

DOCKET #11-C-1

Exhibits

- Exhibit 1 Plante & Moran Consolidated Business Case
- Exhibit 2 MSU Extension Consolidation Analysis
- Exhibit 3 Township Hearing Presentation
- Exhibit 4 Latest Township Balance Sheet / Restricted Funds Designated
- Exhibit 5 Township 2012 Form L-4029
- Exhibit 6 Township 2011 / 2017 Road Plan
- Exhibit 7 Emergency Services Act 57 of 1988
- Exhibit 8 Manager Report to Township Board 4-25-2012
- Exhibit 9 City of Saugatuck Audit F.Y. 6-30-11
- Exhibit 10 City of Douglas Audit F.Y. 6-30-11
- Exhibit 11 Township of Saugatuck Audit F.Y. 6-30-11

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Consolidation Business Case

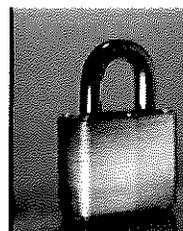
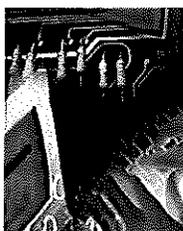
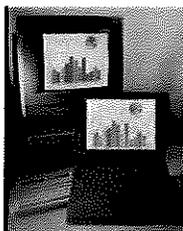
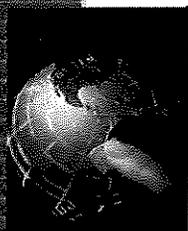
City of the Village of Douglas

City of Saugatuck

Saugatuck Township

DRAFT

September, 2008



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I. Introduction

Project Scope and Objectives

Plante & Moran, PLLC has been retained by the Saugatuck-Douglas Chamber of Commerce to assist in the development of the business case for consolidation of the City of Saugatuck, the City of the Village of Douglas, and Saugatuck Township. The motivation for Tri-Community consolidation dates back to 1989, from the original Tri-Community Comprehensive Plan which states, "The benefits of merging the three communities into one jurisdiction far outweigh the detriments if the long term future of the area is considered." The concept of municipal consolidation has been contemplated for a number of years; however, no action has been taken to further pursue this process. An updated version of the comprehensive plan completed in 2005 indicates that a majority of residents in the region are in favor of single unit of government serving the region. Additionally, the plan recommends a formal study conducted by an outside group regarding the financial benefits of consolidation. This report provides a "business" case for consolidation of the municipal entities.

While the municipalities have formed various partnerships and achieved functional consolidation of multiple services such as the fire district and the Kalamazoo Lake Water and Sewer Authority, they have not taken any formal steps to consolidate their municipalities into one governmental unit. As such, the Chamber of Commerce decided to take the first steps in the process and has retained Plante & Moran to create the business case for consolidation. These efforts are an attempt to maintain and renew the vibrancy of the region. Consolidation is seen as the first step to making the Saugatuck/Douglas region an attractive destination for economic development purposes and to build the framework for future success.

Current Situation

The current municipal structure in Michigan dates back over 200 years to the Northwest Territories Act. Back then, the primary communication tools were word of mouth, or written or printed documents distributed by couriers. Simple communications could take weeks or months to be delivered in many cases. As such, the concept of numerous, small municipal entities made great sense. Over the past 200 years, advances in communication channels, standards, protocols, generally accepted accounting principles and numerous technologies have given rise to economies of scale.

The Tri-Communities of Douglas, Saugatuck, and Saugatuck Township have been taking advantage of many economies and have consolidated fire services into a separate authority, created a single school district and combined police services within the two Cities, while leveraging county and state police resources in the Township. Schools and Public Safety services are generally recognized as core value added or "identity" services in most municipalities. The fact that these services are already shared in the Tri Communities likely

led to the fact that nearly 60% of survey respondents suggest consolidating the municipalities in 2004.

Four studies have been conducted in the past 20 years, each supporting the idea that the municipalities can, and should be consolidated into one city. The local business community, as a result, has become increasingly aware of the excessive costs associated with 3 government entities. In fact, the cost of overhead alone accounts for 28% of all mandatory (general fund) expenses.

The remaining services that are individually attended to by each municipality include:

- ◆ Clerk functions
- ◆ Basic infrastructure such as water, sewer, and roads
- ◆ Parks and recreation, and
- ◆ Stewardship of shared resources, such as the dunes, and the Kalamazoo River and lakeshore area.

The Clerk functions (voting and public recording) and most public works functions are undifferentiated between most Cities. That means the services are basically the same from city to city. As such, these are simple to consolidate and achieve economies of scale.

The recreational and public stewardship obligations are currently distributed to 3 elected bodies. As expected, there have been significant disagreements between these bodies on controversial issues of public policy to protect and preserve the local natural resources. This is easily evidenced by a review of the local press and legal actions taken between the existing municipalities. Further, there is no comprehensive set of policies for the area regarding stewardship of the river/lakeshore area. Many in the business community believe that a single elected body would result in a more effective approach to developing a proactive policy and provide for good government.

Conclusions

Plante & Moran was engaged to review relevant financial and statistical data and develop conclusion regarding cost savings opportunities, and other benefits that would be derived from consolidation of the Tri-Communities into a single municipal entity. Based upon our review, we believe significant cost savings are available, while improving municipal services. Key conclusions and supporting points are outlined below:

- ◆ Significant property tax savings are available to taxpayers in the City of Douglas and City of Saugatuck
- ◆ Saugatuck Township taxpayers would continue to enjoy low tax rates and enjoy some additional savings too.

- ◆ Police and fire services would be maintained in current form, and potentially enhanced.
- ◆ Municipal services in other areas would be streamlined, with no service reductions to residents or tax payers.
- ◆ A majority, 57.6%, of respondents to the latest Tri-Communities Survey completed in 2004 believed that the Tri-Communities should consolidate into a single unit of Government within the next 10 years assuming there are costs efficiencies and tax savings associated with the consolidation.
- ◆ Numerous recommendations from the joint comprehensive plans have not been implemented by the individual municipalities. There are noticeable differences between the communities with regards to economic development, zoning, and planning activities. Political disagreements, including legal action between the communities hampers the municipalities' ability to achieve the common goals set forth by the Tri-Community Planning Committee.
- ◆ A single municipal entity would be able to enact a comprehensive policy to protect the area's natural resources.
- ◆ State revenue sharing reductions, reduced grant opportunities, growing healthcare costs, ballooning pension liabilities, stable or declining interest income from investments, spending restrictions in Medicaid (and other public health program funding), reduction in court equity monies, and fewer grant awards have all combined to seriously impact the fiscal health of local governments in Michigan. A combined entity would be fiscally stronger and more resilient.

II. Cost Savings

Benchmark Comparisons

The fundamental question regarding consolidation is whether there is any financial benefit or potential for significant cost savings in a Tri-Community merger. The latest Tri-Community Survey revealed that a majority of the respondents, 57.6%, are in favor of consolidation assuming cost efficiencies and tax savings. To put into perspective the current spending levels of the communities, it was necessary to compare their spending data with that of their peers. The following represents self-reported F-65 data for the communities from 2005 (most recent available year) and can be used to determine relative spending levels as compared with other communities in Michigan with similar 2005 population levels. The compiled data can be found in Table 1, Comparative per Capita Expenditure Data.

General Fund expenditures represent basic/mandated governmental services. "General government" expenditures are essentially the "overhead" associated with running a municipality. Total expenditures also include discretionary and unique spending on the part of each municipality.

Table 1: Comparative per Capita Expenditure Data

2005 City	General Fund Expenditures Per Capita				Total Expenditures Per Capita			
	General Govt	Public Works	Total Public Safety	2005 GF Expenditures	General Govt	Public Works	Total Public Safety	Total 2005 Expenditures
Kent City Village	\$574.96	\$28.45	\$0.00	\$947.68	\$575.07	\$860.11	\$473.23	\$3,921.96
Bingham Farms Village	\$340.21	\$92.53	\$811.34	\$1,574.56	\$340.21	\$549.06	\$811.34	\$2,267.74
Saugatuck City	\$479.47	\$142.87	\$362.48	\$1,441.39	\$479.47	\$354.63	\$362.48	\$2,261.78
Lawrence Village	\$63.63	\$76.12	\$140.72	\$362.74	\$68.96	\$483.30	\$140.72	\$923.62
Lake Linden Village	\$74.21	\$32.07	\$89.28	\$458.57	\$76.25	\$318.64	\$89.28	\$820.89
Mayville Village	\$72.18	\$150.36	\$207.30	\$454.71	\$73.78	\$406.41	\$207.30	\$816.25
Onsted Village	\$98.50	\$58.96	\$17.83	\$272.95	\$98.50	\$385.73	\$17.83	\$634.41
Fowler Village	\$57.76	\$124.70	\$13.71	\$341.97	\$58.34	\$313.29	\$13.71	\$593.46
Fruitport Village	\$58.72	\$145.30	\$1.02	\$280.65	\$58.72	\$234.87	\$1.02	\$406.12
Average	\$202.18	\$94.60	\$182.63	\$681.69	\$203.25	\$434.00	\$235.21	\$1,405.14
Maximum	\$574.96	\$150.36	\$811.34	\$1,574.56	\$575.07	\$860.11	\$811.34	\$3,921.96
Minimum	\$50.05	\$21.44	\$244.38	\$464.94	\$58.34	\$234.87	\$1.02	\$406.12

2005 City	General Fund Expenditures Per Capita				Total Expenditures Per Capita			
	General Govt	Public Works	Total Public Safety	2005 GF Expenditures	General Govt	Public Works	Total Public Safety	Total 2005 Expenditures
Baraga Village	\$83.19	\$70.99	\$119.39	\$817.42	\$227.32	\$1,384.25	\$119.39	\$2,923.28
Douglas Village	\$231.97	\$82.51	\$487.28	\$1,262.66	\$231.97	\$218.09	\$487.28	\$2,505.83
Bellaire Village	\$135.64	\$0.51	\$0.00	\$495.30	\$158.27	\$600.33	\$149.34	\$1,414.46
Baldwin Village	\$94.11	\$68.66	\$8.69	\$303.61	\$109.83	\$749.84	\$145.37	\$1,352.03
Manton City	\$94.45	\$154.55	\$43.46	\$589.03	\$94.45	\$482.03	\$104.90	\$1,040.75
Laingsburg City	\$105.98	\$102.31	\$157.20	\$476.36	\$105.98	\$243.28	\$157.20	\$957.55
Colon Village	\$55.57	\$86.05	\$246.11	\$395.63	\$55.57	\$451.71	\$246.11	\$915.37
Coleman City	\$82.86	\$101.73	\$128.14	\$419.52	\$82.86	\$516.60	\$128.14	\$884.34
Stevensville Village	\$228.32	\$71.14	\$1.27	\$388.45	\$228.32	\$145.38	\$25.31	\$734.07
Average	\$123.57	\$82.05	\$132.39	\$572.00	\$143.84	\$532.39	\$173.67	\$1,414.19
Maximum	\$231.97	\$154.55	\$487.28	\$1,262.66	\$231.97	\$1,384.25	\$487.28	\$2,923.28
Minimum	\$81.95	\$9.67	\$37.51	\$316.54	\$55.57	\$145.38	\$25.31	\$734.07

