

**CITY OF SAUGATUCK, MICHIGAN**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2008**



**REHMANN ROBSON**

*Certified Public Accountants*

# CITY OF SAUGATUCK, MICHIGAN

## TABLE OF CONTENTS

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	<u>PAGE</u>
<b>Independent Auditors' Report</b>	1
<b>Management's Discussion and Analysis</b>	2-7
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Assets	8
Statement of Activities	9-10
Fund Financial Statements:	
Balance Sheet – Governmental Funds	11-12
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	14-15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
General Fund	17-19
Major Streets Fund	20
Local Sheets Fund	21
Business Licenses Fund	22
Water and Sewer Improvement Fund	23
Parks Fund	24
Statement of Net Assets – Internal Service Fund	25
Statement of Revenues, Expenses and Changes in Fund Net Assets – Internal Service Fund	26
Statement of Cash Flows – Internal Service Fund	27
Statement of Fiduciary Assets and Liabilities – Agency Funds	28
Notes to Financial Statements	29-42



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## **INDEPENDENT AUDITORS' REPORT**

December 4, 2008

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Saugatuck, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Saugatuck, Michigan. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information for the City of Saugatuck, Michigan as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund, and each major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2-7 is not part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Management's Discussion and Analysis

As management of the City of Saugatuck, we offer readers of the City of Saugatuck's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

### Financial Highlights

- The City continued to reduce its long-term liabilities by making principal and interest payments on the two bonds and notes outstanding at year end.
- The City was able to add \$116,277 to its General Fund fund balance during the year ended June 30, 2008. This is especially important due to the uncertainty of funding from the State .

### Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City of Saugatuck that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the City include general government administration, public works including street maintenance, public safety and recreation and cultural activities.

The government-wide financial statements can be found on pages 8-10 of this report.

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

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

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

The City maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for all seven funds. These seven funds are: general, major streets, local streets, business licenses, water and sewer improvement, parks, and sewer debt service.

The City adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 11-24 of this report.

**Proprietary funds.** The City maintains one type of proprietary fund. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses the internal service fund to account for its fleet of vehicles. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

The internal service fund financial statements can be found on pages 25-27 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resource of those funds are *not* available to the support the City's own programs.

The tax collection and payroll fund statements can be found on page 28 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-42 of this report.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the City, assets exceeded liabilities by \$8,929,051 at the close of the most recent fiscal year.

A significant portion of the City’s net assets reflects unrestricted net assets which are available for future operation while another portion of net assets is invested in capital assets (e.g., land, buildings, vehicles and equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**City of Saugatuck’s Net Assets**

	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 2,717,095	\$ 2,474,199
Capital assets, net	<u>7,070,819</u>	<u>7,090,106</u>
<b>Total assets</b>	<b><u>9,787,914</u></b>	<b><u>9,564,305</u></b>
Long-term liabilities outstanding	665,853	794,008
Other liabilities	<u>193,010</u>	<u>165,076</u>
<b>Total liabilities</b>	<b><u>858,863</u></b>	<b><u>959,084</u></b>
Net assets:		
Invested in capital assets, net of related debt	6,421,583	6,307,558
Restricted	1,558,782	1,461,605
Unrestricted	<u>948,686</u>	<u>836,058</u>
<b>Total net assets</b>	<b><u>\$ 8,929,051</u></b>	<b><u>\$ 8,605,221</u></b>

Net assets of the City increased by \$281,559 primarily due to a large increase in net assets from the general fund and the local streets fund.

**City of Saugatuck's Changes in Net Assets**

	<u>2008</u>	<u>2007</u>
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 344,697	\$ 333,974
Operating grants and contributions	<u>332,858</u>	<u>354,629</u>
<b>Total program revenue</b>	<u><b>677,555</b></u>	<u><b>688,603</b></u>
General revenue:		
Property taxes	1,712,451	1,653,251
State shared revenues	101,252	98,996
Interest earnings	<u>120,809</u>	<u>128,458</u>
<b>Total general revenue</b>	<u><b>1,934,512</b></u>	<u><b>1,880,705</b></u>
<b>Total revenue</b>	<u><b>2,612,067</b></u>	<u><b>2,569,308</b></u>
<b>Expenses</b>		
Legislative	38,674	14,085
General government	738,338	742,241
Public safety	461,865	480,003
Public works	706,576	597,312
Health and welfare	41,025	38,508
Recreation and cultural	308,203	354,286
Interest on long-term debt	<u>35,827</u>	<u>39,983</u>
<b>Total expenses</b>	<u><b>2,330,508</b></u>	<u><b>2,266,418</b></u>
Increase in net assets	281,559	302,890
Net assets – beginning of year, restated	<u>8,605,211</u>	<u>8,302,331</u>
<b>Net assets – end of year</b>	<u><b>\$ 8,929,051</b></u>	<u><b>\$ 8,605,211</b></u>

**Governmental activities**

During the year the City invested \$461,865 or 20% of governmental activities expenses in public safety. General government, which includes general City operations, was \$738,338 or 32% of governmental activities expenses while legislative, public works, health and welfare, recreation and culture, and interest on long-term debt made up the remaining 48% of governmental activities expenses.

Revenues increased mainly due to the increase in taxable value of property, which led to an increase in property taxes.

## Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,443,774, an increase of \$229,461 in comparison with the prior year.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$880,180.

The fund balance of the City's general fund increased by \$116,935 during the current fiscal year.

### General Fund Budgetary Highlights

- Property tax revenues and interest income were higher than budget due to increased property values and interest income generated by fund investment strategies.
- Variation between original and amended budget as well as amended budget and final expenditures were relatively insignificant for all other line items.

### Capital Asset and Debt Administration

**Capital assets.** The City's investment in capital assets for its governmental activities as of June 30, 2008, amounted to \$7,070,819 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, machinery and equipment, streets, and infrastructure. Significant capital purchases during the year consisted primarily of machinery and equipment.

