

CITY OF SAUGATUCK

FINANCIAL STATEMENTS

JUNE 30, 2005



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August 10, 2005

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, 2005, 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 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, 2005, 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.

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.

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.

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## BASIC FINANCIAL STATEMENTS

CITY OF SAUGATUCK  
STATEMENT OF NET ASSETS  
JUNE 30, 2005

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,143,900	\$ 92,273	\$ 1,236,173
Investments	400,000	100,000	500,000
Receivables, net	95,759	57,319	153,078
Capital assets			
Land	3,160,697	-	3,160,697
Other capital assets, net of depreciation	<u>1,936,086</u>	<u>723,136</u>	<u>2,659,222</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 6,736,442</u></b>	<b><u>\$ 972,728</u></b>	<b><u>\$ 7,709,170</u></b>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 227,546	\$ 494	\$ 228,040
Long-term liabilities			
Due within one year	126,698	-	126,698
Due in more than one year	<u>912,522</u>	<u>-</u>	<u>912,522</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 1,266,766</u></b>	<b><u>\$ 494</u></b>	<b><u>\$ 1,267,260</u></b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 4,657,563	\$ 723,136	\$ 5,380,699
Restricted for			
Allegan County Bond debt service	125,461	-	125,461
Major streets	157,561	-	157,561
Cool Cities Grant	18,500	-	18,500
Unrestricted	<u>510,591</u>	<u>249,098</u>	<u>759,689</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$ 5,469,676</u></b>	<b><u>\$ 972,234</u></b>	<b><u>\$ 6,441,910</u></b>

See notes to financial statements

CITY OF SAUGATUCK  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2005

FUNCTIONS/PROGRAMS		Program Revenues	
PRIMARY GOVERNMENT	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Governmental activities			
Legislative	\$ 20,197	\$ -	\$ -
General government	482,355	32,137	-
Public safety	376,983	7,071	-
Highways and streets	428,414	18,787	102,369
Parks and recreation	398,783	228,298	-
Planning and zoning	95,193	7,615	10,602
Interest on long-term debt	<u>53,786</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 1,855,711</u>	<u>\$ 293,908</u>	<u>\$ 112,971</u>
Business-type activities			
Water and sewer	<u>\$ 17,511</u>	<u>\$ 32,628</u>	<u>\$ -</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 1,873,222</u>	<u>\$ 326,536</u>	<u>\$ 112,971</u>

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

    Transfers

    Miscellaneous

        Total general revenues

CHANGE IN NET ASSETS

NET ASSETS - JULY 1, 2004

NET ASSETS - JUNE 30, 2005

See notes to financial statements

<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
\$ -	\$ (20,197)	\$ -	\$ (20,197)
25,500	(424,718)	-	(424,718)
-	(369,912)	-	(369,912)
56,449	(250,809)	-	(250,809)
-	(170,485)	-	(170,485)
-	(76,976)	-	(76,976)
-	(53,786)	-	(53,786)
<u>\$ 81,949</u>	<u>\$ (1,366,883)</u>	<u>\$ -</u>	<u>\$ (1,366,883)</u>
<u>\$ 43,375</u>	<u>\$ -</u>	<u>\$ 58,492</u>	<u>\$ 58,492</u>
<u>\$ 125,324</u>	<u>\$ (1,366,883)</u>	<u>\$ 58,492</u>	<u>\$ (1,308,391)</u>
	\$ 1,168,493	\$ -	\$ 1,168,493
	107,300	-	107,300
	265,842	-	265,842
	99,654	-	99,654
	30,075	3,470	33,545
	56,663	(56,663)	-
	<u>97,947</u>	<u>-</u>	<u>97,947</u>
	<u>\$ 1,825,974</u>	<u>\$ (53,193)</u>	<u>\$ 1,772,781</u>
	\$ 459,091	\$ 5,299	\$ 464,390
	<u>5,010,585</u>	<u>966,935</u>	<u>5,977,520</u>
	<u>\$ 5,469,676</u>	<u>\$ 972,234</u>	<u>\$ 6,441,910</u>

CITY OF SAUGATUCK  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 337,750	\$ 153,346	\$ 119,229
Investments	400,000	-	-
Receivables, net	11,434	154	21,876
Receivables from other governments	<u>25,840</u>	<u>9,695</u>	<u>5,368</u>
TOTAL ASSETS	<u>\$ 775,024</u>	<u>\$ 163,195</u>	<u>\$ 146,473</u>
<b>LIABILITIES</b>			
Bank overdraft	\$ -	\$ -	\$ -
Accounts payable	84,013	3,213	83,468
Deferred revenue	<u>6,000</u>	<u>-</u>	<u>21,742</u>
TOTAL LIABILITIES	<u>\$ 90,013</u>	<u>\$ 3,213</u>	<u>\$ 105,210</u>
<b>FUND BALANCES</b>			
Unreserved			
Designated	\$ 262,778	\$ -	\$ -
Undesignated	<u>422,233</u>	<u>159,982</u>	<u>41,263</u>
TOTAL FUND BALANCES	<u>\$ 685,011</u>	<u>\$ 159,982</u>	<u>\$ 41,263</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 775,024</u>	<u>\$ 163,195</u>	<u>\$ 146,473</u>

