

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

**Financial Report
with Supplemental Information
March 31, 2009**

Charter Township of Coloma

Contents

Report Letter	I
Management's Discussion and Analysis	2-6
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	7
Statement of Activities	8-9
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	10
Reconciliation of the Balance Sheet to the Statement of Net Assets	11
Statement of Revenue, Expenditures, and Changes in Fund Balances	12
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Proprietary Funds:	
Statement of Net Assets	14
Statement of Revenue, Expenses, and Changes in Net Assets	15
Statement of Cash Flows	16
Notes to Financial Statements	17-28
Required Supplemental Information	29
Budgetary Comparison Schedule - General Fund	30
Budgetary Comparison Schedule - Major Special Revenue Funds	31-32
Note to Required Supplemental Information	33

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, 2009 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, 2009 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 required parts 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 28, 2009

Charter Township of Coloma

Management's Discussion and Analysis

Our discussion and analysis of the Charter Township of Coloma, Michigan's (the "Charter Township") financial performance provides an overview of the Charter Township's financial activities for the fiscal year ended March 31, 2009. Please read it in conjunction with the Charter 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, 2009:

The Charter Township continued the water extension project. During the year, the Charter Township expended approximately \$1,915,000.

State grant revenue was received during the year to cover the costs of the water extension and water connections projects. Approximately \$1,800,000 of grant revenue was received during the fiscal year.

Both General Fund revenue and expenditures had favorable variances as compared to amended budgets prepared by the Charter Township.

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 Charter Township as a whole and present a longer-term view of the Charter 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 Charter Township's operations in more detail than the government-wide financial statements by providing information about the Charter Township's most significant funds.

Charter Township of Coloma

Management's Discussion and Analysis (Continued)

The Charter Township as a Whole

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

Summary Condensed Statement of Net Assets

	Governmental Activities			Business-type Activities			Total		
	2009	2008	2007	2009	2008	2007	2009	2008	2007
Assets									
Current assets	\$ 1,775,329	\$ 1,775,074	\$ 1,967,400	\$ 1,712,803	\$ 1,867,329	\$ 1,884,436	\$ 3,488,132	\$ 3,642,403	\$ 3,851,836
Noncurrent assets	2,383,655	2,468,333	2,391,687	9,910,658	8,219,420	7,002,506	12,294,313	10,687,753	9,394,193
Total assets	4,158,984	4,243,407	4,359,087	11,623,461	10,086,749	8,886,942	15,782,445	14,330,156	13,246,029
Liabilities									
Current liabilities	116,870	73,050	60,670	393,405	327,946	259,790	510,275	400,996	320,460
Long-term liabilities	1,033,215	1,140,624	1,159,759	1,020,000	1,095,000	1,170,000	2,053,215	2,235,624	2,329,759
Total liabilities	1,150,085	1,213,674	1,220,429	1,413,405	1,422,946	1,429,790	2,563,490	2,636,620	2,650,219
Net Assets									
Invested in capital assets - Net of related debt	1,093,002	1,166,680	1,124,325	8,478,847	6,839,701	5,572,787	9,571,849	8,006,381	6,697,112
Restricted	704,307	582,731	690,132	-	-	-	704,307	582,731	690,132
Unrestricted	1,211,590	1,280,322	1,324,201	1,731,209	1,824,102	1,884,365	2,942,799	3,104,424	3,208,566
Total net assets	\$ 3,008,899	\$ 3,029,733	\$ 3,138,658	\$ 10,210,056	\$ 8,663,803	\$ 7,457,152	\$ 13,218,955	\$ 11,693,536	\$ 10,595,810

The Charter Township's combined net assets increased 13 percent from a year ago - from \$11.7 million to \$13.2 million. As we look at the governmental activities separately from the business-type activities, we can see that governmental activities net assets decreased .1 percent, while business-type activities increased 18 percent.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, stands at \$1.2 million for the governmental activities. This represents approximately 57 percent of current year expenditures. This is within the targeted range set by the Charter 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:

Summary Condensed Income Statement

	Governmental Activities			Business-type Activities			Total		
	2009	2008	2007	2009	2008	2007	2009	2008	2007
Revenue									
Program revenue:									
Charges for services	\$ 88,229	\$ 83,721	\$ 118,792	\$ 512,201	\$ 374,181	\$ 359,380	\$ 600,430	\$ 457,902	\$ 478,172
Operating grants and contributions	214,998	200,200	166,902	-	-	-	214,998	200,200	166,902
Capital grants and contributions	-	-	-	1,814,190	1,581,787	563,668	1,814,190	1,581,787	563,668
General revenue:									
Property taxes	1,143,063	1,031,139	1,005,083	-	-	-	1,143,063	1,031,139	1,005,083
State-shared revenue	386,427	395,383	393,076	-	-	-	386,427	395,383	393,076
Unrestricted investment earnings	24,055	35,561	64,921	48,240	76,673	84,211	72,295	112,234	149,132
Other revenue	232,750	300,134	157,242	127,092	-	-	359,842	300,134	157,242
Total revenue	2,089,522	2,046,138	1,906,016	2,501,723	2,032,641	1,007,259	4,591,245	4,078,779	2,913,275
Program Expenses									
General government	506,738	596,590	473,324	-	-	-	506,738	596,590	473,324
Public safety	1,267,883	1,311,551	1,139,520	-	-	-	1,267,883	1,311,551	1,139,520
Public works	211,680	113,108	63,462	-	-	-	211,680	113,108	63,462
Economic development	77,727	80,487	91,276	-	-	-	77,727	80,487	91,276
Recreation and culture	1,322	7,822	3,259	-	-	-	1,322	7,822	3,259
Interest on long-term debt	45,006	45,505	40,257	-	-	-	45,006	45,505	40,257
Sewer	-	-	-	955,470	825,990	689,239	955,470	825,990	689,239
Total program expenses	2,110,356	2,155,063	1,811,098	955,470	825,990	689,239	3,065,826	2,981,053	2,500,337
Change in Net Assets	\$ (20,834)	\$ (108,925)	\$ 94,918	\$ 1,546,253	\$ 1,206,651	\$ 318,020	\$ 1,525,419	\$ 1,097,726	\$ 412,938

Charter Township of Coloma

Management's Discussion and Analysis (Continued)

Governmental Activities

The Charter Township's total governmental revenues increased 2.1 percent, due to slight increases in property tax revenue and contributions from other governmental units. The Charter Township was able slightly decrease expenditures by approximately 2.1 percent, mostly in the area of public safety and general government. We did see an increase in public works expenditures during 2009.

Business-type Activities

The Charter 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 increase in total revenue during the current year. This increase is largely due to an increase in the grant funds received from the State of Michigan for water extension and water connections projects. Service charges increased approximately 37 percent while related expenses increased nearly 16 percent. Investment income decreased due to falling interest rates.

General Fund Budgetary Highlights

As shown in the required supplemental information, the Charter Township originally budgeted operational expenditures of approximately \$792,000. While the Charter Township amended the budget during the year, total budgeted expenditures actually decreased slightly. The Charter Township departments overall expended amounts were below amended budget by approximately \$13,500.

- State-shared revenue, our largest revenue source, was decreased by approximately \$10,000 by the State of Michigan this fiscal year.
- The General Fund transferred \$126,988 to the Police Fund in the current year, \$13,000 less than in the prior fiscal year. This helped to fund the purchase of capital equipment and overall operations of the Police Fund.
- As a result of the preceding transactions, the General Fund's operations resulted in a current year loss of approximately \$135,000. However, ending fund balance remains strong at approximately \$1.0 million.

Capital Asset and Debt Administration

During the fiscal year, the Charter Township capitalized an additional \$1,915,000 of water lines, water connections, professional services, and other assets related to the ongoing water extension and water connections projects. In addition, a new police vehicle was added to the fleet and the Charter Township continued to expand its technology with the purchase of several new computers.

Charter Township of Coloma

Management's Discussion and Analysis (Continued)

Economic Factors

The Charter Township has a significant amount of funds on deposit with financial institutions, and interest rates on these funds have continued to decrease. The Charter Township's significant amount of interest income fluctuates with changes in the interest rates. The Charter Township's General Fund has been negatively impacted over the past five years by the State's cuts in revenue sharing. The Charter Township's management continues to monitor the expenditure levels to avoid significant decreases in fund balance. Until the state of Michigan's economic climate improves, the Charter Township is not expecting an increase in state revenue sharing.

Contacting the Charter Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Charter Township's finances and to show the Charter 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 Charter Township office.

Charter Township of Coloma

Statement of Net Assets March 31, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash	\$ 1,207,172	\$ 150	\$ 1,207,322
Investments	401,754	1,517,336	1,919,090
Receivables	78,375	235,491	313,866
Interfund balances	88,028	(88,028)	-
Prepaid expenses and other assets	-	47,854	47,854
Investment in joint ventures	348,653	336,811	685,464
Capital assets - Net:			
Assets not subject to depreciation	123,317	2,034,057	2,157,374
Assets subject to depreciation	1,911,685	7,539,790	9,451,475
Total assets	4,158,984	11,623,461	15,782,445
Liabilities			
Accounts payable	42,697	122,614	165,311
Due to other government units	2,287	-	2,287
Accrued and other liabilities	11,375	90,479	101,854
Deferred revenue	-	105,312	105,312
Noncurrent liabilities:			
Due within one year:			
Compensated absences	49,511	-	49,511
Current portion of long-term debt	11,000	75,000	86,000
Due in more than one year:			
Compensated absences - Long-term	102,215	-	102,215
Long-term debt - Net of current portion	931,000	1,020,000	1,951,000
Total liabilities	1,150,085	1,413,405	2,563,490
Net Assets			
Invested in capital assets - Net of related debt	1,093,002	8,478,847	9,571,849
Restricted for:			
Road Fund	501,675	-	501,675
Public Safety Fund	202,632	-	202,632
Unrestricted	1,211,590	1,731,209	2,942,799
Total net assets	\$ 3,008,899	\$ 10,210,056	\$ 13,218,955