#### City of Saugatuck's Capital Assets (net of depreciation)

	<u>2008</u>	<u>2007</u>
Land	\$ 3,160,697	\$ 3,160,697
Land improvements	447,908	479,090
Buildings and improvements	697,444	591,629
Machinery and equipment	140,851	133,208
Streets	677,569	720,183
Infrastructure	<u>1,946,350</u>	<u>2,005,299</u>
<b>Total</b>	<b><u>\$ 7,070,819</u></b>	<b><u>\$ 7,090,106</u></b>

Additional information on the City capital assets can be found in Note 5 on page 36 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total debt outstanding of \$665,853 as follows:

**City of Saugatuck's Long-term Debt**

	<u>2008</u>	<u>2007</u>
Bonds	\$ 469,236	\$ 556,842
Notes	180,000	225,706
Compensated absences	<u>16,617</u>	<u>11,460</u>
<b>Total</b>	<b><u>\$ 665,853</u></b>	<b><u>\$ 794,008</u></b>

The City's total debt decreased by \$128,155 during the current fiscal year.

Additional information on the City's long-term debt can be found in Note 8 on page 39 of this report.

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

The following factors were considered in preparing the City's budget for the 2008-09 fiscal year:

- Increased property tax revenue due to increased taxable values.
- Flat state revenue sharing payments due to state budget issues.

**Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Treasurer, 102 Butler St., P.O. Box 86, Saugatuck, Michigan, 49453.

## **BASIC FINANCIAL STATEMENTS**

# CITY OF SAUGATUCK, MICHIGAN

## Statement of Net Assets

June 30, 2008

	<u>Governmental Activities</u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 2,652,593
Receivables	64,502
Noncurrent assets:	
Capital assets not being depreciated	3,160,697
Capital assets being depreciated, net	<u>3,910,122</u>
<b>Total assets</b>	<u>9,787,914</u>
<b>Liabilities</b>	
Current liabilities:	
Payables	115,564
Unearned revenue	77,446
Noncurrent liabilities:	
Due within one year	125,897
Due in more than one year	<u>539,956</u>
<b>Total liabilities</b>	<u>858,863</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	6,421,583
Restricted for:	
Public works	405,919
Debt service	73,083
Recreation and culture	240,009
Highways and streets	839,771
Unrestricted	<u>948,686</u>
<b>Total net assets</b>	<u>\$ 8,929,051</u>

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

# CITY OF SAUGATUCK, MICHIGAN

## Statement of Activities

For the Year Ended June 30, 2008

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
<b>Governmental activities</b>				
Legislative	\$ 38,674	\$ -	\$ -	\$ (38,674)
General government	738,338	65,134	126,363	(546,841)
Public safety	461,865	5,674	-	(456,191)
Public works	706,576	35,955	206,495	(464,126)
Health and welfare	41,025	-	-	(41,025)
Recreation and culture	308,203	237,934	-	(70,269)
Interest on long-term debt	35,827	-	-	(35,827)
	<u>35,827</u>	<u>-</u>	<u>-</u>	<u>(35,827)</u>
Total governmental activities	<u>\$ 2,330,508</u>	<u>\$ 344,697</u>	<u>\$ 332,858</u>	<u>\$ (1,652,953)</u>

(Continued)

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

# CITY OF SAUGATUCK, MICHIGAN

## Statement of Activities (Concluded)

For the Year Ended June 30, 2008

	<u>Governmental Activities</u>
<b>Changes in net assets</b>	
Net (expense) revenue	<u>\$ (1,652,953)</u>
General revenues:	
Property taxes	1,712,451
State shared revenues	101,252
Investment income	<u>120,809</u>
Total general revenues	<u>1,934,512</u>
Change in net assets	281,559
Net assets, beginning of year, as restated	<u>8,647,492</u>
<b>Net assets, end of year</b>	<u><u>\$ 8,929,051</u></u>

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

# CITY OF SAUGATUCK, MICHIGAN

## Balance Sheet Governmental Funds

June 30, 2008

	General Fund	Major Streets	Local Streets
<b>Assets</b>			
Cash and cash equivalents	\$ 990,960	\$ 242,680	\$ 598,004
Accounts receivable	31,963	9,421	17,635
Total assets	\$ 1,022,923	\$ 252,101	\$ 615,639
<b>Liabilities and fund balances</b>			
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ 87,273	\$ 11,279	\$ 4,266
Deferred revenue	55,470	-	12,424
Total liabilities	142,743	11,279	16,690
<b>Fund balances</b>			
Unreserved:			
Undesignated, reported in:			
Undesignated reported in nonmajor debt service revenue funds	-	-	-
Undesignated	880,180	240,822	598,949
Total fund balances	880,180	240,822	598,949
<b>Total liabilities and fund balances</b>	<b>\$ 1,022,923</b>	<b>\$ 252,101</b>	<b>\$ 615,639</b>

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

<b>Business Licenses</b>	<b>Water &amp; Sewer Improvement</b>	<b>Parks</b>	<b>Nonmajor Fund - Sewer Debt Service</b>	<b>Total Governmental Funds</b>
\$ 29,758	\$ 405,919	\$ 243,579	\$ 72,888	\$ 2,583,788
-	5,288	-	195	64,502
<b>\$ 29,758</b>	<b>\$ 411,207</b>	<b>\$ 243,579</b>	<b>\$ 73,083</b>	<b>\$ 2,648,290</b>
\$ -	\$ -	\$ 3,570	-	\$ 106,388
24,946	5,288	-	-	98,128
<b>24,946</b>	<b>5,288</b>	<b>3,570</b>	<b>-</b>	<b>204,516</b>
-	-	-	73,083	73,083
4,812	405,919	240,009	-	2,370,691
<b>4,812</b>	<b>405,919</b>	<b>240,009</b>	<b>73,083</b>	<b>2,443,774</b>
<b>\$ 29,758</b>	<b>\$ 411,207</b>	<b>\$ 243,579</b>	<b>\$ 73,083</b>	<b>\$ 2,648,290</b>

# CITY OF SAUGATUCK, MICHIGAN

## Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets

June 30, 2008

Fund balances - total governmental funds \$ 2,443,774

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 fund statements.

