

**COLUMBIA TOWNSHIP**

**Jackson County, Michigan**

**FINANCIAL STATEMENTS**

**For the Year Ended  
June 30, 2008**



**REHMANN ROBSON**

*Certified Public Accountants*

# COLUMBIA TOWNSHIP

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**REHMANN ROBSON**

*Certified Public Accountants*

A member of THE REHMANN GROUP



## **INDEPENDENT AUDITORS' REPORT**

December 1, 2008

To the Supervisor and Board of Trustees of  
Columbia Township  
Jackson County, 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 **Columbia Township, Michigan**, as of and for the year ended June 30, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township'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 financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Columbia Township, Michigan, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3-11 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 required supplementary information. However, we did not audit the information and express no opinion on it.

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

# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# Management's Discussion and Analysis

## Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

Columbia Township offers readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended June 30, 2008.

## Financial Highlights

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$23,301,882 (net assets). Of this amount, \$7,529,143 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Township's total net assets decreased by (\$312,527) due to an increase in the cost of maintaining public sewer systems.
- As of the close of the current fiscal year, the Township's general fund reported an ending fund balance of \$858,977, a decrease of \$208,701 in comparison with the prior year. This was due to a transfer to the Capital Projects Fund of \$454,759 for construction of a new township hall addition. Approximately 84.0% of the ending fund balance, or \$724,836 is available for spending at the government's discretion (unreserved fund balance). This amounts to 49 percent of total general fund expenditures.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include legislative, general government, public safety and public works. The business-type activities of the Township include sewer operations.

The government-wide financial statements can be found on pages 12-14 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Following the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances, reconciliations are provided to facilitate this comparison between governmental funds and governmental activities.

The Township maintains two governmental funds; a general fund and a capital projects fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and capital projects fund, which are both considered to be major funds. The Township of Columbia has no non-major funds.

The Township adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided herein to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 15-20 of this report.

**Proprietary funds.** The Township maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township has two enterprise funds to account for its sanitary sewers.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the sewer operations, which are considered to be major funds of the Township.

The basic proprietary fund financial statements can be found on pages 21-24 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The Township has one fiduciary fund, which is an *agency* fund. The Township of Columbia, on behalf of other governmental units, uses the agency fund to account for tax collections. Agency funds are unlike other types of funds and report only assets and liabilities. Therefore, they do not have a measurement focus, but do, however, use the accrual basis of accounting to recognize receivables and payables.

The fiduciary fund financial statements can be found on page 25 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-39 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve, over time, as a useful indicator of a government's financial position. In the case of Columbia Township, assets exceeded liabilities by \$23,301,882 at the close of the most recent fiscal year.

By far the largest portion of the Township's net assets, \$9,313,944 reflects restricted for debt service, which will be used to meet the government's ongoing obligations creditors.

An additional portion of the Township's net assets, \$134,141, represents resources that are subject to external restrictions on how they may be used. Another portion of Townships net assets, 7,529,143 reflects unrestricted net assets, which may be used to meet the government's ongoing obligations to citizens and creditors. The remaining balance of the Township's net assets, \$6,324,654 reflects its investment in capital assets (e.g., buildings, vehicles and equipment), less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.



### Columbia Township's Net Assets

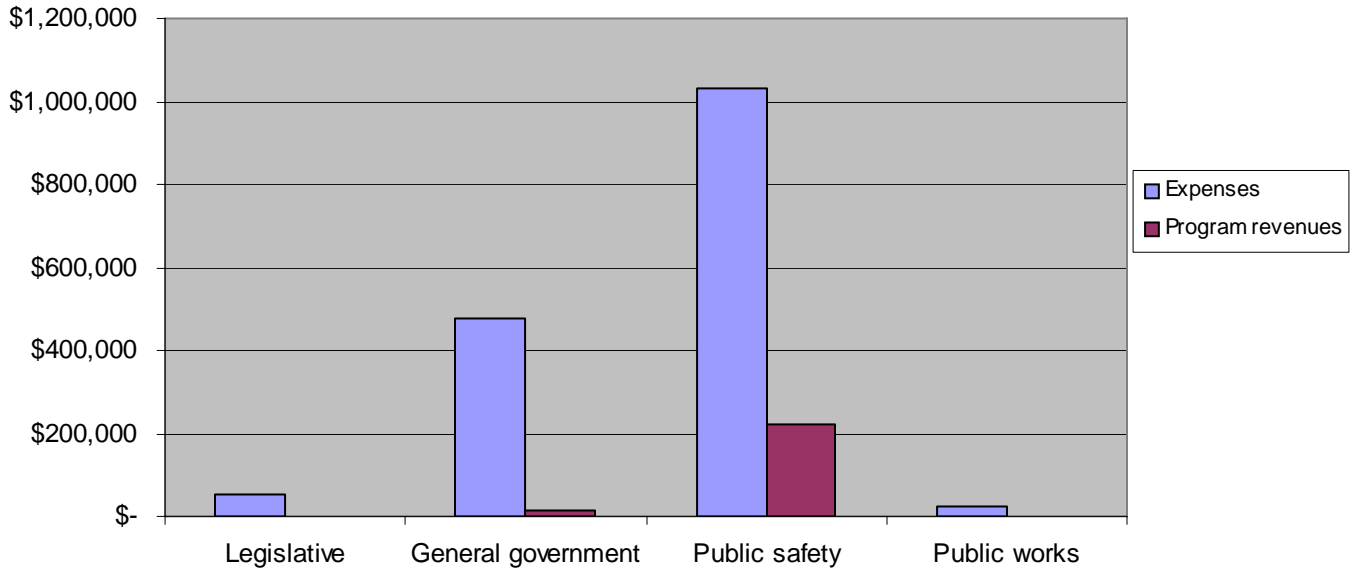
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 1,365,380	\$ 1,126,141	\$ 18,062,998	\$ 19,525,465	\$ 19,428,378	\$ 20,651,606
Capital assets	950,933	1,039,021	19,456,810	19,722,292	20,407,743	20,761,313
Total assets	<u>2,316,313</u>	<u>2,165,162</u>	<u>37,519,808</u>	<u>39,247,757</u>	<u>39,836,121</u>	<u>41,412,919</u>
Long-term liabilities outstanding	4,312	3,941	16,395,000	17,650,000	16,399,312	17,653,941
Other liabilities	51,709	58,463	83,218	86,106	134,927	144,569
Total liabilities	<u>56,021</u>	<u>62,404</u>	<u>16,478,218</u>	<u>17,736,106</u>	<u>16,534,239</u>	<u>17,798,510</u>
Net assets:						
Invested in capital assets, net of related debt	950,933	1,039,021	5,373,721	6,134,186	6,324,654	7,173,207
Restricted	134,141	140,256	9,313,944	10,202,531	9,448,085	10,342,787
Unrestricted	1,175,218	923,481	6,353,925	5,174,934	7,529,143	6,098,415
<b>Total net assets</b>	<u>\$ 2,260,292</u>	<u>\$ 2,102,758</u>	<u>\$ 21,041,590</u>	<u>\$ 21,511,651</u>	<u>\$ 23,301,882</u>	<u>\$ 23,614,409</u>