See notes to financial statements

<u>Park Endowment</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
\$ 232,509	\$ 194,597	\$ 1,037,431
-	-	400,000
-	176	33,640
<u>-</u>	<u>-</u>	<u>40,903</u>
<u>\$ 232,509</u>	<u>\$ 194,773</u>	<u>\$ 1,511,974</u>
\$ -	\$ 19,921	\$ 19,921
3,912	2,244	176,850
<u>-</u>	<u>-</u>	<u>27,742</u>
<u>\$ 3,912</u>	<u>\$ 22,165</u>	<u>\$ 224,513</u>
\$ -	\$ -	\$ 262,778
<u>228,597</u>	<u>172,608</u>	<u>1,024,683</u>
<u>\$ 228,597</u>	<u>\$ 172,608</u>	<u>\$ 1,287,461</u>
<u>\$ 232,509</u>	<u>\$ 194,773</u>	<u>\$ 1,511,974</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, 2005

Fund balances - Total governmental funds \$ 1,287,461

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	5,926,964
Deduct - Accumulated depreciation	(957,638)

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	250,808
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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	(600,000)
Deduct - Installment notes payable	(439,220)
Deduct - Compensated absences	(15,366)
Deduct - Accrued interest on long-term debt	(32,291)

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

Add - Receivables	21,216
Add - Deferred revenue	<u>27,742</u>

Net assets of governmental activities	<u>\$ 5,469,676</u>
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See notes to financial statements

CITY OF SAUGATUCK  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2005

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>
<b>REVENUES</b>			
Taxes and special assessments	\$ 1,168,493	\$ 45,964	\$ 229,195
Licenses and permits	7,615	-	-
State shared revenues	104,955	64,522	37,847
Grant revenue	51,375	12,029	-
Charges for services	305,045	-	-
Fines	7,071	-	-
Interest	19,905	2,421	2,660
Other revenue	<u>37,899</u>	<u>-</u>	<u>44,420</u>
<b>TOTAL REVENUES</b>	<b><u>\$ 1,702,358</u></b>	<b><u>\$ 124,936</u></b>	<b><u>\$ 314,122</u></b>
<b>EXPENDITURES</b>			
Current operating			
Legislative	\$ 20,197	\$ -	\$ -
General government	478,449	-	-
Public safety	376,983	-	-
Highways and streets	148,583	102,082	116,329
Parks and recreation	354,597	-	-
Planning and zoning	95,193	-	-
Debt service			
Principal	4,060	-	-
Interest and other charges	875	-	-
Capital outlay	<u>20,108</u>	<u>29,951</u>	<u>147,564</u>
<b>TOTAL EXPENDITURES</b>	<b><u>\$ 1,499,045</u></b>	<b><u>\$ 132,033</u></b>	<b><u>\$ 263,893</u></b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b><u>\$ 203,313</u></b>	<b><u>\$ (7,097)</u></b>	<b><u>\$ 50,229</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	\$ -	\$ -	\$ -
Transfers out	<u>-</u>	<u>-</u>	<u>(39,036)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (39,036)</u></b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 203,313</b>	<b>\$ (7,097)</b>	<b>\$ 11,193</b>
<b>FUND BALANCES - JULY 1, 2004</b>	<b><u>481,698</u></b>	<b><u>167,079</u></b>	<b><u>30,070</u></b>
<b>FUND BALANCES - JUNE 30, 2005</b>	<b><u>\$ 685,011</u></b>	<b><u>\$ 159,982</u></b>	<b><u>\$ 41,263</u></b>

See notes to financial statements

<u>Park Endowment</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 107,300	\$ 1,550,952
-	32,137	39,752
-	-	207,324
-	-	63,404
-	-	305,045
-	-	7,071
2,273	2,009	29,268
<u>-</u>	<u>-</u>	<u>82,319</u>
<u>\$ 2,273</u>	<u>\$ 141,446</u>	<u>\$ 2,285,135</u>
\$ -	\$ -	\$ 20,197
-	-	478,449
-	-	376,983
-	-	366,994
9,520	17,235	381,352
-	-	95,193
-	177,213	181,273
-	55,829	56,704
<u>-</u>	<u>-</u>	<u>197,623</u>
<u>\$ 9,520</u>	<u>\$ 250,277</u>	<u>\$ 2,154,768</u>
<u>\$ (7,247)</u>	<u>\$ (108,831)</u>	<u>\$ 130,367</u>
\$ -	\$ 120,699	\$ 120,699
<u>-</u>	<u>(25,000)</u>	<u>(64,036)</u>
<u>\$ -</u>	<u>\$ 95,699</u>	<u>\$ 56,663</u>
\$ (7,247)	\$ (13,132)	\$ 187,030
<u>235,844</u>	<u>185,740</u>	<u>1,100,431</u>
<u>\$ 228,597</u>	<u>\$ 172,608</u>	<u>\$ 1,287,461</u>

CITY OF SAUGATUCK  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO  
 THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2005

Net change in fund balances - Total governmental funds \$ 187,030

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	197,623
Deduct - Depreciation expense	(104,307)

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	181,273
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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.