Add - capital assets not being depreciated	3,160,697
Add - capital assets, net of accumulated depreciation	3,804,764

Certain assets, such as special assessments receivable, are not due and receivable in the current period and therefore are offset with deferred revenue in the fund statements.

Add - deferred special assessments receivable	20,682
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An internal service fund is used by management to charge the costs of certain activities, such as equipment usage and other centralized costs, to individual funds. The assets and liabilities of the internal service fund are included in governmental activities.

Add - net assets of governmental activities accounted for in the internal service fund	173,503
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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 fund statements:

Deduct - bonds payable	(649,236)
Deduct - compensated absences	(16,617)
Deduct - accrued interest on long-term liabilities	(8,516)

Net assets of governmental activities	<u>\$ 8,929,051</u>
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The accompanying notes are an integral part of these financial statements.

# CITY OF SAUGATUCK, MICHIGAN

## Statement of Revenues, Expenditures and Governmental Funds

For the Year Ended June 30, 2008

	General Fund	Major Streets	Local Streets
<b>Revenues</b>			
Taxes	\$ 1,451,863	\$ -	\$ 204,882
Special assessments	-	-	4,504
Licenses and permits	23,968	-	-
Intergovernmental revenue	101,252	118,228	88,267
Charges for services	224,962	-	-
Fines and forfeitures	15,227	-	-
Interest and rentals	95,773	6,155	19,444
Other revenue	117,799	-	-
Total revenues	2,030,844	124,383	317,097
<b>Expenditures</b>			
Current:			
Legislative	38,674	-	-
General government	599,706	-	-
Public safety	525,877	-	-
Public works	197,661	241,063	122,106
Health and welfare	41,025	-	-
Recreation and culture	240,219	-	-
Debt service:			
Principal	4,706	-	37,606
Interest	229	-	1,430
Capital outlay	188,570	-	-
Total expenditures	1,836,667	241,063	161,142
Revenues over (under) expenditures	194,177	(116,680)	155,955
<b>Other financing sources (uses)</b>			
Transfers in	-	70,000	58,400
Transfers out	(77,900)	-	(70,000)
Total other financing sources (uses)	(77,900)	70,000	(11,600)
Net changes in fund balances	116,277	(46,680)	144,355
Fund balances, beginning of year, as restated	763,903	287,502	454,594
<b>Fund balances, end of year</b>	<b>\$ 880,180</b>	<b>\$ 240,822</b>	<b>\$ 598,949</b>

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

<b>Business Licenses</b>	<b>Water and Sewer Improvement</b>	<b>Parks</b>	<b>Nonmajor Fund - Sewer Debt Service</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ -	\$ 55,706	\$ 1,712,451
-	3,540	-	-	8,044
31,289	-	-	-	55,257
-	-	-	-	307,747
-	22,500	-	-	247,462
-	-	-	-	15,227
710	14,742	10,458	2,105	149,387
-	-	-	-	117,799
<b>31,999</b>	<b>40,782</b>	<b>10,458</b>	<b>57,811</b>	<b>2,613,374</b>
-	-	-	-	38,674
-	-	-	-	599,706
-	-	-	-	525,877
5,963	374	-	400	567,567
-	-	-	-	41,025
-	-	13,136	-	253,355
41,000	-	-	50,000	133,312
8,755	-	-	25,413	35,827
-	-	-	-	188,570
<b>55,718</b>	<b>374</b>	<b>13,136</b>	<b>75,813</b>	<b>2,383,913</b>
<b>(23,719)</b>	<b>40,408</b>	<b>(2,678)</b>	<b>(18,002)</b>	<b>229,461</b>
19,500	-	-	-	147,900
-	-	-	-	(147,900)
<b>19,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>(4,219)</b>	<b>40,408</b>	<b>(2,678)</b>	<b>(18,002)</b>	<b>229,461</b>
<b>9,031</b>	<b>365,511</b>	<b>242,687</b>	<b>91,085</b>	<b>2,214,313</b>
<b>\$ 4,812</b>	<b>\$ 405,919</b>	<b>\$ 240,009</b>	<b>\$ 73,083</b>	<b>\$ 2,443,774</b>

# CITY OF SAUGATUCK, MICHIGAN

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2008

Net changes in fund balances - total governmental funds \$ 229,461

Amounts reported for *governmental activities* in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds, but are allocated over their useful lives as depreciation expense in the statement of activities.

Add - purchases of capital assets	133,821
Deduct - depreciation expense	(171,240)

Special assessments receivable are long-term in nature and are collectable over several years. However, the current receipts are reflected as revenues on the fund statements.

Deduct - decrease in deferred long-term receivables	(7,018)
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Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term liabilities	133,312
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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 governmental funds.

Deduct - increase in the accrual for compensated absences	(5,157)
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An internal service fund is used by management to charge the costs of certain services to individual governmental funds. The net revenue (expense) attributable to that fund is reported with governmental activities.

Add - (loss) from governmental activities in the internal service fund	<u>(31,620)</u>
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Change in net assets of governmental activities	<u><u>\$ 281,559</u></u>
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The accompanying notes are an integral part of these financial statements.

# CITY OF SAUGATUCK, MICHIGAN

## Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual General Fund

For the Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Actual Over (Under) Budget
<b>Revenues</b>				
Taxes	\$ 1,430,500	\$ 1,451,508	\$ 1,451,863	\$ 355
Licenses and permits:				
Building permits	8,300	5,450	5,674	224
Cable TV franchise fees	10,000	12,000	15,249	3,249
Other	3,000	3,000	3,045	45
Total licenses and permits	21,300	20,450	23,968	3,518
Intergovernmental revenues:				
State shared revenues	94,969	94,969	93,845	(1,124)
Liquor license fees	7,000	7,000	7,407	407
Total intergovernmental revenues	101,969	101,969	101,252	(717)
Charges for services:				
Tax collection fees	3,900	3,889	3,889	-
Chain ferry fees	25,000	25,000	27,543	2,543
Oval Beach fees	170,000	170,000	184,452	14,452
Recreation fees	10,400	8,100	9,078	978
Total charges for services	209,300	206,989	224,962	17,973
Fines and forfeitures:				
Parking tickets	28,000	13,000	15,227	2,227