### Columbia Township's Changes in Net Assets

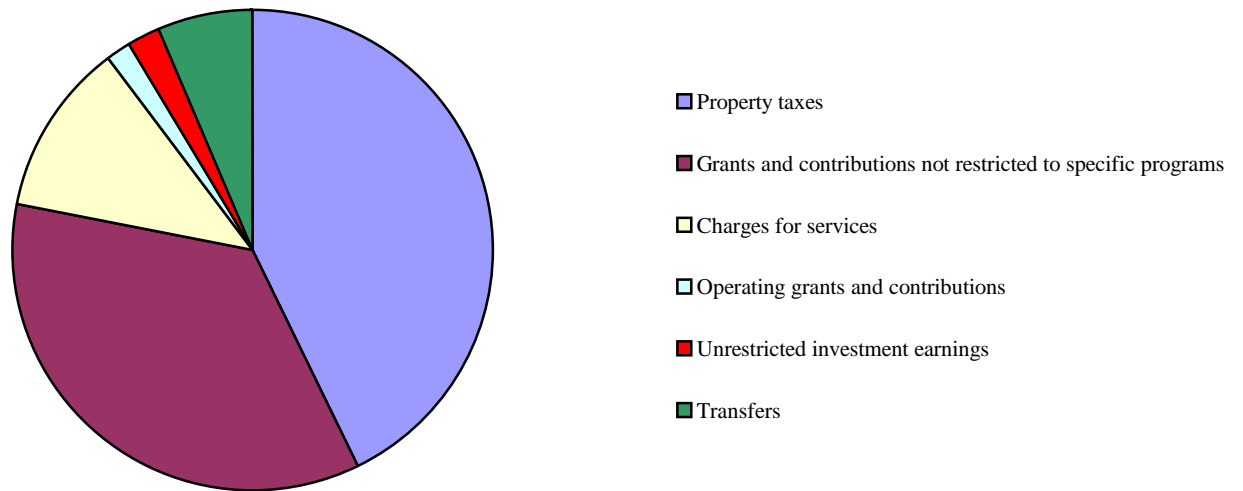
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<b>Revenue:</b>						
Program revenue:						
Charges for services	\$ 205,772	\$ 208,755	\$ 928,375	\$ 155,911	\$ 1,134,147	\$ 364,666
Operating grants and contributions	28,406	13,247	-	-	28,406	13,247
Capital grants and contributions	-	-	674,642	880,344	674,642	880,344
General revenue:						
Property taxes	743,248	763,319	-	-	743,248	763,319
Grants and contributions not restricted to specific programs	614,329	581,406	-	-	614,329	581,406
Investment earnings	40,621	44,372	253,161	228,096	293,782	272,468
<b>Total revenue</b>	<u>1,632,376</u>	<u>1,611,099</u>	<u>1,856,178</u>	<u>1,264,351</u>	<u>3,488,554</u>	<u>2,875,450</u>
<b>Expenses:</b>						
Legislative	53,345	79,741	-	-	53,345	79,741
General government	477,150	455,503	-	-	477,150	455,503
Public safety	1,030,032	1,123,984	-	-	1,030,032	1,123,984
Public works	23,220	18,836	-	-	23,220	18,836
Sewer	-	-	2,217,334	1,992,362	2,217,334	1,992,362
<b>Total expenses</b>	<u>1,583,747</u>	<u>1,678,064</u>	<u>2,217,334</u>	<u>1,992,362</u>	<u>3,801,081</u>	<u>3,670,426</u>
Change in net assets before transfers	48,629	(66,965)	(361,156)	(728,011)	(312,527)	(794,976)
Transfers	108,905	-	(108,905)	-	-	-
Net assets, beginning of year	<u>2,102,758</u>	<u>2,169,723</u>	<u>21,511,651</u>	<u>22,239,662</u>	<u>23,614,409</u>	<u>24,409,385</u>
<b>Net assets, end of year</b>	<u>\$ 2,260,292</u>	<u>\$ 2,102,758</u>	<u>\$ 21,041,590</u>	<u>\$ 21,511,651</u>	<u>\$ 23,301,882</u>	<u>\$ 23,614,409</u>

**Governmental activities.** Governmental activities increased the Township’s net assets by \$157,534. This is due to the reduction in governmental expenses year over year and money reimbursed to the general fund from the sewer funds for expenses paid by the general fund.

**Expenses and Program Revenues - Governmental Activities**



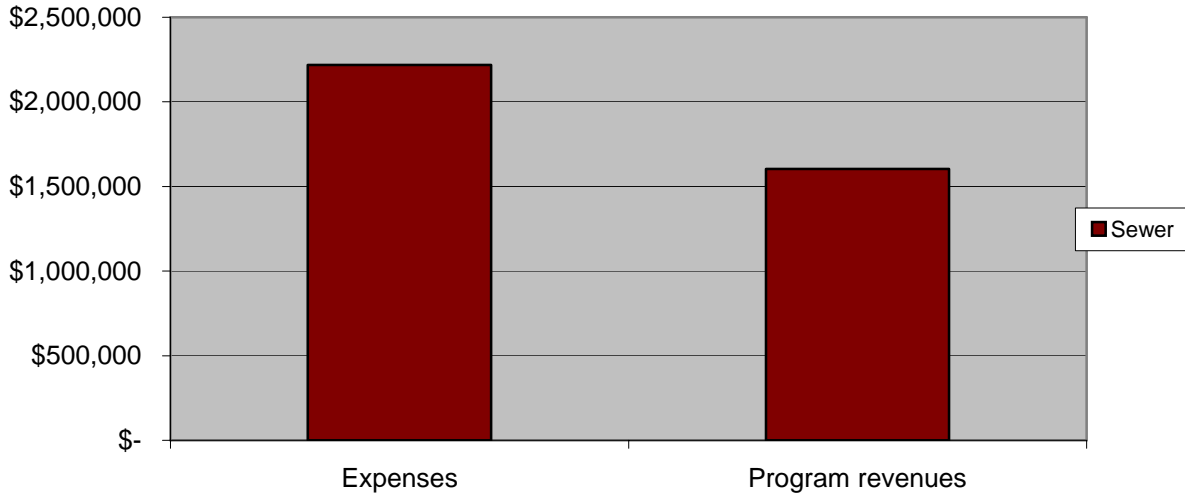
**Revenues by Source - Governmental Activities**



- **Business-type activities.** Business-type activities decreased the Township’s net assets by \$470,061. There was a decrease in the long-term receivables due to an adjustment made to the prior year to reduce the receivable amount to actual.

