

### 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 checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Coleman	County Midland
Fiscal Year End June 30, 2007	Opinion Date October 5, 2007	Date Audit Report Submitted to State October 12, 2007	

We affirm that:

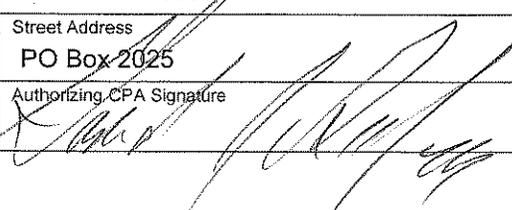
We are certified public accountants licensed to practice in Michigan.

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<br>NO | <b>Check each applicable box below.</b> (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 checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Rehmann Robson		Telephone Number (989) 799-9580	
Street Address PO Box 2025		City Saginaw	State   Zip MI   48605
Authorizing CPA Signature 		Printed Name Gerald J. Deslover, CPA	
		License Number 1101007126	

# City of Coleman

Coleman, Michigan

Financial Statements

For the Year Ended June 30, 2007

# CITY OF COLEMAN

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**REHMANN ROBSON**

*Certified Public Accountants*

A member of **THE REHMANN GROUP**

An Independent Member of Baker Tilly International

## **INDEPENDENT AUDITORS' REPORT**

October 3, 2007

To the City Council  
City of Coleman  
Coleman, 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 **City of Coleman**, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City'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 **City of Coleman**, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons of the General, Major Streets, Local Streets, and Street and Sidewalk Improvement Governmental Funds for the year then ended in conformity with accounting principles general accepted in the United States of America.

The Management's Discussion and Analysis listed in the table of contents on pages 3-6 is not a required part of the basic financial statements but is supplementary 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 supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise *City of Coleman's* basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Lehmann Johnson".

**CITY OF COLEMAN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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**CONCEPTUAL INFORMATION ABOUT THE CITY'S FINANCIAL STATEMENTS**

The primary government is presented in two categories, governmental activities and business-type activities. Governmental activities consolidate all general and other governmental funds. This reflects the City of Coleman as a whole that is inclusive of all general operating, special revenue and capital project funds. Business-type activities are limited to the Sanitary Sewer Fund, the Water Fund and Pere Marquette Senior Estates Fund. As the audit report progresses, these categories are presented as individual funds indicating separate fund activities that make up the total governmental and business-type presentation. The statement of net assets gives you a combined City total of assets net of debt with the difference as a statement of equity or net assets. The City of Coleman has adopted a \$5,000 threshold for capitalizing assets. Assets costing less than \$5,000 are expensed in the year they are purchased.

**FINANCIAL HIGHLIGHTS**

The City of Coleman's assets exceed its liabilities at the close of the most recent fiscal year by \$4,114,776 (net assets). Of this amount \$1,393,715 may be used to meet the City's continuing obligations to citizens and creditors.

The City's total net assets increased by \$43,451 during the 2006-2007 fiscal years.

At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$423,689, a decrease of \$57,388 from the beginning of the year fund balance.

For the fiscal year ended June 30, 2007, General Fund expenditures exceeded revenues after transfers out by \$21,405.

The following tables represent an analysis of the City of Coleman's Net Assets. Comparative data is included.

**CITY OF COLEMAN'S Net Assets**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	2006	2007	2006	2007	2006	2007
Current and other assets	\$ 574,444	\$ 540,977	\$ 1,027,555	\$ 937,631	\$ 1,601,999	\$ 1,478,608
Capital Assets	1,070,296	1,101,036	1,529,174	1,639,199	2,606,470	2,740,235
<b>Total assets</b>	<b>1,651,740</b>	<b>1,642,013</b>	<b>2,556,729</b>	<b>2,576,830</b>	<b>4,208,469</b>	<b>4,218,843</b>
Accounts payable and accrued expenses	65,104	48,113	12,247	14,910	77,351	63,023
Non-current liabilities	59,793	41,044	-	-	59,793	41,044
<b>Total liabilities</b>	<b>124,897</b>	<b>89,157</b>	<b>12,247</b>	<b>14,910</b>	<b>137,144</b>	<b>104,067</b>
Net assets:						
Invested in capital assets, net of related debt	993,674	1,041,243	1,529,174	1,639,199	2,522,848	2,680,442
Restricted	39,005	40,619	-	-	39,005	40,619
Unrestricted	494,164	470,994	1,015,308	922,721	1,509,475	1,393,715
<b>Total net assets</b>	<b>\$ 1,526,843</b>	<b>\$ 1,552,856</b>	<b>\$ 2,544,482</b>	<b>\$ 2,561,920</b>	<b>\$ 4,071,325</b>	<b>\$ 4,114,776</b>

**CITY OF COLEMAN'S Change in Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2006	2007	2006	2007	2006	2007
Revenues:						
Program revenues:						
Charges for services	\$ 97,501	\$ 83,022	\$ 348,568	\$ 373,243	\$ 446,069	\$ 456,265
Operating grants and contributions	5,229	5,205	-	-	5,229	5,205
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	444,183	460,545	-	-	444,183	460,545
Grants and contributions not restricted to specific programs	168,442	166,929	-	-	168,442	166,929
Unrestricted investment earnings	5,858	6,251	27,769	30,725	33,627	36,976
Miscellaneous	33,859	4,492	19,852	51,126	53,711	55,618
<b>Total revenues</b>	<b>755,072</b>	<b>726,444</b>	<b>396,189</b>	<b>455,094</b>	<b>1,151,261</b>	<b>1,181,538</b>
Expenses:						
General Government	165,909	179,961	-	-	165,909	179,961
Public Safety	170,279	172,808	-	-	170,279	172,808
Public Works	131,149	117,396	-	-	131,149	117,396
Culture and recreation	48,352	37,255	-	-	48,352	37,255
General Services	164,737	187,901	-	-	164,737	187,901
Interest on debt	898	5,110	-	-	898	5,110
Sewer	-	-	144,369	136,760	144,369	136,760
Water	-	-	162,763	162,793	162,763	162,793
Senior Housing	-	-	155,988	138,103	155,988	138,103
<b>Total expenses</b>	<b>681,324</b>	<b>700,431</b>	<b>463,120</b>	<b>437,656</b>	<b>1,144,444</b>	<b>1,138,087</b>
Change in net assets	73,748	26,013	(66,931)	17,438	6,817	43,451
Net assets, beginning of year	1,453,095	1,526,843	2,611,413	2,544,482	4,064,508	4,071,325
<b>Net assets, end of year</b>	<b>\$ 1,526,843</b>	<b>\$ 1,552,856</b>	<b>\$ 2,544,482</b>	<b>\$ 2,561,920</b>	<b>\$ 4,071,325</b>	<b>\$ 4,114,776</b>

The costs of operating the Senior Housing complex are increasing due to aging of the building and the interior amenities. In spite of this, the city is attempting to save money and is seeking funding for future construction of a similar facility.

Although the city increased rates for water and sewer services in the 2006-2007 year, these funds continue to struggle. Rising employee costs, supply costs and utility costs as well as the maintenance costs associated with aging systems makes it increasingly difficult to meet expenses on the revenue generated by these systems. This has made it nearly impossible to save for future maintenance and/or expansion of these systems.

### **FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS**

The City of Coleman's tax base continues to be single-family residences. Although the City's valuation continues to increase it also continues to be necessary to levy the maximum allowable mileage (after the Headlee rollback). Property owners have been delaying payment of property taxes until nearer the due date. It has been getting more difficult for the city to meet financial obligations at the beginning of the fiscal year because of this. But accelerated tax foreclosure on delinquent properties appears to have made tax payers more diligent about paying property taxes prior to them being turned over to the county. Decreases in state revenue sharing payments continue to impact the City's operations as well.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

General Fund revenues from all sources decreased from \$510,812 at the 2006 year end to \$503,346 at the 2007 year end. General Fund expenditures increased from \$521,358 at the 2006 year end to \$524,751 at the 2007 year end. Revenues are not increasing enough to keep up with the increasing costs of operations. Employee health care costs continue to rise as does the cost of miscellaneous supplies and utility expenses.

### **CAPITAL ASSETS**

As reported on prior year's Management's Discussion and Analysis, the City of Coleman has purchased several new pieces of equipment to replace equipment that has been used past its useful life. The city makes every attempt to pay off balances owed on this equipment as quickly as financially possible. It is finally felt that we have equipment in good repair and are able to do necessary jobs without major expenses for repair. The costs of maintenance of equipment should continue to be manageable in upcoming fiscal years due to these new equipment purchases. The City of Coleman continues to have a capitalization threshold of \$5,000 or more. This means investment in assets of less than \$5,000 is expensed in the year they are acquired.