2005 City	General Fund Expenditures Per Capita				Total Expenditures Per Capita			
	General Govt	Public Works	Total Public Safety	2005 GF Expenditures	General Govt	Public Works	Total Public Safety	Total 2005 Expenditures
Saugatuck Twp	\$79.80	\$6.22	\$0.89	\$129.09	\$109.53	\$251.41	\$122.15	\$651.34
Grattan Twp	\$90.99	\$7.51	\$11.59	\$140.52	\$90.99	\$180.35	\$41.01	\$364.05
Morton Twp	\$92.68	\$5.63	\$0.00	\$115.69	\$92.68	\$5.63	\$85.05	\$281.53
Surrey Twp	\$55.03	\$23.38	\$3.06	\$92.03	\$55.03	\$57.93	\$40.87	\$234.63
North Branch Twp	\$36.07	\$28.94	\$11.92	\$109.71	\$36.07	\$28.94	\$43.76	\$229.51
Baraga Twp	\$35.54	\$2.51	\$0.40	\$41.35	\$63.55	\$2.51	\$98.85	\$181.97
Vegennes Twp	\$62.91	\$80.10	\$24.35	\$180.50	\$62.91	\$80.10	\$24.35	\$180.50
Vevay Twp	\$64.58	\$10.43	\$22.14	\$126.87	\$64.66	\$10.75	\$22.14	\$129.85
Fremont Twp	\$38.45	\$30.68	\$7.08	\$79.12	\$38.45	\$30.68	\$7.08	\$79.12
Average	\$81.78	\$21.71	\$9.05	\$112.76	\$68.21	\$72.03	\$53.92	\$256.94
Maximum	\$92.68	\$80.10	\$24.35	\$180.50	\$109.53	\$251.41	\$122.15	\$651.34
Minimum	\$81.95	\$9.67	\$37.51	\$316.54	\$36.07	\$2.51	\$7.08	\$79.12

Several communities were chosen for comparison to the City of Saugatuck because of similar 2005 population size including, Bingham Farms, Lawrence, Mayville, Lake Linden, Kent City, Fowler, and Fruitport. Of this group, the average per capita total expenditures on general government, public works, and public safety were \$203, \$434, and \$235 respectively. Total expenditures in 2005 were approximately \$1,405 for those communities similarly sized to the City of Saugatuck. The city's per capita expenditures are about 61 percent greater than this group's average total cost at \$2,262.

The City of the Village of Douglas was also compared to similarly sized communities including Bellaire, Baldwin, Stevensville, Colon, Manton, Baraga Village, Coleman, and Laingsburg. This group's average per capita on general government, public works, public safety, and total expenditures are \$144, \$532, \$174, and \$1414 respectively. At \$2,506, Douglas has one of the highest total expenditures per capita, which is approximately 77

percent greater than the peer average.

Saugatuck Township was compared with to similarly sized townships including, Baraga, Grattan, Surrey, Fremont, North Branch, Morton, Vergennes, and Vevay. Average per capita expenditures from this group on general government, public works, and public safety were \$68, \$72, and \$54, respectively. Saugatuck Township has the highest total expenditures at \$651 per capita as compared with the group average of \$257. Saugatuck Township's total expenditure per capita was 2.53 times greater than the peer average in 2005.

Potential Consolidated Costs

All of the estimates to this point of the report indicate that there is significant potential for cost savings associated with the consolidation of the Tri-Community region into a single governmental entity. A snapshot of total community expenditures for the 2006/2007 budget year retrieved from budget and financial reporting documents is provided in Table 2, Consolidated Expenditures. Estimated expenditures for Police and Fire services are not included in the following table as these expenditures are not expected to vary as a result of a consolidation effort.

Table 2: Consolidated Expenditures

Total Consolidated Expenditures 6/30/07	Douglas	City of Saugatuck	Twp of Saugatuck	Total
General Government	576,283	640,291	478,453	1,695,027
Legislative	24,081	12,785	1,037	37,903
Planning, Inspections & Other	189,990	51,037	9,507	250,534
Public Works	191,811	274,178	114,951	580,940
Public Works - Streets	324,917	164,484	89,819	579,220
Recreation and Culture	130,609	341,897	76,408	548,914
Debt Service	77,442	171,442	211,387	460,271
Capital Outlay	244,071	16,788	366,898	627,757
Total	1,759,204	1,672,902	1,348,460	4,780,566

In the 2006/2007 budget year, Tri-Community expenditures, not including Police and Fire services, totaled almost \$4.8M. Through consolidation we expect there will be a considerable decrease in total expenditures noted in the following:

- ◆ Large cost reductions in the area of General Government are possible through the elimination of duplicative services between the communities. For example, there will be the need for only one City Administrator and one Finance Director/Treasurer in the consolidated agency.
- ◆ We anticipate that the new City can create a special Police District to cover the current Cities of Douglas and Saugatuck. The district will maintain current services and levy 0.3794 mils, which equates to about \$900,000 annually.
- ◆ The Fire Authority would remain unchanged.

- ◆ Other city departments, such as Planning, Public Works, and Recreation and Culture are expected to achieve modest savings through consolidation. This is through the implementation of best practices across the region, reduced overhead personnel, and reduced duplication of services.
- ◆ Currently, the Allegan County Road Commission is responsible for general maintenance and upkeep of the roads in Saugatuck Township. The Township has an additional millage for further road improvements beyond that which is provided by the Road Commission. Through the course of a Tri-Community merger into a City, the new entity would become responsible for the maintenance and upkeep of Township roads. Additionally, the City would also receive Act 51 monies from the State to provide this service. We anticipate that additional Act 51 revenues will offset any additional costs to provide this service in the Township. In order to provide a conservative estimate of future expenditures we are not projecting any cost savings associated with the Public Works – Streets funds.
- ◆ Debt expenses are expected to be eliminated by paying off all outstanding community debt with excess cash currently held by the Tri-Communities.
- ◆ Through the consolidation of three separate entities, there will be excess building space throughout the City. We anticipate the sale of existing assets can provide a one-time source of additional revenue for the City; however, we have not projected this revenue in our analysis.
- ◆ We anticipate the City will be able to eliminate capital outlay expenses for a short term period after consolidation as there will be excess space available in the City and any short-term future expenses may be covered through the sale of available assets.

Anticipated future expenses are shown in Table 3, Consolidated Expenditures as follows.

Table 3: Consolidated Expenditures

Total Consolidated Expenditures 6/30/07	2007 Actual Aggregate Costs	Consolidated Costs	Savings/ Difference
General Government	1,695,027	770,291	924,736
Legislative	37,903	28,427	9,476
Planning, Inspections & Other	250,534	189,990	60,544
Public Works	580,940	522,846	58,094
Public Works - Streets	579,220	579,220	-
Recreation and Culture	548,914	494,023	54,891
Debt Service	460,271	-	460,271
Capital Outlay	627,757	-	627,757
Total	4,780,566	2,584,797	2,195,769

Through increased operational efficiencies, the reduction of debt service costs, and capital outlay expenditures, it is possible to reduce the total expenses of the community by almost

\$2.2 million. This analysis indicates there is substantial financial benefit possible with Tri-Community consolidation.

Tax Savings

Through the reduction of almost \$2.2 million from current expenditures, there is potential for substantial savings in the form of a reduced tax burden for the communities. Current taxable values, rates, and 2007 revenue for each of the three communities are provided in Table 4, Current Tax Structure. The current tax structure does not include the Tri-Community Fire District, which levies an additional 1.2932 mills across the region. Police expenses, where applicable, are located in the operating millages.

Table 4: Current Tax Structure

City of Saugatuck

Total Taxable Value	111,179,000		
<u>Millage</u>	<u>Allowable</u>	<u>Actual</u>	Tax Revenue
Operating	12.435	12.435	
Roads	1.8388	1.8388	
Water Sewer Debt	1.195	0.5	
Total Mills	15.4688	14.7738	<u>\$ 1,642,536</u>

City of the Village of Douglas

2007 Tax Rates

Total Taxable Value	128,343,000		
<u>Millage</u>	<u>Allowable</u>	<u>Actual</u>	Tax Revenue
Operating	18.7517	11.2004	
Roads	2.5698	1.8814	
Water Bond	2.1	0	
Sewer Bond	1.9	0	
Total Mills	25.3215	13.0818	<u>\$ 1,678,957</u>

Township of Saugatuck

Total Taxable Value	239,089,000		
<u>Millage</u>	<u>Allowable</u>	<u>Actual</u>	Tax Revenue
Operating	0.4363	0.4363	
Roads	0.8498	0.8498	
Cemetary	0.2271	0.2271	
Roads	0.8257	0.8257	
Total Mills	2.3389	2.3389	<u>\$ 559,205</u>

Total Revenue \$3,880,698

Police services for the region are provided by the Saugatuck-Douglas Police Department,

Allegan County Sheriff Department, and Michigan State Police. The Cities of Saugatuck and Douglas provide the resources for their combined police department through general fund expenditures. Saugatuck Township does not have a dedicated police unit in the area. The Michigan State Police has an outpost located in the Township and provides most police services to the region. As such, the Township does not have significant annual general fund expenditures allocated for the cost of dedicated police patrol.

For the purposes of this report we have assumed the creation of a Police Department millage for residents who currently reside in the City of Saugatuck and Douglas. This millage will be funded by those who currently receive police services from the dedicated Saugatuck-Douglas Police Department. The area that is located in the Township would continue to be serviced by the Michigan State Police at no additional expense. We anticipate that approximately 3.794 mils are required to maintain the Saugatuck-Douglas Police Department presence in the area.

An estimate of the future millage required for operation of the combined City is located in the Table 5, Proposed Tax Structure. The future millage takes into account the reduced debt, decreased capital outlay, and operational efficiencies identified earlier in the report in order to create the following millage calculations and reduction estimates. The required rate will reduce the tax burden by \$2,195,769.

Table 5: Proposed Tax Structure

Community	Current Millage Rate	Required Mills After Consolidation	Police Millage	Millage Reduction	Average Value/ Home	Potential Annual Savings Per Homeowner
Saugatuck City	14.7738	1.622	3.794	9.358	\$ 200,000	\$ 936
Douglas	13.0818	1.622	3.794	7.666	\$ 150,000	\$ 575
Saugatuck Twp	2.3389	1.622		0.717	\$ 150,000	\$ 54

Through greater operational efficiencies of combing three municipalities into a single entity and the reduction of outstanding debt and capital outlay, there is potential for aggregate tax savings benefits to the residents of the Tri-Community region. Residents of the City of Saugatuck could potentially reduce their tax burden by approximately 9.4 mils. Likewise, current Douglas residents may receive a reduction estimated at 7.6 mils. Even residents of Saugatuck Township could potentially receive a reduction of their tax burden by approximately 0.7 mils. The tax savings analysis provides a response to the fundamental question of consolidation – the answer is that there is substantial financial benefit to consolidation.

