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CITY OF SAUGATUCK

FINANCIAL STATEMENTS

JUNE 30, 2004

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October 28, 2004

Honorable Mayor and Members of City Council  
City of Saugatuck, Michigan

### INDEPENDENT AUDITORS' REPORT

We have audited the accompanying basic financial statements of the City of Saugatuck, as of and for the year ended June 30, 2004, as listed in the index. These basic financial statements are the responsibility of the management of the City of Saugatuck. Our responsibility is to express an opinion on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit and the report of other auditors provides a reasonable basis for our opinion.

In our opinion, based on our audit, the basic financial statements referred to above present fairly, in all material respects, the financial position of the City of Saugatuck as of June 30, 2004, and the results of its operations and its cash flows of its business-like activities for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 11, the City of Saugatuck adopted the provisions of Governmental Accounting Standards Board Statements Nos. 33, 34, 36, 37, 38, 40, 41 and GASB Interpretation 6 as of and for the year ended June 30, 2004. This results in a change to the City of Saugatuck's method of accounting for certain nonexchange revenues and in the format and content of the basic financial statements.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. Management has elected to omit the Management's Discussion and Analysis from the required supplementary information.

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Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The combining financial statements listed in the index are presented for purpose of additional analysis and are not a required part of the basic financial statements of the City of Saugatuck. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

*Ferris, Buscher & Zwiars, P.C.*

FERRIS, BUSSCHER & ZWIERS, P.C.  
Certified Public Accountants  
Holland, Michigan

BASIC FINANCIAL STATEMENTS

CITY OF SAUGATUCK  
STATEMENT OF NET ASSETS  
JUNE 30, 2004

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 516,241	\$ 210,439	\$ 726,680
Investments	561,643	-	561,643
Receivables, net	298,390	92,634	391,024
Capital assets			
Land	3,160,697	-	3,160,697
Other capital assets, net of depreciation	<u>1,877,512</u>	<u>663,862</u>	<u>2,541,374</u>
<b>TOTAL ASSETS</b>	<u>\$ 6,414,483</u>	<u>\$ 966,935</u>	<u>\$ 7,381,418</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 183,405	\$ -	\$ 183,405
Long-term liabilities			
Due within one year	181,273	-	181,273
Due in more than one year	<u>1,039,220</u>	<u>-</u>	<u>1,039,220</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 1,403,898</u>	<u>\$ -</u>	<u>\$ 1,403,898</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 4,524,535	\$ 663,862	\$ 5,188,397
Restricted for			
Allegan County Bond debt service	104,764	-	104,764
Major streets	167,079	-	167,079
Local streets	78,818	-	78,818
Unrestricted	<u>135,389</u>	<u>303,073</u>	<u>438,462</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 5,010,585</u>	<u>\$ 966,935</u>	<u>\$ 5,977,520</u>

See notes to financial statements

CITY OF SAUGATUCK  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2004

FUNCTIONS/PROGRAMS	Program Revenues		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
<b>PRIMARY GOVERNMENT</b>			
Governmental activities			
Legislative	\$ 18,364	\$ -	\$ -
General government	487,835	29,425	23,898
Public safety	378,098	7,789	-
Highways and streets	331,624	13,302	99,318
Parks and recreation	395,931	215,757	913
Planning and zoning	105,153	6,746	-
Interest on long-term debt	60,021	-	-
Total governmental activities	\$ 1,777,026	\$ 273,019	\$ 124,129
Business-type activities			
Water and sewer	\$ 22,093	\$ 20,031	\$ -
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 1,799,119</b>	<b>\$ 293,050</b>	<b>\$ 124,129</b>

General revenues	
Taxes	
Property taxes, levied for general purposes	
Property taxes, levied for debt service	
Property taxes, levied for roads	
State shared revenues	
Unrestricted investment income	
Miscellaneous	
Total general revenues	

CHANGE IN NET ASSETS

NET ASSETS - JULY 1, 2003

NET ASSETS - JUNE 30, 2004

See notes to financial statements

<u>Capital</u> <u>Grants and</u> <u>Contributions</u>	<u>Net (Expense) Revenue</u>		<u>Total</u>
	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	
\$ -	\$ (18,364)	\$ -	\$ (18,364)
-	(434,512)	-	(434,512)
-	(370,309)	-	(370,309)
194,259	(24,745)	-	(24,745)
-	(179,261)	-	(179,261)
-	(98,407)	-	(98,407)
-	(60,021)	-	(60,021)
<u>\$ 194,259</u>	<u>\$ (1,185,619)</u>	<u>\$ -</u>	<u>\$ (1,185,619)</u>
<u>\$ 22,427</u>	<u>\$ -</u>	<u>\$ 20,365</u>	<u>\$ 20,365</u>
<u>\$ 216,686</u>	<u>\$ (1,185,619)</u>	<u>\$ 20,365</u>	<u>\$ (1,165,254)</u>
	\$ 1,108,023	\$ -	\$ 1,108,023
	101,566	-	101,566
	253,062	-	253,062
	111,743	-	111,743
	24,495	1,199	25,694
	<u>103,626</u>	<u>-</u>	<u>103,626</u>
	<u>\$ 1,702,515</u>	<u>\$ 1,199</u>	<u>\$ 1,703,714</u>
	\$ 516,896	\$ 21,564	\$ 538,460
	<u>4,493,689</u>	<u>945,371</u>	<u>5,439,060</u>
	<u>\$ 5,010,585</u>	<u>\$ 966,935</u>	<u>\$ 5,977,520</u>

CITY OF SAUGATUCK  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 140,311	\$ 21,060	\$ 35,893
Investments	371,953	15,501	6,024
Receivables, net	2,320	264	31,066
Receivables from other governments	<u>14,514</u>	<u>197,274</u>	<u>5,835</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 529,098</u></b>	<b><u>\$ 234,099</u></b>	<b><u>\$ 78,818</u></b>
<b>LIABILITIES</b>			
Accounts payable	\$ 47,400	\$ 67,020	\$ 17,688
Deferred revenue	<u>-</u>	<u>-</u>	<u>31,060</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 47,400</u></b>	<b><u>\$ 67,020</u></b>	<b><u>\$ 48,748</u></b>
<b>FUND BALANCES</b>			
Unreserved			
Designated	\$ 200,910	\$ -	\$ -
Undesignated	<u>280,788</u>	<u>167,079</u>	<u>30,070</u>
<b>TOTAL FUND BALANCES</b>	<b><u>\$ 481,698</u></b>	<b><u>\$ 167,079</u></b>	<b><u>\$ 30,070</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 529,098</u></b>	<b><u>\$ 234,099</u></b>	<b><u>\$ 78,818</u></b>

See notes to financial statements

<u>Park Endowment</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
\$ 162,964	\$ 100,697	\$ 460,925
72,804	84,802	551,084
76	241	33,967
<u>-</u>	<u>-</u>	<u>217,623</u>
<u>\$ 235,844</u>	<u>\$ 185,740</u>	<u>\$ 1,263,599</u>
\$ -	\$ -	\$ 132,108
<u>-</u>	<u>-</u>	<u>31,060</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 163,168</u>
\$ -	\$ -	\$ 200,910
<u>235,844</u>	<u>185,740</u>	<u>899,521</u>
<u>\$ 235,844</u>	<u>\$ 185,740</u>	<u>\$ 1,100,431</u>
<u>\$ 235,844</u>	<u>\$ 185,740</u>	<u>\$ 1,263,599</u>

CITY OF SAUGATUCK  
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, 2004

Fund balances - Total governmental funds \$ 1,100,431

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	5,729,342
Deduct - Accumulated depreciation	(853,331)

An internal service fund is used by management to charge the costs of certain equipment usage to individual governmental funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.