**CITY OF COLEMAN'S CAPITAL ASSETS**  
(net of depreciation)

	Governmental Activities	Business-type Activities	Total
Land	\$ 377,008	\$ 67,016	\$ 444,024
Buildings	128,669	264,681	393,350
Infrastructure	286,664	-	286,664
Public safety	15,562	-	15,562
Machinery and equipment	293,133	2,654	295,787
Senior housing complex	-	1,065,308	1,065,308
Collection and disposal system	-	239,540	239,540
<b>Total</b>	<b>\$ 1,101,036</b>	<b>\$ 1,639,199</b>	<b>\$ 2,740,235</b>

Further information on the City's capital assets can be found in the notes to the financial statements.

**LONG-TERM DEBT**

Long-term debt should decline due to pay off of equipment. No new equipment purchases are currently planned. The city strives to pay off debt as quickly as possible and in many cases pays balances owed prior to pay off dates. Further information on the City's long-term debt can be found in the notes to the financial statements.

**THE CITY OF COLEMAN'S FINANCIAL FUTURE**

The City spends conservatively. Cost for health care, utilities etc. continue to rise. The City maintains its facilities but struggles to provide services to its citizens at the same level as past years. The police department strives to maintain the current level of services to City of Coleman residents as revenue sharing payments decline. Growth in the City has been slow but the City hopes for new business and industry. Expanding our tax base past single-family homes needs to be a prime objective. The City hopes to have businesses in an as yet undeveloped industrial park in the near future.

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the City of Coleman's finances. Question concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Coleman Treasurer, P.O. Box 504, Coleman, Michigan 48618.

## **Basic Financial Statements**

**CITY OF COLEMAN**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2007**

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 488,230	\$ 857,626	\$ 1,345,856
Receivables	52,012	65,426	117,438
Internal balances	(5,954)	5,954	-
Prepays	6,689	-	6,689
Restricted assets - cash and cash equivalents	-	8,625	8,625
Capital assets, net			
Assets not being depreciated	377,008	67,016	444,024
Assets being depreciated	724,028	1,572,183	2,296,211
<b>Total assets</b>	<b>1,642,013</b>	<b>2,576,830</b>	<b>4,218,843</b>
<b>Liabilities</b>			
Accounts payable and accrued expenses	\$ 29,364	\$ 14,910	\$ 44,274
Non-current liabilities:			
Due within one year	18,749	-	18,749
Due in more than one year	41,044	-	41,044
<b>Total liabilities</b>	<b>89,157</b>	<b>14,910</b>	<b>104,067</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	1,041,243	1,639,199	2,680,442
Restricted for:			
Capital projects	40,619	-	40,619
Unrestricted	470,994	922,721	1,393,715
<b>Total net assets</b>	<b>\$ 1,552,856</b>	<b>\$ 2,561,920</b>	<b>\$ 4,114,776</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF COLEMAN**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2007**

<u>Functions / Programs</u>	<u>Expenses</u>	Program Revenues		<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Primary government				
Governmental activities:				
General government	\$ 179,961	\$ 82,226	\$ -	\$ (97,735)
Public safety	172,808	796	-	(172,012)
Public works	117,396	-	-	(117,396)
Culture and recreation	37,255	-	-	(37,255)
General services	187,901	-	5,205	(182,696)
Interest on long-term debt	5,110	-	-	(5,110)
Total governmental activities	700,431	83,022	5,205	(612,204)
Business-type activities:				
Sewer	136,760	105,843	-	(30,917)
Water	162,793	126,459	-	(36,334)
Senior housing	138,103	140,941	-	2,838
Total business-type activities	437,656	373,243	-	(64,413)
Total primary government	\$ 1,138,087	\$ 456,265	\$ 5,205	\$ (676,617)

continued...

The accompanying notes are an integral part of these financial statements.

**CITY OF COLEMAN**

**STATEMENT OF ACTIVITIES (CONCLUDED)**

**FOR THE YEAR ENDED JUNE 30, 2007**

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Functions/Programs	Governmental Activities	Business-type Activities	Total
Change in net assets			
Net (expense) revenue	\$ (612,204)	\$ (64,413)	\$ (676,617)
General revenues:			
Property taxes	460,545	-	460,545
Grants and contributions not restricted to specific programs	166,929	-	166,929
Unrestricted investment earnings	6,251	30,725	36,976
Miscellaneous general revenues	4,492	51,126	55,618
Total general revenues	<u>638,217</u>	<u>81,851</u>	<u>720,068</u>
Change in net assets	26,013	17,438	43,451
Net assets, beginning of year	<u>1,526,843</u>	<u>2,544,482</u>	<u>4,071,325</u>
Net assets, end of year	<u>\$ 1,552,856</u>	<u>\$ 2,561,920</u>	<u>\$ 4,114,776</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF COLEMAN**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**

**JUNE 30, 2007**

	<u>GENERAL</u>	<u>MAJOR STREETS</u>	<u>LOCAL STREETS</u>	<u>STREET AND SIDEWALK IMPROVEMENT</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 114,325	\$ 103,021	\$ 16,583	\$ 37,149
Certificates of deposits	86,901	-	-	-
Accounts receivable	21,695	-	-	-
Prepays	6,689	-	-	-
Due from other funds	21,445	-	-	-
Due from State	21,143	6,812	2,365	-
	<u>21,143</u>	<u>6,812</u>	<u>2,365</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>\$ 272,198</u>	<u>\$ 109,833</u>	<u>\$ 18,948</u>	<u>\$ 37,149</u>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 23,853	\$ -	\$ -	\$ -
Accrued liabilities	4,100	-	-	-
Due to other funds	14,014	17,004	4,331	-
	<u>14,014</u>	<u>17,004</u>	<u>4,331</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>41,967</u>	<u>17,004</u>	<u>4,331</u>	<u>-</u>
<b>FUND EQUITY</b>				
Fund balances				
Reserved for:				
Capital projects	-	-	-	-
Unreserved - undesignated, reported in:				
General fund	230,231	-	-	-
Special revenue funds	-	92,829	14,617	37,149
	<u>-</u>	<u>92,829</u>	<u>14,617</u>	<u>37,149</u>
<b>TOTAL FUND EQUITY</b>	<u>230,231</u>	<u>92,829</u>	<u>14,617</u>	<u>37,149</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>\$ 272,198</u>	<u>\$ 109,833</u>	<u>\$ 18,948</u>	<u>\$ 37,149</u>

The accompanying notes are an integral part of these financial statements.

OTHER GOVERNMENTAL FUNDS	TOTALS
\$ 8,312	\$ 279,390
40,619	127,520
-	21,695
-	6,689
-	21,445
-	30,320
<u>\$ 48,931</u>	<u>\$ 487,059</u>
\$ 68	\$ 23,921
-	4,100
-	35,349
<u>68</u>	<u>63,370</u>
40,619	40,619
-	230,231
8,244	152,839
<u>48,863</u>	<u>423,689</u>
<u>\$ 48,931</u>	<u>\$ 487,059</u>

**CITY OF COLEMAN**

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE  
SHEET TO THE STATEMENT OF NET ASSETS**

**JUNE 30, 2007**

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Fund balances - total governmental funds	\$ 423,689
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add - capital assets	1,194,127
Deduct - accumulated depreciation	(364,069)
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - capital lease payable	(2,618)
An internal service fund is used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service fund are partially included in governmental activities in the statement of net assets.	
Add - net assets of governmental activities accounted for in the internal service fund	<u>301,727</u>
Net assets of governmental activities	<u>\$ 1,552,856</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF COLEMAN**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2007**

	GENERAL	MAJOR STREETS	LOCAL STREETS	STREET AND SIDEWALK IMPROVEMENT
Revenues				
Taxes	\$ 250,428	\$ 18,780	\$ 28,273	\$ 77,804
Intergovernmental revenue - State of Michigan	166,929	84,283	977	-
Building permits	-	-	-	-
Charges for services	64,742	-	-	-
Fines and forfeits	2,648	-	-	-
Other revenues	18,599	442	187	5,562
<b>Total revenues</b>	<b>503,346</b>	<b>103,505</b>	<b>29,437</b>	<b>83,366</b>
Expenditures				
General government	122,850	-	-	-
Public safety	162,865	-	-	-
Public works	136,274	-	-	-
Recreation and cultural	40,113	-	-	-
General services	-	142,456	103,131	21,277
Other functions	45,968	-	-	-
Debt service	7,681	-	-	-
<b>Total expenditures</b>	<b>515,751</b>	<b>142,456</b>	<b>103,131</b>	<b>21,277</b>
Revenues over (under) expenditures	(12,405)	(38,951)	(73,694)	62,089
Other financing sources (uses)				
Transfer in	-	54,689	15,229	-
Transfer out	(9,000)	-	-	(60,918)
<b>Total other financing sources (uses)</b>	<b>(9,000)</b>	<b>54,689</b>	<b>15,229</b>	<b>(60,918)</b>
Net changes in fund balances	(21,405)	15,738	(58,465)	1,171
Fund balances, beginning of year	251,636	77,091	73,082	35,978
<b>Fund balances, end of year</b>	<b>\$ 230,231</b>	<b>\$ 92,829</b>	<b>\$ 14,617</b>	<b>\$ 37,149</b>

The accompanying notes are an integral part of these financial statements.