Reduced Debt

As shown earlier, there is potential for significant cost savings associated with the consolidation of the Tri-Community region. One method to further reduce annual expenditures is through the reduction of debt. The communities involved in the

consolidation each contain varying amounts of debt and outstanding MERS pension liabilities. The total outstanding debt amounts range from \$853,495 for the City of Saugatuck to \$2,430,180 for Saugatuck Township.

While there is no set strategy for the amount of money a community should keep in their fund balance, a general rule of thumb is for the fund balance to be at least 5-15% of the total expenditures for the entire year. There is no rule regarding the maximum amount of money a community should keep in their fund balance. The Tri-Communities all have fund balances well in excess of these minimum levels. A review of the debt for each of the communities as well as their fund balances is identified in Table 6, Debt Levels by Community.

Table 6: Debt Levels by Community

	City of Saugatuck	City of the Village of Douglas	Saugatuck Township	Combined
Outstanding Debt as of 6/30/07				
Balance of Debt	782,548	562,001	2,080,000	3,424,549
Remaining Pension Liability	70,947	383,201	350,180	804,328
Total	853,495	945,202	2,430,180	4,228,877
Fund Balance as of 6/30/07	2,214,313	1,774,200	2,094,793	6,083,306
Percentage of 2007 expenditures	102.85%	84.32%	146.27%	106.93%
Total Available Fund Balance after Debt Reduction				1,854,429
Estimated Percentage of Consolidated Expenditures				53.08%

Through consolidation, the communities are able to eliminate their current debt and fully fund their MERS pension systems without substantially reducing their total fund balance. The total available fund balance is estimated at \$1,854,429, which is anticipated to be above 50% of future expenditures, meaning the consolidated entity will continue to carry a healthy fund balance for future operations, and have eliminated their debt obligations.

III. Shared Benefits

Cost efficiencies and tax savings are a large part of the consideration to consolidate the City of Saugatuck, the City of the Village of Douglas, and Saugatuck Township into a single entity as evidenced by a majority of support in the latest Tri-Community Survey, but it is not the only driving factor behind the consolidation movement. One of the main purposes of the initial Tri-Community Comprehensive Plan from 1989 and the update in 2005 was to increase cooperation and communication between the three communities. While the Tri-Community region has made strides in increasing cooperation amongst each municipalities, there are numerous recommendations from the Comprehensive Plan that have not been implemented.

A consolidated unit of government is better able to implement the recommendations of Comprehensive Plan and there are numerous qualitative reasons to suggest residents of the Tri-Community region will receive better service with a single unit of government than with the current situation. We expect substantial service quality improvements in the following areas:

Joint Planning and Economic Development

- ◆ A single entity will be better equipped to enact the recommendations in the Tri-Community Comprehensive Plan than the three separate entities acting on their own interests. The single entity will eliminate indecision on the parts of individual jurisdictions and its policies will be effective throughout the region.
- ◆ The newly formed City will be able to create effective policies protecting the Kalamazoo River and lakeshore area.
- ◆ The consolidated entity will be able to create an effective economic development and master plan. The plan will be able to take into account the recommendations from the Tri-Community Comprehensive Plan and will pursue growth and development in a manner that provides the most benefit to the entire region.
- ◆ There is an expectation of tax savings, increased governmental efficiencies, and common planning practices, which will be a benefit to the economic development efforts of the region.
- ◆ The formation of common zoning ordinances and uniform standards for enforcement would fall under the jurisdiction of a single planning commission, rather than three separate entities. This commission will have authority to create an effective plan for the region. Additionally, a single zoning administrator will be needed for the entire region instead of multiple parties.

Effectiveness of Government Operations

Improvements due to Consolidation

- ◆ The financial analysis conducted in the previous section indicates that larger Cities operate more effectively than smaller Cities, at a per capita average of approximately \$817, which is considerably less than the per capita averages of the three municipalities combined at \$1,320.
- ◆ The communities may be able to achieve cost savings of approximately \$2.2 million through the reduction of duplicative services and increased efficiency of working as a single entity. Associated tax reductions through cost savings initiatives and reduced debt may be able to substantially reduce residents' tax burden.
- ◆ The single municipality will be able to make policy decisions that affect the entire region. This will be a significant benefit over the suboptimal decisions that are made on an individual community basis.
- ◆ Troubled departments and positions will be absorbed into the consolidated government entity. Combined resources will decrease the likelihood of issues with financial reporting, auditing, and zoning standards.
- ◆ Elimination of lawsuits and the expenses associated with legal action between the communities.

Maintaining Qualified Professional Staff

Improvements due to Consolidation

- ◆ As a larger municipality, the combined government will be better able to offer market rate salaries for key government positions while saving taxpayer money through the reduction of overall government positions (i.e. there is a need for only one City Manager through consolidation).
- ◆ The ability to offer market rate salary packages will entice qualified staff members to continue working for the city. It provides less incentive to use the community as a short term stop to a larger destination, as such, turnover of key department personnel should decrease. This will enhance the skill level and experience of city staff.
- ◆ The effectiveness of highly qualified and skilled employees cannot be stressed enough. The communities have had recent issues with the quality of work performed by individuals in key government positions. More experienced professional staff will enhance the quality of work performed by the City and will provide a greater benefit to the citizens of the Tri-Community region.

IV. Appendix A: Financial Analysis Assumptions

Potential Consolidated Costs

The following table shows the projected expenditures for a single municipality entity covering the City of Saugatuck, the City of the Village of Douglas, and Saugatuck Township, these costs were taken from each municipalities 2007 audited financial statements. Table 1 costs do not include the separate millage and spending for fire services, library, or the school district.

Table 1: Consolidated Expenditures

Total Consolidated Expenditures 6/30/07	2007 Actual Aggregate Costs	Consolidated Costs	A	Savings/ Difference
General Government	1,695,027	770,291	B	924,736
Legislative	37,903	28,427	C	9,476
Planning, Inspections & Other	250,534	189,990	D	60,544
Public Works	580,940	522,846	E	58,094
Public Works - Streets	579,220	579,220	F	-
Recreation and Culture	548,914	494,023	E	54,891
Debt Service	460,271	-	G	460,271
Capital Outlay	627,757	-	H	627,757
Total	4,780,566	2,584,797		2,195,769

Assumptions

- A. Consolidated costs represent the estimated cost for a single municipality to perform related services for Saugatuck City, Douglas, and Saugatuck Township.
- B. Saugatuck has the highest General Government expenditure at \$640,291. Most General Government expenses will not appreciably increase as a result of operating a City with 5,000 residents compared with 1,000 residents, thus \$640,291 was used as a baseline for General Government expenditures. \$70,000 has been added to the overall cost to purchase additional assessing services from Allegan County. An extra \$60,000 was added to the expected costs to allow for additional Accounting staff.
- C. Costs are reduced by 25%, this assumes less costs with a single unit of government and a smaller city council.
- D. Douglas has the highest Planning expenditure at \$189,990. This expenditure is almost three times that of Saugatuck and twenty times that of the Township. Douglas has recently had several non-recurring expenses with regards to Planning, including temporary consulting work, increased code enforcement, and legal fees. We anticipate that \$189,990 will be adequate to provide the Tri-Community region with highly qualified planning and zoning professionals and a high level of service.

- E. Costs are reduced by 10% assuming economies of scale are realized by operating as a single entity.
- F. Public Works expenses related to streets are expected to remain constant during consolidation. By becoming a City, Saugatuck Township would become eligible for ACT 51 monies from the State of Michigan that are used to fund street projects. The additional revenue is expected to be balanced by the additional costs required to provide this service to the Township. As such, there is no net increase or decrease in expected expenditures for the single entity. Another option may be to utilize the funds and contract with the Allegan County Road Commission.
- G. Debt expenses are expected to be eliminated by paying off all outstanding community debt with excess cash currently held by the Tri-Communities.
- H. Through the consolidation of three separate entities, there will be excess building space in the City. We anticipate the sale of existing assets can provide a one-time source of additional revenue for the City; however, we have not projected this revenue in our analysis. Capital outlay expenses are expected to be eliminated for a short term period after consolidation as there will be excess space available in the City and any short-term future expenses may be covered through the sale of available assets.

Tax Savings

Given current tax rates, the three communities receive total tax revenue of approximately \$3,880,698. This revenue does not include the tax revenue generated from the Tri-Community Fire District, library, or school district. The following table details the current applicable tax revenue for each of the participating agencies.

Table 2: Current Tax Structure

City of Saugatuck

Total Taxable Value	111,179,000		
<u>Millage</u>	<u>Allowable</u>	<u>Actual</u>	Tax Revenue
Operating	12.435	12.435	
Roads	1.8388	1.8388	
Water Sewer Debt	1.195	0.5	
Total Mills	15.4688	14.7738	<u>\$ 1,642,536</u>

City of the Village of Douglas		2007 Tax Rates		
Total Taxable Value		128,343,000		
<u>Millage</u>	<u>Allowable</u>	<u>Actual</u>		Tax Revenue
Operating	18.7517	11.2004		
Roads	2.5698	1.8814		
Water Bond	2.1	0		
Sewer Bond	1.9	0		
Total Mills	25.3215	13.0818		<u>\$ 1,678,957</u>
Township of Saugatuck				
Total Taxable Value		239,089,000		
<u>Millage</u>	<u>Allowable</u>	<u>Actual</u>		Tax Revenue
Operating	0.4363	0.4363		
Roads	0.8498	0.8498		
Cemetery	0.2271	0.2271		
Roads	0.8257	0.8257		
Total Mills	2.3389	2.3389		<u>\$ 559,205</u>
Total Revenue				\$3,880,698

An estimate of the future millage required for operation of the combined City is located in the following table, including the calculation of the amount of tax revenue required for future operations given the decrease in operating expenditures.

Table 3: Proposed Tax Structure

Applicable 2007 Property Tax Yield						\$3,880,698
Less Police Costs to be allocated using separate millage						(908,659)
Less Debt and Capital Outlay						(1,088,028)
Less Estimated Savings from Consolidation						<u>(1,107,741)</u>
Estimated Costs to be funded with property taxes						\$776,270
	Current Millage Rate	Required Mills After Consolidation	Police Millage	Millage Reduction	Average Value/Home	Potential Annual Savings Per Homeowner
Community						
Saugatuck City	14.7738	1.622	3.794	9.358	\$ 200,000	\$ 936
Douglas	13.0818	1.622	3.794	7.666	\$ 150,000	\$ 575
Saugatuck Twp	2.3389	1.622		0.717	\$ 150,000	\$ 54

- ◆ We have assumed the creation of a Police District for residents who currently reside in the City of Saugatuck and Douglas. We assume passage of a Police millage to be funded by those who currently receive police services from the dedicated Saugatuck-Douglas Police Department.
- ◆ We anticipate that approximately a 3.794 millage is required to maintain the current Saugatuck-Douglas Police Department.
- ◆ Residents of the City of Saugatuck could potentially reduce their tax burden by approximately 9.358 mils.
- ◆ Current Douglas residents may receive a reduction estimated at 7.666 mils.
- ◆ Saugatuck Township residents may see a slight reduction in property tax by 0.717 mils.

