

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

**YES   NO   Check each applicable box below.** (See instructions for further detail.)

1.       All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2.       There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3.       The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4.       The local unit has adopted a budget for all required funds.
5.       A public hearing on the budget was held in accordance with State statute.
6.       The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7.       The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8.       The local unit only holds deposits/investments that comply with statutory requirements.
9.       The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10.     There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11.     The local unit is free of repeated comments from previous years.
12.     The audit opinion is UNQUALIFIED.
13.     The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14.     The board or council approves all invoices prior to payment as required by charter or statute.
15.     To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Sharon L. Vargo</i>	Printed Name		License Number	

**Charter Township of Coloma, Michigan  
Berrien County, Michigan**

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**Financial Report  
with Supplemental Information  
March 31, 2007**

# Charter Township of Coloma

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## Independent Auditor's Report

To the Members of the Township Board  
Charter Township of Coloma, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Coloma, Michigan as of and for the year ended March 31, 2007, which collectively comprise the Charter Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Coloma, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Coloma, Michigan as of March 31, 2007 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

*Plante & Moran, PLLC*

August 30, 2007

# **Charter Township of Coloma**

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## **Management's Discussion and Analysis**

Our discussion and analysis of Charter Township of Coloma, Michigan's (the "Township") financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2007. Please read it in conjunction with the Township's financial statements.

### **Financial Highlights**

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2007:

The Township continued the water extension project. During the year, Phase III of the project began with expenditures for the year of approximately \$520,000. Change orders were approved for this project during the year, increasing the budget from \$861,122 to \$1,950,059.

Phase I of the water connections project was completed. Approximately \$402,000 was spent on this phase of the water connections project to date.

State grant revenue was received during the year to cover the costs of the water extension and water connections projects. Approximately \$565,000 of grant revenue was received during the fiscal year. The grant was amended during the year to extend the project through December 2008 and to increase the total budget from \$4,380,000 to \$6,880,000.

### **Using this Annual Report**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds.

# Charter Township of Coloma

## Management's Discussion and Analysis (Continued)

### The Township as a Whole

The following table shows, in a condensed format, the current year's net assets comparable to the prior two years:

	Governmental Activities			Business-type Activities			Total		
	2007	2006	2005	2007	2006	2005	2007	2006	2005
<b>Assets</b>									
Current assets	\$ 1,967,400	\$ 2,132,058	\$ 2,087,872	\$ 1,884,436	\$ 1,895,643	\$ 1,939,280	\$ 3,851,836	\$ 4,027,701	\$ 4,027,152
Noncurrent assets	2,391,687	2,325,700	2,119,198	7,002,506	6,709,717	5,113,497	9,394,193	9,035,417	7,232,695
Total assets	4,359,087	4,457,758	4,207,070	8,886,942	8,605,360	7,052,777	13,246,029	13,063,118	11,259,847
<b>Liabilities</b>									
Current liabilities	60,670	249,839	86,949	259,790	246,228	290,196	320,460	496,067	377,145
Long-term liabilities	1,159,759	1,164,179	1,130,409	1,170,000	1,220,000	1,270,000	2,329,759	2,384,179	2,400,409
Total liabilities	1,220,429	1,414,018	1,217,358	1,429,790	1,466,228	1,560,196	2,650,219	2,880,246	2,777,554
<b>Net Assets</b>									
Invested in capital assets - Net of related debt	1,124,325	1,036,307	834,244	5,572,787	5,206,619	3,552,985	6,697,112	6,242,926	4,387,229
Restricted	690,132	654,640	739,632	-	-	-	690,132	654,640	739,632
Unrestricted	1,324,201	1,352,793	1,415,836	1,884,365	1,932,513	1,939,596	3,208,566	3,285,306	3,355,432
Total net assets	<b>\$ 3,138,658</b>	<b>\$ 3,043,740</b>	<b>\$ 2,989,712</b>	<b>\$ 7,457,152</b>	<b>\$ 7,139,132</b>	<b>\$ 5,492,581</b>	<b>\$ 10,595,810</b>	<b>\$ 10,182,872</b>	<b>\$ 8,482,293</b>

The Township's combined net assets increased 4 percent from a year ago - from \$10.2 million to \$10.6 million. As we look at the governmental activities separately from the business-type activities, we can see that governmental activities net assets increased 3 percent, while business-type activities increased 5 percent.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, stands at \$1.3 million for the governmental activities. This represents approximately 72 percent of current year expenditures. This is within the targeted range set by the Township during its last budget process.

# Charter Township of Coloma

## Management's Discussion and Analysis (Continued)

The following table shows the current year's changes in net assets, comparable to the prior two years:

	Governmental Activities			Business-type Activities			Total		
	2007	2006	2005	2007	2006	2005	2007	2006	2005
<b>Revenue</b>									
Program revenue:									
Charges for services	\$ 118,792	\$ 109,919	\$ 75,642	\$ 359,380	\$ 356,910	\$ 347,587	\$ 478,172	\$ 466,829	\$ 423,229
Operating grants and contributions	166,902	165,000	155,000	-	-	-	166,902	165,000	155,000
Capital grants and contributions	-	-	-	563,668	1,882,644	506,226	563,668	1,882,644	506,226
General revenue:									
Property taxes	1,005,083	937,199	914,340	-	-	-	1,005,083	937,199	914,340
State-shared revenue	393,076	397,936	402,319	-	-	-	393,076	397,936	402,319
Unrestricted investment earnings	64,921	47,189	13,967	84,211	70,772	34,845	149,132	117,961	48,812
Other revenue	157,242	208,748	191,762	-	-	-	157,242	208,748	191,762
Total revenue	1,906,016	1,865,991	1,753,030	1,007,259	2,310,326	888,658	2,913,275	4,176,317	2,641,688
<b>Program Expenses</b>									
General government	473,324	493,728	503,384	-	-	-	473,324	493,728	503,384
Public safety	1,139,520	1,106,127	1,069,048	-	-	-	1,139,520	1,106,127	1,069,048
Public works	63,462	48,227	272,104	-	-	-	63,462	48,227	272,104
Economic development	91,276	113,014	114,505	-	-	-	91,276	113,014	114,505
Recreation and culture	3,259	2,882	3,217	-	-	-	3,259	2,882	3,217
Interest on long-term debt	40,257	47,984	49,242	-	-	-	40,257	47,984	49,242
Sewer	-	-	-	689,239	663,775	674,221	689,239	663,775	674,221
Total program expenses	1,811,098	1,811,962	2,011,500	689,239	663,775	674,221	2,500,337	2,475,737	2,685,721
<b>Change in Net Assets</b>	<b>\$ 94,918</b>	<b>\$ 54,029</b>	<b>\$ (258,470)</b>	<b>\$ 318,020</b>	<b>\$ 1,646,551</b>	<b>\$ 214,437</b>	<b>\$ 412,938</b>	<b>\$ 1,700,580</b>	<b>\$ (44,033)</b>

# **Charter Township of Coloma**

## **Management's Discussion and Analysis (Continued)**

### **Governmental Activities**

The Township's total governmental revenues increased 2 percent, while expenditures remained relatively flat during the year. The increase was primarily due to the continuing increase in property taxes, a special assessment for demolition of approximately \$22,000, and a significant increase in investment income due to rising interest rates.

### **Business-type Activities**

The Township's business-type activities consist of the Sewer Fund. We provide sewage treatment through a jointly owned and operated sewage treatment plant.

The Sewer Fund experienced a significant decrease in total revenue during the current year. This decrease is largely due to a decrease in the grant funds received from the State of Michigan for water extension and water connections projects. Service charges increased 1 percent while related expenses increased 4 percent. Investment income increased significantly due to rising interest rates.

### **General Fund Budgetary Highlights**

As shown in the required supplemental information, the Township originally budgeted operational expenditures of approximately \$690,000. The budget was amended to approximately \$720,000 for General Fund expenditures during the year. Township departments overall expended amounts were below amended budget by approximately \$18,000.

- State-shared revenue, our largest revenue source, was reduced by the State of Michigan by approximately an additional \$4,860 (1 percent) this fiscal year.
- The General Fund transferred \$120,000 to the Police Fund in the current year, \$5,000 more than in the prior fiscal year. This helped to fund the purchase of capital equipment.
- There was a special assessment for demolition of approximately \$22,000 for the 2006 tax year, collected during fiscal year 2007.
- Investment income increased approximately \$2,600 or 7 percent due to rising interest rates.
- As a result of the preceding transactions, the General Fund's operations resulted in a current year loss of approximately \$6,500. However, ending fund balance remains strong at over \$1.2 million.

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

During the fiscal year, the Township capitalized an additional \$619,000 of water lines, water connections, professional services, and other assets related to the ongoing water extension and water connections projects. Various road improvements placed in service amounted to \$114,000. In addition, two police vehicles were added to the fleet at a cost of \$44,000.

# **Charter Township of Coloma**

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## **Management's Discussion and Analysis (Continued)**

### **Economic Factors**

The Township has a significant amount of funds on deposit with financial institutions, and interest rates on these funds have continued to increase over the past year. The Township expects these rates to remain at these higher levels, so interest income should continue to increase over the next year. The Township's General Fund has been negatively affected over the past five years by the State's cuts in revenue sharing. The Township's management continues to reduce expenses in reaction to this reduction in revenues.

Phase III of the water extension project began in August 2006. The Township has contracted with Balkema Excavating for approximately \$1,950,000 for this phase of the extension. The Township completed Phase I of the water connections project during fiscal year 2007. The Phase II water connections project will begin in fiscal year 2008. The Township will also begin a water tower construction project during fiscal year 2008, which is projected to cost approximately \$500,000 - \$600,000. All of these projects are funded by state grants.

### **Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township office.

# Charter Township of Coloma

## Statement of Net Assets March 31, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash	\$ 1,459,188	\$ 6,955	\$ 1,466,143
Investments	378,577	1,566,357	1,944,934
Receivables	96,762	254,228	350,990
Prepaid expenses and other assets	-	56,896	56,896
Investment in joint ventures	282,086	209,719	491,805
Due from other governmental units	32,873	-	32,873
Capital assets	2,109,601	6,792,787	8,902,388
Total assets	4,359,087	8,886,942	13,246,029
<b>Liabilities</b>			
Accounts payable	6,811	55,567	62,378
Accrued and other liabilities	16,609	102,195	118,804
Deferred revenue	-	52,028	52,028
Noncurrent liabilities:			
Due within one year:			
Compensated absences	21,174	-	21,174
Current portion of long-term debt	16,076	50,000	66,076
Due in more than one year:			
Compensated absences - Long-term	190,559	-	190,559
Long-term debt - Net of current portion	969,200	1,170,000	2,139,200
Total liabilities	1,220,429	1,429,790	2,650,219
<b>Net Assets</b>			
Invested in capital assets - Net of related debt	1,124,325	5,572,787	6,697,112
Restricted for:			
Road Fund	365,591	-	365,591
Debt service	13,576	-	13,576
Public Safety Fund	310,965	-	310,965
Unrestricted	1,324,201	1,884,365	3,208,566
Total net assets	\$ 3,138,658	\$ 7,457,152	\$ 10,595,810

