

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Kalamazoo Regional Water & Wastewater Com.	County Kalamazoo
Audit Date 3/31/04	Opinion Date 6/4/04	Date Accountant Report Submitted to State: 9/2/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- Yes No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- Yes No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- Yes No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- Yes No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- Yes No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- Yes No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- Yes No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- Yes No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- Yes No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Siegfried Crandall PC			
Street Address 246 East Kilgore Road	City Kalamazoo	State MI	ZIP 49002-5599
Accountant Signature <i>Siegfried Crandall P.C.</i>		Date 9/2/04	

*Kalamazoo Regional Water and Wastewater Commission
Kalamazoo County, Michigan*

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

Year ended March 31, 2004

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INDEPENDENT AUDITORS' REPORT

**Members of the Board
Kalamazoo Regional Water
and Wastewater Commission**

We have audited the accompanying balance sheet of the Kalamazoo Regional Water and Wastewater Commission as of March 31, 2004, and the related statement of revenue, expenditures, and changes in fund balance for the year then ended. These general purpose financial statements are the responsibility of the Kalamazoo Regional Water and Wastewater Commission management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Kalamazoo Regional Water and Wastewater Commission as of March 31, 2004, and the results of its operations for the year then ended, in conformity with U.S. generally accepted accounting principles.

Siegfried Crandall P.C.

June 4, 2004

GENERAL PURPOSE FINANCIAL STATEMENTS

Kalamazoo Regional Water and Wastewater Commission

BALANCE SHEET

March 31, 2004

ASSETS

	<u>2004</u>
ASSETS:	
Cash	\$ 230,611
Due from other governmental units	<u>680</u>
TOTAL ASSETS	<u>\$ 231,291</u>

LIABILITIES AND FUND BALANCE

LIABILITIES:	
Accounts payable	\$ 10,730
FUND BALANCE:	
Fund balance - unreserved, undesignated	<u>220,561</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 231,291</u>

See notes to financial statements

Kalamazoo Regional Water and Wastewater Commission
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - General Fund
Year ended March 31, 2004

	<i>2004</i>		<i>Variance favorable (unfavorable)</i>
	<i>Budget</i>	<i>Actual</i>	
REVENUES:			
Contributions	\$ 78,292	\$ 79,228	\$ 936
Interest	2,500	4,001	1,501
Total revenues	<u>80,792</u>	<u>83,229</u>	<u>2,437</u>
EXPENDITURES:			
Public works:			
Professional services	61,000	24,661	36,339
Insurance	1,750	1,741	9
Other	18,042	9,912	8,130
Total expenditures	<u>80,792</u>	<u>36,314</u>	<u>44,478</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	46,915	46,915
FUND BALANCE - BEGINNING OF YEAR	<u>173,646</u>	<u>173,646</u>	-
FUND BALANCE - END OF YEAR	<u>\$ 173,646</u>	<u>\$ 220,561</u>	<u>\$ 46,915</u>

See notes to financial statements

Kalamazoo Regional Water and Wastewater Commission
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Kalamazoo Regional Water and Wastewater Commission was established May 8, 1998, to jointly plan for, coordinate, and implement regionalization of water and wastewater infrastructure in and around Kalamazoo County. The Commission is comprised of various municipalities within Kalamazoo County.

The accounting policies of the Kalamazoo Regional Water and Wastewater Commission conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the more significant policies:

a) Reporting entity:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Commission (primary government). The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Commission has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the Commission's financial statements.

b) Basis of accounting:

Basis of accounting refers to when revenue and expenditures are recognized in the accounts and reported in the financial statements.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available to finance expenditures of the fiscal period.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

c) Budgets and budgetary accounting:

The Commission follows the procedures in establishing the budgetary data reflected in the financial statements in accordance with the Uniform Budgetary and Accounting Act (Act No. 621, Public Acts of 1978) as prescribed by the State of Michigan.

The budget for the General Fund is adopted at the functional level and is on a basis consistent with generally accepted accounting principles.

d) Receivables:

All receivables are expected to be fully collectible as presented.

Kalamazoo Regional Water and Wastewater Commission
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS:

Deposits:

At March 31, 2004, the Commission has deposits with a carrying amount and bank balance of \$230,611, which is covered by federal deposit insurance.

NOTE 3 - RISK MANAGEMENT:

The Commission is exposed to various risks of loss related to general liability, property and casualty, and employee injuries (workers' compensation).

The Commission has purchased commercial insurance for each of these claims and is neither self-insured nor does it participate in a shared risk pool.