Add - Gain from governmental activities in the internal service fund	22,768
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Tax, special assessment, or other revenues unearned or unavailable in < 60 days for expenditures reported in fund statements.	(28,891)
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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	677
Add - Change in accrued interest on long-term debt	2,918
	2,918

Change in net assets of governmental activities	\$ <u>459,091</u>
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See notes to financial statements

CITY OF SAUGATUCK  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2005

	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>
	<u>Water and Sewer</u>	
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 92,273	\$ 126,390
Investments	100,000	-
Receivables, net	<u>57,319</u>	<u>-</u>
TOTAL CURRENT ASSETS	<u>\$ 249,592</u>	<u>\$ 126,390</u>
Noncurrent assets		
Capital assets		
Property and equipment	\$ 859,698	\$ 581,903
Less accumulated depreciation	<u>136,562</u>	<u>454,446</u>
TOTAL NONCURRENT ASSETS	<u>\$ 723,136</u>	<u>\$ 127,457</u>
TOTAL ASSETS	<u>\$ 972,728</u>	<u>\$ 253,847</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	<u>\$ 494</u>	<u>\$ 3,039</u>
TOTAL LIABILITIES	<u>\$ 494</u>	<u>\$ 3,039</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	\$ 723,136	\$ 127,457
Unrestricted	<u>249,098</u>	<u>123,351</u>
TOTAL NET ASSETS	<u>\$ 972,234</u>	<u>\$ 250,808</u>

See notes to financial statements

CITY OF SAUGATUCK  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2005

	Enterprise Fund	Internal Service Fund
	Water and Sewer	Fund
OPERATING REVENUES		
Charges for services	\$ 76,003	\$ 130,000
Other revenue	<u>          -</u>	<u>          1,088</u>
TOTAL OPERATING REVENUES	<u>\$ 76,003</u>	<u>\$ 131,088</u>
OPERATING EXPENSES		
Salaries and wages	\$ -	\$ 13,953
Fringe benefits	-	6,130
Operating supplies	4	3,918
Professional services	1,812	17,010
Insurance and bonds	-	16,525
Depreciation	15,695	34,742
Repairs and maintenance	<u>          -</u>	<u>          16,849</u>
TOTAL OPERATING EXPENSES	<u>\$ 17,511</u>	<u>\$ 109,127</u>
OPERATING INCOME	<u>\$ 58,492</u>	<u>\$ 21,961</u>
NONOPERATING REVENUES		
Interest income	<u>\$ 3,470</u>	<u>\$ 807</u>
INCOME BEFORE TRANSFERS	\$ 61,962	\$ 22,768
OPERATING TRANSFER OUT	<u>(56,663)</u>	<u>          -</u>
CHANGE IN NET ASSETS	\$ 5,299	\$ 22,768
NET ASSETS - JULY 1, 2004	<u>966,935</u>	<u>228,040</u>
NET ASSETS - JUNE 30, 2005	<u>\$ 972,234</u>	<u>\$ 250,808</u>

See notes to financial statements

CITY OF SAUGATUCK  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2005

	Enterprise Fund	Internal Service Fund
	Water and Sewer	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 111,318	\$ -
Payments to suppliers	(1,322)	(51,307)
Payments to employees	-	(13,953)
Internal activity		
Receipts from other funds	-	131,099
Payments to other funds	(56,663)	-
Other payments	<u>-</u>	<u>(6,130)</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 53,333</u>	 <u>\$ 59,709</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of capital assets	\$ <u>(74,969)</u>	\$ <u>-</u>
 NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	 <u>\$ (74,969)</u>	 <u>\$ -</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	\$ -	\$ 10,558
Purchase of investment	(100,000)	-
Interest and dividends	<u>3,470</u>	<u>807</u>
 NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	 <u>\$ (96,530)</u>	 <u>\$ 11,365</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 <u>\$ (118,166)</u>	 <u>\$ 71,074</u>
 CASH AND CASH EQUIVALENTS - JULY 1, 2004	 <u>210,439</u>	 <u>55,316</u>
 CASH AND CASH EQUIVALENTS - JUNE 30, 2005	 <u>\$ 92,273</u>	 <u>\$ 126,390</u>
 <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income	\$ 1,829	\$ 21,961
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation expense	15,695	34,742
Change in assets and liabilities		
Receivables, net	35,315	11
Accounts and other payables	<u>494</u>	<u>2,995</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 53,333</u>	 <u>\$ 59,709</u>

See notes to financial statements

CITY OF SAUGATUCK  
STATEMENT OF FIDUCIARY NET ASSETS  
AGENCY FUND  
JUNE 30, 2005

	Property Tax <u>Collection</u>
ASSETS	
Cash	\$       562
Receivables, net	<u>          6,089</u>
TOTAL ASSETS	<u>\$       6,651</u>
LIABILITIES	
Payables to other governments	<u>\$       6,651</u>
TOTAL LIABILITIES	<u>\$       6,651</u>

See notes to financial statements

CITY OF SAUGATUCK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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 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, 2005

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 2004 ad valorem tax is levied and collectible on July 1, 2004, 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 2004 taxable valuation of the City totaled \$91,628,247, on which ad valorem taxes levied consisted of 12.5 mills for the City's operating purposes, .23 mills for recycling services, 1.17 mills for debt service, and 1.9 mills for roads raising \$1,145,353 for operating, \$21,074 for recycling services, \$107,205 for debt service and \$174,094 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, 2005

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, 2005

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 \$44,364. Of the special assessment balance, \$27,742 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, 2005

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>\$ 262,778</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, 2005

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			
Legislative			
Council	\$ 12,000	\$ 13,290	\$ (1,290)
General Government			
Contracted Services	81,500	85,968	(4,468)
City Manager	91,855	95,429	(3,574)
Clerk and Treasurer	144,855	161,766	(16,911)
Buildings and Grounds	88,500	95,041	(6,541)
Highways and Streets			
Street Lighting	18,000	19,546	(1,546)
Highways and Streets	125,855	129,037	(3,182)
Parks and Recreation			
Oval Beach	106,000	110,737	(4,737)
Chain Ferry	35,000	39,181	(4,181)
Debt Service			
Principal	-	4,060	(4,060)
Interest	-	875	(875)
Special Revenue Fund			
Local Streets	203,000	263,893	(60,893)

Fund Deficits – The City has accumulated a fund balance deficit in the following individual fund:

HNB Note Debt Service Fund – The City plans to eliminate the deficit by making operating transfers to the debt service fund in the next fiscal year.