Add - Net assets from governmental activities in the internal service fund	228,040
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Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - Bonds payable	(706,819)
Deduct - Installment notes payable	(513,675)
Deduct - Compensated absences	(16,043)
Deduct - Accrued interest on long-term debt	(35,210)

Tax, special assessment, or other revenues unearned or unavailable in < 60 days for expenditures reported in fund statements.

Add - Receivables	46,790
Add - Deferred revenue	<u>31,060</u>

Net assets of governmental activities	<u>\$ 5,010,585</u>
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See notes to financial statements

CITY OF SAUGATUCK  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2004

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>
REVENUES			
Taxes and special assessments	\$ 1,108,023	\$ 209,353	\$ 47,592
Licenses and permits	6,746	-	-
State shared revenues	129,045	68,417	38,376
Grant revenue	913	194,259	-
Charges for services	292,914	-	-
Fines	7,789	-	-
Interest	13,645	1,264	3,769
Other revenue	<u>34,521</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>\$ 1,593,596</u>	<u>\$ 473,293</u>	<u>\$ 89,737</u>
EXPENDITURES			
Current operating			
Legislative	\$ 18,364	\$ -	\$ -
General government	478,878	-	-
Public safety	378,098	-	-
Highways and streets	138,966	48,768	55,783
Parks and recreation	355,262	-	-
Planning and zoning	105,153	-	-
Debt service			
Principal	-	-	-
Interest and other charges	-	-	-
Capital outlay	<u>8,790</u>	<u>512,773</u>	<u>159,137</u>
TOTAL EXPENDITURES	<u>\$ 1,483,511</u>	<u>\$ 561,541</u>	<u>\$ 214,919</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 110,085</u>	<u>\$ (88,248)</u>	<u>\$ (125,182)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 37,500	\$ 6,649
Transfers out	(72,500)	-	(19,518)
Debt proceeds	<u>-</u>	<u>-</u>	<u>180,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (72,500)</u>	<u>\$ 37,500</u>	<u>\$ 167,131</u>
NET CHANGE IN FUND BALANCES	\$ 37,585	\$ (50,748)	\$ 41,949
FUND BALANCES - JULY 1, 2003	<u>444,113</u>	<u>217,827</u>	<u>(11,879)</u>
FUND BALANCES - JUNE 30, 2004	<u>\$ 481,698</u>	<u>\$ 167,079</u>	<u>\$ 30,070</u>

See notes to financial statements

<u>Park Endowment</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 101,566	\$ 1,466,534
-	29,425	36,171
-	-	235,838
-	-	195,172
-	-	292,914
-	-	7,789
2,587	2,903	24,168
<u>250</u>	<u>-</u>	<u>34,771</u>
<u>\$ 2,837</u>	<u>\$ 133,894</u>	<u>\$ 2,293,357</u>
\$ -	\$ -	\$ 18,364
-	-	478,878
-	-	378,098
-	-	243,517
9,906	17,720	382,888
-	-	105,153
-	157,645	157,645
-	61,837	61,837
<u>-</u>	<u>-</u>	<u>680,700</u>
<u>\$ 9,906</u>	<u>\$ 237,202</u>	<u>\$ 2,507,079</u>
<u>\$ (7,069)</u>	<u>\$ (103,308)</u>	<u>\$ (213,722)</u>
\$ 5,000	\$ 74,518	\$ 123,667
-	(31,649)	(123,667)
<u>-</u>	<u>-</u>	<u>180,000</u>
<u>\$ 5,000</u>	<u>\$ 42,869</u>	<u>\$ 180,000</u>
\$ (2,069)	\$ (60,439)	\$ (33,722)
<u>237,913</u>	<u>246,179</u>	<u>1,134,153</u>
<u>\$ 235,844</u>	<u>\$ 185,740</u>	<u>\$ 1,100,431</u>

CITY OF SAUGATUCK  
 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, 2004

Net change in fund balances - Total governmental funds \$ (33,722)

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	680,700
Deduct - Depreciation expense	(87,725)

Debt proceeds provide current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net assets.

Add - Principal payments on long-term liabilities	157,645
Deduct - Proceeds of long-term debt	(180,000)

An internal service fund is used by management to change the costs of certain equipment usage to individual governmental funds. The net revenue (expense) of the fund attributable to those funds is reported within governmental activities.

Deduct - Loss from governmental activities in the internal service fund	(23,476)
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Tax, special assessment, or other revenues unearned or unavailable in < 60 days for expenditures reported in fund statements.	238
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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.

Add - Change in accrued compensated absences	1,420
Add - Change in accrued interest on long-term debt	<u>1,816</u>

Change in net assets of governmental activities	<u>\$ 516,896</u>
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See notes to financial statements

CITY OF SAUGATUCK  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2004

	Enterprise <u>Fund</u>	Internal Service <u>Fund</u>
	Water and <u>Sewer</u>	
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 210,439	\$ 55,316
Investments	-	10,559
Receivables, net	<u>92,634</u>	<u>11</u>
TOTAL CURRENT ASSETS	\$ <u>303,073</u>	\$ <u>65,886</u>
Noncurrent assets		
Capital assets		
Property and equipment	\$ 784,729	\$ 581,903
Less accumulated depreciation	<u>120,867</u>	<u>419,705</u>
TOTAL NONCURRENT ASSETS	\$ <u>663,862</u>	\$ <u>162,198</u>
TOTAL ASSETS	\$ <u>966,935</u>	\$ <u>228,084</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$ -	\$ 44
TOTAL LIABILITIES	\$ -	\$ 44
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	\$ 663,862	\$ 162,198
Unrestricted	<u>303,073</u>	<u>65,842</u>
TOTAL NET ASSETS	\$ <u>966,935</u>	\$ <u>228,040</u>

See notes to financial statements

CITY OF SAUGATUCK  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004

	Enterprise Fund	Internal Service Fund
	Water and Sewer	
OPERATING REVENUES		
Charges for services	\$ 42,458	\$ 82,000
TOTAL OPERATING REVENUES	<u>\$ 42,458</u>	<u>\$ 82,000</u>
OPERATING EXPENSES		
Salaries and wages	\$ -	\$ 15,483
Fringe benefits	-	7,429
Operating supplies	8	2,524
Professional services	6,390	10,707
Insurance and bonds	-	10,000
Depreciation	15,695	41,367
Repairs and maintenance	<u>-</u>	<u>18,294</u>
TOTAL OPERATING EXPENSES	<u>\$ 22,093</u>	<u>\$ 105,804</u>
OPERATING INCOME (LOSS)	<u>\$ 20,365</u>	<u>\$ (23,804)</u>
NONOPERATING REVENUES		
Interest income	<u>\$ 1,199</u>	<u>\$ 328</u>
TOTAL NONOPERATING REVENUES	<u>\$ 1,199</u>	<u>\$ 328</u>
CHANGE IN NET ASSETS	\$ 21,564	\$ (23,476)
TOTAL NET ASSETS - JULY 1, 2003	<u>945,371</u>	<u>251,516</u>
TOTAL NET ASSETS - JUNE 30, 2004	<u>\$ 966,935</u>	<u>\$ 228,040</u>