Charter Township of Coloma

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 575,705	\$ -	\$ -	\$ -
Public safety	1,198,916	88,229	214,998	-
Public works	211,680	-	-	-
Economic development	77,727	-	-	-
Recreational and culture	1,322	-	-	-
Interest on long-term debt	45,006	-	-	-
Total governmental activities	2,110,356	88,229	214,998	-
Business-type activities - Sewer	955,470	512,201	-	1,814,190
Total primary government	\$ 3,065,826	\$ 600,430	\$ 214,998	\$ 1,814,190

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

Total general revenues

Change in Net Assets

Net Assets - Beginning of year

Net Assets - End of year

**Statement of Activities
Year Ended March 31, 2009**

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (575,705)	\$ -	\$ (575,705)
(895,689)	-	(895,689)
(211,680)	-	(211,680)
(77,727)	-	(77,727)
(1,322)	-	(1,322)
(45,006)	-	(45,006)
(1,807,129)	-	(1,807,129)
-	1,370,921	1,370,921
(1,807,129)	1,370,921	(436,208)
1,143,063	-	1,143,063
386,427	-	386,427
24,055	48,240	72,295
232,750	127,092	359,842
1,786,295	175,332	1,961,627
(20,834)	1,546,253	1,525,419
3,029,733	8,663,803	11,693,536
\$ 3,008,899	\$ 10,210,056	\$ 13,218,955

Charter Township of Coloma

Governmental Funds Balance Sheet March 31, 2009

	General Fund	Public Safety Fund	Road Fund	Nonmajor Fund - Debt Service Fund	Total
Assets					
Cash and cash equivalents	\$ 767,704	\$ 59,512	\$ 379,324	\$ 632	\$ 1,207,172
Investments	167,331	126,679	107,744	-	401,754
Receivables:					
Taxes	11,948	51,820	13,632	-	77,400
Special assessments	-	-	975	-	975
Due from other funds	88,028	-	-	21,433	109,461
Total assets	\$ 1,035,011	\$ 238,011	\$ 501,675	\$ 22,065	\$ 1,796,762
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 12,638	\$ 30,059	\$ -	\$ -	\$ 42,697
Due to other government units	2,287	-	-	-	2,287
Due to other funds	21,433	-	-	-	21,433
Accrued liabilities	6,055	5,320	-	-	11,375
Total liabilities	42,413	35,379	-	-	77,792
Fund Balances - Unreserved, reported in					
General Fund	992,598	-	-	-	992,598
Debt Service Fund	-	-	-	22,065	22,065
Special Revenue Fund	-	202,632	501,675	-	704,307
Total fund balances	992,598	202,632	501,675	22,065	1,718,970
Total liabilities and fund balances	\$ 1,035,011	\$ 238,011	\$ 501,675	\$ 22,065	\$ 1,796,762

Charter Township of Coloma

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Assets March 31, 2009

Fund Balance Reported in Governmental Funds	\$ 1,718,970
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	2,035,002
Investments in joint ventures are not financial resources and are not reported in the funds	348,653
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(942,000)
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>(151,726)</u>
Net Assets of Governmental Activities	<u>\$ 3,008,899</u>

Charter Township of Coloma

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended March 31, 2009

	General Fund	Public Safety Fund	Road Fund	Nonmajor Fund - Debt Service Fund	Total
Revenue					
Property taxes	\$ 127,451	\$ 804,040	\$ 211,572	\$ -	\$ 1,143,063
Licenses and permits	73,545	-	-	-	73,545
State sources	386,427	3,994	-	-	390,421
Local sources	-	211,004	-	-	211,004
Charges for services	4,675	-	-	-	4,675
Fines and forfeitures	-	10,009	-	-	10,009
Interest and rents	7,896	4,755	11,404	-	24,055
Other revenue	148,542	30,188	3,886	60,000	242,616
Total revenue	748,536	1,063,990	226,862	60,000	2,099,388
Expenditures					
Current:					
General government	542,796	-	-	-	542,796
Public safety	82,172	1,169,045	-	-	1,251,217
Public works	52,824	-	127,219	-	180,043
Economic development	77,727	-	-	-	77,727
Recreational and culture	1,322	-	-	-	1,322
Debt service	-	-	-	56,006	56,006
Total expenditures	756,841	1,169,045	127,219	56,006	2,109,111
Excess (Deficiency) of Revenue Over Expenditures	(8,305)	(105,055)	99,643	3,994	(9,723)
Other Financing Sources (Uses)					
Interfund transfers in	-	126,988	-	-	126,988
Interfund transfers out	(126,988)	-	-	-	(126,988)
Total other financing sources (uses)	(126,988)	126,988	-	-	-
Net Change in Fund Balances	(135,293)	21,933	99,643	3,994	(9,723)
Fund Balances - Beginning of year	1,127,891	180,699	402,032	18,071	1,728,693
Fund Balances - End of year	<u>\$ 992,598</u>	<u>\$ 202,632</u>	<u>\$ 501,675</u>	<u>\$ 22,065</u>	<u>\$ 1,718,970</u>