Reduced Debt

As indicated in the consolidation business case, the municipalities have available fund balances that can be used to pay off existing debt. A review of the debt and pension liabilities for each of the communities, as well as their fund balances is identified in Table 4, Debt Levels by Community.

Table 4: Debt Levels by Community

	City of Saugatuck	City of the Village of Douglas	Saugatuck Township	Combined
Outstanding Debt as of 6/30/07				
Balance of Debt	782,548	562,001	2,080,000	3,424,549
Remaining Pension Liability	70,947	383,201	350,180	804,328
Total	853,495	945,202	2,430,180	4,228,877
Fund Balance as of 6/30/07	2,214,313	1,774,200	2,094,793	6,083,306
Percentage of 2007 expenditures	102.85%	84.32%	146.27%	106.93%
Total Available Fund Balance after Debt Reduction				1,854,429
Estimated Percentage of Consolidated Expenditures				53.08%

Through consolidation, the municipalities can eliminate their current debt and pension liabilities while maintaining a generous fund balance in reserve. The total available fund balance is estimate at \$1,854,429, which is approximately 53% of future consolidated expenditures.

V. Appendix B: Two City Consolidation Analysis

Purpose

The consolidated business case developed by Plante & Moran, PLLC, provided a detailed financial analysis for Tri-Community consolidation with the City of Saugatuck, the City of the Village of Douglas, and Saugatuck Township. The purpose of this addendum is to quantify the financial benefits associated with consolidation of the two Cities. As with the business case, the fundamental question regarding consolidation is whether there is any financial benefit associated with the merger of the Cities. The following analysis examines the cost and potential tax savings that can be achieved through city consolidation. The qualitative shared described in the consolidation business case are applicable to consolidation of the cities and should be considered in addition to the financial analysis.

Potential Consolidated Costs

The following table describes the community expenditures for the 2006/2007 budget year retrieved from budget and financial reporting documents. The two cities receive fire services from the Tri-Community Fire Department, annual costs are not expected to vary as a result of the consolidation effort and these costs are not included in the following table. Likewise, Police services received from the Saugatuck-Douglas Police Department are expected to remain constant through consolidation and are not included in the following analysis.

Table 1: Consolidated Expenditures

Total Consolidated Expenditures 6/30/07	Douglas	City of Saugatuck	Total
General Government	576,283	640,291	1,216,574
Legislative	24,081	12,785	36,866
Planning, Inspections & Other	189,990	51,037	241,027
Public Works	191,811	274,178	465,989
Public Works - Streets	324,917	164,484	489,401
Recreation and Culture	130,609	341,897	472,506
Debt Service	77,442	171,442	248,884
Capital Outlay	244,071	16,788	260,859
Total	1,759,204	1,672,902	3,432,106

In the 2006/2007 budget year, City expenditures, not including Police and Fire services, totaled approximately \$3.4 million. As noted in the consolidation business case, there is a considerable decrease in the total expenditures of a single entity compared with two entities that provide duplicative services. Anticipated future expenses of the city are included in Table 2, Consolidated Expenditures as follows:

Table 2: Consolidated Expenditures

Total Consolidated Expenditures 6/30/07	2007 Actual Aggregate Costs	Consolidated Costs	A	Savings/ Difference
General Government	1,216,574	705,291	B	511,283
Legislative	36,866	27,650	C	9,217
Planning, Inspections & Other	241,027	142,493	D	98,535
Public Works	465,989	419,390	E	46,599
Public Works - Streets	489,401	489,401	F	-
Recreation and Culture	472,506	425,255	E	47,251
Debt Service	248,884	-	G	248,884
Capital Outlay	260,859	-	H	260,859
Total	3,432,106	2,209,480		1,222,627

It appears possible to reduce the total operating expenditures of the two communities by \$1.2 million. As with Tri-Community Consolidation, there is substantial financial benefit possible with two city consolidation.

Assumptions

- A. Consolidated costs represent the estimate cost for a combined municipality to perform related services for Saugatuck City and Douglas.
- B. Saugatuck has the highest General Government expenditure at \$640,291. Most General Government expenses do not appreciably increase as a result of operating a City with 2,000 residents compared with 1,000 residents, thus \$640,291 was used as a baseline for General Government expenditures. \$35,000 has been added to the expected budget to purchase additional assessing services from Allegan County. An additional \$30,000 is added to provide additional Accounting staff.
- C. Costs are reduced by 25%, this assumes less costs with a single unit of government and a smaller city council.
- D. Douglas has the highest Planning expenditure at \$189,990. This expenditure is almost three times that of Saugatuck and should be able to cover the joint municipality. Douglas has recently had several non-recurring expenses with regards to Planning, including temporary consulting work, increased code enforcement, and legal fees. We anticipate that the Douglas Planning expenditure can be reduced by \$25,000 and still provide the joint city with highly qualified planning and zoning professionals and a high level of service.
- E. Costs are reduced by 10% assuming increased efficiencies of operating as a single entity.
- F. Public Works expenses related to streets are expected to remain constant during consolidation. We expect that any decreased costs from increased operational efficiencies will be reinvested into the streets operating fund.

- G. Debt expenses are expected to be eliminated by paying off all outstanding debt with excess cash currently held by the cities.
- H. Through the consolidation of two separate entities, there will be excess building space in the City. We anticipate the sale of existing assets can provide a one-time source of additional revenue for the City; however, we have not projected this revenue in our analysis. Capital outlay expenses are expected to be eliminated for a short term period after consolidation as there will be excess space available in the City and any short-term future expenses may be covered through the sale of available assets.

Tax Savings

Current taxable values, rates, and 2007 revenue for cities are provided in Table 3, Tax Savings. The current tax structure does not include the Tri-Community Fire District, which levies an additional 1.2932 mils across the region. Police expenses, where applicable, are located in the operating millages.

Table 3: Tax Savings

City of Saugatuck

Total Taxable Value	111,179,000		
<u>Millage</u>	<u>Allowable</u>	<u>Actual</u>	Tax Revenue
Operating	12.435	12.435	
Roads	1.8388	1.8388	
Water Sewer Debt	1.195	0.5	
Total Mills	15.4688	14.7738	<u>\$ 1,642,536</u>

City of the Village of Douglas

2007 Tax Rates

Total Taxable Value	128,343,000		
<u>Millage</u>	<u>Allowable</u>	<u>Actual</u>	Tax Revenue
Operating	18.7517	11.2004	
Roads	2.5698	1.8814	
Water Bond	2.1	0	
Sewer Bond	1.9	0	
Total Mills	25.3215	13.0818	<u>\$ 1,678,957</u>

Consolidation Business Case - DRAFT

Total 2007 Property Tax Yield	\$3,321,494
Less Police Costs to be allocated using separate millage	(824,956)
Less Debt and Capital Outlay	(509,743)
Less Estimated Savings from Consolidation	<u>(712,884)</u>
Estimated Costs to be funded with property taxes	\$1,273,911

City	Current Millage Rate	Required Mills After Consolidation	Police Millage	Millage Reduction	Average Value / Home	Potential Annual Savings Per Homeowner
Saugatuck City	14.7738	5.319	3.444	6.011	\$ 200,000	\$ 601
Douglas	13.0818	5.319	3.444	4.319	\$ 150,000	\$ 324

- ◆ For comparison purposes, the costs of operating the Saugatuck-Douglas Police Department have been separated into a Police Department millage as proposed in the consolidation business case.
- ◆ The police millage proposed here, does not include approximately \$80,000 in expenditures that had been identified by Saugatuck Township in their 2006/2007 expenses. For the purposes of the two city consolidation analysis we have removed these \$80,000 in costs as a new City created from the merger of Saugatuck and Douglas would not include the Township.
- ◆ Given this assumption, we anticipate approximately 3.444 mills required to maintain the Saugatuck-Douglas Police Department.
- ◆ Residents of the City of Saugatuck could potentially reduce their tax burden by approximately 6.011 mills.
- ◆ Current Douglas residents may receive a reduction estimated at 4.319 mills.

Reduced Debt

As indicated in the consolidation business case, the cities have available fund balances that can be used to pay-off existing debt. A review of the debt and pension liabilities for each of the cities, as well as their fund balances is identified in Table 4, Debt Levels by Community.

Table 4: Debt Levels by Community

	City of Saugatuck	City of the Village of Douglas	Combined
Outstanding Debt as of 6/30/07			
Balance of Debt	782,548	562,001	1,344,549
Remaining Pension Liability	70,947	383,201	454,148
Total	853,495	945,202	1,798,697
Fund Balance as of 6/30/07	2,214,313	1,774,200	3,988,513
Percentage of 2007 expenditures	102.85%	84.32%	93.69%
Total Available Fund Balance after Debt Reduction			2,189,816
Estimated Percentage of Consolidated Expenditures			72.17%

Through consolidation, the cities can eliminate their current debt and pension liabilities, while maintaining a generous fund balance in reserve. The total available fund balance is estimated at \$2,189,816, which is approximately 72% of future consolidated expenditures.



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City of Saugatuck—City of the Village of Douglas— Saugatuck Township: An Analysis of the Economic and Financial Impact of Political Consolidation

MICHIGAN STATE
UNIVERSITY
EXTENSION

Abstract

This paper is designed to provide information regarding a viability analysis of the financial costs and benefits of a merger of Saugatuck city, Douglas city and Saugatuck Township into a new city. During these challenging economic times, communities across the state are attempting to assess opportunities for collaboration or consolidation that will help reduce government costs and potentially achieve long term economic growth.

This study examines the financial costs and benefits of a merger focused on the general fund and road funds of the three government entities. It is based on FY 2008 budget and audit data. The authors believe it is based on accurate information ascertained through publically available data sources. The study was commissioned by R.J Peterson of Saugatuck, MI. Michigan State University provides this information as a factual basis in the interests of public deliberation and takes no sides or does not advocate for or against any consolidation choice.

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I. Introduction

Saugatuck Township is a 26.2 square mile general law township in Allegan County that lies contiguous to Lake Michigan while surrounding both the cities of Saugatuck and the Village of Douglas. In 2000, Saugatuck Township had a population of 3,590. The township's median household income in 2000 was \$43,771 and the per capita income was \$30,056. The 2007 real and personal state equalized value was \$336.7 million and a taxable value of \$239.1 million. The majority of the employed 2000 workers were in the manufacturing industry (29.6%) and over 50 percent of workers were in either management or sales and office occupations.

The city of Saugatuck is located on the Lake Michigan and is 1.5 square miles with a 2000 population of 1,065. Tourism is the main source of income for the city with 17.2 percent of residents in the retail trade industry and 17.3 percent of workers in the arts, entertainment, recreation, accommodation and food services. However, the largest group of workers in 2000 was in manufacturing – 18.4 percent. In 2007, the city of Saugatuck had a taxable value of \$111.2 million and a state equalized value of about \$154.9 million. The median household income of the city of Saugatuck was \$44,318 and a per capita income of \$34,382. In 2000 the median value of a home in the city of Saugatuck was \$184,400.