See notes to financial statements

CITY OF SAUGATUCK  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004

	Enterprise Fund	Internal Service Fund
	Water and Sewer	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 7,954	\$ -
Payments to suppliers	(6,398)	(42,218)
Payments to employees	-	(15,483)
Internal activity		
Receipts from other funds	-	82,000
Other receipts (payments)	<u>-</u>	<u>(7,429)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>\$ 1,556</u></b>	<b><u>\$ 16,870</u></b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of capital assets	<u>\$ -</u>	<u>\$ (24,251)</u>
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b><u>\$ -</u></b>	<b><u>\$ (24,251)</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	\$ -	\$ 11,406
Interest and dividends	<u>1,199</u>	<u>404</u>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b><u>\$ 1,199</u></b>	<b><u>\$ 11,810</u></b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>\$ 2,755</b>	<b>\$ 4,429</b>
<b>CASH AND CASH EQUIVALENTS - JULY 1, 2003</b>	<u>207,684</u>	<u>50,887</u>
<b>CASH AND CASH EQUIVALENTS - JUNE 30, 2004</b>	<b><u>\$ 210,439</u></b>	<b><u>\$ 55,316</u></b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 20,365	\$ (23,804)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation expense	15,695	41,367
Change in assets and liabilities		
Receivables, net	(34,504)	-
Accounts and other payables	<u>-</u>	<u>(693)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>\$ 1,556</u></b>	<b><u>\$ 16,870</u></b>

See notes to financial statements

CITY OF SAUGATUCK  
STATEMENT OF FIDUCIARY NET ASSETS  
AGENCY FUND  
JUNE 30, 2004

	<u>Property Tax Collection</u>
ASSETS	
Receivables, net	\$ 6,397
Receivables from other governments	<u>11,470</u>
 TOTAL ASSETS	 <u>\$ 17,867</u>
 LIABILITIES	
Bank overdraft	\$ 11,470
Payables to other governments	<u>6,397</u>
 TOTAL LIABILITIES	 <u>\$ 17,867</u>

See notes to financial statements

CITY OF SAUGATUCK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Saugatuck was incorporated as a City in 1984, under the provisions of Act 279, P.A. 1909 as amended (Home Rule City Act). The City operates under a council-manager form of government and provides the following services as authorized by its charter: general administrative services, public safety, highway and street maintenance, culture, recreation and other governmental functions.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City.

REPORTING ENTITY

The City is governed by an elected council. The accompanying financial statements present the City's activities for which the City is considered to be financially accountable. There are no entities which have significant operation or financial relationships with the City which should be included as component units.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

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

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. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF SAUGATUCK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within sixty 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, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, state shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The City's property tax is levied on each July 1<sup>st</sup> on the taxable valuation of property (as defined by State statutes) located in the City of Saugatuck as of the preceding December 31<sup>st</sup>. The City also collects taxes for other governmental units which are payable on July 1 and December 1.

The City's 2003 ad valorem tax is levied and collectible on July 1, 2003, and it is the City's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations.

The 2003 taxable valuation of the City totaled \$87,180,946, on which ad valorem taxes levied consisted of 12.5 mills for the City's operating purposes, .2350 mills for recycling services, 1.165 mills for debt service, and 1.9 mills for roads raising \$1,089,761 for operating, \$10,487 for recycling services, \$101,566 for debt service and \$165,644 for roads. These amounts are recognized in the respective General, Debt Service, and Special Revenue Fund financial statements as tax revenue.

The City reports the following major governmental funds:

The General Fund is the City'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 resources of state gas and weight tax revenues that are restricted for use on major streets.

The Local Streets Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on local streets.

The Park Endowment Fund accounts for the interest earned on endowed funds to maintain a local park.

CITY OF SAUGATUCK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City reports the following major proprietary fund:

The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system.

Additionally, the City reports the following fund types:

Debt Service Funds account for the accumulation of resources for, and payment of, long term debt principal, interest, and related costs.

Capital Projects Funds account for resources to be used for the acquisition or construction of major capital facilities.

Internal Service Fund accounts for major machinery and equipment purchases and maintenance, as well as risk management services provided to other departments of the City on a cost reimbursement basis.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for services. The Water and Sewer Fund also recognizes the portion of connection fees intended to recover current costs as operating revenue. Investment income is recognized as nonoperating revenue. Operating expenses for proprietary funds include operating expenses, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

CITY OF SAUGATUCK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each July 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

Special Assessments Receivable – The governmental activities and business-type activities have special assessments recorded in the amount of \$59,576. Of the special assessment balance, \$31,060 is deferred because it is unavailable in the fund financial statements.

Prepaid Items – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Building	40 to 60 years
Building improvements	15 to 30 years
Land improvements	20 to 30 years
Water and sewer lines	50 to 75 years
Roads	10 to 30 years
Other infrastructure	10 to 30 years
Vehicles	5 to 10 years
Office equipment	5 to 10 years
Machinery and equipment	7 to 30 years

Compensated Absences (Vacation and Sick Leave) – It is the City’s policy to permit employees to accumulate earned but unused vacation pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide statement at year-end.

CITY OF SAUGATUCK  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue – Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned.

Long-Term Obligations – In the government-wide financial statements and the 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 are reported as other financing uses. Issuance costs are reported as debt service expenditures.

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

	<u>General Fund</u>
Unreserved	
Designated:	
Parks and recreation	<u>\$200,910</u>

Restricted Net Assets – The City’s policy is to first apply restricted resources when an expense is incurred for which restricted and unrestricted net assets are available.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

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

Excess of Expenditures Over Appropriations in Budgeted Funds – During the year, the City of Saugatuck incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

CITY OF SAUGATUCK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

<u>Budget Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>	<u>Variance Favorable (Unfavorable)</u>
General Fund			
General government			
Contracted services	\$ 70,500	\$ 102,096	\$ (31,596)
City manager	88,000	92,628	(4,628)
Buildings and grounds	91,000	94,683	(3,683)
Public safety			
Police	370,000	378,098	(8,098)
Highways and streets	118,000	138,966	(20,966)
Planning and zoning	81,000	105,153	(24,153)
Special Revenue Fund			
Major Streets	510,000	561,541	(51,541)

NOTE 3– DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Sections 129.91, authorizes the City to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivision which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The City of Saugatuck Council has designated four banks for the deposit of City funds. The investment policy adopted by the Council in accordance with Public Act 196 of 1997. The City's deposits and investment policy are in accordance with statutory authority.

At year-end, the City's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Cash and cash equivalents	\$ 516,241	\$ 210,439	\$ 726,680
Investments	<u>561,643</u>	<u>-</u>	<u>561,643</u>
Total	<u>\$ 1,077,884</u>	<u>\$ 210,439</u>	<u>\$ 1,288,323</u>

CITY OF SAUGATUCK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank deposits (checking and savings accounts, certificates of deposit)	\$ 1,288,248
Petty cash and cash on hand	<u>75</u>
Total	<u>\$ 1,288,323</u>

The bank balance of the primary government's deposits is \$1,394,150, of which \$300,000 is covered by federal depository insurance and \$1,094,150 is uninsured and uncollateralized.