Charter Township of Coloma

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended March 31, 2009

Net Change in Fund Balances - Total Governmental Funds	\$ (9,723)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Current year capital additions	29,665
Current year allocation of depreciation	(110,877)
Current year net capital disposals	(3,466)
Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end	(6,400)
Repayment of debt principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	11,000
Decrease in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	<u>68,967</u>
Change in Net Assets of Governmental Activities	<u><u>\$ (20,834)</u></u>

Charter Township of Coloma

Proprietary Funds Statement of Net Assets March 31, 2009

	<u>Enterprise Fund - Sewer Fund</u>
Assets	
Current assets:	
Cash and cash equivalents (Note 3)	\$ 150
Investments (Note 3)	1,517,336
Receivables:	
Special assessments	125,771
Customer	91,196
Other receivables	18,524
Prepaid expenses and other current assets	47,854
Total current assets	<u>1,800,831</u>
Noncurrent assets:	
Investment in joint ventures (Note 1)	336,811
Capital assets (Note 5)	9,573,847
Total noncurrent assets	<u>9,910,658</u>
Total assets	<u>11,711,489</u>
Liabilities	
Current liabilities:	
Accounts payable	122,614
Due to other funds	88,028
Accrued liabilities	90,479
Deferred revenue	105,312
Current portion of long-term debt (Note 7)	75,000
Total current liabilities	481,433
Noncurrent liabilities - Long-term debt - Net of current portion (Note 7)	<u>1,020,000</u>
Total liabilities	<u>1,501,433</u>
Net Assets	
Invested in capital assets - Net of related debt	8,478,847
Unrestricted	1,731,209
Total net assets	<u>\$ 10,210,056</u>

Charter Township of Coloma

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended March 31, 2009

	Enterprise Fund - Sewer Fund
Operating Revenue	
Sewage disposal charges	\$ 489,098
Penalty charges	23,103
Total operating revenue	<u>512,201</u>
Operating Expenses	
Operation and maintenance	538,579
Depreciation and amortization	356,126
Total operating expenses	<u>894,705</u>
Operating Loss	(382,504)
Nonoperating Revenue (Expense)	
Investment income	48,240
Interest expense	(60,765)
Increase in investment in joint venture	127,092
Loss - Before contributions	<u>(267,937)</u>
Capital Contributions	
Capital grants	1,807,909
Private contributions	6,281
Total capital contributions	<u>1,814,190</u>
Change in Net Assets	1,546,253
Net Assets - Beginning of year	<u>8,663,803</u>
Net Assets - End of year	<u><u>\$ 10,210,056</u></u>

Charter Township of Coloma

Proprietary Fund Statement of Cash Flows Year Ended March 31, 2009

	Enterprise Fund - Sewer Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 511,541
Payments to suppliers	(419,701)
Payments to employees	(59,049)
Net cash provided by operating activities	32,791
Cash Flows from Noncapital Financing Activities - Repayment of loans from other funds	(10,714)
Cash Flows from Capital and Related Financing Activities	
Proceeds from capital grants	1,854,235
Collection of customer assessments	11,250
Proceeds from capital contributions	6,281
Purchase of capital assets	(1,915,751)
Principal and interest paid on capital debt	(135,765)
Net cash used in capital and related financing activities	(179,750)
Cash Flows from Investing Activities	
Interest received on investments	48,240
Proceeds from sale of investments	109,433
Net cash provided by investing activities	157,673
Net Change in Cash and Cash Equivalents	-
Cash and Cash Equivalents - Beginning of year	150
Cash and Cash Equivalents - End of year	\$ 150
Reconciliation of Operating Loss to Net Cash from Operating Activities	
Operating loss	\$ (382,504)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation and amortization	356,126
Changes in assets and liabilities:	
Receivables	(6,290)
Accounts payable	86,619
Accrued and other liabilities	(26,790)
Deferred revenue	5,630
Net cash provided by operating activities	\$ 32,791

Noncash Investing, Capital, and Financing Activities - During the year ended March 31, 2009, the Charter Township's investment in joint venture increased by \$127,092. There were no noncash capital or financing activities.

Charter Township of Coloma

Notes to Financial Statements March 31, 2009

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 \$321,042 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 pro rata 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 \$27,611 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 \$336,811 is recorded in 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

Notes to Financial Statements March 31, 2009

Note 1 - 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

Notes to Financial Statements March 31, 2009

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

Notes to Financial Statements March 31, 2009

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 Charter 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 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.

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 2008 tax is levied and collectible on December 1, 2008 and is recognized as revenue in the year ended March 31, 2009, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2007 taxable valuation of the Charter Township totaled \$169 million, on which taxes levied consisted of 0.7092 mills for operating purposes, 4.7500 mills for public safety, and 1.2500 mills for roads. This resulted in \$123,000 for operating, \$804,000 for public safety, and \$212,000 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, 2009

Note 1 - 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, 2009

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 shortfall generated since January 1, 2000 is as follows:

Shortfall at April 1, 2008	\$ (141,965)
Current year permit revenue	45,169
Related expenses - Direct costs	<u>66,434</u>
Shortfall at March 31, 2009	<u>\$ (163,230)</u>

Charter Township of Coloma

Notes to Financial Statements March 31, 2009

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. A 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 \$2.1 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.