The City of the Village of Douglas sits to the south of the City of Saugatuck and has an area of 1.9 square miles. The 2000 population of Douglas was 1,214, the median household income was \$41,250 and the median home value was \$175,000. In 2007 the state equalized value for the city was about \$195.1 million and the taxable value was over \$128.3 million. Similar to Saugatuck city and township, the main industry for occupation for residents of the City of the Village of Douglas was manufacturing providing employment for 26.4 percent of those employed in 2000. However, because of high tourism in the area retail, arts, entertainment, accommodation and food services are also popular industries.

Table 1. Comparisons of Current Cities			
	City of Douglas	City of Saugatuck	Saugatuck Township
Area (in square miles)	1.9	1.5	26.2
2000 Population	1,214	1,065	3,590
2007 State Equalized Value	\$195,050,400	\$154,990,550	\$336,731,277
2007 Taxable Value	\$134,455,655	\$115,678,037	\$239,088,808
2000 Median Household Income (In 1999 dollars)	\$41,250	\$44,318	\$43,771

In order to conduct a proper analysis of a municipal consolidation, two communities were chosen to use as comparables in the analysis of a new Douglas-Saugatuck-Saugatuck Township local unit. The cities of Ludington, MI and South Haven, MI were chosen as these comparables for several reasons. First, both these cities have roughly the same population as would a new Douglas-Saugatuck-Saugatuck Township combined. Using 2000 figures, a new Douglas-Saugatuck-Saugatuck Township would have a population of 5,869 persons. Ludington had a population of 8,357 and South Haven had a population of 5,021. While Ludington is slightly larger population-wise it met well with the other criteria.

The second main criterion used to select comparable cities was the location of the city. Both Ludington and South Haven border Lake Michigan. Both of these cities, therefore, rely on tourism and seasonal business. Ludington is almost 100 miles north of Douglas-Saugatuck-Saugatuck Township, while South Haven is only 15 miles north. This second measure was of a high priority in this analysis because of the uniqueness of many Lake Michigan communities when compared to Michigan cities located inland and in other parts of the state.

However, there are some noticeable differences between Douglas-Saugatuck-Saugatuck Township, Ludington and South Haven. Douglas-Saugatuck-Saugatuck Township combined would have a 2007 SEV of nearly \$687 million. Ludington's 2007 SEV was \$320 million, despite its larger population and South Haven's SEV was only \$400 million. Additionally, as shown in the Table 2, a combined Douglas-Saugatuck-Saugatuck Township would be significantly larger in area than either of the comparable cities. While South Haven and Douglas-Saugatuck-Saugatuck Township have similar median household incomes, the City of Ludington is a lower at \$36,333 per household. Despite these and other differences, South Haven and Ludington were seen as the best comparisons to a new Douglas-Saugatuck-Saugatuck Township because of the extreme importance of comparing cities in a similar location.

Table 2. Comparison Cities			
	Douglas-Saugatuck-Saugatuck Township	City of Ludington	City of South Haven
Area (In square miles)	29.6	3.7	3.5
2000 Population	5,869	8,357	5,021
2007 State Equalized Value	\$686,772,227	\$319,837,700	\$400,649,800
2007 Taxable Value	\$478,611,300	\$252,484,123	\$300,316,701
2000 Median Household Income (in 1999 dollars)	\$43,348 (weighted average)	\$36,333	\$46,307

In 2008, the three jurisdictions had the following taxable values:

Table 3: Jurisdiction Taxable Value

	Taxable value	TV per capita	Millage Rate	Taxes collected
City of Saugatuck	\$115,678,037	\$108,589	15.76	\$1,712,451
City of Douglas	\$134,456,665	\$110,754	14.07	\$1,757,485
Saugatuck Township	\$255,520,943	\$71,117	3.33	\$561,459
Total	\$505,655,645	\$86,157	N/A	\$4,031,395

The above table indicates the financial situation with regard to property taxes for these three jurisdictions. It is important to note, that especially due to the higher demands for public works and police, the two cities raise and spend significantly more than the township. For all three units, a total of just over 4,000,000 dollars in property taxes are collected. There is a distinct difference in the distribution of tax funds. For example, the city of Douglas sends a small portion of its tax proceeds to a road funds. The same is true for Saugatuck Township which has a road fund. Finally, the city of Saugatuck also sends some its tax funds to a road fund. These figures do not include fire protections service which is provided by a joint venture fire authority between the three units and has separate taxing authority.

II. Current Service Provision Analysis

In order to fully assess the potential costs and benefits of a merger, a first assessment was taken of the current service provision matrix. This matrix allows us to determine the potential implications of a merged entity and how it may provide services versus the current arrangements. These arrangements may include contracting with private entities for service provision,

contracting or cooperation with another government entity including state government and it may also determine if certain discretionary services are differentially or not provided at all by some entities. A new government entity, in this case a new city, would have to make some adjustments in its service provision matrix. This analysis will assume where possible that current services will still be provided.

The Saugatuck-Douglas area consists of two cities, the City of Saugatuck and the City of the Village of Douglas, and a general law township, Saugatuck Township. There are a complex array of services provided to the residents of the Saugatuck region from a variety of government entities. This section describes this array of service provision. Understanding this array or matrix is critical in assessing the potential benefits and costs of a political consolidation of the three jurisdictions.

The three municipalities have formed a fire district, Saugatuck Township Fire District. The fire district has four full-time employees (a chief, a deputy chief, a receptionist, and another) and a number of part-time volunteer firefighters. The Fire District has its own millage, and its employees are paid in the Township payroll. This arrangement, in line with many other parts of the state where over 100 fire authorities exist, implies that this service will not be covered in this analysis.

The three municipalities form a dial-a-ride district called the Interurban. The Interurban has a manager, a dispatcher, and several drivers, some of whom are full-time and some of whom are part time. The Interurban has its own millage, and it pays its employees through its own payroll. Again, due to the nature of this service and existing cooperative arrangement, this area of provision will not be part of the analysis.

Police service is a major component of almost any municipal budget. The city of Saugatuck and the city of the village of Douglas each provide police service. In this case, Douglas manages a police department and contracts its services to City of Saugatuck. The Township

utilizes state and county police services. Given the nature of the cooperative arrangement, the assumption made in this analysis is that the existing arrangement will be maintained. This may be tricky due to the nature of a city. The assumption being made is that the state and county police services will continue to maintain their level of service for the outlying parts of the new city.

Currently, the city of Saugatuck pays approximately \$500,000 via police contract to the city of Douglas. Douglas budgets for a total of \$821,000 in FY 2008 for police operations. Therefore, the city of Douglas is covering approximately \$321,000 in police operations over and above the Saugatuck contribution. Under the consolidation scenario of the three entities, the assumption is that a new police special district would be established to provide these services at roughly the same cost to the two governments as before. Using a special district model, the police operations could cover the old territory of the two cities and could exclude the new territory of the township. Saugatuck Township would remain under the protection of state police or county sheriff operations. In this manner, while there would be a proposed change in the legal structure of the department, no fiscal change would occur in police operations and thus will not affect the analysis presented here.

The three municipalities (plus part of another township) form a library district, the Saugatuck Douglas Library District. The library has two full-time employees and a number of part-time employees. The Library District has its own millage, and it pays its employees through its own payroll. Given this arrangement, this service will be not be part of the analysis presented here.

In terms of utilities and infrastructure, the two cities, and part of the township, are served with water and sewer services through the Kalamazoo Lake Sewer and Water Authority. The authority has a manager, two office staff, and around five public works employees. The authority is funded through fees, and it pays its employees through its own payroll. The cemeteries are managed by the Township and contributions for their maintenance come from the cities. These

services will not be covered directly in this analysis except to the extent that employees of the public works departments are responsible for any part of those operations. No assumptions will be made regarding any major cost savings will be assumed otherwise.

III. Political Consolidation Analysis

For the purpose of this exercise, we will assume that the two cities and the township are united into a single municipality, classified as a city. Police services will be provided to the existing cities as a separate police district. As stated before, the rest of township would be covered by existing county and state police forces. Fire, Interurban, library and sewer/water will remain independent entities. The following section will detail the current and new employee and cost arrangements for the newly consolidated city.

Table 4: Baseline FY 2008 Government Spending (Without police spending)

	City of Saugatuck	Saugatuck Township	City of Douglas	Total of All Units
legal counsel			\$80,000	\$80,000
Manager	\$233,000	\$86,680	\$99,080	\$418,760
Clerk	\$56,580	\$97,474		\$154,054
Treasurer	\$85,105	\$45,200		\$130,305
Assessor	\$34,200	\$70,177	\$62,100	\$166,477
Facilities	\$227,075	\$34,500	\$171,600	\$433,175
Planning and Zoning/building reg	\$98,675	\$135,603	\$190,100	\$424,378
GF-Public Works	\$287,351	\$463,800	\$223,600	\$974,751
MAJOR STREETS	\$178,500		\$226,145	\$404,645
LOCAL STREETS	\$426,600		\$134,110	\$560,710
City council/township board	\$13,600	\$1,200	\$13,885	\$28,685
Clerk+Treasurer			\$225,176	\$225,176
Parks	\$308,186	\$17,500	\$125,255	\$450,941
Community Development				
Benefits (Misc.)		\$118,716		\$118,716
TOTAL	\$1,948,872	\$1,070,850	\$1,551,051	\$4,570,773

The above chart documents the total current expenditures from the general fund, major street fund and local street fund for the two cities and the township. It serves as a baseline from which to compare the newly consolidated city. One important point to note is that certain categories have seemingly been created twice in the chart. This is due to the nature of the budgeting and accounting systems in the various jurisdictions. In the City of Douglas for example, the clerk-Treasurer is reported as a single item whereas in the other two jurisdictions there are separate activities. Also, in the case of Douglas, there was a separate reporting of legal counsel where as in the other jurisdictions this item may have been reported separately in each department or activity. Every attempt was made to match the correct categories and, more importantly, the total matches the total spending (without police spending) as reported in the FY 2007-2008 budget. Also, it should be noted that police expenditures have not been reported here and are assumed in the consolidation process to remain constant as stated earlier.

The next table documents our best understanding of the distribution of employees across the department and activity spectrum. These figures are important given the personnel and labor intense nature of local government.

Table 5: Baseline Full Time Equivalent Employees by Department

	City of Saugatuck	Saugatuck Township	City of Douglas	Total of All Units
Manager	2	1.25	1	4.25
Clerk	1	1.25	1	3.25
Treasurer	1	1.25	1	3.25
Assessor		1		1
PZ/Bullding Regulation/code enforcement		1	1	2
Public Works	5		5	10
community/economic development				
parks and recreation				
TOTAL	9	5.75	9	23.75
Note: Treasurer/Clerk	2	2.5	2	6.5

Managers Office

Each local government unit currently maintains one or more full time employees in the manager's/supervisors office. These officials provide an overall guidance and control of municipal activities. In a consolidation, there would be some level of duplication in these offices. Further, we are assuming that via the charter commission process a city manager form of government would be adopted. To adequately gauge staffing for a larger government entity in the manager's office, an assessment of management staffing was reviewed in Ludington and South Haven. In the City of Ludington, this number is maintained at 2 FTE's and in the city of South Haven the number is 1.75 FTE. Based on these comparisons, our analysis indicates that the consolidated jurisdiction would be able to operate with a new manager's office staffed by 2 FTE's. This would result in the reduction of 2.25 full time equivalent employees from the total of the current staffing of the three units of government. This represents a significant percentage of

the total staffing reductions and cost savings from a consolidated government entity.