# Charter Township of Coloma

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental activities:			
General government	\$ 473,324	\$ -	\$ -
Public safety	1,139,520	118,792	166,902
Public works	63,462	-	-
Economic development	91,276	-	-
Recreational and cultural	3,259	-	-
Interest on long-term debt	40,257	-	-
Total governmental activities	1,811,098	118,792	166,902
Business-type activities - Sewer	689,239	359,380	-
Total primary government	<b>\$ 2,500,337</b>	<b>\$ 478,172</b>	<b>\$ 166,902</b>

General revenues:  
 Property taxes  
 State-shared revenue  
 Unrestricted investment income  
 Miscellaneous

Total general revenues

## Change in Net Assets

**Net Assets** - Beginning of year

**Net Assets** - End of year

**Statement of Activities**  
**Year Ended March 31, 2007**

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (473,324)	\$ -	\$ (473,324)
(853,826)	-	(853,826)
(63,462)	-	(63,462)
(91,276)	-	(91,276)
(3,259)	-	(3,259)
(40,257)	-	(40,257)
(1,525,404)	-	(1,525,404)
-	233,809	233,809
(1,525,404)	233,809	(1,291,595)
1,005,083	-	1,005,083
393,076	-	393,076
64,921	84,211	149,132
157,242	-	157,242
1,620,322	84,211	1,704,533
94,918	318,020	412,938
3,043,740	7,139,132	10,182,872
<b>\$ 3,138,658</b>	<b>\$ 7,457,152</b>	<b>\$ 10,595,810</b>

# Charter Township of Coloma

## Governmental Funds Balance Sheet March 31, 2007

	General Fund	Public Safety Fund	Road Fund	Nonmajor Fund - Debt Service	Total
<b>Assets</b>					
Cash	\$ 1,080,697	\$ 157,054	\$ 220,805	\$ 632	\$ 1,459,188
Investments	159,867	118,710	100,000	-	378,577
Receivables:					
Taxes	32,623	42,160	11,093	-	85,876
Special assessments	-	-	10,886	-	10,886
Due from other funds	-	-	-	12,944	12,944
Due from other governmental units	-	-	32,873	-	32,873
Total assets	<u>\$ 1,273,187</u>	<u>\$ 317,924</u>	<u>\$ 375,657</u>	<u>\$ 13,576</u>	<u>\$ 1,980,344</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 3,455	\$ 3,356	\$ -	\$ -	\$ 6,811
Due to other funds	12,944	-	-	-	12,944
Accrued and other liabilities	13,006	3,603	-	-	16,609
Deferred revenue	-	-	10,066	-	10,066
Total liabilities	29,405	6,959	10,066	-	46,430
<b>Fund Balances - Unreserved, reported in:</b>					
General Fund	1,243,782	-	-	-	1,243,782
Debt Service Funds	-	-	-	13,576	13,576
Special Revenue Funds	-	310,965	365,591	-	676,556
Total fund balances	<u>1,243,782</u>	<u>310,965</u>	<u>365,591</u>	<u>13,576</u>	<u>1,933,914</u>
Total liabilities and fund balances	<u>\$ 1,273,187</u>	<u>\$ 317,924</u>	<u>\$ 375,657</u>	<u>\$ 13,576</u>	<u>\$ 1,980,344</u>

# Charter Township of Coloma

## Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Assets Year Ended March 31, 2007

<b>Fund Balance Reported in Governmental Funds</b>	\$ 1,933,914
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	2,109,601
Investments in joint ventures are not financial resources and are not reported in the funds	282,086
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	10,066
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(985,276)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	<u>(211,733)</u>
<b>Net Assets of Governmental Activities</b>	<b><u>\$ 3,138,658</u></b>

# Charter Township of Coloma

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended March 31, 2007

	General Fund	Public Safety Fund	Road Fund	Nonmajor Fund - Debt Service	Total
<b>Revenue</b>					
Property taxes	\$ 138,019	\$ 686,452	\$ 180,612	\$ -	\$ 1,005,083
Licenses and permits	89,386	4,112	-	-	93,498
State sources	393,076	1,902	-	-	394,978
Local sources	-	165,000	-	-	165,000
Charges for services	6,450	-	-	-	6,450
Fines and forfeits	-	18,844	-	-	18,844
Interest and rents	38,551	11,878	14,492	-	64,921
Other revenue	149,512	14,698	4,326	60,000	228,536
Total revenue	814,994	902,886	199,430	60,000	1,977,310
<b>Expenditures</b>					
Current:					
General government	479,496	-	-	-	479,496
Public safety	92,096	1,072,333	-	-	1,164,429
Public works	35,326	-	118,511	-	153,837
Economic development	91,276	-	-	-	91,276
Recreational and cultural	3,259	-	-	-	3,259
Debt service	-	-	-	55,980	55,980
Total expenditures	701,453	1,072,333	118,511	55,980	1,948,277
<b>Excess of Revenue Over (Under) Expenditures</b>	113,541	(169,447)	80,919	4,020	29,033
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	120,000	-	-	120,000
Transfers out	(120,000)	-	-	-	(120,000)
Total other financing sources (uses)	(120,000)	120,000	-	-	-
<b>Net Change in Fund Balances</b>	(6,459)	(49,447)	80,919	4,020	29,033
<b>Fund Balances - Beginning of year</b>	1,250,241	360,412	284,672	9,556	1,904,881
<b>Fund Balances - End of year</b>	<b>\$ 1,243,782</b>	<b>\$ 310,965</b>	<b>\$ 365,591</b>	<b>\$ 13,576</b>	<b>\$ 1,933,914</b>