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>
Advance utility billings	\$ -	\$ 105,312

Charter Township of Coloma

Notes to Financial Statements March 31, 2009

Note 5 - Capital Assets

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

	Balance April 1, 2008	Additions	Disposals	Balance March 31, 2009
Governmental Activities				
Capital assets not being depreciated - Land	\$ 123,317	\$ -	\$ -	\$ 123,317
Capital assets being depreciated:				
Infrastructure	476,235	-	-	476,235
Land improvements	24,448	-	-	24,448
Buildings and improvements	1,544,970	-	-	1,544,970
Vehicles	215,242	18,283	(35,092)	198,433
Office equipment	154,383	11,382	-	165,765
Equipment	283,690	-	-	283,690
Subtotal	2,698,968	29,665	(35,092)	2,693,541
Accumulated depreciation:				
Infrastructure	36,344	23,811	-	60,155
Land improvements	6,314	1,222	-	7,536
Buildings and improvements	156,302	31,306	-	187,608
Vehicles	150,127	24,524	(31,626)	143,025
Office equipment	140,924	6,255	-	147,179
Equipment	212,594	23,759	-	236,353
Subtotal	702,605	110,877	(31,626)	781,856
Net capital assets being depreciated	1,996,363	(81,212)	(3,466)	1,911,685
Net capital assets	<u>\$ 2,119,680</u>	<u>\$ (81,212)</u>	<u>\$ (3,466)</u>	<u>\$ 2,035,002</u>

Charter Township of Coloma

Notes to Financial Statements March 31, 2009

Note 5 - Capital Assets (Continued)

Business-type Activities	Balance April 1, 2008	Additions	Disposals and Adjustments	Balance March 31, 2009
Capital assets not being depreciated:	\$ -	\$ -	\$ -	\$ -
Land	118,306	-	-	118,306
Construction in progress	-	1,915,751	-	1,915,751
Subtotal	118,306	1,915,751	-	2,034,057
Capital assets being depreciated:				
Sewer mains and extensions	13,411,837	-	-	13,411,837
Buildings and improvements	166,699	-	-	166,699
Equipment	75,290	-	-	75,290
Motor vehicles	28,760	-	-	28,760
Subtotal	13,682,586	-	-	13,682,586
Accumulated depreciation:				
Sewer mains and extensions	5,696,843	335,297	-	6,032,140
Buildings and improvements	26,659	4,302	-	30,961
Equipment	38,931	12,006	-	50,937
Motor vehicles	28,758	-	-	28,758
Subtotal	5,791,191	351,605	-	6,142,796
Net capital assets being depreciated	7,891,395	(351,605)	-	7,539,790
Net capital assets	<u>\$ 8,009,701</u>	<u>\$ 1,564,146</u>	<u>\$ -</u>	<u>\$ 9,573,847</u>

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

Governmental activities:		
General government		\$ 34,237
Public safety		45,003
Public works		31,637
Total governmental activities		<u>\$ 110,877</u>

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	\$ 21,433
General Fund	Sewer Fund	88,028

Charter Township of Coloma

Notes to Financial Statements March 31, 2009

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

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. The balance owing from the Sewer Fund to the General Fund resulted from the Sewer Fund overdrawing its share of the pooled cash account. The Sewer Fund has received deposits subsequent to year end which brought its share of the pooled cash back to positive.

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

<u>Fund Providing Resources</u>	<u>Fund Receiving Resources</u>	<u>Amount</u>
General Fund	Public Safety Fund	<u>\$ 126,988</u>

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:

	<u>Interest Rate Ranges</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities						
Accumulated employee benefits	-	\$ 220,693	\$ -	\$ (68,967)	\$ 151,726	\$ 49,511
General obligation bond - USDA Bond:	4.875%	<u>953,000</u>	<u>-</u>	<u>(11,000)</u>	<u>942,000</u>	<u>11,000</u>
Amount of issue: \$1,000,000 Maturing through 2042						
Total governmental activities		<u>\$ 1,173,693</u>	<u>\$ -</u>	<u>\$ (79,967)</u>	<u>\$ 1,093,726</u>	<u>\$ 60,511</u>
Business-type Activities						
General obligation bond - Sanitary Sewage Disposal bonds:						
Amount of issue: \$1,570,000 Maturing through 2020	5.00- 5.70%	<u>\$ 1,170,000</u>	<u>\$ -</u>	<u>\$ (75,000)</u>	<u>\$ 1,095,000</u>	<u>\$ 75,000</u>