OTHER GOVERNMENTAL FUNDS	TOTALS
\$ -	\$ 375,285
-	252,189
10,173	10,173
-	64,742
-	2,648
<u>1,783</u>	<u>26,573</u>
<u>11,956</u>	<u>731,610</u>
6,383	129,233
-	162,865
-	136,274
-	40,113
-	266,864
-	45,968
-	<u>7,681</u>
<u>6,383</u>	<u>788,998</u>
<u>5,573</u>	<u>(57,388)</u>
-	69,918
-	<u>(69,918)</u>
-	-
5,573	(57,388)
<u>43,290</u>	<u>481,077</u>
<u>\$ 48,863</u>	<u>\$ 423,689</u>

**CITY OF COLEMAN**

**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
OF THE GOVERNMENTAL FUNDS TO  
THE STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2007**

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Net change in fund balances - total governmental funds	\$ (57,388)
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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, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital additions	94,153
Deduct - depreciation expense	(37,526)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets.

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term liabilities	6,775
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An internal service fund is used by management to charge the costs of certain equipment usage to individual funds. The net revenue attributable to that fund is partially reported with governmental activities.

Add - interest revenue from governmental internal service fund	124
Deduct - loss on disposal of capital assets	(5,290)
Deduct - interest expense in internal service fund	(4,204)
Add - net operating gain from governmental activities in internal service fund	29,369

Change in net assets of governmental activities	<u>\$ 26,013</u>
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The accompanying notes are an integral part of these financial statements.

**CITY OF COLEMAN**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2007**

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Taxes	\$ 239,198	\$ 250,173	\$ 250,428	\$ 255
Intergovernmental revenue -				
State of Michigan	169,521	166,297	166,929	632
Charges for services	88,154	84,033	64,742	(19,291)
Fines and forfeits	3,500	2,300	2,648	348
Other revenues	36,800	17,563	18,599	1,036
Total revenues	<u>537,173</u>	<u>520,366</u>	<u>503,346</u>	<u>(17,020)</u>
Expenditures				
General government	134,917	135,947	122,850	(13,097)
Public safety	160,519	169,765	162,865	(6,900)
Public works	146,137	145,723	136,274	(9,449)
Recreation and cultural	40,150	43,970	40,113	(3,857)
Other functions	41,000	45,750	45,968	218
Debt service	5,450	5,425	7,681	2,256
Total expenditures	<u>528,173</u>	<u>546,580</u>	<u>515,751</u>	<u>(30,829)</u>
Revenues over (under) expenditures	9,000	(26,214)	(12,405)	13,809
Other financing (uses)				
Transfer out	<u>(9,000)</u>	<u>(9,000)</u>	<u>(9,000)</u>	<u>-</u>
Net changes in fund balance	29,368	(35,214)	(21,405)	13,809
Fund balance, beginning of year	<u>251,636</u>	<u>251,636</u>	<u>251,636</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 281,004</u></u>	<u><u>\$ 216,422</u></u>	<u><u>\$ 230,231</u></u>	<u><u>\$ 13,809</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF COLEMAN**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL  
MAJOR STREETS**

**FOR THE YEAR ENDED JUNE 30, 2007**

	Original Budget	Amended Budget	Actual	Over (Under) Budget
<b>Revenues</b>				
<b>Taxes</b>				
Midland County road tax	\$ 16,100	\$ 18,500	\$ 18,780	\$ 280
<b>Intergovernmental revenue</b>				
Gas and weight tax	80,700	81,622	81,467	(155)
Build Michigan Program	2,820	2,816	2,816	-
<b>Total intergovernmental revenue</b>	<b>83,520</b>	<b>84,438</b>	<b>84,283</b>	<b>(155)</b>
<b>Other</b>	<b>350</b>	<b>440</b>	<b>442</b>	<b>2</b>
<b>Total revenues</b>	<b>99,970</b>	<b>103,378</b>	<b>103,505</b>	<b>127</b>
<b>Expenditures</b>				
Routine maintenance	77,250	80,035	73,820	(6,215)
Winter maintenance	44,286	48,111	48,428	317
Administration	3,875	3,475	2,858	(617)
Construction	10,000	17,350	17,350	-
<b>Total expenditures</b>	<b>135,411</b>	<b>148,971</b>	<b>142,456</b>	<b>(6,515)</b>
<b>Revenues over (under) expenditures</b>	<b>(35,441)</b>	<b>(45,593)</b>	<b>(38,951)</b>	<b>6,642</b>
<b>Other financing sources (uses)</b>				
Transfer in	55,689	54,689	54,689	-
<b>Net change in fund balance</b>	<b>20,248</b>	<b>9,096</b>	<b>15,738</b>	<b>6,642</b>
<b>Fund balance, beginning of year,</b>	<b>77,091</b>	<b>77,091</b>	<b>77,091</b>	<b>-</b>
<b>Fund balance, end of year</b>	<b>\$ 97,339</b>	<b>\$ 86,187</b>	<b>\$ 92,829</b>	<b>\$ 6,642</b>

The accompanying notes are an integral part of these financial statements.

# CITY OF COLEMAN

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL LOCAL STREETS

FOR THE YEAR ENDED JUNE 30, 2007

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Gas and weight tax	\$ 28,025	\$ 28,325	\$ 28,273	\$ (52)
Build Michigan Program	980	980	977	(3)
Total intergovernmental revenue	29,005	29,305	29,250	(55)
Other	320	220	187	(33)
Total revenues	29,325	29,525	29,437	(88)
Expenditures				
Routine maintenance	26,629	25,336	27,036	1,700
Winter maintenance	12,000	20,632	19,644	(988)
Administration	925	925	925	-
Construction	-	-	-	-
Capital outlay	5,000	55,526	55,526	-
Total expenditures	44,554	102,419	103,131	712
Other financing sources (uses)				
Transfers in	15,229	15,229	15,229	-
Net change in fund balance	-	(57,665)	(58,465)	(800)
Fund balance, beginning of year	73,082	73,082	73,082	-
Fund balance, end of year	\$ 73,082	\$ 15,417	\$ 14,617	\$ (800)

The accompanying notes are an integral part of these financial statements.

**CITY OF COLEMAN**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL  
STREET AND SIDEWALK IMPROVEMENT**

**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues				
Taxes				
Property taxes	\$ 76,149	\$ 77,805	\$ 77,804	\$ (1)
Other	<u>6,133</u>	<u>5,605</u>	<u>5,562</u>	<u>(43)</u>
Total revenues	82,282	83,410	83,366	(44)
Expenditures				
Construction	<u>21,364</u>	<u>21,277</u>	<u>21,277</u>	<u>-</u>
Revenues over (under) expenditures	60,918	62,133	62,089	(44)
Other financing uses				
Transfer out	<u>(60,918)</u>	<u>(60,918)</u>	<u>(60,918)</u>	<u>-</u>
Net change in fund balance	-	1,215	1,171	(44)
Fund balance, beginning of year,	<u>35,978</u>	<u>35,978</u>	<u>35,978</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 35,978</u></u>	<u><u>\$ 37,193</u></u>	<u><u>\$ 37,149</u></u>	<u><u>\$ (44)</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF COLEMAN**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS**

