCE - BEGINNING</b>	136,972	79,627	6,228	591,649	16,099	450,000	2,579,307
<b>FUND BALANCE - ENDING</b>	\$137,816	\$ 528,855	\$ 3,214	\$ 14,083	\$ 16,115	\$ 450,000	\$2,944,565



**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS**

**City Council  
City of Coldwater, Michigan**

**November 15, 2021**

We have audited, in accordance with the 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, the 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, 2021, and the related notes to the financial statements, which collectively comprise the City of Coldwater, Michigan’s basic financial statements, and have issued our report thereon dated November 15, 2021.

**Internal Control Over Financial Reporting:** In planning and performing our audit of the financial statements, we considered the City of Coldwater, Michigan’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Coldwater, Michigan’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Coldwater, Michigan’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters:** As part of obtaining reasonable assurance about whether the City of Coldwater, Michigan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Governmental Auditing Standards.

**Purpose of this Report:** The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**Upcoming Changes in Regulations and Standards**

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the Village in the future. If you have questions regarding these standards, please contact us for further explanation.

**GASB 87 Leases** – Effective for fiscal years beginning after 6/15/2021

This standard establishes a single model for reporting all leases (including those previously classified as operating and capital). Lessees will now report offsetting intangible lease assets and lease liabilities equal to the present value of future lease payments. Lessors will report offsetting lease receivables and deferred inflows of resources.

*Taylor, Plant & Watkins, P.C.*  
**TAYLOR, PLANT & WATKINS, P.C.**  
**COLDWATER, MICHIGAN**