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 five banks for the deposit of City funds. The Council has adopted a deposit and investment policy in accordance with Public Act 196 of 1997.

CITY OF SAUGATUCK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

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>Fiduciary Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Cash and cash equivalents	\$1,143,900	\$ 562	\$ 92,273	\$1,236,735
Investments	<u>400,000</u>	<u>-</u>	<u>100,000</u>	<u>500,000</u>
Total	<u>\$1,543,900</u>	<u>\$ 562</u>	<u>\$192,273</u>	<u>\$1,736,735</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank deposits (checking and savings accounts, certificates of deposit)	\$1,736,660
Petty cash and cash on hand	<u>75</u>
Total	<u>\$1,736,735</u>

The bank balance of the primary government's deposits is \$1,779,703, of which \$400,000 is covered by federal depository insurance and \$1,379,703 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>Non-Major and Other Funds</u>	<u>Total</u>
Taxes receivable	\$ 3,500	\$ 154	\$ 134	\$6,265	\$10,053
Special assessments	6,000	-	21,742	-	27,742
Intergovernmental	25,840	9,695	5,368	-	40,903
Interest and other	<u>1,934</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,934</u>
Gross receivables	\$37,274	\$9,849	\$27,244	\$6,265	\$80,632
Less: allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net receivables	<u>\$37,274</u>	<u>\$9,849</u>	<u>\$27,244</u>	<u>\$6,265</u>	<u>\$80,632</u>

CITY OF SAUGATUCK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005

NOTE 4 – RECEIVABLES (CONTINUED)

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	\$21,742	\$ -
Parking Wavier	<u>6,000</u>	<u>-</u>
Total	<u>\$27,742</u>	<u>\$ -</u>

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	\$ 3,160,697	\$ -	\$ -	\$ 3,160,697
Subtotal	<u>\$ 3,160,697</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,160,697</u>
Capital assets being depreciated				
Buildings	\$ 977,129	\$ 5,257	\$ -	\$ 982,386
Improvements other than buildings	606,588	7,738	-	614,326
Machinery and equipment	894,921	7,113	-	902,034
Infrastructure	<u>671,910</u>	<u>177,515</u>	<u>-</u>	<u>849,425</u>
Subtotal	<u>\$ 3,150,548</u>	<u>\$ 197,623</u>	<u>\$ -</u>	<u>\$ 3,348,171</u>
Less accumulated depreciation for				
Buildings	\$ 327,748	\$ 20,769	\$ -	\$ 348,517
Improvements other than buildings	304,095	22,830	-	326,925
Machinery and equipment	633,095	59,361	-	692,456
Infrastructure	<u>8,098</u>	<u>36,089</u>	<u>-</u>	<u>44,187</u>
Subtotal	<u>\$ 1,273,036</u>	<u>\$ 139,049</u>	<u>\$ -</u>	<u>\$ 1,412,085</u>
Net capital assets being depreciated	<u>\$ 1,877,512</u>	<u>\$ 58,574</u>	<u>\$ -</u>	<u>\$ 1,936,086</u>
Total capital assets – net of depreciation	<u>\$ 5,038,209</u>	<u>\$ 58,574</u>	<u>\$ -</u>	<u>\$ 5,096,783</u>

CITY OF SAUGATUCK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005

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	\$ 784,729	\$74,969	\$ _____	\$ 859,698
Subtotal	\$ 784,729	\$74,969	\$ _____	\$ 859,698
Less accumulated depreciation for				
Infrastructure	\$ 120,867	\$15,695	\$ _____	\$ 136,562
Subtotal	\$ 120,867	\$15,695	\$ _____	\$ 136,562
Net capital assets being depreciated	\$ 663,862	\$59,274	\$ _____	\$ 723,136
Total capital assets - net of depreciation	\$ 663,862	\$59,274	\$ _____	\$ 723,136

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

Governmental activities	
General government	\$ 9,583
Highways and streets	97,036
Parks and recreation	<u>32,430</u>
Total governmental activities	<u>\$ 139,049</u>
Business-type activities	
Water and sewer	<u>\$ 15,695</u>

NOTE 6 – INTERFUND TRANSFERS

Interfund transfers in and out as of June 30, 2005 are as follows:

	<u>Operating Transfer In</u>	<u>Operating Transfer Out</u>
Major funds:		
Local Streets	\$ -	\$ (39,036)
Water and sewer	-	(56,663)
Non-major funds:		
Allegan County Bonds	56,663	-
Business License	-	(25,000)
HNB Note	25,000	-
SIB Loan	<u>39,036</u>	<u>-</u>
Total	<u>\$120,699</u>	<u>\$(120,699)</u>