Charter Township of Coloma

Notes to Financial Statements March 31, 2009

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
2010	\$ 11,000	\$ 45,923	\$ 56,923	\$ 75,000	\$ 58,490	\$ 133,490
2011	12,000	45,386	57,386	75,000	54,552	129,552
2012	12,000	44,802	56,802	75,000	50,578	125,578
2013	13,000	44,216	57,216	75,000	46,565	121,565
2014	14,000	42,900	56,900	100,000	41,845	141,845
2015-2019	79,000	185,759	264,759	575,000	119,700	694,700
2020-2024	100,000	185,982	285,982	120,000	3,420	123,420
2025-2029	127,000	159,120	286,120	-	-	-
2030-2034	161,000	124,946	285,946	-	-	-
2035-2039	205,000	81,656	286,656	-	-	-
2040-2042	208,000	26,380	234,380	-	-	-
Total	<u>\$ 942,000</u>	<u>\$ 987,070</u>	<u>\$ 1,929,070</u>	<u>\$ 1,095,000</u>	<u>\$ 375,150</u>	<u>\$ 1,470,150</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, 2007, 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. During the year ended March 31, 2009, all general employees were added to the pension plan. 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.

Charter Township of Coloma

Notes to Financial Statements March 31, 2009

Note 9 - Pension Plan (Continued)

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. The obligation for the general employees was established by the Township Board and also requires a contribution from the employees of 6 percent of gross wages.

For the year ended March 31, 2009, the Charter Township's annual pension cost of \$38,196 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, 2007, 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		
	2007	2008	2009
Annual pension cost (APC)	\$ 3,858	\$ 8,440	\$ 38,196
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

	Actuarial Valuation as of December 31		
	2006	2007	2008
Actuarial value of assets	\$ 145,930	\$ 184,649	\$ 1,046,092
Actuarial accrued liability (AAL)			
(entry age)	160,229	209,841	1,599,383
Unfunded AAL (UAAL)	14,299	25,192	553,291
Funded ratio	91.1 %	88.0 %	65.4 %
Covered payroll	278,190	301,954	692,644
UAAL as a percentage of covered payroll	5.1 %	8.3 %	80.0 %

Required Supplemental Information

Charter Township of Coloma

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2009

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Taxes	\$ 121,950	\$ 121,950	\$ 127,451	\$ 5,501
Licenses and permits	62,200	62,200	73,545	11,345
State sources	390,000	390,000	386,427	(3,573)
Charges for services	6,150	6,150	4,675	(1,475)
Interest	16,000	16,000	7,896	(8,104)
Other revenue	130,000	130,000	148,542	18,542
Total revenue	726,300	726,300	748,536	22,236
Expenditures				
General government:				
Township board	60,719	79,500	79,394	106
Supervisor	21,200	21,200	18,058	3,142
Tax administration	78,653	78,653	74,426	4,227
Treasurer	16,645	17,500	17,967	(467)
Clerk	93,425	93,425	88,685	4,740
Elections	8,000	8,750	6,132	2,618
Buildings and grounds	224,446	204,000	205,238	(1,238)
Cemetery	52,896	52,896	52,896	-
Total general government	555,984	555,924	542,796	13,128
Public safety - Inspection department	83,713	83,713	82,172	1,541
Public works	42,550	44,000	52,824	(8,824)
Economic development:				
Planning commission	65,730	65,730	64,323	1,407
Economic development opportunities	39,500	16,000	13,404	2,596
Total economic development	105,230	81,730	77,727	4,003
Recreation and culture:				
Library	1,100	1,100	947	153
Community relations	3,875	3,875	375	3,500
Total recreation and culture	4,975	4,975	1,322	3,653
Total expenditures	792,452	770,342	756,841	13,501
Excess of Expenditures Over Revenue	(66,152)	(44,042)	(8,305)	35,737
Other Financing Uses - Interfund transfers out	(126,988)	(160,000)	(126,988)	33,012
Net Change in Fund Balance	(193,140)	(204,042)	(135,293)	68,749
Fund Balance - Beginning of year	1,127,891	1,127,891	1,127,891	-
Fund Balance - End of year	<u>\$ 934,751</u>	<u>\$ 923,849</u>	<u>\$ 992,598</u>	<u>\$ 68,749</u>

Charter Township of Coloma

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Public Safety Fund Year Ended March 31, 2009

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 737,500	\$ 737,500	\$ 804,040	\$ 66,540
Licenses and permits	4,000	4,000	-	(4,000)
State sources	2,800	2,800	3,994	1,194
Local sources	206,000	206,000	211,004	5,004
Fines and forfeitures	17,000	17,000	10,009	(6,991)
Interest	6,000	6,000	4,755	(1,245)
Other revenue	12,000	12,000	30,188	18,188
	<u>985,300</u>	<u>985,300</u>	<u>1,063,990</u>	<u>78,690</u>
Total revenue				
Expenditures				
Police	957,288	985,452	1,044,486	(59,034)
Fire	137,000	159,000	122,768	36,232
Ambulance	-	-	1,791	(1,791)
	<u>1,094,288</u>	<u>1,144,452</u>	<u>1,169,045</u>	<u>(24,593)</u>
Total expenditures				
Excess of Expenditures Over Revenue	(108,988)	(159,152)	(105,055)	54,097
Other Financing Sources - Interfund transfers in				
	<u>126,988</u>	<u>126,988</u>	<u>126,988</u>	<u>-</u>
Net Change in Fund Balance	18,000	(32,164)	21,933	54,097
Fund Balance - Beginning of year	<u>180,699</u>	<u>180,699</u>	<u>180,699</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 198,699</u></u>	<u><u>\$ 148,535</u></u>	<u><u>\$ 202,632</u></u>	<u><u>\$ 54,097</u></u>