Clerk's Office

The city of Saugatuck, Douglas and Saugatuck Township each maintain one city or township clerk as prescribed by law or charter. In total the staffing is a bit complex because of the organizational chart of each entity. The city of Saugatuck has 1.0 FTE in their clerk's office, the township of Saugatuck has 1.25 FTE and the City of the Village of Douglas has 1 FTE. There are some challenges in making comparison between the three potential consolidation jurisdictions and the comparison communities. The City of Ludington Clerk's office maintains a much greater workload including financial audit preparation, budget preparation, payroll, general accounting and records maintenance. The city of South Haven Clerk's office has a different set of responsibilities including record maintenance, ordinance maintenance and reporting and election coordination. Many of the duties carried out by the City Clerk in Ludington are the responsibility of the City Finance department in South Haven.

Based on our analysis, the consolidation assessment proposes that the new jurisdictions Clerks Office would handle record maintenance, ordinance reporting and election coordination similar to the city of South Haven. For these services, it is estimated that the required staffing would be 1.5 FTE which would not include some potential some seasonal election assistance. This would result in savings of approximately 1.75 FTE from the current staffing arrangement and a cost savings of over \$100,000.

Treasurer's Office

The City Of Saugatuck has 1 FTE in the treasurer's office, Saugatuck Township has 1.25 FTE and Douglas has 1 FTE. The city of South Haven maintains a treasurer's office with 2.5 FTE's. This office which is actually called the city's finance department handles all accounting, financial reporting, budget preparation, payroll, accounts receivable, risk management and revenue collection responsibilities. The city of Ludington maintains a Treasurers office, but given the

workload of the clerk's office, it has fewer duties and has a staffing of only 2 FTE.

Based on the comparable data, it is estimated the newly consolidated entity's Treasurers office would have staffing of 2 FTE. This would result in a staffing reduction of nearly 1.25 FTE. In terms of cost savings, again over \$100,000 would be reduced. Thus, between the Clerk and Treasurer's office, over \$200,000 would be reduced when comparing the three separate entities to a newly consolidated municipality.

Public Works

The city of Saugatuck and the city of the Village of Douglas each have a Public works department. In the FY 2007-2008 budget, the city of Douglas planned to spent a total of \$223,600 from the general fund and a total of \$475,830 from the highway and street fund, local street fund and major street fund. The city of Saugatuck planned to spend \$287,351 from the general fund and a total of \$605,100 from the major and local street fund. Finally, the township of Saugatuck does not have a public works department but did plan to spend \$22,200 and had a total planned spending of \$220,000 via their road fund which would have been sent to the County Road Commission.

In terms of a consolidation analysis, this is one of the more difficult departments to assess. Our operating assumption is the funds currently used by the township would continue to be set aside in a new fund type and would be used to contract with the County Road Commission to continue to provide that level of service to residents. As for the two cities, the two public works departments would be merged into one department. Based on our comparison cities, the total complement in the newly consolidated public works department would result in no staffing reductions and would be set at a total of 10 FTE. This accounts for the 5 FTE in Douglas and the 5 FTE in Saugatuck. This is a favorable comparison to the city of Ludington which was staffed at 15 and the city of South Haven which was staffed at 10 FTE. Based on these comparisons, we do not believe any further staffing reductions are likely. The newly consolidated

public works department would have a combined budget (including general fund and all road funds) of \$2 million. This would essentially hold that department level from the three separate government jurisdictions.

Assessor/Community Development/Parks and Recreation

No changes are assumed to be made in these functions. Currently, the three entities spend \$170,000 on the assessing function. Currently, this spending includes one FTE plus some contract or part time assistance. Given that South Haven operates with 1.5 FTE in their assessing area and Ludington operates with 2 FTE and some contractual assistance, we believe that for the assessing function and assessing expenditures, the new city would have one FTE and would include some part time assistance. Thus, overall spending would remain the same as under the three separate jurisdictions. While previous research has found some economies of scale in the assessing function, this is likely not the case here due to the small scale of the communities involved.

In the general fund area, the cities are not engaged in the community and economic development function, thus no changes are expected. As for the parks and recreation area, the cities do spend a significant amount of money and use part time or contractual labor and thus no changes are expected in this area as well. There is no evidence that a merger would produce economies of scale in these functions.

Total Budget and Staffing

In total, the newly consolidated city would have a budget of approximately \$4 million. This represents a savings of over \$400,000 from the budgets of the three separate jurisdictions and five positions. These savings generally accrue in the reduction of duplicative staffing in areas such as the clerk, manager and treasurer office. Thus, total savings are a little over 10 percent of the current separate governments operations. Public works and the police department remain unchanged in these scenarios. The fire service for the three jurisdictions has already

been consolidated and operates as a fire authority.

Table 6: Baseline and Consolidated Government Costs (without police)

Budget Line	Total of All Units	New Unit Costs
legal counsel	\$80,000	\$85,900
Manager	\$418,760	\$186,401
Clerk and Treasurer	\$539,535	\$333,881
Assessor	\$166,477	\$166,477
Facilities	\$433,175	\$433,175
Planning and Zoning/building reg.	\$424,378	\$424,378
GF-Public Works	\$974,751	\$950,837
MAJOR STREETS	\$404,645	\$404,645
LOCAL STREETS	\$560,710	\$560,710
city council/township board	\$28,685	
Parks	\$450,941	\$450,941
community development	\$0	
Other benefit costs	\$118,716	\$118,716
TOTAL	\$4,570,773	\$4,116,061

The table above describes the total budget of the newly consolidated entity and baseline budget from a separate three governments in FY 2008. The cost savings primarily come in the general government area of manager's office, clerk and Treasurer and some small cost savings in other areas. In total, over \$400,000 is reduced in the consolidated budget.

The nonpersonnel part of the budget was constructed based on an average across all three jurisdictions, cross checked with Ludington and South Haven of the typical percentage of nonpersonnel costs relative to personnel costs from the department's budgets. These percentages, as would be expected, varied across departments. No real nonpersonnel savings were expected unless there drops in staffing, thus requiring small reductions in supplies and equipment. However, generally these savings were fairly minimal.

The table below depicts a comparison of the old and new personnel arrangements for the newly consolidated city in a summary form. In essence, our findings are that the newly consolidated city, due to duplication of services and as measured against the comparable cities of Ludington and South Haven the city will operate with 18.75 FTE and 5 less FTE positions. This results in several hundred thousand dollars of cost savings which will be depicted in the next table. Almost all of these savings come from the general government arena. There are some savings in other parts of the government structure due to reductions in some material and equipment costs with reductions in duplication and staffing.

Table 7: Newly Consolidated City Staffing Arrangements

	Baseline Total	New Unit
Manager	4.25	2
Clerk	3.25	1.5
Treasurer	3.25	2
Assessor	1	1
PZ/Building Regulation/code enforcement	2	2.25
Public Works	10	10
community/economic development		
parks and recreation		
TOTAL	23.75	19.75
Note: Treasurer/Clerk	6.5	4.5

Revenue Sources for Consolidated Government

The new government will need to levy a property tax to provide funding for its general fund. This property tax, in combination with other revenue sources such as state revenue sharing will provide funding for government services. To determine total revenue that needs to be collected, major revenue sources were reviewed. In FY 2008 budgets, the three entities re-

quired a total general fund spending of \$4.7 million. Of this amount, \$821,000 was expended for the police function between the two cities. Thus, net of police, a total of approximately \$3.8 million was spent amongst themselves. In order to determine the property tax burden, other revenue sources must be estimated.

In total, these jurisdictions receive \$400,000 in state revenue sharing and that figure is included here. Other income also exists such as beach fees and interest income. Other major sources of revenue were beach fees of \$170,000, permit revenues of \$107,000 and other revenue of \$119,050. Combining all three entities, total state revenue sharing could be expected to be \$400,000 and approximately \$500,000 in other general fund revenue sources such as permit fees, interest income, beach fees and other relatively stable sources of funding. Thus, a total of \$1,000,000 in other revenue sources, not including property tax revenues, was included in the analysis.

With the \$1.0 million in other revenue sources, the property tax must cover the remainder. This implies that a tax rate must be levied to cover \$2.8 million. Given the total base of just over \$500 million in taxable value in the consolidated city, the necessary tax rate would be approximately 2.5 mills. In this case, the cities would see their property tax levies fall substantially, but township residents would see an increase from .438 to 2.5 mills to cover these resource needs. The table below depicts the current tax structure of the three jurisdictions. As depicted, the cities maintain, as most cities do, a relatively higher millage and the township levies a much smaller millage level.

Table 8: Property Tax Base and Levies (General Millage)

	Total Taxable Value (2007)	General Millage (2007)	Proposed (Consolidated city) millage rate	Annual Cost or Savings to a \$200,000 home
City of Douglas	\$134,455,655	11.2004	2.5	-\$870.00
City of Saugatuck	\$115,678,037	12.43	2.5	-\$993.00
Saugatuck Township	\$255,520,943	.4363	2.5	+\$206.00
Total	\$505,655,645			

It should be noted that police spending, approximately \$800,000 between Saugatuck and Douglas in FY 2008, was excluded from this analysis. Currently, Saugatuck Township receives services from the county or state police and does not have a dedicated police force. Under the consolidated city, it is assumed that a police district would be formed and would continue to serve the two cities old jurisdictional boundaries for the same basic funding level. This police district would likely be formed under the Emergency Services Authority Act (PA 57 of 1989). The authority would cover the jurisdiction of the two original city boundaries combined. Given that the expected police budget would be at least \$800,000 not accounting for future cost adjustments, the required millage on this portion of the original two cities tax base would approximately 3.2 mills. The township's old area would continue to receive services from the county or state police. In the table below, the results reflect the police millage through the authority. While city residents see a reduction in cost savings, they still manage to come out ahead as compared to the current situation; township residents are not affected by the police situation.

Table 9: Adjusted Property Taxes (with Police Millage)

	Total Taxable Value (2007)	General Millage (2007)	Proposed (Consolidated city) millage rate	Police Millage	Annual Savings to a \$200,000 home
City of Douglas	\$134,455,655	11.2004	2.5	3.2	-\$550.00
City of Saugatuck	\$115,678,037	12.43	2.5	3.2	-\$673.00
Saugatuck Township	\$255,520,943	.4363	2.5	0.0	+\$206.00
Total	\$505,655,645				

Exhibit 3Reasons for Saugatuck Township
Opposition to Being Part of a
Consolidated City Along with
Saugatuck and Douglas

The township does hereby acknowledge that Plante & Moran is a well known firm devoted to excellence and also that Michigan State University Extension is a valuable resource for Cities, Villages and Townships throughout the State of Michigan.