# Charter Township of Coloma

## Proprietary Funds Statement of Net Assets March 31, 2007

	Enterprise - Sewer
<b>Assets</b>	
Current assets:	
Cash (Note 3)	\$ 6,955
Investments (Note 3)	1,566,357
Receivables:	
Special assessments	149,147
Customer	68,191
Due from other governmental units	36,890
Prepaid expenses and other assets	56,896
Total current assets	<u>1,884,436</u>
Noncurrent assets:	
Investment in joint ventures (Note 1)	209,719
Capital assets (Note 5)	6,792,787
Total noncurrent assets	<u>7,002,506</u>
Total assets	<u>8,886,942</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	55,567
Accrued and other liabilities	102,195
Deferred revenue	52,028
Current portion of long-term debt (Note 7)	50,000
Total current liabilities	<u>259,790</u>
Noncurrent liabilities - Long-term debt - Net of current portion (Note 7)	<u>1,170,000</u>
Total liabilities	<u>1,429,790</u>
<b>Net Assets</b>	
Invested in capital assets - Net of related debt	5,572,787
Unrestricted	1,884,365
Total net assets	<u><u>\$ 7,457,152</u></u>

# Charter Township of Coloma

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended March 31, 2007

	Enterprise - Sewer
<b>Operating Revenue</b>	
Sewage disposal charges	\$ 340,151
Penalty charges	19,229
Total operating revenue	<u>359,380</u>
<b>Operating Expenses</b>	
Operation and maintenance	315,177
Depreciation and amortization	306,905
Total operating expenses	<u>622,082</u>
<b>Operating Loss</b>	(262,702)
<b>Nonoperating Revenue (Expenses)</b>	
Investment income	84,211
Interest expense	(67,157)
<b>Loss - Before contributions</b>	(245,648)
<b>Capital Contributions - Capital grants</b>	<u>563,668</u>
<b>Change in Net Assets</b>	318,020
<b>Net Assets - Beginning of year</b>	<u>7,139,132</u>
<b>Net Assets - End of year</b>	<u><u>\$ 7,457,152</u></u>

# Charter Township of Coloma

## Proprietary Fund Statement of Cash Flows Year Ended March 31, 2007

	Sewer Fund
<b>Cash Flow from Operating Activities</b>	
Receipts from customers	\$ 366,786
Payments to suppliers	(262,558)
Payments to employees	(45,172)
	<hr/>
Net cash provided by operating activities	59,056
<b>Cash Flows from Capital and Related Financing Activities</b>	
Proceeds from capital grants	609,242
Collection of customer assessments	11,771
Purchase of capital assets	(611,197)
Principal and interest paid on capital debt	(117,157)
	<hr/>
Net cash used in capital and related financing activities	(107,341)
<b>Cash Flows from Investment Activities</b>	
Interest received on investments	107,590
Purchase of investment securities	(53,955)
	<hr/>
Net cash provided by investing activities	53,635
<b>Net Increase in Cash and Cash Equivalents</b>	5,350
<b>Cash and Cash Equivalents - Beginning of year</b>	1,605
	<hr/>
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 6,955</b>
	<hr/>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>	
Operating loss	\$ (262,702)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation and amortization	306,905
Changes in assets and liabilities:	
Receivables	8,646
Accounts payable	6,423
Due to other governmental units	(18,750)
Accrued and other liabilities	19,774
Deferred revenue	(1,240)
	<hr/>
Net cash provided by operating activities	<b>\$ 59,056</b>
	<hr/>

**Noncash Investing, Capital, and Financing Activities** - During the year ended March 31, 2007, the Township's investment in joint venture decreased by \$23,379. There were no noncash capital or financing activities.

# Charter Township of Coloma

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## Notes to Financial Statements March 31, 2007

### Note I - Nature of Business and Significant Accounting Policies

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

#### Reporting Entity

The Charter Township of Coloma, Michigan is governed by an elected seven-member board. The accompanying financial statements present the Charter Township. In accordance with accounting principles generally accepted in the United States of America, there are no component units to be included in these financial statements.

#### Jointly-governed Organizations

The Charter Township, along with the City of Coloma and Hagar Township, is a member of the Coloma - Hagar Joint Fire Board. The fire board is governed by an administrative board of six members, appointed by the City and Townships. The Charter Township's equity interest in the fire board of \$268,911 is recorded in the government-wide financial statements. Complete financial statements for the fire board can be obtained from the Charter Township of Coloma supervisor's office.