(Continued)

# CITY OF SAUGATUCK, MICHIGAN

## Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Continued) General Fund

For the Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Actual Over (Under) Budget
<b>Revenues (Continued)</b>				
Interest and rentals:				
Interest	\$ 50,000	\$ 50,000	\$ 61,484	\$ 11,484
Rental fees	26,500	34,325	34,289	(36)
<b>Total interest and rentals</b>	<b>76,500</b>	<b>84,325</b>	<b>95,773</b>	<b>11,448</b>
Other revenues:				
Assessments	6,710	6,710	6,685	(25)
Contributions	-	12,500	12,500	-
Miscellaneous	-	77,970	98,614	20,644
<b>Total other revenues</b>	<b>6,710</b>	<b>97,180</b>	<b>117,799</b>	<b>20,619</b>
<b>Total revenues</b>	<b>1,874,279</b>	<b>1,975,421</b>	<b>2,030,844</b>	<b>55,423</b>
<b>Expenditures</b>				
Current:				
Legislative	33,600	39,320	38,674	(646)
General government				
City manager	209,000	317,900	322,636	4,736
Elections	5,900	5,900	5,128	(772)
Assessor	34,200	28,000	25,677	(2,323)
Clerk	50,680	57,130	55,300	(1,830)
Treasurer	85,105	97,165	95,246	(1,919)
Buildings and grounds	117,075	104,325	89,030	(15,295)
Other general government	-	-	6,689	6,689
<b>Total general government</b>	<b>501,960</b>	<b>610,420</b>	<b>599,706</b>	<b>(10,714)</b>
Public safety				
Police contract	512,000	467,000	461,865	(5,135)
Building inspections	98,675	81,125	64,012	(17,113)
<b>Total public safety</b>	<b>610,675</b>	<b>548,125</b>	<b>525,877</b>	<b>(22,248)</b>
<b>Public works</b>	<b>272,851</b>	<b>277,050</b>	<b>197,661</b>	<b>(79,389)</b>

(Continued)

# CITY OF SAUGATUCK, MICHIGAN

## Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Concluded) General Fund

For the Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Actual Over (Under) Budget
<b>Expenditures (Continued)</b>				
Health and welfare	\$ 43,000	\$ 41,500	\$ 41,025	\$ (475)
Recreation and culture:				
Parks	191,900	190,394	129,329	(61,065)
Oval Beach	66,950	83,950	78,091	(5,859)
Chain ferry	29,400	33,600	32,799	(801)
Total recreation and culture	288,250	307,944	240,219	(67,725)
Debt service:				
Principal	4,936	4,936	4,706	(230)
Interest	-	-	229	229
Total debt service	4,936	4,936	4,935	(1)
Capital outlay	120,000	220,333	188,570	(31,763)
Total expenditures	1,875,272	2,049,628	1,836,667	(212,961)
Revenues over (under) expenditures	(993)	(74,207)	194,177	268,384
<b>Other financing sources (uses)</b>				
Transfers in	12,000	-	-	-
Transfers (out)	(77,900)	(77,900)	(77,900)	-
Total other financing sources (uses)	(65,900)	(77,900)	(77,900)	-
Net change in fund balance	(66,893)	(152,107)	116,277	268,384
Fund balance, beginning of year, as restated	763,903	763,903	763,903	-
<b>Fund balance, end of year</b>	\$ 697,010	\$ 611,796	\$ 880,180	\$ 268,384

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

# CITY OF SAUGATUCK, MICHIGAN

## Statement of Revenues, Expenditures Budget and Actual Major Streets Fund

For the Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Actual Over (Under) Budget
<b>Revenues</b>				
Intergovernmental revenue	\$ 109,500	\$ 105,000	\$ 118,228	\$ 13,228
Interest	5,000	5,130	6,155	1,025
<hr/>				
Total revenues	114,500	110,130	124,383	14,253
<b>Expenditures</b>				
Public works	172,500	245,250	241,063	4,187
<hr/>				
Revenues over expenditures	(58,000)	(135,120)	(116,680)	10,066
<b>Other financing sources (uses)</b>				
Transfers in	-	70,000	70,000	-
Transfers (out)	(6,000)	-	-	-
<hr/>				
Total other financing sources (uses)	(6,000)	70,000	70,000	-
<hr/>				
Net change in fund balance	(64,000)	(65,120)	(46,680)	10,066
<hr/>				
Fund balance, beginning of year	287,502	287,502	287,502	-
<hr/>				
<b>Fund balance, end of year</b>	<b>\$ 223,502</b>	<b>\$ 222,382</b>	<b>\$ 240,822</b>	<b>\$ 10,066</b>

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

# CITY OF SAUGATUCK, MICHIGAN

## Statement of Revenues, Expenditures Budget and Actual Local Streets Fund

For the Year Ended June 30, 2008

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Budget</b>
<b>Revenues</b>				
Taxes	\$ 199,000	\$ 204,800	\$ 204,882	\$ 82
Special assessments	4,500	4,500	4,504	4
Intergovernmental revenue	83,500	81,951	88,267	6,316
Interest	2,500	18,500	19,444	944
<b>Total revenues</b>	<b>289,500</b>	<b>309,751</b>	<b>317,097</b>	<b>7,346</b>
<b>Expenditures</b>				
Public works	104,798	127,580	122,106	(5,474)
Debt Service:				
Principal	37,625	37,625	37,606	(19)
Interest	1,475	2,065	1,430	(635)
<b>Total expenditures</b>	<b>143,898</b>	<b>167,270</b>	<b>161,142</b>	<b>(6,128)</b>
<b>Revenues over expenditures</b>	<b>145,602</b>	<b>142,481</b>	<b>155,955</b>	<b>13,474</b>
<b>Other financing sources (uses)</b>				
Transfers in	58,400	58,400	58,400	-
Transfers (out)	(6,000)	(70,000)	(70,000)	-
<b>Total other financing sources (uses)</b>	<b>52,400</b>	<b>(11,600)</b>	<b>(11,600)</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>198,002</b>	<b>130,881</b>	<b>144,355</b>	<b>13,474</b>
Fund balance, beginning of year, as restated	454,594	454,594	454,594	-
<b>Fund balance, end of year</b>	<b>\$ 652,596</b>	<b>\$ 585,475</b>	<b>\$ 598,949</b>	<b>\$ 13,474</b>