That being said the studies performed by each of these two groups are seriously flawed as they pertain to Saugatuck Township. One can only surmise that the studies relied on audit information without in depth analysis of the composition of the various audited amounts or the fact that the studies were tailored to the goals of the persons or entities who commissioned the studies as Plante & Moran openly stated in their introduction. "Plante & Moran, PLLC has been retained by the Saugatuck-Douglas Chamber of Commerce to assist in the development of the business case FOR consolidation of the City of Saugatuck, The City of the Village of Douglas, and Saugatuck Township.

Plante & Moran

- The bullet point on the bottom of Page 3 states "Saugatuck Township taxpayers would continue to enjoy low tax rates and enjoy some additional savings too." This statement will be demonstrated to be completely inaccurate in this proven analysis.

- The last bullet point on Page 4 cites revenue sharing reductions (not true for Saugatuck Township which is experiencing revenue sharing increases). Reduced grant opportunities (not true). Growing health care costs (not true for Saugatuck Township which recently adopted health saving accounts and require employees to contribute for their benefits). Ballooning pension liabilities are not true for Saugatuck Township which has eliminated the defined benefit retirement plan and now offers only a defined contribution plan for new employees. The bullet point also references spending restrictions in Medicaid and other public health care funding, and reduction in court equity monies. None of these situations have even a remote effect on township operations or finances.

Plante & Moran on Page 7 anticipates "that the new city can create a special police district to cover the current Cities of Douglas and Saugatuck." There is no known mechanism to create such a police district. A city charter cannot legally create district areas for different services be it police, parks, streets or recreation or set up special millage or taxing districts in various portions of the city. There must be a uniform maximum millage rate for the entire city at large.

The probable and most definitely likely police district would have all of the former township taxpayers paying the same millage rate as charter designated which would include police services. Since township taxpayers in the aggregate have more taxable valuation then the current two cities combined, township taxpayers would be paying more than 50% of the expense for police service as it is currently established in Saugatuck and Douglas Cities.

Plante & Moran further use \$900,000 for annual police cost in Saugatuck and Douglas. The two cities now have a combined population of 2,157 and total street miles of 28.49. If the total police annual budget is currently approximately \$900,000 it is not difficult to imagine the additional police cost for patrolling 54 more miles of township roads and for protecting 2,944 more population along with the patrol of 7.2 miles of I-196.

Present and future township taxpayers would most probably face an additional 1 million dollars or more for police protection. Police services are presently provided for the township by the Allegan County Sheriff Department and by the Michigan State Police Detachment currently housed at the expense of the township. Township residents and taxpayers are adequately protected under the current arrangement.

Budgets / Finances

Page 7 and Page 8: Consolidated Expenditures as written by Plante & Moran beg the questions; how did they arrive at those numbers? And their classification?

Actual Township Tax Structure

		2005 Millage	2013 Millage
Operating		0.4363	0.4304
Roads		0.8498	1.0000
Cemetery		0.2271	0.2240
Roads		<u>0.8257</u>	<u>1.0000</u>
Total		2.3389	2.6540

The money raised by township taxpayers for roads can only be used for road purposes by ballot language. The money raised for cemetery can only be used for cemetery purposes again as extra voted ballot language. Nowhere in the Plante & Moran document is their provision for replacement of the \$56,000 annual cemetery funds lost in this or the MSU Study.

The fact is that the only money available for General Fund operations is the current 0.4304 mills in the township which raises \$106,500. The Plante & Moran study has the township taxpayers paying 1.622 mills for General Fund operating purposes in addition to the additional police costs. 1.622 General Fund mills in the township would raise \$405,000 which is close to \$300,000 more per year or 4 times as much as township taxpayers pay now for General Fund operations.

Page 11, Table 6: Debt Levels by Community in the Plante & Moran study is not only misleading it proposes illegal use of restricted township funds for general fund and debt retirement of not only township debt but Saugatuck and Douglas City debt. As stated before the only fund of Saugatuck Township that can be used for debt retirement is the General Fund balances. Other funds are either restricted by ballot proposals or special assessment district mandates.

As a matter of fact Saugatuck Township has no debt. The only debt and available funds for retiring that debt is the obligation incumbent upon assessments against individual properties in sewer and water special assessment districts. Only those assessed properties have debt obligations and restricted funds for debt retirement.

Saugatuck and Douglas City audits for the fiscal year ending 6-30-2011 shows Douglas debt at \$1,034,786 with interest and Saugatuck debt at \$5,665,000. The total Saugatuck and Douglas debt with interest is \$6,699,756. This ad valorem debt is spread upon the cities at large as opposed to special assessment debt. Saugatuck Township taxable valuation is more than that of the two cities combined which would mean that Saugatuck Township taxpayers would inherit at least \$3,350,000 debt for improvements they did not benefit from.

Public Works

Plante & Moran statement on Page 15 regarding streets and roads illustrates a complete lack of in depth research at least as it applies to roads within the existing township.

First their study indicates no increase in the cost of maintaining streets for the new consolidated city over the current budgeted cost of \$489,401. This despite the fact that 54 more miles of streets would be added for repair and maintenance and despite the fact that present city equipment is inadequate and insufficient to undertake the added responsibilities. New heavier duty trucks, ditch cleaning equipment, motorized loaders as well as property to construct a new building along with salt/sand storage facilities would be required.

The suggestion is that “becoming a city Saugatuck Township would become eligible for Act 51 monies from the State of Michigan that are used to fund street projects.” First, Act 51 Funds are not sufficient for even basic maintenance as evidenced by the fact that the Allegan County Road Commission has been forced to reduce employees from a force of 71 to 48 in recent years just to survive. Second, Act 51 monies are absolutely not sufficient to purchase equipment, trucks or maintenance facilities. That capital outlay must come from elsewhere (probably the General Fund). The General Fund can charge equipment rental rates to the road funds if in fact the road funds were sufficient to pay those rental rates.

The most egregious problem is that the Plante & Moran study has actually in effect used the millage presently dedicated and restricted for road purposes for General Fund operations. The road millages presently levied, as voter approved, cover expenses that Act 51 funding does not. The township has used the millages for new road construction and for asphalt resurfacing. The present road plan as projected through 2017 calls for expenditures for road projects in the amount of \$3,368,000.

As part of a consolidated city, road millage renewals would have to be approved by voters who have already seen their General Fund taxes increase by 4 times the amount that they paid as a township in addition to the debt assumption of the two cities debt. It would be an impossible sell to voters who also would not be sure that the money so raised would be used on township roads.

The bottom line is that township taxpayers would pay significantly more money for General Fund operations while watching their roads crumble and fall into disrepair.

Michigan State University
Extension

This study was commissioned by R.J. Peterson of Saugatuck, Michigan as stated in the abstract page. R.J. Peterson is a member of the Consolidated Government Committee.

On Page 17 is a more accurate portrayal of General Fund current millage and proposed (consolidated city) millage. As of the study 2007 Township General Fund millage was .4363. Proposed consolidated millage was 2.5 mills which is close to six times what township taxpayers now pay for general operations.

Also on Page 17 is police millage of 3.2 mills which would be paid only by the two cities after consolidation. It must be stated that in drafting a Charter there is no justification in law in choosing different sections or areas of the same city for different maximum millage rates. The police spending (approximately \$800,000) was excluded from their analysis.

Here is the direct quote from Page 17. "It should be noted that police spending, approximately \$800,000 between Douglas and Saugatuck in F.Y. 2008, was excluded from this analysis. Currently Saugatuck Township receives services from the County or State Police and does not have a dedicated police force. Under the consolidated city, it is assumed that a police district would be formed and would continue to serve the two cities old jurisdictional boundaries for the same basic funding level. This police district would likely be formed under the Emergency Services Authority Act (PA 57 of 1989)."

Contrary to Plante & Moran Michigan State was aware that a consolidated city cannot write a charter assessing different millages for different city areas which is no doubt why P.A. 57 of 1989 was cited. The consolidated city would be one government while Act 57 "emergency services to municipalities" would be absolutely not applicable.

P.A. 57 is "an act to provide for the incorporation by 2 or more municipalities of certain authorities for the purpose of providing emergency services to municipalities."

124.601 Definitions

(e) "Municipality" means a County, City, Village or Township.

124.602 Incorporation of 2 or More Municipalities

A complete copy of the Act will be included as an exhibit but since it is not applicable to one city alone the expense burden of the new city police force will be inappropriately shouldered by township taxpayers who would pay more than 50% of the total annual cost for policing the present cities of Douglas and Saugatuck and the added expense for policing the entire township.

Public Works

The Michigan State Extension analysis reads as follows; "In terms of consolidation analysis, this is one of the more difficult departments to assess." Our operating assumption is the funds currently used by the township would continue to be set aside in a new fund type and would

contract with the county road commission to continue to provide that level of service to the residents.”

As stated in response to the Plante & Moran analysis that funding is for the express purpose of building and resurfacing existing township local roads. There can be no assurance that the voters of the new consolidated city would vote for extra millage for roads or street work that could take place anywhere in the consolidated city. Especially taxpayers in the MSU Extension analysis who currently own township properties who will pay close to six times the amount they are now paying just to support the consolidated city General Fund operations.

The MSU study does not address how or who will actually maintain, repair, plow snow and perform various other functions of traffic control. The same problems exist as with the Plante & Moran study. Act 51 funds are not sufficient to perform those functions or to purchase the required equipment. The county road commission has already signaled that they are not at all interested in such an unprecedented take over of 54 or more miles of city streets. No road commission in the entire state has ever contracted for such a large mileage of city street maintenance.

The MSU study on Page 5 states in part “for example the City of Douglas sends a small portion of its tax proceeds to road funds. The same is true for Saugatuck Township which has a road fund.”

Actually the township road fund is currently raising and expending approximately \$500,000 per year for road improvements which is not exactly small but which would more likely not be available in the consolidated city which would lead the township roads as they exist today to deteriorate.

Summation

Saugatuck Township would be a square peg in around hole in the proposed Tri-Community consolidated city with township taxpayers paying much higher taxes while facing poorer services and deteriorating roads.

Ironically both Plante & Moran and MSU propose consolidation but exempt and eliminate consolidation of two of the largest and most expensive services which are police and roads/streets.