**JUNE 30, 2007**

	SEWER FUND	WATER FUND	SENIOR HOUSING FUND	TOTAL	INTERNAL SERVICE FUND
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 28,509	\$ 79,428	\$ 19,648	\$ 127,585	\$ 81,320
Certificates of deposit	172,282	27,885	529,874	730,041	-
Accounts receivable	27,783	37,643	-	65,426	-
Due from other funds	-	-	-	-	38,363
Customer deposits	-	-	8,625	8,625	-
Total current assets	<u>228,574</u>	<u>144,956</u>	<u>558,147</u>	<u>931,677</u>	<u>119,683</u>
Capital assets					
Land	52,489	8,800	5,727	67,016	-
Land improvements	33,200	-	-	33,200	-
Buildings	21,980	533,502	-	555,482	45,945
Senior housing complex	-	-	1,389,363	1,389,363	-
Water collection system	-	476,142	-	476,142	-
Sewer disposal system	1,093,487	-	-	1,093,487	-
Equipment	33,167	17,469	-	50,636	471,913
Less accumulated depreciation	<u>(1,055,316)</u>	<u>(646,756)</u>	<u>(324,055)</u>	<u>(2,026,127)</u>	<u>(246,880)</u>
Total capital assets	<u>179,007</u>	<u>389,157</u>	<u>1,071,035</u>	<u>1,639,199</u>	<u>270,978</u>
Total assets	<u>407,581</u>	<u>534,113</u>	<u>1,629,182</u>	<u>2,570,876</u>	<u>390,661</u>
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	\$ 2,817	\$ 1,740	\$ 1,728	\$ 6,285	\$ 1,343
Due to other funds	10,957	8,116	2,395	21,468	2,991
Current portion - lease payable	-	-	-	-	17,029
Customer deposits	-	-	8,625	8,625	-
Total current liabilities	<u>13,774</u>	<u>9,856</u>	<u>12,748</u>	<u>36,378</u>	<u>21,363</u>
Long-term liabilities					
Lease payable	-	-	-	-	40,146
Total liabilities	<u>13,774</u>	<u>9,856</u>	<u>12,748</u>	<u>36,378</u>	<u>61,509</u>
Net Assets					
Invested in capital assets, net of related debt	179,007	389,157	1,071,035	1,639,199	213,803
Unrestricted	<u>214,800</u>	<u>135,100</u>	<u>545,399</u>	<u>895,299</u>	<u>115,349</u>
Total Net Assets	<u>\$ 393,807</u>	<u>\$ 524,257</u>	<u>\$ 1,616,434</u>	<u>2,534,498</u>	<u>\$ 329,152</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				<u>27,422</u>	
Net assets of business-type activities on the governmental-wide statement of net assets				<u>\$ 2,561,920</u>	

The accompanying notes are an integral part of these financial statements.

**CITY OF COLEMAN**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUND TYPES**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	SEWER FUND	WATER FUND	SENIOR HOUSING FUND	TOTAL	INTERNAL SERVICE FUND
Operating revenues					
Charges for services	\$ 95,365	\$ 118,797	\$ -	\$ 214,162	\$ 138,270
Tap-in fees	8,300	5,600	-	13,900	-
Penalties on service revenue	1,878	2,062	-	3,940	-
Rental income	-	13,361	140,941	154,302	-
Insurance recoveries	-	34,188	-	34,188	-
Miscellaneous	300	27	3,550	3,877	469
Total operating revenues	<u>105,843</u>	<u>174,035</u>	<u>144,491</u>	<u>424,369</u>	<u>138,739</u>
Operating expenses					
Wages and fringes	72,039	70,293	27,154	169,486	33,645
Utilities	5,300	10,674	21,618	37,592	-
Equipment rental	15,384	47,974	2,623	65,981	-
Operating supplies	16,614	13,647	25,571	55,832	28,723
Miscellaneous	-	449	-	449	-
Professional fees	3,500	1,171	2,500	7,171	800
Depreciation	28,206	21,843	34,290	84,339	30,080
Repairs & maintenance	-	-	16,614	16,614	-
Insurance	-	-	4,000	4,000	7,000
Contracted services	-	852	4,463	5,315	-
Total operating expenses	<u>141,043</u>	<u>166,903</u>	<u>138,833</u>	<u>446,779</u>	<u>100,248</u>
Operating income (loss)	<u>(35,200)</u>	<u>7,132</u>	<u>5,658</u>	<u>(22,410)</u>	<u>38,491</u>
Nonoperating revenues (expenses)					
Interest revenue	6,750	1,482	22,493	30,725	124
Interest expense	-	-	-	-	(4,204)
Loss on disposal of capital assets	-	-	-	-	(5,290)
Total nonoperating revenues	<u>6,750</u>	<u>1,482</u>	<u>22,493</u>	<u>30,725</u>	<u>(9,370)</u>
Change in net assets	<u>(28,450)</u>	<u>8,614</u>	<u>28,151</u>	<u>8,315</u>	<u>29,121</u>
Net assets, beginning of year	<u>422,257</u>	<u>515,643</u>	<u>1,588,283</u>	<u>2,526,183</u>	<u>300,031</u>
Net assets, end of year	<u>\$ 393,807</u>	<u>\$ 524,257</u>	<u>\$ 1,616,434</u>	<u>\$ 2,534,498</u>	<u>\$ 329,152</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF COLEMAN**

**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN FUND NET ASSETS  
OF THE ENTERPRISE FUNDS TO THE STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2007**

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Change in net assets - all enterprise funds	\$ 8,315
<p>An internal service fund is used by management to charge the costs of certain equipment usage to individual funds. The net revenue (expense) attributable to that fund is partially reported with business-type activities.</p>	
Add - net operating gain from business-type activities in internal service fund	<u>9,123</u>
Change in net assets of business-type activities	<u><u>\$ 17,438</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF COLEMAN**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>SEWER FUND</u>	<u>WATER FUND</u>	<u>SENIOR HOUSING FUND</u>	<u>TOTAL</u>	<u>INTERNAL SERVICE FUND</u>
Cash flows from operating activities					
Cash received from customers	\$ 107,155	\$ 169,363	\$ 144,491	\$ 421,009	\$ -
Cash received from interfund services provided	-	-	1,060	1,060	137,978
Cash payments for interfund services used	(1,237)	(2,685)	-	(3,922)	-
Cash payments to suppliers for goods and services	(39,666)	(73,375)	(76,650)	(189,691)	(35,913)
Cash payments to employees for services	(72,039)	(70,293)	(27,154)	(169,486)	(33,645)
Net cash provided (used) by operating activities	<u>(5,787)</u>	<u>23,010</u>	<u>41,747</u>	<u>58,970</u>	<u>68,420</u>
Cash from capital and related financing activities					
Principal payments on installment contracts	-	-	-	-	(17,054)
Interest payments on installment contracts	-	-	-	-	(4,204)
Acquisition of capital assets	-	-	(194,365)	(194,365)	(2,480)
Net cash (used in) capital and related financing activities	<u>-</u>	<u>-</u>	<u>(194,365)</u>	<u>(194,365)</u>	<u>(23,738)</u>
Cash from investing activities					
Interest on investments	6,750	1,482	22,493	30,725	124
Investment in certificates of deposit	(3,862)	(1,269)	115,000	109,869	-
Net cash provided by (used in) investing activities	<u>2,888</u>	<u>213</u>	<u>137,493</u>	<u>140,594</u>	<u>124</u>
Net increase (decrease) in cash and cash equivalents	(2,899)	23,223	(15,125)	5,199	44,806
Cash and cash equivalents, beginning of year	<u>31,408</u>	<u>56,205</u>	<u>34,773</u>	<u>122,386</u>	<u>36,514</u>
Cash and cash equivalents, end of year	<u>\$ 28,509</u>	<u>\$ 79,428</u>	<u>\$ 19,648</u>	<u>\$ 127,585</u>	<u>\$ 81,320</u>

Non-cash investing, capital and financing transactions

All dividends and interest income were immediately reinvested in the cash management funds.  
A non-cash transaction occurred when the City received \$5,445 for a trade in on a new asset valued at \$6,440.

Cash from operating activities					
Operating income (loss)	\$ (35,200)	\$ 7,132	\$ 5,658	\$ (22,410)	\$ 38,491
Adjustments to reconcile operating income (loss) to net cash (used) provided by operating activities:					
Depreciation	28,206	21,843	34,290	84,339	30,080
Changes in operating assets and liabilities which provided (used) cash:					
Accounts receivable	1,312	(4,672)	-	(3,360)	-
Due from other funds	-	-	-	-	(2,587)
Accounts payable	1,132	1,392	739	3,263	610
Due to other funds	(1,237)	(2,685)	1,060	(2,862)	1,826
Net cash provided (used) by operations	<u>\$ (5,787)</u>	<u>\$ 23,010</u>	<u>\$ 41,747</u>	<u>\$ 58,970</u>	<u>\$ 68,420</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF COLEMAN**  
**NOTES TO FINANCIAL STATEMENTS**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**REPORTING ENTITY**

City of Coleman (the “City”) has determined that no entities should be consolidated into its basic financial statements as component units. The criteria for including a component unit includes significant operational or financial relationships with the City. Therefore, the reporting entity consists only of the primary government.

**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. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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 revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**CITY OF COLEMAN**  
**NOTES TO FINANCIAL STATEMENTS**

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**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 and fiduciary fund financial statements, except for Agency funds, which do not have a measurement focus. Revenues are 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 revenues 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.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

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

The *major streets fund* accounts for the revenue and the related operation and maintenance of the major street system.