Charter Township of Coloma

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Road Fund Year Ended March 31, 2009

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 190,000	\$ 190,000	\$ 211,572	\$ 21,572
Interest	7,500	7,500	11,404	3,904
Other revenue	3,600	3,600	3,886	286
Total revenue	201,100	201,100	226,862	25,762
Expenditures - Public works	230,000	230,000	127,219	102,781
Net Change in Fund Balance	(28,900)	(28,900)	99,643	128,543
Fund Balance - Beginning of year	402,032	402,032	402,032	-
Fund Balance - End of year	\$ 373,132	\$ 373,132	\$ 501,675	\$ 128,543

Charter Township of Coloma

Note to Required Supplemental Information Year Ended March 31, 2009

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 the Township had a significant budget overrun as follows:

	<u>Budget</u>	<u>Actual</u>
Public Safety Fund - Police	\$ 985,452	\$ 1,044,486

Charter Township of Coloma

Report to the Township Board

March 31, 2009

To the Township Board
Charter Township of Coloma

We have recently completed our audit of the basic financial statements of the Charter Township of Coloma (the "Township") for the year ended March 31, 2009. In addition to our audit report, we are providing the following report on internal control, results of the audit, and informational items.

	<u>Page</u>
Report on Internal Control	1-3
Results of the Audit	4-6
Informational	7-9

We are grateful for the opportunity to be of service to the Township. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Plante & Moran, PLLC

August 28, 2009

Report on Internal Control

August 28, 2009

To the Township Board
Charter Township of Coloma

Dear Board Members:

National auditing standards call for auditors to communicate matters to the governing body that may be useful in its oversight of the Township's financial management. Specifically, they require us to report internal control issues to the governing body that may be relatively minor, in order to allow it to evaluate their significance, and make any changes it may deem appropriate. In general, these are items that would have been discussed orally with management in the past. The purpose of these new standards is to allow the governing body an opportunity to discuss issues when they are relatively minor, rather than waiting until they become more serious problems. We hope this report on internal control will be helpful to you, and we look forward to being able to discuss any questions you may have concerning these issues.

In planning and performing our audit of the financial statements of the Charter Township of Coloma as of and for the year ended March 31, 2009, 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 and others that we believe to be material weaknesses.

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

All manual journal entries posted to the general ledger are initiated and entered by one individual. These entries are not reviewed by any other personnel. A review process would strengthen internal controls. We recommend that a process be implemented in which a separate individual (or possibly the finance committee) would review manual journal entries posted in the general ledger on a monthly basis, including the supporting documentation for those entries.

User Access

During our audit procedures, it was noted that a user name and/or password is not required to log in to the applications that are on the treasurer's computer, which includes the fund balance software. It is recommended to use a unique user name and password to access all financial information. This will help to prevent unauthorized users from accessing such applications.

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 deficiencies constitute material weaknesses.

Significant Audit Adjustments

Material adjustments were identified by Plante & Moran, PLLC during the audit, including adjustments to the investment in the Paw Paw Lake Joint Wastewater Treatment Plant joint venture, grant receivables, accounts payable, capital assets, and miscellaneous accrual basis accounts such as accrued liabilities and prepaid expenses.

Cash Controls

In relation to the Township's cash cycles, the same individual may currently receive cash, generate receipts, make deposits, sign checks (although policy requires two signatures), has the ability to post journal entries, and is responsible for the preparation of the bank reconciliations which are not currently being reviewed on a regular basis. In addition, we noted that the bank reconciliations could be performed more timely. Best practices include procedures that state the monthly bank reconciliations should be prepared within 1-15 days upon receipt of the statement and reviewed within 1-15 days following the preparation of the reconciliation. We recommend that this review be documented by the individual reviewing it by initialing both the reconciliation and the bank statement after the review is conducted. Implementing a process to independently review monthly bank statements and related reconciliations would bring an additional level of control in this area.

To the Township Board
Charter Township of Coloma

August 28, 2009

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

A handwritten signature in black ink, appearing to read "Kenley Penner". The signature is written in a cursive, flowing style.

Kenley G. Penner, CPA
Partner

Results of the Audit

August 28, 2009

To the Township Board
Charter Township of Coloma

We have audited the financial statements of the Charter Township of Coloma for the year ended March 31, 2009 and have issued our report thereon dated August 28, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 22, 2009, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Township. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on July 22, 2009.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Charter Township of Coloma are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2009.