The Charter Township is a participant with the City of Coloma in a joint venture to provide for the administration and operations of the cemetery. Upon dissolution of the cemetery board, the net assets will be shared on a prorata basis as follows: 60 percent to Charter Township of Coloma and 40 percent to City of Coloma. The cemetery board is governed by an administrative board of five members consisting of three members from the Charter Township of Coloma and two from the City of Coloma. The Charter Township's share of fixed assets and the equity interest of \$13,175 are recorded on the government-wide financial statements. Complete financial statements for the cemetery board can be obtained from the Charter Township of Coloma supervisor's office.

The Charter Township is also a participant with the City of Coloma, the City of Watervliet, and Watervliet Township in a joint venture to provide sanitary sewage treatment and collection facilities for the residents of these communities. The Paw Paw Lake Regional Joint Sewage Disposal Board was created for this purpose. Upon dissolution of the board, the net assets of the Joint Sewage Disposal Board will be shared equally among the four municipalities. The Charter Township's equity interest of \$209,719 is recorded on the Sewer Fund. Complete financial statements for the board can be obtained from the Charter Township of Coloma supervisor's office.

The Charter Township does not anticipate any additional benefit or burden related to its interest in these entities.

# Charter Township of Coloma

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## Notes to Financial Statements March 31, 2007

### **Note I - Nature of Business and Significant Accounting Policies (Continued)**

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of 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, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to 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 revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the major individual Enterprise Fund are reported as separate columns in the fund financial statements.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund 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.

# Charter Township of Coloma

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## Notes to Financial Statements March 31, 2007

### Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Charter Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue and interest associated with the current fiscal period. Conversely, if special assessments and grant reimbursements will be collected after the period of availability, receivables have been recorded for these, along with a "deferred revenue" liability.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Charter Township reports the following major governmental funds:

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

**Public Safety Fund** - The Public Safety Fund accounts for the activities of the police department, the fire department, and ambulance related expenditures.

**Road Fund** - The Road Fund accounts for the resources of tax revenues for the purpose of road maintenance, repairs, and construction projects.

The Charter Township reports the following major proprietary fund:

**Sewer Fund** - The Sewer Fund accounts for the activities of the sanitary sewer system, a service provided to citizens that is financed primarily by user charges for the provision of that service.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Charter Township has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

# Charter Township of Coloma

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## Notes to Financial Statements March 31, 2007

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

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 Charter Township's enterprise function and various other functions of the Charter Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

When an expense is incurred for purposes for which both restricted and unrestricted resources exist, it is the Township's policy to first apply restricted resources.

The proprietary fund distinguishes operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary fund relates to charges to customers for sales and services. Operating expenses for the proprietary fund includes 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.

#### **Property Tax Revenue**

Property taxes are levied on each December 1 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 Charter Township's 2006 tax is levied and collectible on December 1, 2006 and is recognized as revenue in the year ended March 31, 2007, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2006 taxable valuation of the Charter Township totaled \$150.1 million, on which taxes levied consisted of 0.7301 mills for operating purposes, 4.5728 mills for public safety, and 1.2033 mills for roads. In addition, a \$22,000 assessment was levied for demolition. This resulted in \$133,000 for operating, \$686,000 for public safety, and \$181,000 for roads. These amounts are recognized in the respective General and Special Revenue Funds financial statements as tax revenue.

# Charter Township of Coloma

## Notes to Financial Statements March 31, 2007

### Note I - Nature of Business and Significant Accounting Policies (Continued)

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

**Bank Deposits and Investments** - Cash includes cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from the General Fund, Special Revenue Funds, and Enterprise Fund is generally allocated to each fund using a weighted average method.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

**Capital Assets** - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Charter Township as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Infrastructure	20 years
Land improvements	20 years
Water and sewer distribution systems	40 years
Buildings and building improvements	40 to 50 years
Vehicles	3 to 10 years
Office equipment	5 to 15 years
Other tools and equipment	3 to 10 years

**Compensated Absences (Vacation and Sick Leave)** - It is the Charter Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

# Charter Township of Coloma

## Notes to Financial Statements March 31, 2007

### Note 1 - Nature of Business and Significant Accounting Policies (Continued)

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

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

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

### Note 2 - Stewardship, Compliance, and Accountability

**Construction Code Fees** - The Charter Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Charter Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Shortfall at April 1, 2006	\$ (93,627)
Current year permit revenue	62,045
Related expenses - Direct costs	<u>69,995</u>
Shortfall at March 31, 2007	<u>\$ (101,577)</u>

# Charter Township of Coloma

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## Notes to Financial Statements March 31, 2007

### Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Charter Township has designated seven banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments in accordance with the state statutory authority as listed above. The Charter Township's deposits and investment policies are also in accordance with statutory authority.

The Charter Township's cash and investments are subject to custodial credit risk, which is examined in more detail below:

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the Charter Township's deposits may not be returned to it. The Charter Township does not have a deposit policy for custodial credit risk. At year end, the Charter Township had approximately \$2.2 million of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Charter Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Charter Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

# Charter Township of Coloma

## Notes to Financial Statements March 31, 2007

### Note 4 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. In addition, governmental funds and proprietary funds defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Special assessments	\$ 10,066	\$ -
Advance utility billings	-	52,028
Total	<u>\$ 10,066</u>	<u>\$ 52,028</u>