CITY OF SAUGATUCK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005

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	\$ 56,819	\$ -	\$ (56,819)	\$ -	\$ -
Allegan County Sanitary Sewer System 13	4.2-5.6%	10/1/14	650,000	-	(50,000)	600,000	50,000
Installment purchase agreements							
Huntington National Bank	4.3%	11/19/11	333,000	-	(36,000)	297,000	37,000
State Infrastructure Bank	3.0%	9/4/08	163,174	-	(34,393)	128,781	35,435
Land Contract	5.0%	8/29/07	<u>17,500</u>	<u>-</u>	<u>(4,061)</u>	<u>13,439</u>	<u>4,263</u>
Total governmental activities			<u>\$ 1,220,493</u>	<u>\$ -</u>	<u>\$ (181,273)</u>	<u>\$ 1,039,220</u>	<u>\$ 126,698</u>

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

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 126,698	\$ 47,063
2007	129,981	41,620
2008	133,306	35,992
2009	111,235	30,240
2010	94,000	25,488
2011-2015	<u>444,000</u>	<u>55,272</u>
Total	<u>\$ 1,039,220</u>	<u>\$ 235,675</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.

CITY OF SAUGATUCK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005

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 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, 2005 is approximately 10.81% 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, 2005, the City's annual pension cost of \$21,980 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2003 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>2005</u>	<u>2004</u>	<u>2003</u>
Annual pension cost	\$ 21,980	\$ 21,828	\$ 19,338
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -
Actuarial value of assets	\$ 914,954	\$ 850,769	\$ 783,243
Actuarial accrued liability	\$ 1,038,301	\$ 961,819	\$ 894,781
Unfunded AAL	\$ 123,347	\$ 111,050	\$ 111,538
Funded ratio	88%	88%	88%
Covered payroll	\$ 221,224	\$ 243,181	\$ 236,349
UAAL as a percentage of covered payroll	56%	46%	47%

CITY OF SAUGATUCK  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2005

NOTE 10 – EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (CONTINUED)

Defined Contribution Pension Plan

The City provides pension benefits to all of its employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment beginning after May 1, 2004. As established by the Municipal Employees' Retirement Board, the City contributes 10% percent of employee's gross earnings and employee contributions for each employee plus interest allocated to the employee's account are fully vested after 7 years of service.

The City's total payroll during the current year was \$450,286. The current year contribution was calculated based on covered payroll of \$91,924, resulting in an employer contribution of \$9,192.

NOTE 11 – DEFERRED COMPENSATION PLAN

The City Council offers all City employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans are held in trust by a custodian, as described in IRC Section 457 (g), for the exclusive benefit of the participants and their beneficiaries, and the assets may not be diverted to any other use. The Administrators are agents of the employer for the purposes of providing direction to the custodian for the investment of the assets held in the account, transfer of assets to or from the account, and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in City's financial statements.

NOTE 12 – BUILDING DEPARTMENT

Revenues	
Inspections fees	\$ 27,904
Expenditures	
Contract labor	<u>(25,114)</u>
Excess of revenues over expenditures	\$ 2,790
Cumulative excess of revenues over expenditures June 30, 2004	<u>12,228</u>
Cumulative excess of revenues over expenditures June 30, 2005	<u>\$ 15,018</u>

NOTE 13 – SUBSEQUENT EVENT

The City was approved in July 2005 for a \$165,000 grant from the Michigan Department of Environmental Quality for the rain garden improvement project.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF SAUGATUCK  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL -  
 GENERAL FUND  
 YEAR ENDED JUNE 30, 2005

	<u>Original Budget</u>	<u>Final Amended Budget</u>
REVENUES		
TAXES		
Current property taxes	\$ <u>1,010,000</u>	\$ <u>1,050,000</u>
LICENSES AND PERMITS		
Building and zoning fees	\$ <u>15,000</u>	\$ <u>15,000</u>
STATE SHARED REVENUES		
Sales and use tax	\$ 95,000	\$ 95,000
Liquor license	<u>6,000</u>	<u>6,000</u>
TOTAL STATE SHARED REVENUES	\$ <u>101,000</u>	\$ <u>101,000</u>
GRANT REVENUE	\$ <u>25,000</u>	\$ <u>135,000</u>
CHARGES FOR SERVICES		
Rental fees	\$ 24,000	\$ 24,000
Ramp fees	10,000	10,000
Parking waiver fees	12,000	12,000
Admission fees	167,000	167,000
Administration fees	<u>54,000</u>	<u>54,000</u>
TOTAL CHARGES FOR SERVICES	\$ <u>267,000</u>	\$ <u>267,000</u>
FINES		
Parking and magistrates	\$ <u>8,000</u>	\$ <u>8,000</u>
INTEREST EARNED	\$ <u>10,000</u>	\$ <u>10,000</u>
OTHER REVENUES		
Reimbursements and refunds	\$ -	\$ -
Miscellaneous	<u>-</u>	<u>-</u>
TOTAL OTHER REVENUES	\$ <u>-</u>	\$ <u>-</u>
TOTAL REVENUES	\$ <u>1,436,000</u>	\$ <u>1,586,000</u>

<u>Actual</u>	Variance Favorable (Unfavorable)
\$ <u>1,168,493</u>	\$ <u>118,493</u>
\$ <u>7,615</u>	\$ <u>(7,385)</u>
\$ 98,406	\$ 3,406
<u>6,549</u>	<u>549</u>
\$ <u>104,955</u>	\$ <u>3,955</u>
\$ <u>51,375</u>	\$ <u>(83,625)</u>
\$ 30,923	\$ 6,923
10,058	58
-	(12,000)
199,532	32,532
<u>64,532</u>	<u>10,532</u>
\$ <u>305,045</u>	\$ <u>38,045</u>
\$ <u>7,071</u>	\$ <u>(929)</u>
\$ <u>19,905</u>	\$ <u>9,905</u>
\$ 2,701	\$ 2,701
<u>35,198</u>	<u>35,198</u>
\$ <u>37,899</u>	\$ <u>37,899</u>
\$ <u>1,702,358</u>	\$ <u>116,358</u>