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

# CITY OF SAUGATUCK, MICHIGAN

## Statement of Revenues, Expenditures Budget and Actual Business Licenses Fund

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

	Original Budget	Amended Budget	Actual	Actual Over (Under) Budget
<b>Revenues</b>				
Licenses and permits	\$ 32,000	\$ 32,000	\$ 31,289	\$ (711)
Interest	2,000	650	710	60
Total revenues	34,000	32,650	31,999	(651)
<b>Expenditures</b>				
Public works	10,700	10,594	5,963	(4,631)
Debt service:				
Principal	41,000	41,000	41,000	-
Interest	8,650	8,756	8,755	(1)
Total expenditures	60,350	60,350	55,718	(4,632)
Revenues over (under) expenditures	(26,350)	(27,700)	(23,719)	3,981
<b>Other financing sources (uses)</b>				
Transfers in	19,500	19,500	19,500	-
Net change in fund balance	(6,850)	(8,200)	(4,219)	3,981
Fund balance, beginning of year	9,031	9,031	9,031	-
<b>Fund balance, end of year</b>	<b>\$ 2,181</b>	<b>\$ 831</b>	<b>\$ 4,812</b>	<b>\$ 3,981</b>

**CITY OF SAUGATUCK, MICHIGAN**

**Statement of Revenues, Expenditures  
Budget and Actual  
Water & Sewer Improvement Fund**

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

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Budget</b>
<b>Revenues</b>				
Special assessments	\$ -	\$ 3,465	\$ 3,540	\$ 75
Charges for services	17,500	8,500	22,500	14,000
Interest	6,000	13,500	14,742	1,242
<b>Total revenues</b>	<b>23,500</b>	<b>25,465</b>	<b>40,782</b>	<b>15,317</b>
<b>Expenditures</b>				
Public works	220,560	211,560	374	(211,186)
<b>Net change in fund balance</b>	<b>(197,060)</b>	<b>(186,095)</b>	<b>40,408</b>	<b>226,503</b>
Fund balance, beginning of year	365,511	365,511	365,511	-
<b>Fund balance, end of year</b>	<b>\$ 168,451</b>	<b>\$ 179,416</b>	<b>\$ 405,919</b>	<b>\$ 226,503</b>

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

**CITY OF SAUGATUCK, MICHIGAN**

**Statement of Revenues, Expenditures  
Budget and Actual  
Parks Fund**

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

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Budget</b>
<b>Revenues</b>				
Interest	\$ 9,700	\$ 9,700	\$ 10,458	\$ 758
<b>Expenditures</b>				
Recreation and culture	9,675	12,225	13,136	911
Net change in fund balance	25	(2,525)	(2,678)	(153)
Fund balance, beginning of year	242,687	242,687	242,687	-
<b>Fund balance, end of year</b>	<b>\$ 242,712</b>	<b>\$ 240,162</b>	<b>\$ 240,009</b>	<b>\$ (153)</b>

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

**CITY OF SAUGATUCK, MICHIGAN**  
**Statement of Net Assets**  
**Internal Service Fund**  
**June 30, 2008**

	<b>Motor Pool Fund</b>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 68,805
Noncurrent assets:	
Capital assets being depreciated, net	105,358
Total assets	174,163
<b>Liabilities</b>	
Accounts payable and accrued liabilities	660
<b>Net assets</b>	
Invested in capital assets	105,358
Unrestricted	68,145
Total net assets	\$ 173,503

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

**CITY OF SAUGATUCK, MICHIGAN**

**Statement of Revenues, Expenses  
and Changes in Fund Net Assets**

**Internal Service Fund**

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

	<b>Motor Pool Fund</b>
<b>Operating revenues</b>	
Charges for services	\$ 69,500
<b>Operating expenses</b>	
Personnel services	17,233
Repairs and maintenance	54,765
Depreciation	34,833
Total operating expenses	106,831
Operating loss	(37,331)
<b>Nonoperating revenues</b>	
Interest income	5,711
Change in net assets	(31,620)
Net assets, beginning of year, as restated	205,123
<b>Net assets, end of year</b>	<b>\$ 173,503</b>

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

**CITY OF SAUGATUCK, MICHIGAN**

**Statement of Cash Flows**

**Internal Service Fund**

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

	<b>Motor Pool Fund</b>
<b>Cash flows from operating activities</b>	
Receipts from interfund services provided	\$ 69,500
Payments to suppliers	(55,126)
Payments to employees	(17,233)
	<hr/>
Net cash used in operating activities	(2,859)
 <b>Cash flows from capital and related financing activities</b>	
Acquisition of capital assets	(10,694)
 <b>Cash flows from investing activities</b>	
Interest earned on investments	5,711
	<hr/>
Net increase (decrease) in cash and cash equivalents	(7,842)
 Cash and cash equivalents, beginning of year	<hr/> 76,647
 <b>Cash and cash equivalents, end of year</b>	<hr/> <hr/> \$ 68,805
 <b>Statement of Revenues, Expenditures and Changes in Fund Balance</b>	
Operating loss	\$ (37,331)
 Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	34,833
Changes in operating assets and liabilities which provided cash:	
Accounts payable	(361)
	<hr/>
Net cash used in operating activities	<hr/> <hr/> \$ (2,859)

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

**CITY OF SAUGATUCK, MICHIGAN**

**Statement of Fiduciary Assets and Liabilities  
Agency Fund**

**June 30, 2008**

	<u><b>Tax Collection Fund</b></u>
<b>Assets</b>	
Cash and cash equivalents	\$ 3,599
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 3,599

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

## **NOTES TO FINANCIAL STATEMENTS**

# CITY OF SAUGATUCK, MICHIGAN

## Notes to Financial Statements

For the Year Ended June 30, 2008

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Saugatuck, (the “City”) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the most significant policies:

#### *The Reporting Entity*

As required by generally accepted accounting principles, these financial statements present the City, which is incorporated under the Home Rule City Act (P.A. 279 of 1979) and is governed by a seven-member Council. The accompanying financial statements present the government entity for which the government is considered to be financially accountable. There are no component units to be included. Criteria for including a component unit include entities for which the City is considered to be financially accountable.