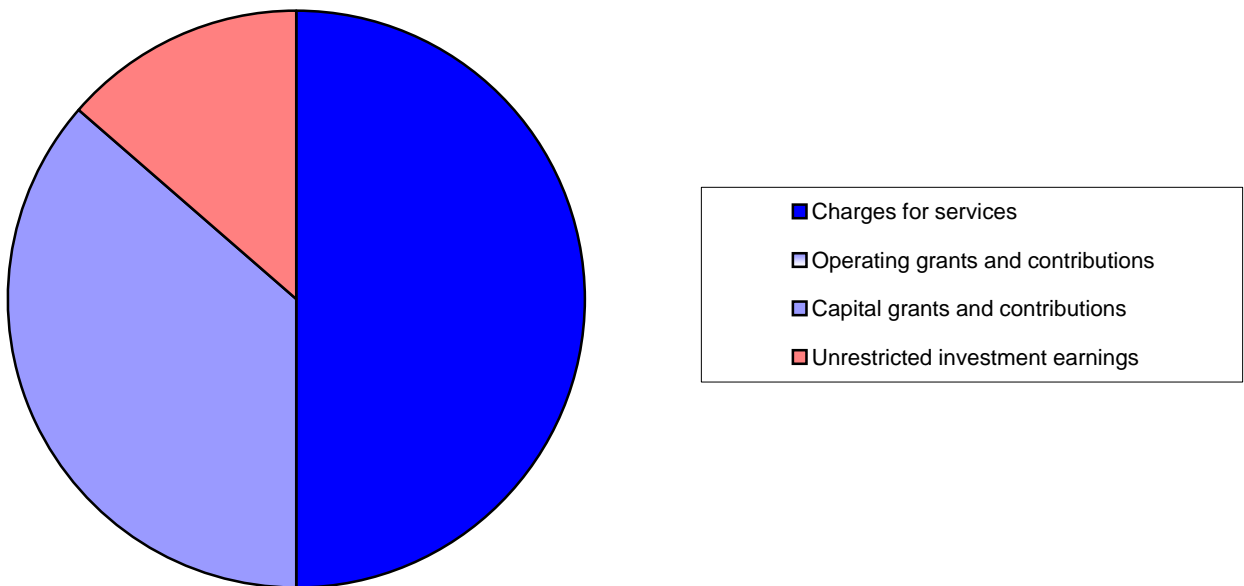
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### Expenses and Program Revenues - Business-type Activities



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### Revenue by Source - Business-type Activities



## **Financial Analysis of the Government's Funds**

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental funds.* The focus of the Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Township and is the main governmental fund of the Township. The Township also has a capital projects fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$724,836, while total fund balance was \$858,977. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 49 percent of total general fund expenditures.

The fund balance of the Township's general fund decreased by \$208,701 during the current fiscal year.

*Proprietary funds.* The Township's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

Unrestricted net assets of the sewer enterprise fund at the end of the year amounted to \$5,084,735 for Lake Columbia and Clark Lake and \$1,269,190 for Vineyard Lake. The sewer fund had a decrease of (\$470,061) in net assets for the year. Other factors concerning the finances of this fund has already been addressed in the discussion of the Township's business-type activities.

## **General Fund Budgetary Highlights**

The Township made budget amendments to the general fund budget during the year. This was the result of a reduction in payroll due to tenured employees leaving and because of a change in budgeting methodology from previous years to better reflect actual costs. The difference between the original/final amended budgets and actual amounts for expenditures was (\$118,997).

## **Capital Asset and Debt Administration**

**Capital assets.** The Township's investment in capital assets for its governmental and business type activities as of June 30, 2008, amounted to \$20,407,743 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment.

Additional information on the Township's capital assets can be found in note C on pages 34-35 of this report.

**Columbia Township's Capital Assets**  
(net of depreciation)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Construction in progress	\$ -	\$ -	\$ 316,517	\$ 2,013,519	\$ 316,517	\$ 2,013,519
Buildings and improvements	129,303	141,728	-	-	129,303	141,728
Sewer system	-	-	19,140,293	17,699,213	19,140,293	17,699,213
Equipment	7,058	9,074	-	-	7,058	9,074
Vehicles	814,572	888,219	-	-	814,572	888,219
<b>Total</b>	<b>\$ 950,933</b>	<b>\$ 1,039,021</b>	<b>\$ 19,456,810</b>	<b>\$ 19,712,732</b>	<b>\$ 20,407,743</b>	<b>\$ 20,751,753</b>

**Long-term debt.** At the end of the current fiscal year, the Township had total installment debt outstanding of \$16,395,000. This entire amount comprises debt backed by the full faith and credit of the government. The Township also had accrued compensated absences in the amount of \$4,312.

**Columbia Township's Outstanding Debt**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
General obligation bonds	\$ -	\$ -	\$ 16,395,000	\$ 17,650,000	\$ 16,395,000	\$ 17,650,000
Compensated absences	4,312	3,941	-	-	4,312	3,941
<b>Total</b>	<b>\$ 4,312</b>	<b>\$ 3,941</b>	<b>\$ 16,395,000</b>	<b>\$ 17,650,000</b>	<b>\$ 16,399,312</b>	<b>\$ 17,653,941</b>

During the current fiscal year, the Township's installment debt decreased by \$1,255,000 or 7% due to the debt installment payments.

Additional information on the Township's long-term debt can be found in note F on pages 36-37 of this report.

**Economic Factors and Next Year's Budgets and Rates**

The following factors were considered in preparing the Township's budget for fiscal 2009:

- Available taxing, bonding, and grant resources
- A decrease in state shared revenue
- Projected staffing considerations
- Building addition project
- Increased health care costs
- Impact of foreclosures on property tax revenues

## **Requests for Information**

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to John Calhoun, Treasurer, Township of Columbia, 8500 Jefferson Road, Brooklyn, Michigan 49230.