CITY OF SAUGATUCK  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - (CONTINUED)  
GENERAL FUND  
YEAR ENDED JUNE 30, 2005

	<u>Original Budget</u>	<u>Final Amended Budget</u>
<b>EXPENDITURES</b>		
<b>LEGISLATIVE</b>		
Council	\$ 12,000	\$ 12,000
Elections	<u>8,855</u>	<u>8,855</u>
<b>TOTAL LEGISLATIVE</b>	<u>\$ 20,855</u>	<u>\$ 20,855</u>
<b>GENERAL GOVERNMENT</b>		
Contracted Services	\$ 68,000	\$ 81,500
City Manager	91,855	91,855
Assessor	32,855	32,855
Clerk and Treasurer	144,855	144,855
Buildings and Grounds	68,500	88,500
Contingencies	<u>28,000</u>	<u>108,000</u>
<b>TOTAL GENERAL GOVERNMENT</b>	<u>\$ 434,065</u>	<u>\$ 547,565</u>
<b>PUBLIC SAFETY</b>		
Police Department	<u>\$ 380,000</u>	<u>\$ 385,000</u>
<b>TOTAL PUBLIC SAFETY</b>	<u>\$ 380,000</u>	<u>\$ 385,000</u>
<b>HIGHWAYS AND STREETS</b>		
Street Lighting	\$ 18,000	\$ 18,000
Highways and Streets	<u>85,855</u>	<u>125,855</u>
<b>TOTAL HIGHWAYS AND STREETS</b>	<u>\$ 103,855</u>	<u>\$ 143,855</u>
<b>PARKS AND RECREATION</b>		
Parks and recreation	\$ 266,855	\$ 214,355
Oval Beach	106,000	106,000
Chain Ferry	<u>35,000</u>	<u>35,000</u>
<b>TOTAL PARKS AND RECREATION</b>	<u>\$ 407,855</u>	<u>\$ 355,355</u>
<b>PLANNING AND ZONING</b>		
	<u>\$ 65,000</u>	<u>\$ 109,000</u>

<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
\$ 13,290	\$ (1,290)
<u>6,907</u>	<u>1,948</u>
<u>\$ 20,197</u>	<u>\$ 658</u>
\$ 85,968	\$ (4,468)
95,429	(3,574)
31,778	1,077
161,766	(16,911)
95,041	(6,541)
<u>8,467</u>	<u>99,533</u>
<u>\$ 478,449</u>	<u>\$ 69,116</u>
<u>\$ 376,983</u>	<u>\$ 8,017</u>
<u>\$ 376,983</u>	<u>\$ 8,017</u>
\$ 19,546	\$ (1,546)
<u>129,037</u>	<u>(3,182)</u>
<u>\$ 148,583</u>	<u>\$ (4,728)</u>
\$ 204,679	\$ 9,676
110,737	(4,737)
<u>39,181</u>	<u>(4,181)</u>
<u>\$ 354,597</u>	<u>\$ 758</u>
<u>\$ 95,193</u>	<u>\$ 13,807</u>

CITY OF SAUGATUCK  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - (CONTINUED)  
GENERAL FUND  
YEAR ENDED JUNE 30, 2005

	<u>Original Budget</u>	<u>Final Amended Budget</u>
EXPENDITURES (CONTINUED)		
DEBT SERVICE		
Principal	\$ -	\$ -
Interest and other charges	<u>-</u>	<u>-</u>
TOTAL DEBT SERVICE	<u>\$ -</u>	<u>\$ -</u>
CAPITAL OUTLAY		
General government	\$ 19,370	\$ 19,370
Parks and recreation	<u>1,000</u>	<u>1,000</u>
TOTAL CAPITAL OUTLAY	<u>\$ 20,370</u>	<u>\$ 20,370</u>
TOTAL EXPENDITURES	<u>\$ 1,432,000</u>	<u>\$ 1,582,000</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 4,000</u>	<u>\$ 4,000</u>
OTHER FINANCING USES		
Transfers out	<u>\$ (4,000)</u>	<u>\$ (4,000)</u>
TOTAL OTHER FINANCING USES	<u>\$ (4,000)</u>	<u>\$ (4,000)</u>
NET CHANGE IN FUND BALANCE	\$ -	\$ -
FUND BALANCE - JULY 1, 2004	<u>481,698</u>	<u>481,698</u>
FUND BALANCE - JUNE 30, 2005	<u>\$ 481,698</u>	<u>\$ 481,698</u>

<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
\$ 4,060	\$ (4,060)
<u>875</u>	<u>(875)</u>
<u>\$ 4,935</u>	<u>\$ (4,935)</u>
\$ 19,341	\$ 29
<u>767</u>	<u>233</u>
<u>\$ 20,108</u>	<u>\$ 262</u>
<u>\$ 1,499,045</u>	<u>\$ 82,955</u>
<u>\$ 203,313</u>	<u>\$ 199,313</u>
<u>\$ -</u>	<u>\$ 4,000</u>
<u>\$ -</u>	<u>\$ 4,000</u>
\$ 203,313	\$ 203,313
<u>481,698</u>	<u>-</u>
<u>\$ 685,011</u>	<u>\$ 203,313</u>