#### *Government-wide and Fund Financial Statements*

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The City has no business-type activities for the year ended June 30, 2008.

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, internal service funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental 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 internal service fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. After March 1 of each year, the County pays the City, and is responsible for collecting, any outstanding real property taxes as of that date. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

# CITY OF SAUGATUCK, MICHIGAN

## Notes to Financial Statements

### For the Year Ended June 30, 2008

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

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

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The *Major Streets Fund* accounts for City and County tax levies and for state gas and weight tax revenues that are restricted for expenditures related to maintaining and improving the City's major streets.

The *Local Streets Fund* accounts for City tax levy, and state gas and weight tax that are restricted for expenditures related to maintaining and improving the City's local streets.

The *Business License Fund* accounts for local business license revenues that are used for expenditures related to services to local businesses.

The *Water and Sewer Improvement Fund* accounts for the financial resources used for the expansion, repairs, and maintenance of sewer and water lines in the City. Revenues are primarily derived from connection fees and assessments.

The *Parks Fund* accounts for financial resources for the purposes of maintaining a city park.

Additionally, the City reports the following fund types:

The *Special Revenue Funds* are used to account for proceeds from specific revenue sources (other than perpetual trusts or capital projects) and related expenditures which are restricted for specific purposes by administrative action or law.

The *Debt Service Funds* account for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

The *Agency Funds* account for the collection and disbursements of delinquent taxes and deposits due to other units and individuals.

# CITY OF SAUGATUCK, MICHIGAN

## Notes to Financial Statements

### For the Year Ended June 30, 2008

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operating. The principal operating revenues of the enterprise funds are charges for services. Operation expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### ***Budgets and Budgetary Accounting***

Comparisons to budget are presented for General and Special Revenue Funds. General and Special Revenue Funds adopt a legal budget with remaining funds maintaining budgets as a management control device. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed for the government fund types as a management control device.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Annual budgets lapse at fiscal year end.
6. Adoption and amendments of all budgets used by the City are governed by Public Act 621, which was followed for the year ended June 30, 2008. Expenditures may not exceed appropriations. The appropriations resolutions are based on the projected expenditures budget of the department heads of the City. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures of any fund must be approved by the City Council.
7. Budgeted amounts are as originally adopted, or as amended by the City Council.

# CITY OF SAUGATUCK, MICHIGAN

## Notes to Financial Statements

For the Year Ended June 30, 2008

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### *Budgets and Budgetary Accounting*

Budgets for expenditures are adopted on an activity level basis in the General Fund and by function in the Special Revenue funds. Thus, expenditures may not legally exceed the budgeted amounts by activity for the General Fund and Special Revenue funds.

### *Cash and Cash Equivalents*

For the purpose of the statement of cash flows, the City considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

### *Receivables*

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Special assessments receivable includes \$20,682 which are expected to be collected in greater than one year.

### *Deferred Revenue*

The City reports deferred revenue when cash receipts do not meet both the “measurable” and “available” criteria for recognition in the current period.

### *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental and business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The amount reported for infrastructure includes water and sewer improvements made since 1984, and all other types of infrastructure constructed or acquired since 2003.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

Depreciation on capital assets (including infrastructure), is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	15-50
Furniture, fixtures, and equipment	5-30
Streets	20
Water and sewer improvements	50

# CITY OF SAUGATUCK, MICHIGAN

## Notes to Financial Statements

For the Year Ended June 30, 2008

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### *Long-Term Obligations*

In the government-wide financial statements the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of net assets. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method.

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 uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### *Compensated Absences*

It is the government's policy to permit employees to accumulate earned but unused vacation pay benefits. A liability for unpaid accumulated vacation has been recorded for the portion due to employees upon separation for service with the City. Vested compensated absences are accrued when earned in the government-wide financial statements. A liability for these amounts is reported in government funds only for employee terminations as of the end of the year.

### *Property Taxes*

City property taxes are attached as an enforceable lien on property as of July 1. Taxes are levied July 1 and are due without penalty on or before August 31. These summer tax bills include the City's own property taxes and taxes billed on behalf of the school district (State Education Tax) within the City limits. Real property taxes not collected as of March 1 are returned to the County for collection, which advances the City 100% for the delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the City Treasurer.

Property taxes levied in July of each year are recognized as revenue in that year.

### *Interfund Transactions*

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services and to service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers.

### *Fund Equity*

In the fund financial statements, governmental funds report reservation of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose.

# CITY OF SAUGATUCK, MICHIGAN

## Notes to Financial Statements

### For the Year Ended June 30, 2008

#### *Risk Management*

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2008, the City carried commercial insurance to cover all risks of losses. The City had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years. There was no significant change in coverage during the year.

#### **2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS**

During the year ended June 30, 2008 the City incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<b>Total Appropriations</b>	<b>Amount of Expenditures</b>	<b>Budget Variance</b>
General Fund:			
City Manager	\$ 317,900	\$ 322,636	\$ 4,736
Other general government	-	6,689	6,689
Parks Fund:			
Recreation and culture	12,225	13,136	911

Each of these budget variances were caused by invoices that related to fiscal year 2008, but were not received until after year end, and therefore were not included in the final budget amendments.

#### **3. CASH AND INVESTMENTS**

Cash and investments consist of the following at June 30, 2008:

	<b>Governmental Activities</b>	<b>Agency Fund</b>	<b>Total</b>
Cash and cash equivalents	<b>\$ 2,652,593</b>	<b>\$ 3,599</b>	<b>\$ 2,656,192</b>

Deposits and investments consist of the following at June 30, 2008:

Bank deposits	\$ 913,431
Certificates of deposit (due within one year)	1,632,719
Cash held with others	109,967
Petty cash	75
<b>Total</b>	<b>\$ 2,656,192</b>

#### *Deposits*

**Custodial Credit Risk – Deposits.** Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require, and the City does not have, a policy for deposit custodial credit risk. As of year end, \$1,967,006 of the City's bank balance of \$2,567,006 was exposed to custodial credit risk because it was uninsured and uncollateralized.