### Note 5 - Capital Assets

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

	Balance April 1, 2006	Additions	Disposals	Balance March 31, 2007
<b>Governmental Activities</b>				
Capital assets not being depreciated - Land	\$ 123,317	\$ -	\$ -	\$ 123,317
Capital assets being depreciated:				
Infrastructure	243,730	113,705	-	357,435
Land improvements	24,448	-	-	24,448
Buildings and improvements	1,538,644	6,326	-	1,544,970
Vehicles	172,025	44,455	(5,761)	210,719
Office equipment	137,792	14,596	-	152,388
Equipment	262,562	21,128	-	283,690
Subtotal	2,379,201	200,210	(5,761)	2,573,650
Accumulated depreciation:				
Infrastructure	-	15,502	-	15,502
Land improvements	3,869	1,223	-	5,092
Buildings and improvements	94,004	30,992	-	124,996
Vehicles	121,533	20,978	(3,649)	138,862
Office equipment	88,654	26,575	-	115,229
Equipment	157,152	30,533	-	187,685
Subtotal	465,212	125,803	(3,649)	587,366
Net capital assets being depreciated	1,913,989	74,407	(2,112)	1,986,284
Net capital assets	<u>\$ 2,037,306</u>	<u>\$ 74,407</u>	<u>\$ (2,112)</u>	<u>\$ 2,109,601</u>

# Charter Township of Coloma

## Notes to Financial Statements March 31, 2007

### Note 5 - Capital Assets (Continued)

<b>Business-type Activities</b>	Balance April 1, 2006	Additions	Disposals and Adjustments	Balance March 31, 2007
Capital assets not being depreciated - Land	\$ 87,414	\$ -	\$ -	\$ 87,414
Capital assets being depreciated:				
Sewer mains and extensions	11,327,447	618,552	-	11,945,999
Buildings and improvements	166,699	-	-	166,699
Equipment	39,803	-	-	39,803
Motor vehicles	28,760	-	-	28,760
Subtotal	11,562,709	618,552	-	12,181,261
Accumulated depreciation:				
Sewer mains and extensions	5,104,584	290,965	-	5,395,549
Buildings and improvements	18,055	4,302	-	22,357
Equipment	23,951	5,273	-	29,224
Motor vehicles	26,914	1,844	-	28,758
Subtotal	5,173,504	302,384	-	5,475,888
Net capital assets being depreciated	6,389,205	316,168	-	6,705,373
Net capital assets	\$ 6,476,619	\$ 316,168	\$ -	\$ 6,792,787

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

Governmental activities:	
General government	\$ 56,710
Public safety	45,765
Public works	23,328
Total governmental activities	<u>\$ 125,803</u>

**Construction Commitments** - The Charter Township has ongoing projects at year end. The commitments with contractors are as follows:

Project Name	Spent to Date	Remaining Commitment
Water extension project	\$ 1,472,000	\$ 1,437,000

# Charter Township of Coloma

## Notes to Financial Statements March 31, 2007

### Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Debt Service Fund	General Fund	\$ 12,944

The balance owing from the General Fund to the Debt Service Fund resulted from a debt payment made on behalf of the General Fund by the Debt Service Fund, for which the General Fund will reimburse the Debt Service Fund after year end.

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

Fund Providing Resources	Fund Receiving Resources	Amount
General Fund	Public Safety Fund	\$ 120,000

The transfer from the General Fund to the Public Safety Fund represents the use of unrestricted resources to finance those programs, in accordance with budgetary authorizations.

### Note 7 - Long-term Debt

The Charter Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Charter Township. The county installment purchase agreement is also a general obligation of the government. Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>						
Accumulated employee benefits	-	\$ 198,781	\$ 41,980	\$ (29,028)	\$ 211,733	\$ 21,174
General obligation bond - USDA Bond:	4.75%	973,000	-	(10,000)	963,000	10,000
Amount of issue: \$1,000,000						
Maturing through 2042						
Installment purchase contract - Fire land contract:	6.00%					
Amount of issue: \$39,330						
Maturing through 2011		27,999	-	(5,723)	22,276	6,076
Total governmental activities		\$ 1,199,780	\$ 41,980	\$ (44,751)	\$ 1,197,009	\$ 37,250
<b>Business-type Activities</b>						
General obligation bond - Sanitary Sewage Disposal bonds:						
Amount of issue: \$1,570,000	5.00-					
Maturing through 2020	5.70%	\$ 1,270,000	-	\$ (50,000)	\$ 1,220,000	\$ 50,000

# Charter Township of Coloma

## Notes to Financial Statements March 31, 2007

### Note 7 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 16,076	\$ 46,946	\$ 63,022	\$ 50,000	\$ 65,640	\$ 115,640
2009	17,450	46,458	63,908	75,000	62,390	137,390
2010	17,848	45,922	63,770	75,000	50,490	125,490
2011	14,902	45,422	60,324	75,000	54,552	129,552
2012	12,000	44,802	56,802	75,000	50,578	125,578
2013-2017	72,000	214,402	286,402	500,000	180,150	680,150
2018-2022	91,000	195,050	286,050	370,000	31,350	401,350
2023-2027	115,000	170,624	285,624	-	-	-
2028-2032	147,000	139,620	286,620	-	-	-
2033-2037	229,000	100,230	329,230	-	-	-
2038-2042	253,000	53,138	306,138	-	-	-
Total	<u>\$ 985,276</u>	<u>\$ 1,102,614</u>	<u>\$ 2,087,890</u>	<u>\$ 1,220,000</u>	<u>\$ 495,150</u>	<u>\$ 1,715,150</u>

### Note 8 - Risk Management

The Charter Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Charter Township has private insurance for claims relating to workers' compensation and all medical claims, and participates in the Michigan Townships Participating Plan for all other claims.