NOTE 4 – RECEIVABLES

Receivables as of year-end for the City's individual major and non-major funds, and the internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	<u>General Fund</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Park Endowment</u>	<u>Non-Major and Other Funds</u>	<u>Total</u>
Taxes receivable	\$ 1,875	\$ 248	\$ -	\$ -	\$ 6,549	\$ 8,672
Special assessments	-	-	31,060	-	-	31,060
Intergovernmental	14,514	197,274	5,835	-	11,470	229,093
Interest and other	<u>445</u>	<u>16</u>	<u>6</u>	<u>76</u>	<u>100</u>	<u>643</u>
Gross receivables	\$ 16,834	\$ 197,538	\$ 36,901	\$ 76	\$ 18,119	\$ 269,468
Less: allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net receivables	<u>\$ 16,834</u>	<u>\$ 197,538</u>	<u>\$ 36,901</u>	<u>\$ 76</u>	<u>\$ 18,119</u>	<u>\$ 269,468</u>

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

	<u>Unavailable</u>	<u>Unearned</u>
Special assessments	<u>\$31,060</u>	\$ -
Total	<u>\$31,060</u>	<u>\$ -</u>

CITY OF SAUGATUCK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

NOTE 5 – CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 3,140,697	\$ 20,000	\$ -	\$ 3,160,697
Subtotal	<u>\$ 3,140,697</u>	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ 3,160,697</u>
Capital assets being depreciated				
Buildings	\$ 977,129	\$ -	\$ -	\$ 977,129
Improvements other than buildings	606,588	-	-	606,588
Machinery and equipment	881,485	30,545	(17,109)	894,921
Infrastructure	<u>-</u>	<u>671,910</u>	<u>-</u>	<u>671,910</u>
Subtotal	<u>\$ 2,465,202</u>	<u>\$ 702,455</u>	<u>\$(17,109)</u>	<u>\$ 3,150,548</u>
Less accumulated depreciation for				
Buildings	\$ 306,979	\$ 20,769	\$ -	\$ 327,748
Improvements other than buildings	277,652	26,443	-	304,095
Machinery and equipment	576,422	73,782	(17,109)	633,095
Infrastructure	<u>-</u>	<u>8,098</u>	<u>-</u>	<u>8,098</u>
Subtotal	<u>\$ 1,161,053</u>	<u>\$ 129,092</u>	<u>\$(17,109)</u>	<u>\$ 1,273,036</u>
Net capital assets being depreciated	<u>\$ 1,304,149</u>	<u>\$ 573,363</u>	<u>\$ -</u>	<u>\$ 1,877,512</u>
Total capital assets – net of depreciation	<u>\$ 4,444,846</u>	<u>\$ 593,363</u>	<u>\$ -</u>	<u>\$ 5,038,209</u>

CITY OF SAUGATUCK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

NOTE 5 – CAPITAL ASSETS (CONTINUED)

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets being depreciated				
Infrastructure	\$ <u>784,729</u>	\$ _____ -	\$ _____ -	\$ <u>784,729</u>
Subtotal	\$ <u>784,729</u>	\$ _____ -	\$ _____ -	\$ <u>784,729</u>
Less accumulated depreciation for				
Infrastructure	\$ <u>105,172</u>	\$ <u>15,695</u>	\$ _____ -	\$ <u>120,867</u>
Subtotal	\$ <u>105,172</u>	\$ <u>15,695</u>	\$ _____ -	\$ <u>120,867</u>
Net capital assets being depreciated	\$ <u>679,557</u>	\$ <u>15,695</u>	\$ _____ -	\$ <u>663,862</u>
Total capital assets - net of depreciation	\$ <u>679,557</u>	\$ <u>15,695</u>	\$ _____ -	\$ <u>663,862</u>

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

Governmental activities	
General government	\$ 17,379
Highways and streets	75,670
Parks and recreation	<u>36,043</u>
Total governmental activities	<u>\$ 129,092</u>
Business-type activities	
Water and sewer	<u>\$ 15,695</u>

CITY OF SAUGATUCK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

NOTE 6 – INTERFUND TRANSFERS

Interfund transfers in and out as of June 30, 2004 are as follows:

	Operating Transfer In	Operating Transfer Out
Major funds:		
General	\$ -	\$ 72,500
Major Streets	37,500	-
Local Streets	6,649	19,518
Park Endowment	5,000	-
Non-major funds:		
Special Assessment	-	6,649
Business License	-	25,000
HNB Note	55,000	-
SIB Loan	<u>19,518</u>	<u>-</u>
Total	<u>\$ 123,667</u>	<u>\$ 123,667</u>

NOTE 7 – LONG-TERM DEBT

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the City. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Bond and contractual obligation activity can be summarized as follows:

	Interest Rate	Principal Matures	Beginning Balance	Additions	(Reductions)	Ending Balance	Due Within One Year
<b>Governmental Activities</b>							
General obligation bonds							
Allegan County Sewer Disposal Bond	5-7%	5/1/05	\$ 113,638	\$ -	\$ (56,819)	\$ 56,819	\$ 56,819
Allegan County Sanitary Sewer System 13	4.2-5.6%	10/1/14	700,000	-	(50,000)	650,000	50,000
Installment purchase agreements							
Huntington National Bank	4.3%	11/19/11	367,000	-	(34,000)	333,000	36,000
State Infrastructure Bank	3.0%	9/4/08	-	180,000	(16,826)	163,174	34,394
Land Contract	5.0%	8/29/07	-	<u>20,000</u>	<u>(2,500)</u>	<u>17,500</u>	<u>4,060</u>
Total governmental activities			<u>\$ 1,180,638</u>	<u>\$ 200,000</u>	<u>\$ (160,145)</u>	<u>\$ 1,220,493</u>	<u>\$ 181,273</u>

CITY OF SAUGATUCK  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2004

NOTE 7 – LONG-TERM DEBT (CONTINUED)

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

<u>Year End June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 181,273	\$ 55,674
2006	126,698	47,063
2007	129,981	41,620
2008	133,306	35,992
2009	111,235	30,241
2010-2014	463,000	78,660
2015-2019	<u>75,000</u>	<u>2,100</u>
Total	<u>\$ 1,220,493</u>	<u>\$ 291,350</u>

NOTE 8 – SEGMENT INFORMATION

The City's Water and Sewer Enterprise Fund accounts for the water and sewer connections and capital improvements to the system paid by the City. Summary financial information for the Water and Sewer Fund is presented below:

Condensed Statement of Net Assets

Assets	
Current assets	\$ 303,073
Capital assets	<u>663,862</u>
Total assets	<u>\$ 966,935</u>
Net assets	
Invested in capital assets	\$ 663,862
Unrestricted	<u>303,073</u>
Total net assets	<u>\$ 966,935</u>

CITY OF SAUGATUCK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

NOTE 8 – SEGMENT INFORMATION (CONTINUED)