The *local streets fund* accounts for the revenue and the related operation and maintenance of the local street system.

# CITY OF COLEMAN

## NOTES TO FINANCIAL STATEMENTS

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The *street and sidewalk improvement fund* accounts for the revenue and the related operation and maintenance of the City's streets and sidewalks.

The government reports the following major proprietary funds:

The *sewer fund* accounts for the activities of the government's sewage disposal and treatment system.

The *water fund* accounts for the activities of the government's water distribution and treatment system.

The *senior housing fund* accounts for the activities of the government's senior housing complex.

Additionally, the City reports the following fund types:

The *Internal service fund* accounts for the equipment rental services provided to other departments or agencies of the government on a cost reimbursement basis.

*Agency funds* are used to account for the assets held for other governments in an agency capacity. At the end of the June 30, 2007, fiscal year, there were no balances in the agency funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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 government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* 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 revenues* rather than as program revenues. Likewise, general revenues include all taxes.

# CITY OF COLEMAN

## NOTES TO FINANCIAL STATEMENTS

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Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer, water and senior housing enterprise funds are charges to customers for sales and services. The sewer and water funds also recognize as operating revenues the portion of tap-in fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

### **ASSETS, LIABILITIES AND EQUITY**

#### ***Deposits and investments***

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

Investments are reported at fair value.

#### ***Receivables and payables***

All receivables and payables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**CITY OF COLEMAN**  
**NOTES TO FINANCIAL STATEMENTS**

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City property taxes are attached as an enforceable lien on property as of December 1. Taxes are levied December 1 and are due without penalty on or before February 14. These tax bills include the City's own property taxes and taxes billed on behalf of the school districts within the City's boundaries and Midland County.

Real property taxes not collected as of March 1 are turned over to Midland County for collection, which advances the City 100% for the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the City Treasurer.

***Prepaid items***

Certain payments made to vendors are for services applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

***Restricted assets***

Proceeds received from tenants of the Pere Marquette Senior Housing facility that represent refundable deposits have been classified as restricted assets.

***Capital assets***

Capital assets, which include property, plant, and equipment (the City owns infrastructure assets such as water and sewer systems and roads and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

The City has capitalized infrastructure that has been acquired since the adoption of GASB 34.

**CITY OF COLEMAN**  
**NOTES TO FINANCIAL STATEMENTS**

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Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	10
Public domain infrastructure	5-50
Building	40
Senior housing complex	40
Equipment	3
Collections and disposal systems	5-10

***Compensated absences***

The City does not allow employees to accumulate substantial levels of compensated absences from year to year. Employees do not receive a pay off of the accumulated compensated absences at termination.

***Long-term obligations***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the 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 on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, 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.

**CITY OF COLEMAN**  
**NOTES TO FINANCIAL STATEMENTS**

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**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. BUDGETS AND BUDGETARY ACCOUNTING**

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

- Prior to June 1, the departments submit to the City Council a proposed departmental operating budget for the fiscal year commencing the following July 1. This operating budget includes proposed expenditures and means of financing them.
- Public hearings are conducted at the governmental center to obtain taxpayer comments.
- Prior to July 1, the budget is legally enacted through passage of an ordinance.
- All budget appropriations lapse at year end. Budgetary amounts reported herein are as originally adopted, or as amended by the City Council throughout the operating year.
- Annual budgets are legally adopted and formal budgetary integration is employed as a management control device during the year for the General fund and Special Revenue Funds.
- Budgets for the General and Special Revenue Funds are prepared on a modified accrual basis, while the Internal Service and Enterprise Funds informational budgets are prepared using the accrual basis of accounting. Both methods are consistent with generally accepted accounting principles (GAAP).
- The legal level of control is at the activity level for the General and Special Revenue Funds.
- Revisions that alter the total expenditures of any fund or total department expenditures in the General Fund must be approved by the City Council

**B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

The following funds had expenditures exceeding budgeted appropriations at the activity level, which is the City's legal level of budgetary control for the year ended June 30, 2007:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>General Fund</b>			
Public safety			
Fire protection	28,769	29,126	(357)
Other functions - insurance	45,750	45,968	(218)
Debt service			
Principal	5,425	6,775	(1,350)
Interest	-	906	(906)

**CITY OF COLEMAN**  
**NOTES TO FINANCIAL STATEMENTS**

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	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Major Streets Fund</b>			
Winter maintenance	\$ 48,111	\$ 48,428	\$ (317)
<b>Local Streets Fund</b>			
Routine maintenance	25,336	27,036	(1,700)

**III. DETAILED NOTES ON ALL FUNDS**

**A. DEPOSITS AND INVESTMENTS**

A reconciliation of cash and investments as shown in the financial statements to the City's deposits and investments is as follows:

	<u>Total</u>
Government-wide Financial Statement Captions:	
Cash and cash equivalents	\$ 1,345,856
Restricted assets - cash and cash equivalents	<u>8,625</u>
	<u>\$ 1,354,481</u>
Notes to Financial Statements:	
Deposits	\$ 1,354,431
Cash on hand	<u>50</u>
Total	<u>\$ 1,354,481</u>

**Investment and deposit risk:**

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit risk.* The City's investment policy does not have specific limits in excess of state law on investment credit risk. The City has no investments for which ratings are required.

*Custodial credit risk deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require and the City does not have a policy for deposit custodial credit risk. As of year end, \$1,165,462 of the City's bank balance of \$1,365,462 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**CITY OF COLEMAN**  
**NOTES TO FINANCIAL STATEMENTS**

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The City is authorized by statute to invest surplus funds in the following:

- a. Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940, limited to mutual fund securities whose intention is to maintain a net asset value of \$1.00 per share.
- g. External investment pools as authorized by Public Act 20 as amended through 12/31/97.

The City Council is authorized to designate depositories for City funds, and to determine that the funds are invested in accordance with State of Michigan statutory authority.

The City's deposits are in accordance with statutory authority.

**B. RECEIVABLES**

Receivables as of year end for the government's governmental and business-type activities in the aggregate, are as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Receivables:		
Accounts	\$ 21,692	\$ 65,426
Intergovernmental	<u>30,320</u>	<u>-</u>
Total receivables	<u>\$ 52,012</u>	<u>\$ 65,426</u>

**CITY OF COLEMAN**  
**NOTES TO FINANCIAL STATEMENTS**

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**C. CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2007 was as follows:

	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Disposals</u></b>	<b><u>Ending Balance</u></b>
<b>Governmental activities</b>				
Capital assets not being depreciated – land	\$ 377,008	\$ -	\$ -	\$ 377,008
Capital assets being depreciated:				
Buildings	325,051	17,480	-	342,531
Infrastructure	246,811	79,153	-	325,964
Public safety	81,865	-	-	81,865
Machinery and equipment	<u>598,388</u>	<u>-</u>	<u>(13,771)</u>	<u>584,617</u>
Total capital assets being depreciated	<u>1,252,115</u>	<u>96,633</u>	<u>(13,771)</u>	<u>1,334,977</u>
Less accumulated depreciation				
Buildings	(206,150)	(7,712)	-	(213,862)
Infrastructure	(24,110)	(15,190)	-	(39,300)
Public safety	(56,359)	(9,944)	-	(66,303)
Machinery and equipment	<u>(265,205)</u>	<u>(34,760)</u>	<u>8,481</u>	<u>(291,484)</u>
Total accumulated depreciation	<u>(551,824)</u>	<u>(67,606)</u>	<u>8,481</u>	<u>(610,949)</u>
Total capital assets being depreciated, net	<u>700,291</u>	<u>29,027</u>	<u>(5,290)</u>	<u>724,028</u>
<b>Governmental activities capital assets, net</b>	<b><u>\$ 1,077,299</u></b>	<b><u>\$ 29,027</u></b>	<b><u>\$ (5,290)</u></b>	<b><u>\$ 1,101,036</u></b>

**CITY OF COLEMAN**  
**NOTES TO FINANCIAL STATEMENTS**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 67,016	\$ -	\$ -	\$ 67,016
Capital assets being depreciated:				
Buildings	555,482	-	-	555,482
Land improvements	33,200	-	-	33,200
Senior housing complex	1,194,998	194,365	-	1,389,363
Collection & disposal system	1,569,629	-	-	1,569,629
Equipment	<u>65,199</u>	<u>-</u>	<u>(14,563)</u>	<u>50,636</u>
Total capital assets being depreciated	<u>3,418,508</u>	<u>194,365</u>	<u>(14,563)</u>	<u>3,598,310</u>
Less accumulated depreciation:				
Buildings	(277,537)	(13,264)	-	(290,801)
Land improvements	(33,200)	-	-	(33,200)
Senior housing complex	(289,765)	(34,290)	-	(324,055)
Collection & disposal system	(1,293,795)	(36,294)	-	(1,330,089)
Equipment	<u>(62,054)</u>	<u>(491)</u>	<u>14,563</u>	<u>(47,982)</u>
Total accumulated depreciation	<u>(1,956,351)</u>	<u>(84,339)</u>	<u>14,563</u>	<u>(2,026,127)</u>
Total capital assets being depreciated, net	<u>1,462,157</u>	<u>110,026</u>	<u>-</u>	<u>1,572,183</u>
<b>Business-type activities capital assets, net</b>	<b><u>\$ 1,529,173</u></b>	<b><u>\$ 110,026</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,639,199</u></b>