CITY OF SAUGATUCK  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL -  
MAJOR STREETS FUND  
YEAR ENDED JUNE 30, 2005

	<u>Original Budget</u>	<u>Final Amended Budget</u>
<b>REVENUES</b>		
Taxes	\$ 45,000	\$ 45,000
State shared revenue	55,000	175,000
Grant revenue	-	-
Snow removal	3,000	3,000
Interest	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>\$ 103,000</u>	<u>\$ 223,000</u>
<b>EXPENDITURES</b>		
Routine maintenance		
Salaries and wages	\$ 20,000	\$ 20,000
Fringe benefits	5,000	5,000
Supplies	6,000	6,000
Professional and contractual services	10,000	130,000
Equipment rental	<u>30,000</u>	<u>30,000</u>
Total routine maintenance	<u>\$ 71,000</u>	<u>\$ 191,000</u>
Winter maintenance		
Salaries and wages	\$ 5,000	\$ 5,000
Fringe benefits	2,000	2,000
Supplies	5,000	5,000
Equipment rental	<u>20,000</u>	<u>20,000</u>
Total winter maintenance	<u>\$ 32,000</u>	<u>\$ 32,000</u>
Capital outlay	<u>\$ -</u>	<u>\$ -</u>
TOTAL EXPENDITURES	<u>\$ 103,000</u>	<u>\$ 223,000</u>
NET CHANGE IN FUND BALANCE	\$ -	\$ -
FUND BALANCE - JULY 1 , 2004	<u>167,079</u>	<u>167,079</u>
FUND BALANCE - JUNE 30, 2005	<u>\$ 167,079</u>	<u>\$ 167,079</u>

<u>Actual</u>	Variance Favorable (Unfavorable)
\$ 45,964	\$ 964
60,116	(114,884)
12,029	12,029
4,406	1,406
<u>2,421</u>	<u>2,421</u>
<u>\$ 124,936</u>	<u>\$ (98,064)</u>
\$ 10,671	\$ 9,329
3,619	1,381
4,721	1,279
21,472	108,528
<u>30,000</u>	<u>-</u>
<u>\$ 70,483</u>	<u>\$ 120,517</u>
\$ 4,519	\$ 481
1,471	529
5,609	(609)
<u>20,000</u>	<u>-</u>
<u>\$ 31,599</u>	<u>\$ 401</u>
<u>\$ 29,951</u>	<u>\$ (29,951)</u>
<u>\$ 132,033</u>	<u>\$ 90,967</u>
\$ (7,097)	\$ (7,097)
<u>167,079</u>	<u>-</u>
<u>\$ 159,982</u>	<u>\$ (7,097)</u>

CITY OF SAUGATUCK  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL -  
 LOCAL STREETS FUND  
 YEAR ENDED JUNE 30, 2005

	<u>Original Budget</u>	<u>Final Amended Budget</u>
<b>REVENUES</b>		
Taxes	\$ 200,000	\$ 200,000
Special assessments	-	-
State shared revenue	33,000	33,000
Snow removal	-	-
Interest	-	-
Other revenue	-	-
	<hr/>	<hr/>
TOTAL REVENUES	\$ 233,000	\$ 233,000
<b>EXPENDITURES</b>		
Routine maintenance		
Salaries and wages	\$ 16,000	\$ 16,000
Fringe benefits	4,000	4,000
Professional and contractual services	110,000	109,900
Supplies	7,000	7,000
Printing and publishing	-	100
Equipment rental	30,000	30,000
	<hr/>	<hr/>
Total routine maintenance	\$ 167,000	\$ 167,000
Winter maintenance		
Salaries and wages	\$ 6,000	\$ 6,000
Fringe benefits	2,000	2,000
Supplies	8,000	8,000
Equipment rental	20,000	20,000
	<hr/>	<hr/>
Total winter maintenance	\$ 36,000	\$ 36,000
Capital outlay	\$ -	\$ -
	<hr/>	<hr/>
TOTAL EXPENDITURES	\$ 203,000	\$ 203,000
EXCESS OF REVENUES OVER EXPENDITURES	\$ 30,000	\$ 30,000
<b>OTHER FINANCING USES</b>		
Operating transfers out	\$ (30,000)	\$ (30,000)
	<hr/>	<hr/>
TOTAL OTHER FINANCING USES	\$ (30,000)	\$ (30,000)
NET CHANGE IN FUND BALANCE	\$ -	\$ -
FUND BALANCE - JULY 1, 2004	<hr/> 30,070	<hr/> 30,070
FUND BALANCE - JUNE 30, 2005	\$ 30,070	\$ 30,070

<u>Actual</u>	Variance Favorable (Unfavorable)
\$ 219,877	\$ 19,877
9,318	9,318
33,186	186
4,661	4,661
2,660	2,660
<u>44,420</u>	<u>44,420</u>
<u>\$ 314,122</u>	<u>\$ 81,122</u>
\$ 15,272	\$ 728
5,491	(1,491)
23,225	86,675
6,212	788
-	100
<u>30,000</u>	<u>-</u>
<u>\$ 80,200</u>	<u>\$ 86,800</u>
\$ 7,439	\$ (1,439)
3,080	(1,080)
5,610	2,390
<u>20,000</u>	<u>-</u>
<u>\$ 36,129</u>	<u>\$ (129)</u>
<u>\$ 147,564</u>	<u>\$ (147,564)</u>
<u>\$ 263,893</u>	<u>\$ (60,893)</u>
<u>\$ 50,229</u>	<u>\$ 20,229</u>
<u>\$ (39,036)</u>	<u>\$ (9,036)</u>
<u>\$ (39,036)</u>	<u>\$ (9,036)</u>
\$ 11,193	\$ 11,193
<u>30,070</u>	<u>-</u>
<u>\$ 41,263</u>	<u>\$ 11,193</u>