Condensed Statement of Revenues, Expenses and Changes in Net Assets

Connection fees	\$ 20,031
Special assessments	22,427
Depreciation expense	(15,695)
Other operating expenses	<u>(6,398)</u>
Operating income	\$ 20,365
Non-operating revenue	
Interest income	<u>1,199</u>
Change in net assets	\$ 21,564
Beginning net assets	<u>945,371</u>
Ending net assets	<u>\$ 966,935</u>

Condensed Statement of Cash Flows

Net cash provided by	
Operating activities	\$ 1,556
Investing activities	<u>1,199</u>
Net increase	\$ 2,755
Beginning cash and cash equivalents	<u>207,684</u>
Ending cash and cash equivalents	<u>\$ 210,439</u>

NOTE 9 – RISK MANAGEMENT

The City is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance to cover all risks of losses. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 10 – EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Defined Benefit Pension Plan (Michigan Municipal Employees' Retirement System)

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. The MERS Retirement Board, establishes and amends the

CITY OF SAUGATUCK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

NOTE 10 – EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (CONTINUED)

benefits provisions of the participants in MERS. MERS 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 Systems of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

Funding Policy

The City is required to contribute at an actuarially determined rate; the rate as of June 30, 2004 is approximately 10.09% of annual covered payroll. Employees are currently not required to contribute to the Plan. The contribution requirements of the City are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members, if any, 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, 2004, the City's annual pension cost of \$21,828 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2002 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions includes (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 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 over 30 years.

Three year trend information as of June 30 follows:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Annual pension cost	\$ 21,828	\$ 19,338	\$ 18,073
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -
Actuarial value of assets	\$ 850,769	\$ 783,243	\$ 754,821
Actuarial accrued liability	\$ 961,819	\$ 894,781	\$ 829,971
Unfunded AAL	\$ 111,050	\$ 111,538	\$ 75,150
Funded ratio	88%	88%	91%
Covered payroll	\$ 243,181	\$ 236,349	\$ 228,156
UAAL as a percentage of covered payroll	46%	47%	33%

CITY OF SAUGATUCK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

NOTE 11 – RESTATEMENT OF RETAINED EARNINGS/FUND BALANCE

Restatements

As of and for the year ended June 30, 2004 the City implemented the following Governmental Accounting Standards Board pronouncements:

Statements

- No. 33 Accounting and Financial Reporting for Nonexchange Transactions
- No. 34 Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments
- No. 36 Recipient Reporting for Certain Shared Nonexchange Revenues – An Amendment of GASB No. 33
- No. 37 Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus
- No. 38 Certain Financial Statement Note Disclosures
- No. 40 Deposit and Investment Risk Disclosures
- No. 41 Budgetary Comparison Schedules – Perspective Differences

Interpretation

- No. 6 Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements

The above pronouncements are all related to the new financial reporting requirements for all state and local governments. These pronouncements are scheduled for a phased implementation (based on the size of the government) through fiscal years ending in 2005. The City is required to implement the new requirements no later than the fiscal year ending June 30, 2004.

The more significant of the changes required by the new standards include:

- Management’s discussion and analysis;
- Basic financial statements that include:
  - Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
  - Fund financial statements, consisting of a series of statements that focus on a government’s major governmental funds and enterprise funds;
  - Schedules to reconcile the fund financial statements to the government-wide financial statements;
  - Budgetary schedules;
  - Notes to the basic financial statements;
  - Required supplementary information, including certain budgetary schedules.

CITY OF SAUGATUCK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

NOTE 11 – RESTATEMENT OF RETAINED EARNINGS/FUND BALANCE (CONTINUED)

Primary Government

As a result of implementing these pronouncements for the fiscal year ended June 30, 2004, the following restatements were made to beginning net asset accounts:

Government-wide financial statements – Beginning net assets for governmental activities was determined as follows:

Fund balances of governmental funds as of June 30, 2003	\$ 1,134,153
Add: governmental capital assets, including general fixed assets as of June 30, 2003	5,032,143
Deduct: accumulated depreciation as of June 30, 2003 on above governmental capital assets	(765,605)
Add: net assets of governmental activities accounted for in internal service funds	251,513
Deduct: long-term debt as of June 30, 2003	(1,180,638)
Add: other changes in accruals	<u>23,123</u>
Governmental activities net assets, restated, as of June 30, 2003	<u>\$ 4,493,689</u>

NOTE 12 – BUILDING DEPARTMENT

Revenues	
Inspections fees	\$ 27,210
Expenditures	
Contract labor	<u>(24,489)</u>
Excess of revenues over expenditures	\$ 2,721
Cumulative excess of revenues over expenditures June 30, 2003	<u>9,507</u>
Cumulative excess of revenues over expenditures June 30, 2004	<u>\$ 12,228</u>

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF SAUGATUCK  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL -  
 GENERAL FUND  
 YEAR ENDED JUNE 30, 2004

	<u>Original Budget</u>	<u>Final Amended Budget</u>
REVENUES		
TAXES		
Current property taxes	\$ 989,000	\$ 1,034,000
LICENSES AND PERMITS		
Building and zoning fees	\$ 3,000	\$ 6,000
STATE SHARED REVENUES		
Sales and use tax	\$ 120,000	\$ 120,000
Liquor license	6,000	6,000
Metro Act	-	-
TOTAL STATE SHARED REVENUES	\$ 126,000	\$ 126,000
GRANT REVENUE	\$ -	\$ 21,000
CHARGES FOR SERVICES		
Rental fees	\$ 22,000	\$ 22,000
Ramp fees	8,000	8,000
Parking waiver fees	10,000	10,000
Admission fees	142,000	165,000
Administration fees	49,000	49,000
TOTAL CHARGES FOR SERVICES	\$ 231,000	\$ 254,000
FINES		
Parking and magistrates	\$ 7,000	\$ 7,000
INTEREST EARNED	\$ 25,000	\$ 25,000
OTHER REVENUES		
Reimbursements and refunds	\$ -	\$ -
Miscellaneous	-	-
TOTAL OTHER REVENUES	\$ -	\$ -
TOTAL REVENUES	\$ 1,381,000	\$ 1,473,000

<u>Actual</u>	Variance Favorable (Unfavorable)
\$ <u>1,108,023</u>	\$ <u>74,023</u>
\$ <u>6,746</u>	\$ <u>746</u>
\$ 117,286	\$ (2,714)
6,667	667
<u>5,092</u>	<u>5,092</u>
\$ <u>129,045</u>	\$ <u>3,045</u>
\$ <u>913</u>	\$ <u>(20,087)</u>
\$ 28,616	\$ 6,616
10,599	2,599
-	(10,000)
189,844	24,844
<u>63,855</u>	<u>14,855</u>
\$ <u>292,914</u>	\$ <u>38,914</u>
\$ <u>7,789</u>	\$ <u>789</u>
\$ <u>13,645</u>	\$ <u>(11,355)</u>
\$ 3,943	\$ 3,943
<u>30,578</u>	<u>30,578</u>
\$ <u>34,521</u>	\$ <u>34,521</u>
\$ <u>1,593,596</u>	\$ <u>120,596</u>

CITY OF SAUGATUCK  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - (CONTINUED)  
GENERAL FUND  
YEAR ENDED JUNE 30, 2004