# **BASIC FINANCIAL STATEMENTS**

# **GOVERNMENT-WIDE FINANCIAL STATEMENTS**



**COLUMBIA TOWNSHIP, MICHIGAN**  
**Statement of Net Assets**  
**June 30, 2008**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 115,481	\$ 1,204,516	\$ 1,319,997
Investments	1,170,888	5,163,002	6,333,890
Receivables	79,011	11,356,939	11,435,950
Other assets	-	338,541	338,541
Capital assets not being depreciated	-	316,517	316,517
Capital assets being depreciated, net	950,933	19,140,293	20,091,226
	<u>2,316,313</u>	<u>37,519,808</u>	<u>39,836,121</u>
<b>Total assets</b>			
<b>Liabilities</b>			
Accounts payable and accrued liabilities	51,709	83,218	134,927
Long-term debt:			
Due within one year	431	1,295,000	1,295,431
Due in more than one year	3,881	15,100,000	15,103,881
	<u>56,021</u>	<u>16,478,218</u>	<u>16,534,239</u>
<b>Total liabilities</b>			
<b>Net assets</b>			
Invested in capital assets, net of related debt	950,933	5,373,721	6,324,654
Restricted for debt service	-	9,313,944	9,313,944
Restricted for special purposes	134,141	-	134,141
Unrestricted	1,175,218	6,353,925	7,529,143
	<u>\$ 2,260,292</u>	<u>\$ 21,041,590</u>	<u>\$ 23,301,882</u>
<b>Total net assets</b>			

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

**COLUMBIA TOWNSHIP, MICHIGAN**  
**Statement of Activities**  
**For the Year Ended June 30, 2008**

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
Legislative	\$ 53,345	\$ -	\$ -	\$ (53,345)
General government	477,150	12,440	-	(464,710)
Public safety	1,030,032	193,332	28,406	(808,294)
Public works	23,220	-	-	(23,220)
Total governmental activities	1,583,747	205,772	28,406	(1,349,569)
Business-type activities:				
Sewer	2,217,334	928,375	-	(614,317)
Total	<u>\$ 3,801,081</u>	<u>\$ 1,134,147</u>	<u>\$ 28,406</u>	<u>\$ (1,963,886)</u>

continued...

**COLUMBIA TOWNSHIP, MICHIGAN**  
**Statement of Activities (Concluded)**  
**For the Year Ended June 30, 2008**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Net expense</b>	\$ (1,349,569)	\$ (614,317)	\$ (1,963,886)
General revenues:			
Property taxes	743,248	-	743,248
Grants and contributions not restricted to specific programs	614,329	-	614,329
Unrestricted investment earnings	40,621	253,161	293,782
Transfers	108,905	(108,905)	-
 Total general revenues	 <u>1,507,103</u>	 <u>144,256</u>	 <u>1,651,359</u>
 Change in net assets	 157,534	 (470,061)	 (312,527)
 Net assets, beginning of year, as restated	 <u>2,102,758</u>	 <u>21,511,651</u>	 <u>23,614,409</u>
 <b>Net assets, end of year</b>	 <u><u>\$ 2,260,292</u></u>	 <u><u>\$ 21,041,590</u></u>	 <u><u>\$ 23,301,882</u></u>

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

# **FUND FINANCIAL STATEMENTS**

**COLUMBIA TOWNSHIP, MICHIGAN**

**Balance Sheet**

**Governmental Funds**

**June 30, 2008**

<u><b>ASSETS</b></u>	<u><b>General Fund</b></u>	<u><b>Capital Projects Fund</b></u>	<u><b>Total Governmental Funds</b></u>
<b>Assets</b>			
Cash and cash equivalents	\$ 115,481	\$ -	\$ 115,481
Investments	716,194	454,694	1,170,888
Accounts receivable	12,202	-	12,202
Due from other governments	66,809	-	66,809
	<hr/>	<hr/>	<hr/>
<u><b>TOTAL ASSETS</b></u>	<u><u>\$ 910,686</u></u>	<u><u>\$ 454,694</u></u>	<u><u>\$ 1,365,380</u></u>
 <u><b>LIABILITIES AND FUND BALANCE</b></u>			
<b>Liabilities</b>			
Accounts payable	\$ 24,875	\$ -	24,875
Accrued wages	26,834	-	26,834
	<hr/>	<hr/>	<hr/>
Total liabilities	51,709	-	51,709
	<hr/>	<hr/>	<hr/>
<b>Fund balance</b>			
Reserved for fire equipment	134,141	-	134,141
Unreserved, undesignated	724,836	454,694	1,179,530
	<hr/>	<hr/>	<hr/>
Total fund balance	858,977	454,694	1,313,671
	<hr/>	<hr/>	<hr/>
<u><b>TOTAL LIABILITIES AND FUND BALANCE</b></u>	<u><u>\$ 910,686</u></u>	<u><u>\$ 454,694</u></u>	<u><u>\$ 1,365,380</u></u>

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

**COLUMBIA TOWNSHIP, MICHIGAN**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets of**  
**Governmental Activities on the Statement of Net Assets**  
**June 30, 2008**

Fund balance - total governmental funds	\$ 1,313,671
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add: capital assets	1,924,609
Deduct: accumulated depreciation	(973,676)
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct: compensated absences	<u>(4,312)</u>
Net assets of governmental activities	<u><u>\$ 2,260,292</u></u>

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

**COLUMBIA TOWNSHIP, MICHIGAN**  
**Statement of Revenue, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2008**

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>Revenue</b>			
Taxes and special assessments	\$ 743,248	\$ -	\$ 743,248
Intergovernmental	412,641	-	412,641
Licenses and permits	181,774	-	181,774
Charges for services	154,814	-	154,814
Fines and forfeits	25,892	-	25,892
Other revenue	110,982	4,485	115,467
	<u>1,629,351</u>	<u>4,485</u>	<u>1,633,836</u>
Total revenue			
	<u>1,629,351</u>	<u>4,485</u>	<u>1,633,836</u>
<b>Expenditures</b>			
Legislative	53,345	-	53,345
General government	471,029	-	471,029
Public safety	934,670	-	934,670
Public works	25,831	-	25,831
Capital outlay	7,323	4,550	11,873
	<u>1,492,198</u>	<u>4,550</u>	<u>1,496,748</u>
Total expenditures			
	<u>1,492,198</u>	<u>4,550</u>	<u>1,496,748</u>
Revenue over (under) expenditures	<u>137,153</u>	<u>(65)</u>	<u>137,088</u>
<b>Other financing sources (uses)</b>			
Transfers in	108,905	454,759	563,664
Transfers out	(454,759)	-	(454,759)
	<u>(345,854)</u>	<u>454,759</u>	<u>108,905</u>
Total other financing sources (uses)			
	<u>(345,854)</u>	<u>454,759</u>	<u>108,905</u>
Net changes in fund balances	(208,701)	454,694	245,993
Fund balance, beginning of year	<u>1,067,678</u>	<u>-</u>	<u>1,067,678</u>
<b>Fund balance, end of year</b>	<u>\$ 858,977</u>	<u>\$ 454,694</u>	<u>\$ 1,313,671</u>

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

**COLUMBIA TOWNSHIP, MICHIGAN**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2008**

Net change in fund balance - General fund	\$ 245,993
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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 outlay	20,780
Deduct: depreciation expense	(108,868)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Deduct: increase in the accrual for compensated absences	(371)
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Change in net assets of governmental activities	<u><u>\$ 157,534</u></u>
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The accompanying notes are an integral part of these financial statements.