CITY OF SAUGATUCK  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL -  
PARK ENDOWMENT FUND  
YEAR ENDED JUNE 30, 2005

	Original Budget	Final Amended Budget
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	\$ 10,000	\$ 10,000
Repairs and maintenance	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$ 10,000</u>	<u>\$ 10,000</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>\$ (4,000)</u>	<u>\$ (4,000)</u>
OTHER FINANCING SOURCES		
Operating transfers in	<u>\$ 4,000</u>	<u>\$ 4,000</u>
TOTAL OTHER FINANCING SOURCES	<u>\$ 4,000</u>	<u>\$ 4,000</u>
NET CHANGE IN FUND BALANCE	\$ -	\$ -
FUND BALANCE - JULY 1, 2004	<u>235,844</u>	<u>235,844</u>
FUND BALANCE - JUNE 30, 2005	<u>\$ 235,844</u>	<u>\$ 235,844</u>

<u>Actual</u>	Variance Favorable (Unfavorable)
\$ 2,273	\$ (3,727)
-	-
\$ 2,273	\$ (3,727)
\$ 5,609	\$ 4,391
3,911	(3,911)
\$ 9,520	\$ 480
\$ (7,247)	\$ (3,247)
\$ -	\$ (4,000)
\$ -	\$ (4,000)
\$ (7,247)	\$ (7,247)
235,844	-
<u>\$ 228,597</u>	<u>\$ (7,247)</u>

ADDITIONAL INFORMATION

CITY OF SAUGATUCK  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2005

	HNB <u>Note</u>	<u>Debt Service</u> SIB <u>Loan</u>	Allegan County <u>Bonds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ -	\$ 125,285
Receivables, net	<u>-</u>	<u>-</u>	<u>176</u>
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125,461</u>
<b>LIABILITIES</b>			
Bank overdraft	\$ 19,921	\$ -	\$ -
Accounts payable	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>\$ 19,921</u>	<u>\$ -</u>	<u>\$ -</u>
<b>FUND BALANCES</b>			
Unreserved Undesignated	<u>\$ (19,921)</u>	<u>\$ -</u>	<u>\$ 125,461</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125,461</u>

<u>Capital Projects</u>	Total Non-Major Governmental Funds
Business License	
\$ 69,312	\$ 194,597
<u>-</u>	<u>176</u>
\$ 69,312	\$ 194,773
<u>-</u>	<u>19,921</u>
\$ 2,244	\$ 2,244
<u>2,244</u>	<u>22,165</u>
\$ 67,068	\$ 172,608
<u>69,312</u>	<u>194,773</u>

CITY OF SAUGATUCK  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2005

	HNB <u>Note</u>	<u>Debt Service</u> SIB <u>Loan</u>	Allegan County <u>Bonds</u>
<b>REVENUES</b>			
Taxes and special assessments	\$ -	\$ -	\$ 107,300
Licenses and permits	-	-	-
Interest	-	-	<u>1,104</u>
<b>TOTAL REVENUES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 108,404</u>
<b>EXPENDITURES</b>			
Current operating			
Parks and recreation	\$ -	\$ -	\$ -
Debt service			
Principal	36,000	34,394	106,819
Interest and other charges	<u>13,636</u>	<u>4,642</u>	<u>37,551</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 49,636</u>	<u>\$ 39,036</u>	<u>\$ 144,370</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>\$ (49,636)</u>	<u>\$ (39,036)</u>	<u>\$ (35,966)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	\$ 25,000	\$ 39,036	\$ 56,663
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>\$ 25,000</u>	<u>\$ 39,036</u>	<u>\$ 56,663</u>
<b>NET CHANGE IN FUND BALANCES</b>	\$ (24,636)	\$ -	\$ 20,697
<b>FUND BALANCES - JULY 1, 2004</b>	<u>4,715</u>	<u>-</u>	<u>104,764</u>
<b>FUND BALANCES - JUNE 30, 2005</b>	<u>\$ (19,921)</u>	<u>\$ -</u>	<u>\$ 125,461</u>

<u>Capital Projects</u>	Total
Business	Non-Major
<u>License</u>	<u>Funds</u>
\$ -	\$ 107,300
32,137	32,137
<u>905</u>	<u>2,009</u>
<u>\$ 33,042</u>	<u>\$ 141,446</u>
\$ 17,235	\$ 17,235
-	177,213
<u>-</u>	<u>55,829</u>
<u>\$ 17,235</u>	<u>\$ 250,277</u>
<u>\$ 15,807</u>	<u>\$ (108,831)</u>
\$ -	\$ 120,699
<u>(25,000)</u>	<u>(25,000)</u>
<u>\$ (25,000)</u>	<u>\$ 95,699</u>
\$ (9,193)	\$ (13,132)
<u>76,261</u>	<u>185,740</u>
<u>\$ 67,068</u>	<u>\$ 172,608</u>