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

<b>Governmental activities:</b>	
General government	\$ 4,760
Public safety	9,943
Public works	34,614
Culture and recreation	3,099
General services	<u>15,190</u>
Total depreciation expense – governmental activities	<u>\$ 67,606</u>

**CITY OF COLEMAN**  
**NOTES TO FINANCIAL STATEMENTS**

**Business-type activities:**

Sewer	\$ 28,206
Water	21,843
Senior housing	<u>34,290</u>
Total depreciation expense – business-type activities	<u>\$ 84,339</u>

**D. PAYABLES**

Accounts payable and accrued expenses as of year end for the City’s governmental and business-type activities in the aggregate, are as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Payables:		
Accounts	\$ 25,264	\$ 6,285
Payroll liabilities	<u>4,100</u>	<u>8,625</u>
Total payables	<u>\$ 29,364</u>	<u>\$ 14,910</u>

**E. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances as of June 30, 2007, is as follows:

<b>Due To</b>	<b>Due From</b>							<b>Total</b>
	General	Major Streets	Local Streets	Senior Housing Complex	Sewer	Water	Internal Service	
General	\$ -	\$ 5,874	\$ 1,294	\$ 1,369	\$ 5,583	\$ 4,334	\$ 2,991	\$ 21,445
Internal Service	14,014	11,130	3,037	1,026	5,374	3,782	-	38,363
Total	<u>\$14,014</u>	<u>\$17,004</u>	<u>\$ 4,331</u>	<u>\$ 2,395</u>	<u>\$10,957</u>	<u>\$ 8,116</u>	<u>\$ 2,991</u>	<u>\$ 59,808</u>

The interfund receivables and payables for the City consist of amounts due to the General fund for fringe benefits paid by the General fund, and amounts due to the Equipment Rental internal service fund for equipment rental charges.

<b>Transfer To</b>	General	Street & Sidewalk	Total
Major Streets	\$ 9,000	\$ 45,689	\$ 54,689
Local Streets	-	15,229	15,229
Total	<u>\$ 9,000</u>	<u>\$ 60,918</u>	<u>\$ 69,918</u>

**CITY OF COLEMAN**  
**NOTES TO FINANCIAL STATEMENTS**

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The interfund transfers from the General Fund and the Street & Sidewalk Improvement Special Revenue Fund are to subsidize projects accounted for in the Major and Local Streets Special Revenue funds.

**F. LONG-TERM DEBT**

Long-term obligations for the year ended June 30, 2007, were as follows:

	<b>Balance July 1, <u>2006</u></b>	<b><u>Additions</u></b>	<b><u>(Reductions)</u></b>	<b>Balance June 30, <u>2007</u></b>	<b><u>Due Within One Year</u></b>
<b>GOVERNMENTAL ACTIVITIES</b>					
Copy machine, original issue of \$6,629 with annual maturities of \$860 to \$899 maturing through December 31, 2008, bearing interest of 5.969%.	\$ 4,240	-	\$ (1,622)	\$ 2,618	\$ 1,720
City police vehicle – original issue of \$20,082 with an annual maturity of \$5,449 maturing through June 1, 2007, bearing interest of 5.75%.	5,153	-	(5,153)	-	-
2001 Sterling Dump Truck, original issue of \$38,000 with annual maturities of \$5,961 to \$7,648 maturing through July 1, 2010, bearing interest of 9.3%.	30,354	-	(5,961)	24,393	5,279

**CITY OF COLEMAN**  
**NOTES TO FINANCIAL STATEMENTS**

	<b>Balance July 1, 2006</b>	<b>Additions</b>	<b>(Reductions)</b>	<b>Balance June 30, 2007</b>	<b>Due Within One Year</b>
2006 GMAC Truck, original issue of \$32,872 with annual maturities of \$7,470 to \$8,999 maturing through August 23, 2008, bearing interest of 6.4%.	\$ 23,875	-	\$ (7,470)	\$ 16,405	\$ 7,948
Street Sweeper, original issue of \$20,000 with annual maturities of \$3623 to \$4,396 maturing through August 29, 2010, bearing interest of 4.95%	<u>20,000</u>	<u>-</u>	<u>(3,623)</u>	<u>16,377</u>	<u>3,802</u>
<b>TOTAL LONG-TERM DEBT</b>	<b><u>\$ 83,622</u></b>	<b><u>\$ -</u></b>	<b><u>\$(23,829)</u></b>	<b><u>\$ 59,793</u></b>	<b><u>\$ 18,749</u></b>

The annual requirements to pay future principal and interest on the governmental installment contracts are as follows:

<b><u>Year ending June 30,</u></b>	<b><u>Governmental Activities</u></b>	
	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2008	18,749	4,360
2009	19,138	3,046
2010	10,541	1,718
2011	<u>11,365</u>	<u>895</u>
	<u>\$ 59,793</u>	<u>\$ 10,019</u>

**G. LEASES**

The City's leasing operation consists of leasing apartments in the senior housing complex. Leases are generally signed for one-year terms and are classified as operating leases. The City's investment in property held for lease at June 30, 2007, consists of the following:

Senior housing complex	\$ 1,395,090
Less accumulated depreciation	<u>(324,055)</u>
Total	<u>\$ 1,071,035</u>

Rental income from the leasing operation was \$140,941 for the year ended June 30, 2007.

**CITY OF COLEMAN**  
**NOTES TO FINANCIAL STATEMENTS**

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**IV. OTHER INFORMATION**

**A. DEFINED BENEFIT PENSION PLAN AND POST-RETIREMENT BENEFITS**

**Plan Description**

The City's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The City participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

**Funding Policy**

The City is required to contribute at an actuarially determined rate; the current rate is 16.05% of annual covered payroll. City employees are required to contribute 3 - 5% of their annual covered payroll. The contribution requirements of the City are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the City, depending on the MERS contribution program adopted by the City.

**Annual Pension Cost**

For the year ended June 30, 2007, the City's annual pension cost of \$49,840 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2004, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions include (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 4.50% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect market value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2006, the date of the latest actuarial valuation, was 30 years.

**CITY OF COLEMAN**  
**NOTES TO FINANCIAL STATEMENTS**

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**Three-Year Trend Information**

<b>Fiscal Year Ending</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
6/30/05	\$40,442	100%	\$0
6/30/06	44,589	100	0
6/30/07	49,840	100	0

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
12/31/04	\$987,178	\$1,477,648	\$490,470	67%	\$248,078	198%
12/31/05	1,022,741	1,635,455	612,714	63	272,572	225%
12/31/06	1,085,779	1,751,396	665,617	62	289,835	230%

**Post-retirement Healthcare**

As authorized by the City Commission, the City has elected to provide post-retirement healthcare benefits to certain retirees and their beneficiaries. All of the City's union employees become eligible for post-retirement health care benefits if they reach normal retirement age and are eligible for retirement benefits from the City. Currently, there is only one retiree eligible to receive benefits. The City pays the full cost of coverage for these benefits. The cost of retiree health care benefits is recognized as an expense as claims are paid. Retirees are currently not required to contribute. The amount of those costs for the year ended June 30, 2007, was \$5,344.

**B. PROPERTY TAXES**

City property taxes are attached as an enforceable lien on property as of July 1 and are due without penalty on or before September 30. These summer tax bills include the City's own property taxes and taxes billed on behalf of the community college which covers the district in which the City is located. Real property taxes not collected as of March 1 are turned over to Midland County for collection, which advances the City 100% for the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the City Treasurer. Property taxes levied in July of each year are recognized as revenue in that year.

The City acts as a collection agent for the State of Michigan, Midland County, the intermediate school district, the local school district, the community college and the library located within the City limits for winter property taxes.

**CITY OF COLEMAN**  
**NOTES TO FINANCIAL STATEMENTS**

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Taxes collected on behalf of the school districts, Midland County, the State of Michigan and the library are turned over to the districts, County, State, and library immediately following collection and are accounted for in designated agency funds.