**COLUMBIA TOWNSHIP, MICHIGAN**  
**Statement of Revenue, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2008**

	<u>Original/ Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
<b>Revenue</b>			
Taxes and special assessments	\$ 757,000	\$ 743,248	\$ (13,752)
Intergovernmental	375,000	412,641	37,641
Licenses and permits	120,600	181,774	61,174
Charges for services	141,450	154,814	13,364
Fines and forfeits	28,150	25,892	(2,258)
Other revenue	111,350	110,982	(368)
Total revenue	<u>1,533,550</u>	<u>1,629,351</u>	<u>95,801</u>
<b>Expenditures</b>			
Legislative:			
Board of Trustees	<u>55,456</u>	<u>53,345</u>	<u>(2,111)</u>
General government:			
Supervisor	42,575	36,681	(5,894)
Clerk elections	20,370	6,083	(14,287)
Clerk office	81,337	75,151	(6,186)
Board of Review	1,900	1,106	(794)
Treasurer	94,523	83,192	(11,331)
Hall and grounds	139,320	111,945	(27,375)
Cemetery and grounds	24,100	23,663	(437)
Community promotion	140,970	115,394	(25,576)
Parks and recreation	17,700	17,814	114
Total general government	<u>562,795</u>	<u>471,029</u>	<u>(91,766)</u>
Public safety:			
Police	407,566	413,785	6,219
Fire	370,916	354,612	(16,304)
Building inspection	88,100	78,022	(10,078)
Electrical inspection	22,000	32,435	10,435
Plumbing inspection	25,000	23,899	(1,101)
Zoning and planning	40,950	31,917	(9,033)
Total public safety	<u>954,532</u>	<u>934,670</u>	<u>(19,862)</u>

Continued..

**COLUMBIA TOWNSHIP, MICHIGAN**  
**Statement of Revenue, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual (Concluded)**  
**General Fund**  
**For the Year Ended June 30, 2008**

<b>Expenditures</b>	<b>Original/ Final Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Budget</b>
Public works:			
Highways and streets	\$ 17,100	\$ 22,800	\$ 5,700
Sewer	2,312	3,031	719
Total public works	<u>19,412</u>	<u>25,831</u>	<u>6,419</u>
Capital outlay	<u>89,000</u>	<u>7,323</u>	<u>(81,677)</u>
Total expenditures	<u>1,681,195</u>	<u>1,492,198</u>	<u>(188,997)</u>
Revenue over (under) expenditures	(147,645)	137,153	284,798
<b>Other financing sources (uses)</b>			
Transfers in	108,000	108,905	905
Transfers out	<u>(450,000)</u>	<u>(454,759)</u>	<u>(4,759)</u>
Total other financing sources (uses)	<u>(342,000)</u>	<u>(345,854)</u>	<u>(3,854)</u>
Net changes in fund balance	(489,645)	(208,701)	280,944
Fund balance, beginning of year	<u>1,067,678</u>	<u>1,067,678</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 578,033</u></u>	<u><u>\$ 858,977</u></u>	<u><u>\$ 280,944</u></u>

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

**COLUMBIA TOWNSHIP, MICHIGAN**  
**Statement of Net Assets**  
**Enterprise Funds**  
**June 30, 2008**

	<u>Clark Lake/ Lake Columbia Sewer System</u>	<u>Vineyard Lake Sewer System</u>	<u>Total</u>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 408,675	\$ 455,015	\$ 863,690
Investments	4,378,798	784,204	5,163,002
Accounts receivable	66,125	5,785	71,910
Current portion of special assessments receivable	594,706	93,567	688,273
Current portion of long-term lease receivable	-	164,760	164,760
Funds on deposit with Jackson County	242,188	98,638	340,826
Total current assets	<u>5,690,492</u>	<u>1,601,969</u>	<u>7,292,461</u>
Noncurrent assets:			
Unamortized bond issuance costs	301,326	37,215	338,541
Special assessments receivable, net of current portion	7,307,896	1,317,775	8,625,671
Long-term lease receivable, net of current portion	-	1,806,325	1,806,325
Capital assets, net	16,892,238	2,564,572	19,456,810
Total noncurrent assets	<u>24,501,460</u>	<u>5,725,887</u>	<u>30,227,347</u>
Total assets	<u>30,191,952</u>	<u>7,327,856</u>	<u>37,519,808</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	70,189	13,029	83,218
Current portion of long-term debt	995,000	300,000	1,295,000
Total current liabilities	<u>1,065,189</u>	<u>313,029</u>	<u>1,378,218</u>
Bonds payable, net of current portion	<u>10,300,000</u>	<u>4,800,000</u>	<u>15,100,000</u>
Total liabilities	<u>11,365,189</u>	<u>5,113,029</u>	<u>16,478,218</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	5,839,426	(465,705)	5,373,721
Restricted for debt service	7,902,602	1,411,342	9,313,944
Unrestricted	5,084,735	1,269,190	6,353,925
Total net assets	<u>\$ 18,826,763</u>	<u>\$ 2,214,827</u>	<u>\$ 21,041,590</u>

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

## COLUMBIA TOWNSHIP, MICHIGAN

### Statement of Revenue, Expenses, and Changes in Fund Net Assets

#### Enterprise Funds

**For the Year Ended June 30, 2008**

	<u>Clark Lake/ Lake Columbia Sewer System</u>	<u>Vineyard Lake Sewer System</u>	<u>Total</u>
<b>Operating revenue</b>			
Charges for services	\$ 727,622	\$ 200,753	\$ 928,375
Special assessment revenue	597,243	77,399	674,642
Total operating revenue	<u>1,324,865</u>	<u>278,152</u>	<u>1,603,017</u>
<b>Operating expenses</b>			
Costs of sales and services	474,659	179,471	654,130
Administration	194,258	61,584	255,842
Depreciation	502,177	70,262	572,439
Amortization of bond issue costs	28,784	2,481	31,265
Total operating expenses	<u>1,199,878</u>	<u>313,798</u>	<u>1,513,676</u>
Operating income (loss)	<u>124,987</u>	<u>(35,646)</u>	<u>89,341</u>
<b>Nonoperating revenue (expense)</b>			
Interest on investments	203,800	49,361	253,161
Interest expense and fiscal charges	(493,958)	(209,700)	(703,658)
Total nonoperating expense	<u>(290,158)</u>	<u>(160,339)</u>	<u>(450,497)</u>
<b>Other financing sources</b>			
Transfers out	(88,181)	(20,724)	(108,905)
Change in fund net assets	(253,352)	(216,709)	(470,061)
Net assets, beginning of year, as restated	<u>19,080,115</u>	<u>2,431,536</u>	<u>21,511,651</u>
<b>Net assets, end of year</b>	<u>\$ 18,826,763</u>	<u>\$ 2,214,827</u>	<u>\$ 21,041,590</u>