	Original <u>Budget</u>	Final Amended <u>Budget</u>
EXPENDITURES		
LEGISLATIVE		
Council wages, dues and promotion	\$ 12,000	\$ 14,500
Elections, inspectors and supplies	<u>7,000</u>	<u>7,000</u>
TOTAL LEGISLATIVE	<u>\$ 19,000</u>	<u>\$ 21,500</u>
GENERAL GOVERNMENT		
Contracted Services		
Attorney fees	\$ 12,000	\$ 12,000
Consulting/Auditing	7,000	7,000
Recreational contributions	15,000	15,000
Recycling	25,000	25,000
Township cemetary	11,000	11,000
Surveys	-	-
Computer maintenance	-	-
Tax tribunal refunds	<u>-</u>	<u>500</u>
Total contracted services	<u>\$ 70,000</u>	<u>\$ 70,500</u>
City Manager		
Salary	\$ 58,000	\$ 58,000
Fringe benefits	15,000	15,000
Computer rental	2,000	2,000
Postage	400	400
Telephone	1,000	1,000
Travel	500	500
Supplies	600	600
Dues and publications	1,000	1,000
Miscellaneous	<u>9,500</u>	<u>9,500</u>
Total city manager	<u>\$ 88,000</u>	<u>\$ 88,000</u>
Assessor		
Salaries	\$ 1,400	\$ 1,400
Fringe benefits	400	400
Professional fees	24,000	24,000
Computer rental	2,000	2,000
Telephone	800	800
Supplies	3,400	3,400
Capital outlay	500	500
Dues and publications	<u>500</u>	<u>500</u>
Total assessor	<u>\$ 33,000</u>	<u>\$ 33,000</u>

<u>Actual</u>	Variance Favorable (Unfavorable)
\$ 14,650	\$ (150)
<u>3,714</u>	<u>3,286</u>
\$ <u>18,364</u>	\$ <u>3,136</u>

\$ 17,690	\$ (5,690)
5,350	1,650
-	15,000
40,620	(15,620)
35,980	(24,980)
500	(500)
1,950	(1,950)
<u>6</u>	<u>494</u>
\$ <u>102,096</u>	\$ <u>(31,596)</u>

\$ 59,040	\$ (1,040)
18,147	(3,147)
129	1,871
840	(440)
1,952	(952)
1,511	(1,011)
782	(182)
927	73
<u>9,300</u>	<u>200</u>
\$ <u>92,628</u>	\$ <u>(4,628)</u>

\$ 1,564	\$ (164)
243	157
24,173	(173)
2,834	(834)
671	129
2,408	992
-	500
<u>578</u>	<u>(78)</u>
\$ <u>32,471</u>	\$ <u>529</u>

CITY OF SAUGATUCK  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - (CONTINUED)  
GENERAL FUND  
YEAR ENDED JUNE 30, 2004

	<u>Original Budget</u>	<u>Final Amended Budget</u>
EXPENDITURES (CONTINUED)		
GENERAL GOVERNMENT (CONTINUED)		
Clerk and Treasurer		
Salaries	\$ 97,900	\$ 97,900
Fringe benefits	35,000	35,000
Insurance	500	500
Professional fees	-	-
Computer rental	3,000	3,000
Postage	1,500	1,500
Telephone	2,500	2,500
Travel	1,000	1,000
Supplies	2,800	2,800
Printing and publishing	6,000	6,000
Dues and publications	800	800
Seminars and education	2,000	2,000
Miscellaneous	-	-
	<u>          -</u>	<u>          -</u>
Total clerk and treasurer	<u>\$ 153,000</u>	<u>\$ 153,000</u>
Buildings and Grounds		
Salaries	\$ 18,800	\$ 23,800
Fringe benefits	4,200	4,200
Professional fees	6,000	6,000
Insurance and appraisals	1,000	1,000
Utilities	26,000	26,000
Repairs and maintenance	9,000	9,000
Equipment rental	7,000	7,000
Computer rental	3,000	3,000
Miscellaneous	-	-
Capital outlay	10,000	11,000
	<u>10,000</u>	<u>11,000</u>
Total buildings and grounds	<u>\$ 85,000</u>	<u>\$ 91,000</u>
Contingencies	<u>\$ 15,000</u>	<u>\$ 42,000</u>
TOTAL GENERAL GOVERNMENT	<u>\$ 444,000</u>	<u>\$ 477,500</u>
PUBLIC SAFETY		
Police Department - Professional fees	\$ 370,000	\$ 370,000
Police Department - Miscellaneous	-	-
	<u>          -</u>	<u>          -</u>
TOTAL PUBLIC SAFETY	<u>\$ 370,000</u>	<u>\$ 370,000</u>
HIGHWAYS AND STREETS		
Street Lighting	<u>\$ 18,000</u>	<u>\$ 18,000</u>

<u>Actual</u>	Variance Favorable (Unfavorable)
\$ 83,423	\$ 14,477
37,102	(2,102)
500	-
3,609	(3,609)
3,456	(456)
1,266	234
2,269	231
138	862
3,483	(683)
4,057	1,943
-	800
680	1,320
<u>428</u>	<u>(428)</u>
<u>\$ 140,411</u>	<u>\$ 12,589</u>
\$ 23,200	\$ 600
5,382	(1,182)
16,179	(10,179)
1,200	(200)
28,616	(2,616)
5,802	3,198
7,030	(30)
129	2,871
739	(739)
<u>6,406</u>	<u>4,594</u>
<u>\$ 94,683</u>	<u>\$ (3,683)</u>
<u>\$ 25,379</u>	<u>\$ 16,621</u>
<u>\$ 487,668</u>	<u>\$ (10,168)</u>
\$ 377,913	\$ (7,913)
<u>185</u>	<u>(185)</u>
<u>\$ 378,098</u>	<u>\$ (8,098)</u>
<u>\$ 18,224</u>	<u>\$ (224)</u>

CITY OF SAUGATUCK  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - (CONTINUED)  
GENERAL FUND  
YEAR ENDED JUNE 30, 2004

	Original <u>Budget</u>	Final Amended <u>Budget</u>
EXPENDITURES (CONTINUED)		
HIGHWAYS AND STREETS (CONTINUED)		
Highways and Streets		
Salaries	\$ 46,500	\$ 46,500
Fringe benefits	14,000	14,000
Equipment rental	20,000	20,000
Printing and publishing	300	300
Professional fees	2,500	2,500
Sidewalk repairs	10,000	10,000
Travel	500	500
Telephone	1,500	1,500
Insurance	-	-
Miscellaneous	<u>4,700</u>	<u>4,700</u>
Total highways and streets	<u>\$ 100,000</u>	<u>\$ 100,000</u>
TOTAL HIGHWAYS AND STREETS	<u>\$ 118,000</u>	<u>\$ 118,000</u>
PARKS AND RECREATION		
Salaries	\$ 45,700	\$ 45,700
Fringe benefits	15,500	15,500
Repairs and maintenance	2,500	2,500
Insurance	3,500	3,500
Telephone	1,600	1,600
Equipment	1,000	1,000
Equipment rental	19,000	19,000
Supplies	16,700	16,700
Professional fees	50,000	50,000
Trash disposal	3,000	3,000
Capital outlay	80,500	60,500
Miscellaneous	1,000	1,000
Recreational contribution	5,000	5,000
Oval Beach	98,000	110,000
Chain Ferry	<u>23,000</u>	<u>30,000</u>
TOTAL PARKS AND RECREATION	<u>\$ 366,000</u>	<u>\$ 365,000</u>
PLANNING AND ZONING		
Commissioners, per diem	\$ 7,700	\$ 7,700
Fringe benefits	1,000	1,000
Professional fees	14,500	61,500
Printing and publishing	1,600	6,600
Miscellaneous	500	500
Supplies and other expenses	<u>3,700</u>	<u>3,700</u>
TOTAL PLANNING AND ZONING	<u>\$ 29,000</u>	<u>\$ 81,000</u>