The Michigan Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

### Note 9 - Pension Plan

During the year ended March 31, 2006, the Charter Township joined the Michigan Municipal Employees' Retirement System (the "System"), an agent multiple-employer defined benefit pension plan that covers all police employees of the Charter Township, except for one. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the System. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, MI 48917.

The obligation to contribute to and maintain the System for police employees was established by negotiation with the Charter Township's police competitive bargaining unit and requires a contribution from the employees of 6 percent of gross wages.

# Charter Township of Coloma

## Notes to Financial Statements March 31, 2007

### Note 9 - Pension Plan (Continued)

For the year ended March 31, 2007, the Charter Township's annual pension cost of \$3,858 for the plan was equal to the Charter Township's required contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) an 8.0 percent investment rate of return, (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation, (c) additional projected salary increases of 0.0 percent to 8.4 percent per year, depending on age, attributable to seniority/merit, and (d) no increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll.

#### Three-year Trend Information

	Fiscal Year Ended March 31		
	2005	2006	2007
Annual pension cost (APC)	\$ 49,001	\$ 10,775	\$ 3,858
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

  

	Actuarial Valuation as of December 31		
	2004	2005	2006
Actuarial value of assets	\$ 52,662	\$ 112,135	\$ 145,930
Actuarial Accrued Liability (AAL)			
(entry age)	97,822	130,009	160,229
Unfunded AAL (UAAL)	45,160	17,874	14,299
Funded ratio	53.8 %	86.3 %	91.1 %
Covered payroll	273,396	280,638	278,190
UAAL as a percentage of covered payroll	16.5 %	6.4 %	5.1 %

### Note 10 - Defined Contribution Pension Plan

The Charter Township maintains a defined contribution plan for nonunion employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment income. As established by the Charter Township board, the Charter Township will match employee contributions (for eligible employees) up to 9 percent of the employee's base pay. In accordance with these requirements, the Charter Township contributed approximately \$15,750 for the year ended March 31, 2007.

## **Required Supplemental Information**

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# Charter Township of Coloma

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Taxes	\$ 118,280	\$ 118,280	\$ 138,019	\$ 19,739
Licenses and permits	68,000	68,000	89,386	21,386
State sources	400,500	400,500	393,076	(7,424)
Landfill tipping fees	70,000	70,000	50,237	(19,763)
Charges for services	5,400	5,400	6,450	1,050
Interest	35,000	35,000	38,551	3,551
Other revenue	9,000	9,000	99,275	90,275
Total revenue	<u>706,180</u>	<u>706,180</u>	<u>814,994</u>	<u>108,814</u>
<b>Expenditures</b>				
General government:				
Township board	75,900	91,400	88,164	3,236
Supervisor	14,750	17,000	17,561	(561)
Tax administration	63,700	63,700	67,724	(4,024)
Treasurer	12,400	16,400	17,233	(833)
Clerk	85,300	99,300	99,660	(360)
Elections	5,000	9,000	4,302	4,698
Buildings and grounds	160,000	140,000	136,764	3,236
Cemetery	44,100	44,100	48,088	(3,988)
Total general government	<u>461,150</u>	<u>480,900</u>	<u>479,496</u>	<u>1,404</u>
Public safety - Inspection department	76,200	86,200	92,096	(5,896)
Public works	37,600	37,600	35,326	2,274
Economic development:				
Planning commission	72,000	72,000	63,117	8,883
Economic development opportunities	39,000	39,000	28,159	10,841
Total economic development	<u>111,000</u>	<u>111,000</u>	<u>91,276</u>	<u>19,724</u>
Recreational and cultural:				
Library	1,100	1,100	384	716
Community relations	2,525	2,925	2,875	50
Total recreational and cultural	<u>3,625</u>	<u>4,025</u>	<u>3,259</u>	<u>766</u>
Total expenditures	<u>689,575</u>	<u>719,725</u>	<u>701,453</u>	<u>18,272</u>
<b>Excess of Revenue Over (Under)</b>				
<b>Expenditures</b>	16,605	(13,545)	113,541	127,086
<b>Other Financing Uses - Transfers out</b>	<u>(120,000)</u>	<u>(120,000)</u>	<u>(120,000)</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	(103,395)	(133,545)	(6,459)	127,086
<b>Fund Balance - Beginning of year</b>	<u>1,250,241</u>	<u>1,250,241</u>	<u>1,250,241</u>	<u>-</u>
<b>Fund Balance - End of year</b>	<u><b>\$ 1,146,846</b></u>	<u><b>\$ 1,116,696</b></u>	<u><b>\$ 1,243,782</b></u>	<u><b>\$ 127,086</b></u>

# Charter Township of Coloma

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Public Safety Fund Year Ended March 31, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 665,700	\$ 665,700	\$ 686,452	\$ 20,752
Licenses and permits	4,200	4,200	4,112	(88)
State sources	1,000	1,000	1,902	902
Local sources	165,000	165,000	165,000	-
Fines and forfeits	22,000	22,000	18,844	(3,156)
Interest	4,800	4,800	11,878	7,078
Other revenue	10,500	10,500	14,698	4,198
Total revenue	873,200	873,200	902,886	29,686
<b>Expenditures</b>				
Police	879,388	929,388	933,842	(4,454)
Fire	134,790	134,790	116,999	17,791
Ambulance	21,500	21,500	21,492	8
Total expenditures	1,035,678	1,085,678	1,072,333	13,345
<b>Excess of Expenditures Over Revenue</b>	(162,478)	(212,478)	(169,447)	43,031
<b>Other Financing Sources</b> - Transfers in	120,000	120,000	120,000	-
<b>Net Change in Fund Balance</b>	(42,478)	(92,478)	(49,447)	43,031
<b>Fund Balance</b> - Beginning of year	360,412	360,412	360,412	-
<b>Fund Balance</b> - End of year	<u>\$ 317,934</u>	<u>\$ 267,934</u>	<u>\$ 310,965</u>	<u>\$ 43,031</u>