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

**COLUMBIA TOWNSHIP, MICHIGAN**  
**Statement of Cash Flows**  
**Enterprise Funds**  
**For the Year Ended June 30, 2008**

	<u>Clark Lake/ Lake Columbia Sewer System</u>	<u>Vineyard Lake Sewer System</u>	<u>Total</u>
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ 2,093,739	\$ 699,902	\$ 2,793,641
Cash payments to suppliers for goods and services	<u>(660,870)</u>	<u>(251,946)</u>	<u>(912,816)</u>
Net cash provided by operating activities	<u>1,432,869</u>	<u>447,956</u>	<u>1,880,825</u>
<b>Cash flows from non-capital financing activities</b>			
Transfers out	<u>(88,181)</u>	<u>(20,724)</u>	<u>(108,905)</u>
<b>Cash flows from capital and related financing activities</b>			
Principal paid on bonds payable	(1,005,000)	(250,000)	(1,255,000)
Interest paid on bonds payable	(493,958)	(209,700)	(703,658)
Construction/acquisition of capital assets	(306,957)	-	(306,957)
Construction funds received from Jackson County	<u>352,012</u>	<u>414,435</u>	<u>766,447</u>
Net cash used by capital and related financing activities	<u>(1,453,903)</u>	<u>(45,265)</u>	<u>(1,499,168)</u>
<b>Cash flows from investing activities</b>			
Purchases of investments	(510,840)	(784,204)	(1,295,044)
Interest on investments	<u>203,800</u>	<u>49,361</u>	<u>253,161</u>
Net cash used by investing activities	<u>(307,040)</u>	<u>(734,843)</u>	<u>(1,041,883)</u>
Decrease in cash and cash equivalents	(416,255)	(352,876)	(769,131)
Cash and cash equivalents, beginning of year	<u>824,930</u>	<u>807,891</u>	<u>1,632,821</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 408,675</u>	<u>\$ 455,015</u>	<u>\$ 863,690</u>

**Non-Cash Transactions:**

There were no significant non-cash transactions during the year ended June 30, 2008.

continued...

**COLUMBIA TOWNSHIP, MICHIGAN**  
**Statement of Cash Flows**  
**Enterprise Funds (Concluded)**  
**For the Year Ended June 30, 2008**

	<b>Clark Lake/ Lake Columbia Sewer System</b>	<b>Vineyard Lake Sewer System</b>	<b>Total</b>
<b>Reconciliation of operating income to cash flows from operating activities</b>			
Operating income (loss)	\$ 124,987	\$ (35,646)	\$ 89,341
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	502,177	70,262	572,439
Amortization of bond issue costs	28,784	2,481	31,265
Changes in assets and liabilities:			
Accounts receivable	(3,305)	(332)	(3,637)
Special assesement receivable	772,179	116,408	888,587
Due from other funds	569	-	569
Long-term lease receivable	-	305,674	305,674
Accounts payable	7,478	(10,365)	(2,887)
Due to other funds	-	(526)	(526)
	<u>\$ 1,432,869</u>	<u>\$ 447,956</u>	<u>\$ 1,880,825</u>
<b>Net cash provided by operating activities</b>	<b>\$ 1,432,869</b>	<b>\$ 447,956</b>	<b>\$ 1,880,825</b>

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

**COLUMBIA TOWNSHIP, MICHIGAN**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2008**

**Assets**

Cash and cash equivalents

\$ -  
                    

**Liabilities**

Due to other governments

\$ -  
                    

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

## **NOTES to the FINANCIAL STATEMENTS**



# COLUMBIA TOWNSHIP, MICHIGAN

## Notes To Financial Statements

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting entity

Columbia Township (the “government” or “Township”) is a municipal corporation governed by an elected supervisor and a six-member board. The Township has adopted the position of the Governmental Accounting Standards Board (GASB) Statement #14 regarding the definition of reporting entity and has determined that no entities should be consolidated into the financial statements as component units. The criteria for including a component unit include significant operational or financial relationships with the government.

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

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 and enterprise funds are reported as separate columns in the respective fund financial statements.

# COLUMBIA TOWNSHIP, MICHIGAN

## Notes To Financial Statements

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### **C. 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, intergovernmental revenue, licenses, 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 the government receives cash.

# COLUMBIA TOWNSHIP, MICHIGAN

## Notes To Financial Statements

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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 *capital projects fund* accounts for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.

The government reports the following major proprietary funds:

The *Clark Lake/Lake Columbia sewer system enterprise fund* accounts for the activities of the government's sewage disposal and treatment system.

The *Vineyard Lake sewer system enterprise fund* accounts for the activities of the common sewage disposal and treatment system administered by the Township.

Additionally, the government reports the following fund type:

The *agency fund* accounts for assets held for other governments in an agency capacity. At June 30, 2008, the Township had no account balances in its agency fund.

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.

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 enterprise funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap 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 government's policy to use restricted resources first, then unrestricted resources as they are needed.

# COLUMBIA TOWNSHIP, MICHIGAN

## Notes To Financial Statements

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### **D. Assets, liabilities and net assets/equity**

#### **1. 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. The Township's investment policy allows for all of these types of investments.

The caption "Funds on deposit with Jackson County" represents deposits held by that government on behalf of the Township to be used for sewer system construction and maintenance, and payments on the related outstanding debt. Accordingly, these deposits are not included in the determination of the amount of the Township's federally insured deposits.

#### **2. Receivables and payables**

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."

#### **3. Capital assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), if any, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets 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.

# COLUMBIA TOWNSHIP, MICHIGAN

## Notes To Financial Statements

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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.

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>
Buildings	25-50
System infrastructure	40
Vehicles	3-30
Equipment	5-30

#### **4. *Compensated absences***

It is the government's policy to permit eligible employees to accumulate earned but unused vacation and sick pay benefits. Vacation and sick pay are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

#### **5. *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.

# COLUMBIA TOWNSHIP, MICHIGAN

## Notes To Financial Statements

### 6. 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.

## II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year end. The government's final budget must be prepared and adopted prior to July 1st of each year.

The appropriated budget is prepared by fund, function and activity. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the governing council. The legal level of budgetary control is the activity level. Certain supplemental budgetary appropriations were made during the year.

The government does not utilize encumbrance accounting.