**C. CONTINGENCIES AND COMMITMENTS**

Under the terms of various Federal and State grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. However, City management does not believe such disallowances, if any, will be material to the financial position of the City.

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**Combining and Individual Fund Financial  
Statements and Schedules**

**CITY OF COLEMAN**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES**  
**BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2007**  
(With comparative actual amounts for the year ending June 30, 2006)

	Original Budget	Amended Budget	Actual	Over (Under) Budget	2006
Taxes					
Current property taxes	\$ 228,448	\$ 239,146	\$ 239,401	\$ 255	\$ 227,708
Tax administration fees	10,500	10,653	10,653	-	10,330
Trailer park fees	250	374	374	-	266
Total taxes	<u>239,198</u>	<u>250,173</u>	<u>250,428</u>	<u>255</u>	<u>238,304</u>
Intergovernmental revenue - State of Michigan					
Sales tax	168,333	165,101	165,733	632	167,258
Liquor license	1,188	1,196	1,196	-	1,184
Total intergovernmental revenue - State of Michigan	<u>169,521</u>	<u>166,297</u>	<u>166,929</u>	<u>632</u>	<u>168,442</u>
Charges for services					
Refuse collections	87,429	83,053	63,864	(19,189)	77,956
Weed cutting	450	535	533	(2)	845
Duplicating and photostats	125	96	96	-	40
Board of appeal fees	150	150	50	(100)	100
Inspections	-	199	199	-	50
Total charges for services	<u>88,154</u>	<u>84,033</u>	<u>64,742</u>	<u>(19,291)</u>	<u>78,991</u>
Fines and forfeits					
Library fines and 75th District Court	3,500	2,300	2,648	348	3,660
Other revenue					
Miscellaneous	33,800	14,263	14,836	573	17,812
Interest income	3,000	3,300	3,763	463	3,603
Total other revenue	<u>36,800</u>	<u>17,563</u>	<u>18,599</u>	<u>1,036</u>	<u>21,415</u>
Total revenues	<u>\$ 537,173</u>	<u>\$ 520,366</u>	<u>\$ 503,346</u>	<u>\$ (17,020)</u>	<u>\$ 510,812</u>

**CITY OF COLEMAN**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES**  
**BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2007**

	Original Budget	Amended Budget	Actual	Over (Under) Budget	2006
General government					
Mayor and council	\$ 44,000	\$ 42,995	\$ 39,683	\$ (3,312)	\$ 29,168
Assessor	7,564	7,474	7,310	(164)	7,569
Treasurer	12,875	14,345	12,778	(1,567)	12,173
Elections	1,625	1,493	1,450	(43)	205
Clerk	15,910	12,485	7,628	(4,857)	6,391
Public property	52,083	56,295	53,951	(2,344)	52,320
Planning commission	860	860	50	(810)	475
Total general government	<u>134,917</u>	<u>135,947</u>	<u>122,850</u>	<u>(13,097)</u>	<u>110,307</u>
Public safety					
Police department	131,750	140,996	133,739	(7,257)	132,100
Fire protection	28,769	28,769	29,126	357	27,786
Total public safety	<u>160,519</u>	<u>169,765</u>	<u>162,865</u>	<u>(6,900)</u>	<u>159,886</u>
Public works					
Sanitation	87,429	83,053	77,227	(5,826)	80,277
Storm sewers	9,733	6,670	5,307	(1,363)	18,468
Department of public works	48,975	56,000	53,740	(2,260)	46,383
Total public works	<u>146,137</u>	<u>145,723</u>	<u>136,274</u>	<u>(9,449)</u>	<u>145,128</u>
Recreation and cultural - Parks department	40,150	43,970	40,113	(3,857)	45,253
Other functions - insurance	41,000	45,750	45,968	218	46,040
Debt service	5,450	5,425	7,681	2,256	7,300
Total expenditures	528,173	546,580	515,751	(30,829)	513,914
Other financing uses - transfer out	9,000	9,000	9,000	-	9,000
Total expenditures and financing uses	<u>\$ 537,173</u>	<u>\$ 555,580</u>	<u>\$ 524,751</u>	<u>\$ (30,829)</u>	<u>\$ 522,914</u>

**CITY OF COLEMAN**

**GENERAL FUND  
DETAIL SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2007**  
(With comparative actual amounts for the year ended June 30, 2006)

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>	<u>2006</u>
General government					
Mayor and council					
Legislative wages and benefits	\$ 1,250	\$ 1,250	\$ 1,250	\$ -	\$ 1,250
Office supplies	2,200	2,200	2,189	(11)	2,612
Legal fees	10,000	9,500	7,436	(2,064)	10,921
Audit and accounting	4,300	4,764	4,764	-	4,242
Board of Review fees and per diem	500	450	450	-	315
Newspaper notices	3,000	2,200	1,081	(1,119)	1,402
Dues	1,200	1,186	1,186	-	1,148
Telephone	850	945	809	(136)	817
Computer replacement	700	-	-	-	700
Zoning ordinance update	11,000	11,000	9,856	(1,144)	-
Other administrative costs	9,000	9,500	10,662	1,162	5,761
Total mayor and council	<u>44,000</u>	<u>42,995</u>	<u>39,683</u>	<u>(3,312)</u>	<u>29,168</u>
Assessor					
Wages and benefits	6,439	6,439	6,400	(39)	6,213
Other	1,125	1,035	910	(125)	1,356
Total assessor	<u>7,564</u>	<u>7,474</u>	<u>7,310</u>	<u>(164)</u>	<u>7,569</u>
Treasurer					
Wages and benefits	9,425	11,100	10,061	(1,039)	8,722
Office supplies	2,200	2,200	1,844	(356)	2,277
Other	1,250	1,045	873	(172)	1,174
Total treasurer	<u>12,875</u>	<u>14,345</u>	<u>12,778</u>	<u>(1,567)</u>	<u>12,173</u>
Elections					
Wages and benefits	1,200	1,400	1,400	-	98
Office supplies	150	50	50	-	51
Other	275	43	-	(43)	56
Total elections	<u>1,625</u>	<u>1,493</u>	<u>1,450</u>	<u>(43)</u>	<u>205</u>
Clerk					
Wages and benefits	8,700	4,424	2,308	(2,116)	2,398
Education	200	150	135	(15)	-
Office supplies	1,800	1,800	1,471	(329)	1,439
Repairs and maintenance	500	-	-	-	39
Other	4,710	6,111	3,714	(2,397)	2,515
Total clerk	<u>\$ 15,910</u>	<u>\$ 12,485</u>	<u>\$ 7,628</u>	<u>\$ (4,857)</u>	<u>\$ 6,391</u>

**CITY OF COLEMAN**

**GENERAL FUND  
DETAIL SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGET AND ACTUAL (CONTINUED)**

**FOR THE YEAR ENDED JUNE 30, 2007**  
(With comparative actual amounts for the year ended June 30, 2006)

	Original Budget	Amended Budget	Actual	Over (Under) Budget	2006
General government (continued)					
Public property - city hall and grounds					
Utilities	\$ 43,633	\$ 48,845	\$ 46,843	\$ (2,002)	\$ 43,549
Repair and maintenance	8,450	7,450	7,108	(342)	8,771
Total public property - city hall and grounds	<u>52,083</u>	<u>56,295</u>	<u>53,951</u>	<u>(2,344)</u>	<u>52,320</u>
Planning commission					
Other	860	860	50	(810)	475
Total general government	<u>134,917</u>	<u>135,947</u>	<u>122,850</u>	<u>(13,097)</u>	<u>108,301</u>
Public safety					
Police department					
Salaries, wages and benefits	110,128	119,659	119,050	(609)	110,506
Supplies	5,000	5,000	3,425	(1,575)	4,531
Clothing	300	270	268	(2)	563
Laundry and cleaning	175	175	97	(78)	69
Legal fees	1,750	1,100	836	(264)	1,206
Telephone	2,000	2,650	2,416	(234)	1,699
Equipment repair and maintenance	5,947	5,522	3,573	(1,949)	5,579
Gas and oil	3,000	3,000	2,689	(311)	2,737
Training	750	1,320	1,285	(35)	348
Other	2,700	2,300	100	(2,200)	4,862
Total police department	<u>131,750</u>	<u>140,996</u>	<u>133,739</u>	<u>(7,257)</u>	<u>132,100</u>
Fire protection					
Contractual services - fire protection	28,769	28,769	29,126	357	27,786
Housing code enforcement					
Supplies	-	-	-	-	450
Total public safety	<u>\$ 160,519</u>	<u>\$ 169,765</u>	<u>\$ 162,865</u>	<u>\$ (6,900)</u>	<u>\$ 160,336</u>