<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
\$ 53,046	\$ (6,546)
23,359	(9,359)
20,129	(129)
351	(51)
7,924	(5,424)
5,577	4,423
-	500
1,983	(483)
1,415	(1,415)
<u>6,958</u>	<u>(2,258)</u>
<u>\$ 120,742</u>	<u>\$ (20,742)</u>
<u>\$ 138,966</u>	<u>\$ (20,966)</u>
\$ 46,013	\$ (313)
19,184	(3,684)
1,800	700
3,500	-
2,085	(485)
-	1,000
18,129	871
17,435	(735)
71,825	(21,825)
5,836	(2,836)
7,404	53,096
149	851
7,500	(2,500)
122,072	(12,072)
<u>32,330</u>	<u>(2,330)</u>
<u>\$ 355,262</u>	<u>\$ 9,738</u>
\$ 8,936	\$ (1,236)
946	54
84,426	(22,926)
4,237	2,363
1,375	(875)
<u>5,233</u>	<u>(1,533)</u>
<u>\$ 105,153</u>	<u>\$ (24,153)</u>

CITY OF SAUGATUCK  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL - (CONTINUED)  
 GENERAL FUND  
 YEAR ENDED JUNE 30, 2004

	Original <u>Budget</u>	Final Amended <u>Budget</u>
EXPENDITURES (CONTINUED)		
TOTAL EXPENDITURES	\$ <u>1,346,000</u>	\$ <u>1,433,000</u>
EXCESS OF REVENUES OVER EXPENDITURES	\$ <u>35,000</u>	\$ <u>40,000</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	\$ 100,000	\$ 100,000
Transfers out	<u>(135,000)</u>	<u>(140,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	\$ <u>(35,000)</u>	\$ <u>(40,000)</u>
NET CHANGE IN FUND BALANCE	\$ -	\$ -
FUND BALANCE - JULY 1, 2003	<u>444,113</u>	<u>444,113</u>
FUND BALANCE - JUNE 30, 2004	<u>\$ 444,113</u>	<u>\$ 444,113</u>

<u>Actual</u>	Variance Favorable (Unfavorable)
\$ <u>1,483,511</u>	\$ <u>(50,512)</u>
\$ <u>110,085</u>	\$ <u>70,084</u>
\$ -	\$ (100,000)
<u>(72,500)</u>	<u>67,500</u>
\$ <u>(72,500)</u>	\$ <u>(32,500)</u>
\$ 37,585	\$ 37,585
<u>444,113</u>	<u>-</u>
<u>\$ 481,698</u>	<u>\$ 37,585</u>

CITY OF SAUGATUCK  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL -  
MAJOR STREETS FUND  
YEAR ENDED JUNE 30, 2004

	Original <u>Budget</u>	Final Amended <u>Budget</u>
REVENUES		
Taxes	\$ 190,000	\$ 190,000
State shared revenue	52,000	52,000
Grant revenue	-	-
Snow removal	3,000	3,000
Interest	-	-
	<hr/>	<hr/>
TOTAL REVENUES	\$ 245,000	\$ 245,000
EXPENDITURES		
Routine maintenance		
Personal services	\$ 19,000	\$ 19,000
Fringe benefits	5,000	5,000
Material	6,000	6,000
Professional and contractual services	450,000	450,000
Maintenance	2,000	2,000
Equipment rental	8,000	8,000
	<hr/>	<hr/>
Total routine maintenance	\$ 490,000	\$ 490,000
Winter maintenance		
Personal services	\$ 5,000	\$ 5,000
Fringe benefits	2,000	2,000
Materials	5,000	5,000
Equipment rental	8,000	8,000
	<hr/>	<hr/>
Total winter maintenance	\$ 20,000	\$ 20,000
TOTAL EXPENDITURES	\$ 510,000	\$ 510,000
DEFICIENCY OF REVENUES UNDER EXPENDITURES	\$ (265,000)	\$ (265,000)
OTHER FINANCING SOURCES		
Operating transfers in	\$ 265,000	\$ 265,000
NET CHANGE IN FUND BALANCE	\$ -	\$ -
FUND BALANCE - JULY 1 , 2003	<hr/> 217,827	<hr/> 217,827
FUND BALANCE - JUNE 30, 2004	<hr/> <u>\$ 217,827</u>	<hr/> <u>\$ 217,827</u>

<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
\$ 209,353	\$ 19,353
66,997	14,997
194,259	194,259
1,420	(1,580)
<u>1,264</u>	<u>1,264</u>
<u>\$ 473,293</u>	<u>\$ 228,293</u>
\$ 8,580	\$ 10,420
3,922	1,078
4,919	1,081
515,161	(65,161)
-	2,000
<u>8,000</u>	<u>-</u>
<u>\$ 540,582</u>	<u>\$ (50,582)</u>
\$ 5,789	\$ (789)
2,199	(199)
4,971	29
<u>8,000</u>	<u>-</u>
<u>\$ 20,959</u>	<u>\$ (959)</u>
<u>\$ 561,541</u>	<u>\$ (51,541)</u>
<u>\$ (88,248)</u>	<u>\$ 176,752</u>
<u>\$ 37,500</u>	<u>\$ (227,500)</u>
\$ (50,748)	\$ (50,748)
<u>217,827</u>	<u>-</u>
<u>\$ 167,079</u>	<u>\$ (50,748)</u>

CITY OF SAUGATUCK  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL -  
LOCAL STREETS FUND  
YEAR ENDED JUNE 30, 2004

	Original <u>Budget</u>	Final Amended <u>Budget</u>
<b>REVENUES</b>		
Taxes	\$ 31,000	\$ 31,000
Special assessments	-	-
State shared revenue	30,000	30,000
Snow removal	3,000	3,000
Interest	-	-
	<hr/>	<hr/>
TOTAL REVENUES	\$ 64,000	\$ 64,000
<b>EXPENDITURES</b>		
Routine maintenance		
Personal services	\$ 12,000	\$ 12,000
Fringe benefits	4,600	4,600
Professional and contractual services	7,000	187,000
Repairs and maintenance	1,200	1,200
Supplies	7,700	7,700
Printing and publishing	500	500
Equipment rental	8,000	8,000
	<hr/>	<hr/>
Total routine maintenance	\$ 41,000	\$ 221,000
Winter maintenance		
Personal services	\$ 5,000	\$ 5,000
Fringe benefits	2,000	2,000
Supplies	8,000	8,000
Equipment rental	8,000	8,000
	<hr/>	<hr/>
Total winter maintenance	\$ 23,000	\$ 23,000
TOTAL EXPENDITURES	\$ 64,000	\$ 244,000
DEFICIENCY OF REVENUES UNDER EXPENDITURES	\$ -	\$ (180,000)
<b>OTHER FINANCING SOURCES (USES)</b>		
Operating transfers in	\$ -	\$ 30,000
Operating transfers out	-	(30,000)
Loan proceeds	-	180,000
	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	\$ -	\$ 180,000
NET CHANGE IN FUND BALANCE	\$ -	\$ -
FUND BALANCE - JULY 1, 2003	<hr/> (11,879)	<hr/> (11,879)
FUND BALANCE - JUNE 30, 2004	<hr/> <u>\$ (11,879)</u>	<hr/> <u>\$ (11,879)</u>