### B. Excess of expenditures over appropriations

P. A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended June 30, 2008, the government incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control in the general fund as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General government:			
Parks and recreation	\$ 17,700	\$ 17,814	\$ 114
Public safety:			
Police	407,566	413,785	6,219
Electrical inspection	22,000	32,435	10,435
Public works:			
Highways and streets	17,100	22,800	5,700
Sewer	2,312	3,031	719
Transfers out	450,000	454,759	4,759

# COLUMBIA TOWNSHIP, MICHIGAN

## Notes To Financial Statements

### III. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and investments

A reconciliation of cash and investments as shown on the statement of net assets to deposits and investments as classified for note disclosure purposes is as follows:

**Statement of net assets:**

Cash and cash equivalents	\$ 1,319,997
Investments	<u>6,333,890</u>
	<b><u>\$ 7,653,887</u></b>

**Classification of deposit and investments:**

Bank deposits (checking accounts, savings accounts and certificates of deposit)	\$ 2,933,971
Investments	4,378,890
Funds on deposit with Jackson County	340,826
Cash on hand	<u>200</u>
	<b><u>\$ 7,653,887</u></b>

#### Deposits and investments

The Township chooses to disclose its deposits and investments by specifically identifying each. As of year end, the Township had the following deposits and investments (excluding funds on deposit with Jackson County and cash on hand).

<u>Deposit/Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Checking/savings accounts	n/a	\$ 583,246	n/a
Certificates of deposit	less than 1 year	787,725	n/a
Certificates of deposit	1-5 years	713,000	n/a
Comerica Money Market Fund	n/a	127,660	n/a
Comerica J Fund	n/a	352,878	n/a
MBIA Investment Fund	n/a	3,898,352	AAA
Federal Home Loan Bank	1-5 years	<u>850,000</u>	AAA
		<b><u>\$ 7,312,861</u></b>	

#### Deposit and investment risk

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified above. The Township'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.

# COLUMBIA TOWNSHIP, MICHIGAN

## Notes To Financial Statements

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The Township’s investment policy does not have specific limits in excess of state law on investment credit risk. Investments which had credit risk ratings at year end are noted above.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Township’s deposits may not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year end, \$869,415 of the Township’s bank balance of \$2,083,971 (which includes checking, savings, and certificates of deposit) was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Township does not have a policy for investment custodial credit risk.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The Township’s investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

### B. Receivables

Receivables as of year end are as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Amounts Not Expected to be Collected Within One Year</b>
Accounts receivable	\$ 12,202	\$ 71,910	\$ 84,112	\$ -
Due from other governments	66,809	-	66,809	-
Special assessments receivable	-	9,313,944	9,313,944	8,625,671
Lease receivable	-	1,971,085	1,971,085	1,092,365
	<b>\$ 79,011</b>	<b>\$ 11,356,939</b>	<b>\$ 11,435,950</b>	<b>\$ 9,718,036</b>
<b>Total receivables</b>	<b>\$ 79,011</b>	<b>\$ 11,356,939</b>	<b>\$ 11,435,950</b>	<b>\$ 9,718,036</b>



# COLUMBIA TOWNSHIP, MICHIGAN

## Notes To Financial Statements

### C. Capital assets

Capital assets activity for the year ended June 30, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets being depreciated:				
Improvements	\$ 82,091	\$ -	\$ -	\$ 82,091
Buildings	496,999	-	-	496,999
Equipment	10,082	-	-	10,082
Vehicles	1,314,657	20,780	-	1,335,437
Total capital assets being depreciated	<u>1,903,829</u>	<u>20,780</u>	<u>-</u>	<u>1,924,609</u>
Less accumulated depreciation for:				
Improvements	82,091	-	-	82,091
Buildings	355,271	12,425	-	367,696
Equipment	1,008	2,016	-	3,024
Vehicles	426,438	94,427	-	520,865
Total accumulated depreciation	<u>864,808</u>	<u>108,868</u>	<u>-</u>	<u>973,676</u>
<b>Governmental activities capital assets, net</b>	<b><u>\$ 1,039,021</u></b>	<b><u>\$ (88,088)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 950,933</u></b>
<b>Business-type Activities</b>				
Capital assets not being depreciated:				
Construction in progress	<u>\$ 2,023,079</u>	<u>\$ 306,957</u>	<u>\$ 2,013,519</u>	<u>\$ 316,517</u>
Capital assets being depreciated:				
Sewer systems	<u>20,884,106</u>	<u>2,013,519</u>	<u>-</u>	<u>22,897,625</u>
Less accumulated depreciation for:				
Sewer systems	<u>3,184,893</u>	<u>572,439</u>	<u>-</u>	<u>3,757,332</u>
Total capital assets being depreciated, net	<u>17,699,213</u>	<u>1,441,080</u>	<u>-</u>	<u>19,140,293</u>
<b>Business-type activities capital assets, net</b>	<b><u>\$ 19,722,292</u></b>	<b><u>\$ 1,748,037</u></b>	<b><u>\$ 2,013,519</u></b>	<b><u>\$ 19,456,810</u></b>

# COLUMBIA TOWNSHIP, MICHIGAN

## Notes To Financial Statements

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

Governmental activities:		
General government	\$	12,425
Public safety		<u>96,443</u>
<b>Total depreciation expense - governmental activities</b>	<b>\$</b>	<b><u>108,868</u></b>
Business-type activities:		
Sewer		<b><u>\$ 572,439</u></b>

### D. Payables

Accounts payable and accrued liabilities as of year end are as follows:

	<b><u>Governmental</u></b> <b><u>Activities</u></b>	<b><u>Business-type</u></b> <b><u>Activities</u></b>	<b><u>Total</u></b>
Accounts payable	\$ 24,875	\$ 83,218	\$ 108,093
Accrued wages	<u>26,834</u>	<u>-</u>	<u>26,834</u>
	<b><u>\$ 51,709</u></b>	<b><u>\$ 83,218</u></b>	<b><u>\$ 134,927</u></b>

### E. Interfund receivables, payables and transfers

For the year ending June 30, 2008, interfund transfers consisted of the following:

	<b><u>Transfer in</u></b>	<b><u>Transfer out</u></b>
General fund	\$ 108,905	\$ 454,759
Capital projects fund	454,759	-
Clark Lake/Lake Columbia sewer fund	-	88,181
Vineyard Lake sewer fund	<u>-</u>	<u>20,724</u>
	<b><u>\$ 563,664</u></b>	<b><u>\$ 563,664</u></b>

# COLUMBIA TOWNSHIP, MICHIGAN

## Notes To Financial Statements

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### F. Long-term debt

*General Obligation Bonds.* The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for proprietary activities. These bonds are reported in the proprietary funds because they are expected to be repaid from proprietary fund revenues.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 20-year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Sewer construction projects	3.0 - 4.25%	<u>\$16,395,000</u>

The wastewater disposal system bond payable is equal to the aggregate outstanding principal payments due on the County of Jackson Wastewater Disposal Facility Bonds (Clark Lake, Vineyard Lake and Lake Columbia Sections). Those bonds were issued to finance the construction of the wastewater disposal system, which was managed and administered by the Jackson County Department of Public Works under contract with the Township until 2007 when the Township became the administrator of the common fund. The cost of the Township's portion of the system is capitalized in the Township's sewer enterprise funds, which are financing the debt service payments through usage fees and special assessments. The portion of the debt attributable to other governmental units is offset by a long-term lease receivable from those units.