**CITY OF COLEMAN**

**GENERAL FUND  
DETAIL SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGET AND ACTUAL (CONTINUED)**

**FOR THE YEAR ENDED JUNE 30, 2007**

(With comparative actual amounts for the year ending June 30, 2006)

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>	<u>2006</u>
Public works					
Sanitation					
Wages and benefits	\$ 18,276	\$ 13,833	\$ 12,226	\$ (1,607)	\$ 14,693
Supplies	800	800	505	(295)	777
Equipment rental	12,000	12,800	11,285	(1,515)	12,723
Contracted services	56,353	55,620	53,211	(2,409)	52,084
Total sanitation	<u>87,429</u>	<u>83,053</u>	<u>77,227</u>	<u>(5,826)</u>	<u>80,277</u>
Storm sewers					
Wages and benefits	5,733	4,120	3,428	(692)	6,521
Supplies	2,000	550	247	(303)	6,455
Equipment rental	2,000	2,000	1,632	(368)	5,492
Total storm sewers	<u>9,733</u>	<u>6,670</u>	<u>5,307</u>	<u>(1,363)</u>	<u>18,468</u>
Department of public works					
Wages and benefits	25,725	32,550	32,408	(142)	19,427
Repairs and maintenance	12,050	11,750	9,180	(2,570)	15,313
Telephone	1,200	1,600	1,445	(155)	1,280
Equipment rental	10,000	10,100	9,728	(372)	10,363
Other	-	-	979	979	-
Total department of public works	<u>48,975</u>	<u>56,000</u>	<u>53,740</u>	<u>(2,260)</u>	<u>46,383</u>
Total public works	<u>146,137</u>	<u>145,723</u>	<u>136,274</u>	<u>(9,449)</u>	<u>145,128</u>
Recreational and cultural - Parks department					
Wages and benefits	17,500	17,500	16,227	(1,273)	16,220
Utilities	1,650	1,970	2,098	128	2,012
Repairs and maintenance	3,500	500	490	(10)	6,243
Equipment rental	17,500	24,000	21,298	(2,702)	20,778
Total recreational and cultural - Parks department	<u>40,150</u>	<u>43,970</u>	<u>40,113</u>	<u>(3,857)</u>	<u>45,253</u>
Other functions - insurance	<u>41,000</u>	<u>45,750</u>	<u>45,968</u>	<u>218</u>	<u>46,040</u>
Debt service					
Principal	5,450	5,425	6,775	1,350	6,402
Interest and fiscal charges	-	-	906	906	898
Total debt service	<u>5,450</u>	<u>5,425</u>	<u>7,681</u>	<u>2,256</u>	<u>7,300</u>
Total expenditures	528,173	546,580	515,751	(30,829)	512,358
Other financing uses - transfers out	<u>9,000</u>	<u>9,000</u>	<u>9,000</u>	<u>-</u>	<u>9,000</u>
Total expenditures and other financing uses	<u>\$ 537,173</u>	<u>\$ 555,580</u>	<u>\$ 524,751</u>	<u>\$ (30,829)</u>	<u>\$ 521,358</u>

**CITY OF COLEMAN**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**

**JUNE 30, 2007**

	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	
	<u>Building Department</u>	<u>Capital Projects</u>	<u>Total</u>
Assets			
Cash	\$ 8,312	\$ -	\$ 8,312
Certificates of deposit	<u>-</u>	<u>40,619</u>	<u>40,619</u>
Total assets	<u>\$ 8,312</u>	<u>\$ 40,619</u>	<u>\$ 48,931</u>
Liabilities and fund balances			
Liabilities			
Accounts payable	<u>\$ 68</u>	<u>\$ -</u>	<u>\$ 68</u>
Fund balances:			
Reserved	-	40,619	40,619
Unreserved:			
Undesignated	<u>8,244</u>	<u>-</u>	<u>8,244</u>
Total fund balances	<u>8,244</u>	<u>40,619</u>	<u>48,863</u>
Total liabilities and fund balances	<u>\$ 8,312</u>	<u>\$ 40,619</u>	<u>\$ 48,931</u>

**CITY OF COLEMAN**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2007**

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	<u>Special Revenue Fund Building Department</u>	<u>Capital Project Fund Capital Projects</u>	<u>Total</u>
Revenues			
Building permits	\$ 10,173	\$ -	\$ 10,173
Other	169	1,614	1,783
	<u>10,342</u>	<u>1,614</u>	<u>11,956</u>
Total revenues			
Expenditures			
Supplies	111	-	111
Education	619	-	619
Contractual services	5,653	-	5,653
	<u>6,383</u>	<u>-</u>	<u>6,383</u>
Total expenditures			
Net change in fund balances	3,959	1,614	5,573
Fund balances, beginning of year	<u>4,285</u>	<u>39,005</u>	<u>43,290</u>
Fund balances, end of year	<u>\$ 8,244</u>	<u>\$ 40,619</u>	<u>\$ 48,863</u>

**CITY OF COLEMAN**  
**BUILDING DEPARTMENT**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Building permits	\$ 7,500	\$ 10,500	\$ 10,173	\$ (327)
Other	1,804	170	169	(1)
Total revenues	<u>9,304</u>	<u>10,670</u>	<u>10,342</u>	<u>(328)</u>
Expenditures				
Supplies	500	225	111	(114)
Education	1,500	725	619	(106)
Contractual services	7,304	6,153	5,653	(500)
Total expenditures	<u>9,304</u>	<u>7,103</u>	<u>6,383</u>	<u>(720)</u>
Net change in fund balance	-	3,567	3,959	392
Fund balance, beginning of year	<u>4,285</u>	<u>4,285</u>	<u>4,285</u>	-
Fund balance, end of year	<u><u>\$ 4,285</u></u>	<u><u>\$ 7,852</u></u>	<u><u>\$ 8,244</u></u>	<u><u>\$ 392</u></u>



**REHMANN ROBSON**

*Certified Public Accountants*

A member of **THE REHMANN GROUP**

An Independent Member of Baker Tilly International

October 3, 2007

To the City Council  
City of Coleman  
Coleman, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Coleman** for the year ended June 30, 2007, and have issued our report thereon dated October 3, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated July 10, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the City of Coleman. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

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 City of Coleman are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the City of Coleman during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### Accounting Estimates

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 most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.

### Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the City of Coleman's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, the adjustments we proposed, which were recorded by the City, to record accruals in the financial statements indicate matters that could have a significant effect on the City of Coleman's financial reporting process.

### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter 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.

### 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 City'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.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Coleman's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

This information is intended solely for the use of the audit committee, the governing body, and management of the City of Coleman and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Rehmann Johnson". The signature is written in a cursive style with a large initial 'R' and 'J'.

## **CITY OF COLEMAN**

### **COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES**

---

In planning and performing our audit of the financial statements of the City of Coleman as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the first 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 other deficiencies that we consider 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 certain deficiencies, as described below, to be significant deficiencies in internal control.

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 certain deficiencies, as described below, constitute material weaknesses.

The City of Coleman's written response to the material weaknesses identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

## CITY OF COLEMAN

### COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES

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#### Material Weaknesses

##### 1) Lack of Adequate Controls to Produce Full-Disclosure GAAP Basis Financial Statements

**Criteria:** All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting.)

**Condition:** As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the City's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

**Cause:** This condition was caused by the City's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

**Effect:** As a result of this condition, the City lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

**View of Responsible Officials:** The City has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in its best interests to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

# CITY OF COLEMAN

## COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES

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### 2) Segregation of Duties

- Criteria:** Management is responsible for establishing and maintaining effective internal control over financial reporting safeguarding the City's assets.
- Condition:** During the course of our audit, we noted instances where multiple key financial duties were being performed by the same individual and there were no mitigating controls in place to ensure effective internal controls. Specifically, we found that the following incompatible functions are being performed by the same individual:
- (1) The physical receipting of cash and checks is done by an individual who also prepares and makes bank deposits, reconciles the bank statements and has access to the general ledger.
  - (2) The individual who prepares checks to pay vendors and employees also has access to the general ledger.
  - (3) Journal entries are not reviewed by an independent employee.
- Cause:** As is the case with many organizations of similar size, the City lacks a sufficient number of personnel in order to ensure a complete segregation of duties within its accounting function.
- Effect:** The City's current system of internal control does not appear to have sufficient safeguards in place to ensure that fraud or abuse is prevented or can be detected in a timely manner. Ideally, no single individual should ever be able to authorize a transaction, record the transaction in the accounting records and maintain custody of the assets resulting from the transaction. Effectively, proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and be able to conceal it.
- Recommendation:** While there are no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of duties, we would nevertheless encourage management to actively seek ways to further strengthen its internal control structure by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

\* \* \* \* \*