# CITY OF SAUGATUCK, MICHIGAN

## Notes to Financial Statements

### For the Year Ended June 30, 2008

The City's investment policy does not specifically address this risk, although the City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

These deposits are in six (6) financial institutions located in Michigan in varying amounts. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the City and a specific fund or common account. They are recorded in the City's records at cost. Interest is recorded when earned.

#### *Statutory Authority*

Act 217, PA 1982, authorizes the City to deposit and invest in:

- a. Bonds and other direct obligations of the United States or its agencies.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through 12/31/97.

#### **4. RECEIVABLES**

At June 30, 2008, the City's receivables were as follows:

<u>Fund</u>	<u>Property Taxes</u>	<u>Special Assessments</u>	<u>Inter- governmental</u>	<u>Totals</u>
General	\$ 1,659	\$ 2,970	\$ 27,334	\$ 31,963
Major Streets	-	-	9,421	9,421
Local Streets	-	12,424	5,211	17,635
Water and Sewer Improvements	-	5,288	-	5,288
Nonmajor Debt Service	195	-	-	195
 Total	 <u>\$ 1,854</u>	 <u>\$ 20,682</u>	 <u>\$ 41,966</u>	 <u>\$ 64,502</u>
 Non current portion	 <u>\$ -</u>	 <u>\$ 20,682</u>	 <u>\$ -</u>	 <u>\$ 20,682</u>

All receivables are considered fully collectible.

# CITY OF SAUGATUCK, MICHIGAN

## Notes to Financial Statements

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

### 5. CAPITAL ASSETS

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

	<b>Balance July 1, 2007, Restated</b>	<b>Additions</b>	<b>Dispositions</b>	<b>Balance June 30, 2008</b>
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Land	\$ 3,160,697	\$ -	\$ -	\$ 3,160,697
Capital assets, being depreciated:				
Land improvements	871,324	-	-	871,324
Buildings and improvements	982,386	133,820	-	1,116,206
Machinery and equipment	984,573	10,695	-	995,268
Streets	849,425	-	-	849,425
Infrastructure	2,942,300	-	-	2,942,300
Total capital assets, being depreciated	6,630,008	144,515	-	6,774,523
Less accumulated depreciation for:				
Land improvements	387,417	35,999	-	423,416
Buildings and improvements	390,003	28,759	-	418,762
Machinery and equipment	814,663	39,754	-	854,417
Streets	129,243	42,613	-	171,856
Infrastructure	937,000	58,950	-	995,950
Total accumulated depreciation	2,658,326	206,075	-	2,864,401
Net capital assets, being depreciated	3,971,682	(61,560)	-	3,910,122
<b>Net governmental activities capital assets</b>	<b>\$ 7,132,379</b>	<b>\$ (61,560)</b>	<b>\$ -</b>	<b>\$ 7,070,819</b>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 9,397
Public works	106,994
Recreation and culture	54,849
Internal Service Fund	34,835
<b>Total depreciation expense – governmental activities</b>	<b>\$ 206,075</b>

# CITY OF SAUGATUCK, MICHIGAN

## Notes to Financial Statements

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

### 6. PAYABLES

At June 30, 2008, the City's payables were as follows:

<b>Fund</b>	<b>Accounts</b>	<b>Payroll</b>	<b>Totals</b>
General Fund	\$ 70,586	\$ 16,687	\$ 87,273
Major Streets	10,802	477	11,279
Local Streets	3,465	801	4,266
Parks	3,570	-	3,570
Internal Service	375	285	660
<b>Total</b>	<b>\$ 88,798</b>	<b>\$ 18,250</b>	107,048
		Accrued interest on long-term debt	8,516
	<b>Total</b>		<b>\$ 115,564</b>

### 7. DEFERRED REVENUE

Governmental funds report deferred revenues in connection with revenues that are not yet considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred revenues are as follows.

	<b>Unavailable</b>	<b>Unearned</b>	<b>Total</b>
General Fund	\$ 2,970	\$ 52,500	\$ 55,470
Local Streets	12,424	-	12,424
Business Licenses	-	24,946	24,946
Water and Sewer Improvement	5,288	-	5,288
<b>Total</b>	<b>\$ 20,682</b>	<b>\$ 77,446</b>	<b>\$ 98,128</b>

# CITY OF SAUGATUCK, MICHIGAN

## Notes to Financial Statements

### For the Year Ended June 30, 2008

#### 8. LONG-TERM DEBT

The following is a summary of debt transactions of the City for the year ended June 30, 2008:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>	<u>Due Within One Year</u>
<i>Governmental activities</i>					
\$925,000 Allegan County Sanitary Sewer System No. 13 general obligation limited tax bonds; due in annual installments of \$50,000 to \$75,000 through October 2014; interest at 5.1% to 5.6%	\$ 500,000	\$ -	\$ 50,000	\$ 450,000	\$ 50,000
\$180,000 Contract payable--State Infrastructure Bank; due in semi-annual installments of \$19,518, including interest at 3.0% through September 2008	56,842	-	37,606	19,236	19,236
\$400,000 Note payable--bank; due in annual installments of \$39,000 to \$48,000 plus interest at 4.3% through November 2011	221,000	-	41,000	180,000	42,000
\$17,500 Note payable--individual, secured by mortgages; due in annual installments of \$4,935, including interest at 5.0% through August 2007	4,706	-	4,706	-	-
Subtotal installment debt	782,548	-	133,312	649,236	111,236
Compensated absences	11,460	19,818	14,661	16,617	14,661
<b>Total governmental activities</b>	<b>\$ 794,008</b>	<b>\$ 19,818</b>	<b>\$ 147,973</b>	<b>\$ 665,853</b>	<b>\$ 125,897</b>

For the governmental activities, long-term compensated absences are generally liquidated by the general fund.