<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
\$ 43,709	\$ 12,709
3,883	3,883
36,989	6,989
1,387	(1,613)
<u>3,769</u>	<u>3,769</u>
<u>\$ 89,737</u>	<u>\$ 25,737</u>
\$ 11,465	\$ 535
3,841	759
161,862	25,138
53	1,147
4,913	2,787
-	500
<u>8,000</u>	<u>-</u>
<u>\$ 190,134</u>	<u>\$ 30,866</u>
\$ 8,492	\$ (3,492)
3,322	(1,322)
4,971	3,029
<u>8,000</u>	<u>-</u>
<u>\$ 24,785</u>	<u>\$ (1,785)</u>
<u>\$ 214,919</u>	<u>\$ 29,081</u>
\$ (125,182)	\$ 54,818
\$ 6,649	\$ (23,351)
(19,518)	10,482
<u>180,000</u>	<u>-</u>
<u>\$ 167,131</u>	<u>\$ (12,869)</u>
\$ 41,949	\$ 41,949
<u>(11,879)</u>	<u>-</u>
<u>\$ 30,070</u>	<u>\$ 41,949</u>

CITY OF SAUGATUCK  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL -  
 PARK ENDOWMENT FUND  
 YEAR ENDED JUNE 30, 2004

	Original <u>Budget</u>	Final Amended <u>Budget</u>
REVENUES		
Interest	\$ 6,000	\$ 6,000
Other revenue	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>\$ 6,000</u>	<u>\$ 6,000</u>
EXPENDITURES		
Professional and contractual services	\$ 6,000	\$ 11,000
Repairs and maintenance	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$ 6,000</u>	<u>\$ 11,000</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>\$ -</u>	<u>\$ (5,000)</u>
OTHER FINANCING SOURCES		
Operating transfers in	<u>\$ -</u>	<u>\$ 5,000</u>
TOTAL OTHER FINANCING SOURCES	<u>\$ -</u>	<u>\$ 5,000</u>
NET CHANGE IN FUND BALANCE	\$ -	\$ -
FUND BALANCE - JULY 1, 2003	<u>237,913</u>	<u>237,913</u>
FUND BALANCE - JUNE 30, 2004	<u>\$ 237,913</u>	<u>\$ 237,913</u>

<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
\$ 2,587	\$ (3,413)
<u>250</u>	<u>250</u>
\$ <u>2,837</u>	\$ <u>(3,163)</u>
\$ 5,668	\$ 5,332
<u>4,238</u>	<u>(4,238)</u>
\$ <u>9,906</u>	\$ <u>1,094</u>
\$ <u>(7,069)</u>	\$ <u>(2,069)</u>
\$ <u>5,000</u>	\$ <u>-</u>
\$ <u>5,000</u>	\$ <u>-</u>
\$ (2,069)	\$ (2,069)
<u>237,913</u>	<u>-</u>
\$ <u>235,844</u>	\$ <u>(2,069)</u>

ADDITIONAL INFORMATION

CITY OF SAUGATUCK  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2004

	<u>Debt Service Funds</u>		
	<u>HNB Note</u>	<u>SIB Loan</u>	<u>Allegan County Bonds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,715	\$ -	\$ 31,001
Investments	-	-	73,534
Receivables, net	-	-	229
<b>TOTAL ASSETS</b>	\$ 4,715	\$ -	\$ 104,764
 <b>FUND BALANCES</b>			
Unreserved			
Undesignated	\$ 4,715	\$ -	\$ 104,764
<b>TOTAL FUND BALANCES</b>	\$ 4,715	\$ -	\$ 104,764

<u>Capital Projects Funds</u>		Total
<u>Special</u>	<u>Business</u>	<u>Non-Major</u>
<u>Assessments</u>	<u>License</u>	<u>Governmental</u>
		<u>Funds</u>
\$ -	\$ 64,981	\$ 100,697
-	11,268	84,802
-	12	241
<u>\$ -</u>	<u>\$ 76,261</u>	<u>\$ 185,740</u>
<u>\$ -</u>	<u>\$ 76,261</u>	<u>\$ 185,740</u>
<u>\$ -</u>	<u>\$ 76,261</u>	<u>\$ 185,740</u>

CITY OF SAUGATUCK  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2004

	<u>Debt Service Funds</u>		
	<u>HNB</u> <u>Note</u>	<u>SIB</u> <u>Loan</u>	<u>Allegan</u> <u>County</u> <u>Bonds</u>
REVENUES			
Taxes and special assessments	\$ -	\$ -	\$ 101,566
Licenses and permits	-	-	-
Interest	-	-	2,303
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	\$ -	\$ -	\$ 103,869
EXPENDITURES			
Current operating			
Parks and recreation	\$ -	\$ -	-
Debt service			
Principal	34,000	16,826	106,819
Interest and other charges	16,587	2,692	42,558
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	\$ 50,587	\$ 19,518	\$ 149,377
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ (50,587)	\$ (19,518)	\$ (45,508)
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 55,000	\$ 19,518	\$ -
Transfers out	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	\$ 55,000	\$ 19,518	\$ -
NET CHANGE IN FUND BALANCES	\$ 4,413	\$ -	\$ (45,508)
FUND BALANCES - JULY 1, 2003	<hr/> 302	<hr/> -	<hr/> 150,272
FUND BALANCES - JUNE 30, 2004	<hr/> \$ 4,715	<hr/> \$ -	<hr/> \$ 104,764

<u>Capital Projects Funds</u>		Total
<u>Special</u>	<u>Business</u>	<u>Non-Major</u>
<u>Assessments</u>	<u>License</u>	<u>Governmental</u>
		<u>Funds</u>
\$ -	\$ -	\$ 101,566
-	29,425	29,425
<u>-</u>	<u>600</u>	<u>2,903</u>
\$ -	\$ 30,025	\$ 133,894
\$ -	17,720	\$ 17,720
-	-	157,645
<u>-</u>	<u>-</u>	<u>61,837</u>
\$ -	\$ 17,720	\$ 237,202
\$ -	\$ 12,305	\$ (103,308)
\$ -	\$ -	\$ 74,518
<u>(6,649)</u>	<u>(25,000)</u>	<u>(31,649)</u>
\$ (6,649)	\$ (25,000)	\$ 42,869
\$ (6,649)	\$ (12,695)	\$ (60,439)
<u>6,649</u>	<u>88,956</u>	<u>246,179</u>
\$ -	\$ 76,261	\$ 185,740