# Charter Township of Coloma

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Road Fund Year Ended March 31, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 173,500	\$ 173,500	\$ 180,612	\$ 7,112
Interest	6,500	6,500	14,492	7,992
Other revenue	3,000	3,000	4,326	1,326
Total revenue	183,000	183,000	199,430	16,430
<b>Expenditures - Public works</b>	300,000	350,000	118,511	231,489
<b>Net Change in Fund Balance</b>	(117,000)	(167,000)	80,919	247,919
<b>Fund Balance - Beginning of year</b>	284,672	284,672	284,672	-
<b>Fund Balance - End of year</b>	<b>\$ 167,672</b>	<b>\$ 117,672</b>	<b>\$ 365,591</b>	<b>\$ 247,919</b>

# Charter Township of Coloma

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## **Note to Required Supplemental Information Year Ended March 31, 2007**

### **Note - Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all Special Revenue Funds. The budgets are prepared by the Charter Township supervisor and approved by the Charter Township board prior to the start of the fiscal year. The budget was amended once during the year in a legally permissible manner.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - During the year there were no significant budget overruns.

August 30, 2007

To the Members of the Township Board  
Charter Township of Coloma  
Coloma, Michigan

Dear Ladies and Gentlemen:

In planning and performing our audit of the financial statements of the Charter Township of Coloma (the "Township") as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

### **Control Over Manual Journal Entries (Repeated)**

Manual journal entries are used often throughout the year for recording utility billings, accounts receivable, utility adjustments, cash receipts, interest income, reversals, and transfers. These entries are all made by one individual and are not reviewed by any other Township personnel. A review process would strengthen internal controls. We recommend that a policy be adopted implementing a process in which a separate individual (or possibly the finance committee) would review manual journal entries posted in the general ledger monthly, including the supporting documentation for those entries.

### **Utility System Segregation of Duties and System Recommendations (Repeated)**

There is a lack of segregation of duties in the utility billing system. One individual creates billings and is able to adjust customer accounts without approval. In addition, the utility billing system itself is more manual than necessary. The Township has the capabilities to integrate the utility billing software with the general ledger software. However, the utility billings continue to be manually posted to the general ledger on a monthly basis.

Sewer rates have not been adjusted since fiscal year 2000. We recommend that the Township board continue to reassess these rates on an annual basis to ensure the current rate structure is adequate to cover the costs of general operations of the Sewer Fund. In addition, current rates should also allow the Township to fund future capital repairs. The current fiscal year operations of the fund resulted in an operating loss of approximately \$266,000.

### **Controls Over Cash**

The Township's procedures currently outline that the treasurer is independently reviewing monthly bank reconciliations, which are prepared by the deputy treasurer. We recommend that this review be documented by the treasurer initialing the reconciliation after his review is conducted.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness.

### **Material Audit Adjustment**

A material audit adjustment was made to record the cash balance in the tax fund. This entry was required because the activity was not recorded on the general ledger during the year.

In addition to the items above, we offer the following recommendations, which are not deemed to be significant deficiencies or material weaknesses.

### **Inconsistent Paid Time-off Policy Implementation (Repeated)**

It came to our attention during our testing of compensated absences that the general employees' paid time off is being calculated based on a policy that is no longer in existence. The current policy allows for a certain amount of vacation to be earned during the year, based on years of service. However, the amounts being added to employee balances are inconsistent with this policy. Township policy should either be followed or amended to remove this inconsistency.

### **Obsolete Employee Handbook**

During our discussions with management, it was noted that the employee handbook is out of date and has not been updated since the 1970s. We strongly recommend that the Township board undertake the process of having this handbook and all of the related policies updated. Current employees should be given a copy of the new handbook and asked to sign a document verifying that they have read and understood the policies therein.

### **Building Authority Checking Account**

The checking account for the Building Authority is not being reconciled to the general ledger. As we reviewed the monthly statements, we noted that the Township is being assessed a small fee on a monthly basis, which is not being recorded on the general ledger. We recommend that the Township management contact the bank to determine whether this fee is necessary and also begin reconciling this account on a monthly basis.

### **Investment Considerations**

We noted that the Township holds several long-term (greater than one year) certificates of deposit with various financial institutions. Some of these certificates are locked in at interest rates significantly lower than current rates. Some certificates are also earning less than the rates earned on the Township's general checking account. We have discussed rates with representatives of some of the financial institutions in prior years and were made aware that there are options on some of the certificates to rollover the certificates into other higher rate certificates on the anniversary dates without being penalized. Some of the rates on the certificates are low enough that the Township may be better off to redeem them early and take the penalty in order to reinvest at current, much higher rates.

This communication is intended solely for the information and use of management, the Township board, and others within the Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

**Plante & Moran, PLLC**



Sharon L. Vargo, CPA