# COLUMBIA TOWNSHIP, MICHIGAN

## Notes To Financial Statements

Annual debt service requirements to maturity for general obligation bonds is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<b>2009</b>	\$ 1,295,000	\$ 671,275	\$ 1,966,275
<b>2010</b>	1,290,000	624,600	1,914,600
<b>2011</b>	1,355,000	575,900	1,930,900
<b>2012</b>	850,000	524,063	1,374,063
<b>2013</b>	1,155,000	492,250	1,647,250
<b>2014-2018</b>	4,650,000	1,883,938	6,533,938
<b>2019-2023</b>	5,100,000	869,031	5,969,031
<b>2024</b>	<u>700,000</u>	<u>33,250</u>	<u>733,250</u>
<b>Total</b>	<u>\$ 16,395,000</u>	<u>\$ 5,674,306</u>	<u>\$ 22,069,306</u>

*Changes in Long-Term Debt.* The Township's long-term liability activity for the year ended June 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
<b>Primary Government</b>					
Governmental activities:					
Compensated absences	\$ 3,941	\$ 371	\$ -	\$ 4,312	\$ 431
Business-type activities:					
General obligation bonds	<u>\$ 17,650,000</u>	<u>\$ -</u>	<u>\$ 1,255,000</u>	<u>\$ 16,395,000</u>	<u>\$ 1,295,000</u>

## IV. OTHER INFORMATION

### A. Property taxes

The government's property taxes are levied each December 1 on the taxable value of property located in the Township as of the preceding December 31, the lien date. Taxable values are established annually by the government and subject to acceptance by the County. Real and personal property in the Township for the 2007 levy was assessed at \$333,516,219. The government's general operating tax rate for fiscal year 2007-2008 was .7214 mills with 1.3853 additional mills levied for police and fire operations. The revenue generated by the additional millage is not enough to cover police and fire expenditures; therefore, these operations are reliant on general fund subsidies. Accordingly, both the property tax revenue and these operations are accounted for in the general fund.

# COLUMBIA TOWNSHIP, MICHIGAN

## Notes To Financial Statements

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### B. State Construction Code Act Compliance

Public Act 245 of 1999 amended the State Construction Act to require Michigan municipal governments to establish fees which bear a reasonable relationship to the cost of operating their building departments. The Township's fee structure is not intended to fully recover its costs, and accordingly, the operations of the Township's building department are accounted for in the general fund.

For the year ended June 30, 2008, the Township's revenue and expenditures related to its building department were as follows:

#### Revenue

Building permits	\$ 30,901
Mechanical permits	4,950
Plumbing permits	40,322
Electrical permits	<u>40,485</u>
Total revenue	<u>116,658</u>

#### Expenditures

Building inspection	78,022
Electrical inspection	32,435
Plumbing inspection	<u>23,899</u>
Total expenditures	<u>134,356</u>
Deficiency of revenue over expenditures	(37,176)
Cumulative deficiency of revenue over expenditures:	
June 30, 2007	<u>(67,603)</u>
<b>June 30, 2008</b>	<b><u>\$(104,779)</u></b>

# COLUMBIA TOWNSHIP, MICHIGAN

## Notes To Financial Statements

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### **C. Restatements**

The Township increased its Clark Lake/Lake Columbia sewer fund beginning net assets by \$243,270 and \$9,560, respectively, to record unamortized bond issuance costs and construction in progress not recorded in the previous years.

The Township also decreased its beginning net assets by \$677,862 in the Vineyard Lake sewer fund to properly reduce long-term receivables to agree with contracted schedules of amounts due from Norvell and Cambridge Townships.

### **D. Construction Commitments**

The Township entered into a construction contract subsequent to year end for an addition to the Township Hall. No expenditures were incurred prior to June 30, 2008. The Township Board has approved an amount of \$450,000 for the project.

\* \* \* \* \*



**REHMANN ROBSON**

*Certified Public Accountants*

A member of THE REHMANN GROUP



December 1, 2008

To the Supervisor and Board of Trustees of  
Columbia Township  
Jackson County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *Columbia Township, Michigan* (the "Township") for the year ended June 30, 2008, and have issued our report thereon dated December 1, 2008. 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 May 20, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the *Township*. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

**Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on September 2, 2008.

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township 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 governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The 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 assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

### *Difficulties Encountered in Performing the Audit*

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

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements were corrected by management: prior period adjustments to long-term receivables to decrease the balances due from Norvell and Cambridge Townships by \$677,862 and an adjustment of \$243,270 to record bond issuance costs.



*Disagreements with Management*

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

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 1, 2008.

*Management 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 Entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

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 governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the governing body and management of the *Columbia Township* 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 "Lehmann Johnson". The signature is written in a cursive, flowing style.

Columbia Township  
**Comments and Recommendations**  
**For the Year Ended June 30, 2008**

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In planning and performing our audit of the financial statements of the Columbia Township (the “Township”) as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township’s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Township’s internal control.

Our consideration of internal control was for the limited purpose described in the 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.

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

**Material Weaknesses**

**Preparation of Financial Statements in Accordance with GAAP**

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the Township’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).

Columbia Township  
**Comments and Recommendations**  
**For the Year Ended June 30, 2008**

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As is the case with many smaller and medium-sized entities, the Township 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 Township's ability to prepare financial statements in accordance with GAAP is based, primarily, on its external auditors, who cannot by definition be considered a part of the Township's internal controls.

Management has made the decision that it is in their best interest to outsource the preparation of its annual financial statements to the auditors rather than to incur the time and expense of obtaining the necessary training and expertise required for the Township to perform this task internally. As a result, the Township 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.

**Audit Adjustments**

The government is responsible for the reconciliation of all general ledger accounts to their proper underlying balances for the purpose of creating a reasonably adjusted final trial balance, from which the basic financial statements are derived.

A total of 17 adjusting journal entries (not including three prior period adjustments that were identified by the Township) were proposed by us and posted by the Township. Six of these entries were material to the financial statements and included adjustments to properly record enterprise fund capital assets and depreciation, to properly account for transfers between the general and capital projects funds, and to correct enterprise fund bonds payable.

As a result of this condition, the government is not able to produce accurate year-end, GAAP-based financial information. Management acknowledges its responsibility for making these adjustments, and intends to develop a plan to identify and record all necessary year end adjustments in the future.

\* \* \* \* \*