The annual requirements to amortize all debt outstanding (excluding long-term compensated absences) as of June 30, 2008 are as follows:

<u>Year June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$111,236	\$ 30,240
2010	94,000	25,488
2011	96,000	20,916
2012	123,000	15,545
2013	75,000	10,425
2014	150,000	8,381
<b>Total</b>	<b>\$649,236</b>	<b>\$110,995</b>

# CITY OF SAUGATUCK, MICHIGAN

## Notes to Financial Statements

For the Year Ended June 30, 2008

### 9. PENSION PLAN

#### *Plan Description*

The City participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multi-employer defined benefit pension plan providing retirement, death and disability benefits covering certain bargaining units. The System is administered by the MERS retirement board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. A publicly available financial report that includes financial statements and required supplementary information for MERS may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N Canal, Lansing, Michigan 48917 or by calling (800) 767-6377.

The City is required to contribute at an actuarially determined rate, which for the current year was 9.86 percent. The contribution requirements of the City are established and may be amended by the MERS Retirement Board. The contribution requirements of plan members are established and may be amended by the City depending on the MERS contribution program adoption by the City.

For the year ended June 30, 2008, the City's annual pension cost of \$15,621 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2006 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of eight (8.0) percent; and (b) projected salary increases of four and one-half (4.5) percent per year, compounded annually based on inflation, plus a percentage based on an age-related scale to reflect merit, longevity and promotional salary increases. 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 fair value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2007, the date of the latest actuarial valuation, was 30 years.

#### **Trend Information**

<b>Year Ended</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
2006	\$23,534	100%	\$ -
2007	16,491	100%	-
2008	15,621	100%	-

# CITY OF SAUGATUCK, MICHIGAN

## Notes to Financial Statements

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

### Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio Total	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/05	\$ 981,597	\$1,062,816	\$81,219	92%	\$221,971	37%
12/31/06	1,065,473	1,136,420	70,947	94%	150,494	47%
12/31/07	1,138,637	1,194,037	55,400	95%	157,561	47%

#### 10. DEFINED CONTRIBUTION PENSION PLAN

The City provides pension benefits for all its full-time employees hired on or after May 1, 2004, 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 at the date of employment. The City contributes an amount equal to 6% of the employee's base salary each month. The City's contributions for each employee and interest allocation to the employee's account are full vested after 7 years of continuous service (50% vested after completion of 5 years of service). The City is not a trustee of the plan, nor is the City responsible for investment management of plan assets. The City made required contributions of \$8,247 to the plan for the year ended June 30, 2008, and \$4,423 was contributed to the plan from forfeiture accounts.

#### 11. INTERFUND TRANSFERS

	Transfers In	Transfers Out
General Fund	\$ -	\$ 77,900
Major Streets	70,000	-
Local Streets	58,400	70,000
Business Licenses	19,500	-
<b>Total</b>	<b>\$ 147,900</b>	<b>\$ 147,900</b>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to financial various programs accounted for in other funds in accordance with budgetary authorizations.

# CITY OF SAUGATUCK, MICHIGAN

## Notes to Financial Statements

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

### 12. JOINT VENTURES

a) *Township of Saugatuck Fire District:*

The Township of Saugatuck Fire District (the “District”) is a joint venture of the City, the Township of Saugatuck and the City of the Village of Douglas. The administrative Board of the District consists of five members, two at-large members and one member from each of the three participating units. The budget of the District is approved at a joint meeting of the participating units. The participating units levy special millages for fire protection that are used to finance the cost of operations and capital expenditures of the District. During the year ended June 30, 2008, the City contributed \$141,445 to the District. Complete audited financial statements for the Districts can be obtained from the Township of Saugatuck’s Clerk.

b) *Interurban Transit Authority:*

The Interurban Transit Authority (the “Authority”) is a joint venture of the City, the Township of Saugatuck, and the City of the Village of Douglas. The Authority’s Administrative Board consists of six members, two members appointed by each of the three participating units. During the year ended June 30, 2008 the City contributed \$51,667 to the Authority.

c) *Kalamazoo Lake Sewer and Water Authority*

The Kalamazoo Lake Sewer and Water Authority (the “Authority”) is a joint venture of the City, the Township of Saugatuck, and the City of the Village of Douglas. The Authority’s Administrative Board consists of five members appointed by each of the three participating units. The Authority was formed to operate, maintain, administer and manage the water and sewerage systems located within the constituent units of government. During the year ended June 30, 2008, the City contributed \$10,321 to the Authority. Any infrastructure constructed or paid by the City is recorded as infrastructure on the City’s records.

### 13. PRIOR PERIOD ADJUSTMENTS

In prior years, certain funds were separately reported for external reporting purposes. During the current year some of these funds were eliminated and their balances combined into other funds and beginning fund balances/net assets have been restated. The net effect on governmental activities was \$0. Additionally, certain assets were over-depreciated in prior years, greater than original cost. The net effect on governmental activities was \$42,271.

	<b>As Originally Stated</b>	<b>Restatements</b>	<b>As Restated</b>
<b>Governmental activities</b>			
<i>Governmental funds</i>			
General fund	\$ 763,245	\$ 658	\$ 763,903
Local streets	454,530	64	454,594
Business license	7,989	1,042	9,031
Fire Assessment	658	(658)	-
Parking debt service	1,042	(1,042)	-
Local streets debt service	64	(64)	-
<b>Total</b>	<b>\$ 1,227,528</b>	<b>\$ -</b>	<b>\$1,227,528</b>

**CITY OF SAUGATUCK, MICHIGAN**

**Notes to Financial Statements**

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

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	<u>As Originally Stated</u>	<u>Restatements</u>	<u>As Restated</u>
<i>Internal service fund</i>			
Motor pool	\$ 187,179	\$ 17,944	\$ 205,123
<i>Government-wide financial statement adjustments</i>	6,203,729	24,327	6,228,056
<b>Total governmental activities</b>	<b>\$ 8,605,221</b>	<b>\$ 42,271</b>	<b>\$ 8,647,492</b>

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