We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We are pleased to report to you that we did not encounter any difficulties in dealing with management in performing and completing our audit. We found management to be courteous, helpful, and very responsive to our requests.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Material adjustments were made to record the investment in the Paw Paw Lake Joint Wastewater Treatment Plant joint venture in the Sewer Fund, to record capital asset activity in the Sewer Fund, to record deferred revenue in the Sewer Fund, and to record Debt Service Fund transactions for the fiscal year.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management's Representations

We have requested certain representations from management that are included in the management representation letter dated August 28, 2009.

Management's Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

In the normal course of our professional association with the Township, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Township, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the Township's auditors.

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

Very truly yours,

Plante & Moran, PLLC



Kenley G. Penner, CPA
Partner

Informational

Charter Township of Coloma

Informational

Revenue Sharing

On May 28, 2009, the Senate Fiscal Agency released a memo that discusses the impact of Executive Order 2009-22 which followed the announcement of the May Consensus Revenue Estimates.

For 2008-2009

Payments to cities, villages, and townships for 2008-2009 will decrease anywhere from 1.2 percent to 4.9 percent. Each local unit will receive the same amount of money under statutory revenue-sharing provisions as was received in 2007-2008. Since the dollars available for the constitutional payments are down 4.9 percent for the year, the overall payment decreases will range from 1.2 percent to as much as 4.9 percent (for those communities with no statutory portion left). As originally appropriated, local units were to be held harmless for the expected drop in constitutional revenue sharing. This provision was rescinded. Bottom line - the constitutional portion is expected to decrease 4.9 percent and the statutory portion will be flat.

For 2009-2010

Initially, the governor's budget recommendation would have frozen payments at 2007-2008 levels. But since those levels are now higher than 2008-2009, that has been deemed too expensive. The Senate Fiscal Agency has now assumed that 2009-2010 revenue-sharing payments would be made under essentially the same provisions as 2008-2009, meaning constitutional payments will be determined based on actual collections and statutory will be flat. Constitutional payments are expected to once again decline by 4.9 percent for 2009-2010.

Here is a history of total revenue sharing since 2004, including the projected fiscal year 2010 distribution:

(in millions)

	Actual FY 2004	Actual FY 2005	Actual FY 2006	Actual FY 2007	Actual FY 2008	Projected FY 2009	Projected FY 2010
Constitutional - C, V, T	\$ 653.1	\$ 668.7	\$ 680.1	\$ 666.0	\$ 688.2	\$ 671.0	\$ 661.2
Statutory - C, V, T	469.5	443.3	422.4	404.9	388.0	413.3	423.1
Statutory - Counties	182.1	-	-	-	-	2.4	49.1
Special census	-	0.5	0.9	-	-	-	-
Total revenue sharing	<u>\$ 1,304.7</u>	<u>\$ 1,112.5</u>	<u>\$ 1,103.4</u>	<u>\$ 1,070.9</u>	<u>\$ 1,076.2</u>	<u>\$ 1,086.7</u>	<u>\$ 1,133.4</u>

Property Tax Developments

Many communities in Michigan are continuing to face the challenges inherent in the real estate market decline given the effects of Proposal A. Some communities are seeing a decline in overall taxable value this year - many will see similar or greater declines in future years. The impact on each community and over what period of time will vary. The one constant, however, is that there will be an impact that each community will need to consider come budget time.

Many of the bills related to property taxes pending at the end of the 2008 Michigan legislative session have subsequently died with the changeover in the legislature after the November 2008 election. However, a few of those bills have been reintroduced. One series of bills that is worthy of specific mention is the re-introduction of the concept of the "super-cap" legislation from last year.

Many property owners continue to struggle with the concept that their individual taxable values actually increased during a time that overall property values - and even their individual property values - have fallen. As we all have been reminded, that is a constitutional requirement that changed with Proposal A in 1994. It may be helpful to remember the principle behind Proposal A - its purpose was to disconnect taxable values from market value increases, and instead limit the growth in taxable values to the lesser of 5 percent or inflation, until that point that the property transfers ownership. Now that the market values are declining in many areas, Proposal A continues to stay disconnected, and allows the taxable value to increase by the lesser of 5 percent or inflation (up until the point that it reconnects with market values).

Because many property owners feel it is unfair to see their taxable value increase in a declining market, a third variable, called "change in market value," was proposed last year to be added to the Proposal A formula.

Under the legislation introduced last year, the Proposal A formula to determine annual increases in taxable value (if property is not sold or transferred) would have been changed to the lesser of three components: inflation, change in market value, or 5 percent. Therefore, if the market value of the parcel was either flat or declining - even if the taxable value of the particular parcel was less than state equalized value - there would be no annual increase. This measure passed the House in 2008 but did not advance further.

In January 2009, several versions of this legislation were introduced which reinstate a similar constitutional amendment. Such a change would ultimately need to be approved by the voters before it can be enacted.

Change in Investment Act

Public Act 213 of 2007, adopted at the end of 2007, requires local governments to perform their investment reporting quarterly to the governing body. The investment of surplus monies by Michigan local governments is controlled by Public Act 20 of 1943. The Act previously required investment reporting annually. It is suggested that the required quarterly reports list investments by institution along with maturity dates and interest rates.