CASH TRANSACTIONS REPORT

YEAR: THROUGH APRIL
Saugatuck Township

Page: 1
5/17/2012
1:47 pm

Account Number	Beginning Balance	Debit	Credit	Ending Balance
Fund: 101 - GENERAL FUND				
001.000 CHECKING	80,266.07	1,417,088.83	1,321,804.04	175,550.86
002.000 CLASS POOL SAVINGS	103,553.63	66.01	0.00	103,619.64
004.000 PETTY CASH	100.00	0.00	0.00	100.00
Fund: 101	183,919.70	1,417,154.84	1,321,804.04	279,270.50
Fund: 204 - ROAD FUND				
001.000 CHECKING	430,371.71	409,652.58	391,322.46	448,701.83
002.000 CLASS POOL SAVINGS	110,461.68	70.23	0.00	110,531.91
Fund: 204	540,833.39	409,722.81	391,322.46	559,233.74
Fund: 209 - CEMETERY FUND				
001.000 CHECKING	73,234.17	74,068.28	80,503.05	68,799.40
002.000 CLASS POOL SAVINGS	68,227.94	43.17	0.00	68,271.11
Fund: 209	141,462.11	74,111.45	80,503.05	135,070.51
Fund: 210 - AMBULANCE FUND				
001.000 CHECKING	3,848.18	5,761.79	6,576.47	3,033.50
Fund: 210	3,848.18	5,761.79	6,576.47	3,033.50
Fund: 213 - PLANNING/LEGAL				
001.000 CHECKING	30,685.21	102,548.79	82,850.13	50,383.87
Fund: 213	30,685.21	102,548.79	82,850.13	50,383.87
Fund: 365 - WATER DEBT FUND				
001.000 CHECKING	13,851.52	34,157.28	72,742.58	-24,733.78
003.000 CERTIFICATES OF DEPOSIT	230,000.00	11,247.07	50,000.00	191,247.07
005.000 SAVINGS	767.38	87,734.25	86,485.00	2,016.63
Fund: 365	244,618.90	133,138.60	209,227.58	168,529.92
Fund: 390 - SEWER DEBT FUND				
001.000 CHECKING	25,085.36	94,046.25	139,675.54	-20,543.93
003.000 CERTIFICATES OF DEPOSIT	89,000.00	1,222.78	0.00	90,222.78
006.000 MONEY MARKET SAVINGS	255,229.91	2,234.34	0.00	257,464.25
Fund: 390	369,315.27	97,503.37	139,675.54	327,143.10
Fund: 465 - WATER PROJECT FUND				
001.000 CHECKING	34,847.22	80,257.00	76,320.00	38,784.22
Fund: 465	34,847.22	80,257.00	76,320.00	38,784.22
Fund: 490 - SEWER PROJECT FUND				
001.000 CHECKING	8,306.14	0.00	0.00	8,306.14
Fund: 490	8,306.14	0.00	0.00	8,306.14
Fund: 711 - CEMETERY TRUST FUND				
001.000 CHECKING	4,095.70	0.00	0.00	4,095.70
Fund: 711	4,095.70	0.00	0.00	4,095.70
Fund: 750 - PAYROLL CLEARING FUND				
001.000 CHECKING	1,032.94	282,665.22	282,539.66	1,158.50
Fund: 750	1,032.94	282,665.22	282,539.66	1,158.50
Grand Totals:	1,562,964.76	2,602,863.87	2,590,818.93	1,575,009.70

RESTRICTED FUND

DOCKET #11-C-1

2012 TAX RATE REQUEST This form must be completed and submitted on or before September 30, 2012
MILLAGE REQUEST REPORT TO COUNTY BOARD OF COMMISSIONERS

County	ALLEGAN	2012 Taxable Value	249,658,102
Local Government Unit	SAUGATUCK TOWNSHIP		

PLEASE READ THE INSTRUCTIONS ON THE REVERSE SIDE CAREFULLY.

You must complete this form for each unit of government for which a property tax is levied. Penalty for non-filing is provided under MCL Sec. 211.119. The following tax rates have been authorized for levy on the 2012 tax roll.

Source	Purpose of Millage	Date of Election	Charter, etc.	2011		2012		Sec. 211.24 Millage Rollback Fraction	Maximum allowable Millage Rate*	Requested to be Levied July 1	Requested to be Levied Dec 1	Expiration Date of Millage Authorized
				Authorized by Election	Reduced by Charter, etc.	Current Year Millage	Permanent Millage					
ALLOCATED	OPERATING	11/21/1965	1.0700	0.4304	1.0000	0.4304	1.0000	1.0000	0.4304			UNLIMITED
EXTRA VOTED	ROADS	5/5/2009	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000			12/31/2013
EXTRA VOTED	CEMETERY	5/3/2011	0.2240	0.2240	1.0000	0.2240	1.0000	1.0000	0.2240			12/31/2015
EXTRA VOTED	ROADS	8/5/2008	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000			12/31/2012

Total Authorized (exclude debt) **2.6544**

Prepared by Blaine R. McLeod	Co-Sign - Verified by	Title EQUALIZATION DIRECTOR	Co-Sign Title
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As the representative for the local government unit named above, we certify that these requested tax levy rates have been reduced, if necessary, to comply with the state constitution (Article 9, Section 31), and that the requested levy rates have also been reduced, if necessary, to comply with MCL Sections 211.246, 211.24, and for Local school districts which levy a Supplemental (Field Harness) Millage, MCL 380.121(3).

Clerk	Signature	Type Name	Date
Secretary	Signature	Type Name	Date
Chairperson	Signature	Type Name	Date
President	Signature	Type Name	Date

*Under Train in Taxation, MCL Section 211.246, the governing body may decide to levy a rate which will not exceed the maximum authorized rate allowed in column 9. The requirements of MCL 211.246 must be met prior to levying an operation levy which is larger than the base tax rate but not larger than the rate in column 9. Under Train in Taxation, MCL Section 211.246, the governing body may decide to levy a rate which will not exceed the maximum authorized rate allowed in

** IMPORTANT: See enclosed instructions for the correct method of calculating the millage rate in column (5).

RESTRICTED FUNDS

Date-CED 5/11/2012	Co-Sign Date	Local School District Use Only - Complete if requesting millage to be levied. See STC Bulletin 2 of 2008 for instructions on completing this section.
Total School District Operation Rates to be Levied (HH/Supp and NH Oper Only)		
For Principal Residence, Qualified Ag, Qualified forest and Industrial Personal		
For Commercial Personal		
For all Other		

Saugatuck Township

Allegan County

2011 / 2017 Road Plan

Road Plan

Years 2011 through 2017

Herewith is the extended and amended plan for road improvements for the years 2011 through 2017. Minimal growth in new construction is anticipated which allows for minimal increases in taxable valuations and therefore fairly insignificant increases in road taxes through the plan period.

This plan also estimates progressive increases in volatile asphalt prices. Since the plan is subject to variables in tax revenues and asphalt expenditures as well as vehicle fuel costs for contractors the plan is subject to revisions during the plan period.

Plan execution is dependent upon renewal of two extra voted millages. The first expires on December 31, 2012 which will require placement upon the ballot in 2013 for continuity. The second expiration is December 31, 2013 requiring 2014 voter approval.

Years 2011 through 2015 emphasis is resurfacing some of the longer mileage roads such as 65th Street, 126th Avenue, 127th Avenue and 63rd Street.

When 64th Street and 127th Avenue from 63rd Street to 66th Street, for example, were first constructed from gravel to asphalt the initial asphalt mat was 1.5 inches thick therefore the wearing quality and durability were not satisfactory. This plan provides for a 2 inch mat covering the first 1 ½ inch mat which will provide optimum wearability.

Additionally all resurface projects will henceforth provide for 3 foot paved shoulders on each lane side which will serve as pavement edge protection as well as a walker / biker path.

The years 2016 and 2017 dedication and thrust is the application of two inch asphalt mats on all public dedicated, platted streets. The 12 plats total of approximately 3.74 miles or 0.3117 on average in each. Since vehicle traffic is slow in subdivisions shoulders are not normally paved or graveled but usually grassed.

Paving contractors who bid on road projects always use the "Flow Boy" system where hot mix asphalt trucks line up to load the paving machine. This works well on stretches of road a mile or more in a length resulting in a continuous lay of mat. Paving subdivision streets is more costly to the township because of short runs and more handwork.

Construction and asphalt matting is always completed in the summer months of June, July and August with payment due in September or October and occasionally in November. Since road taxes are not received until after December and into May the plan envisions a sizable fund balance at the end of each year budget year.

2011

Available Funds / Revenue

7-1-2011	Fund Balance		\$439,000	
2011	Property Taxes		<u>500,000</u>	
		Total	\$939,000	\$939,000

Projects for 2011

Dust control / Mowing		\$2,500	
Resurface with 2 inch asphalt with 3 foot paved shoulders on 64 th Street from 128 th Avenue to 130 th Avenue 1.0 mile.		93,000	
Resurfacing with 2 inch asphalt mat with 3 foot paved shoulders 127 th Avenue from 63 rd Street to 66 th Street 1.5 mile.		139,000	
Allegan County Road Commission for engineering, testing and distributive expenses.		23,000	
Township General Fund for administrative reimbursement		<u>34,000</u>	
	Total	\$291,500	<u>(\$291,500)</u>
Fund Balance			\$647,500

2012

Available Funds / Revenues

7-1-2012	Fund Balance		\$647,500	
2012	Property Taxes		<u>501,500</u>	
		Total	\$1,149,000	\$1,149,000

Projects for 2012

Dust control / Mowing	\$2,500	
Township contribution for the complete construction of the county primary road of 128 th Avenue for 1.0 mile in Saugatuck Township.	50,000	
Resurface with 2 inch asphalt mat with 3 foot paved shoulders on 64 th Street from 128 th Avenue to M-89 2.0 miles.	249,000	
Resurface with 2 inch asphalt mat with 3 foot paved shoulders 126 th Avenue from Blue Star Highway east to 64 th Street 2.0 miles.	249,000	
Allegan County Road Commission for engineering, testing and distributive expenses.	50,000	
Saugatuck Township General Fund for administrative reimbursement.	<u>34,000</u>	
	Total \$634,500	<u>(\$634,500)</u>
Fund Balance		\$514,500

2013

Available Funds / Revenues

7-1-2013	Fund Balance	\$514,500	
2013	Property Taxes	<u>503,500</u>	
	Total	\$1,018,000	\$1,018,000

Projects for 2013

Dust control / Mowing	\$2,500
Resurfacing with 2 inch asphalt mat with 3 foot paved shoulders on 126 th Avenue from 63 rd Street to 64 th Street for 1.0 mile.	161,000

Resurfacing with 2 inch asphalt mat with 3 foot paved shoulders on 63 rd Street from 126 th Avenue to M-89 for 1.0 mile.	161,000	
Resurface with 2 inch asphalt mat on 62 nd Street and 131 st Avenue to end. 1.44 mile.	117,000	
Allegan County Road Commission for engineering, testing and distributive expenses.	41,000	
Saugatuck Township General Fund for administrative reimbursement.	<u>34,000</u>	
	Total \$516,500	(<u>516,500</u>)
Fund Balance		\$501,500

2014

Available Funds / Revenues

7-1-2014	Fund Balance	\$501,500	
2014	Property Taxes	<u>505,500</u>	
	Total	\$1,007,000	\$1,007,000

Projects for 2014

Dust control / Mowing	\$2,500
Resurface with 2 inch asphalt mat with 3 foot paved shoulders on 63 rd Street from 126 th Avenue to 130 th Avenue. 1.74 mile.	287,500
Resurface with 2 inch asphalt mat with 3 foot paved shoulders on 134 th Avenue from Blue Star Highway then east to I-196 Freeway 0.8 mile.	133,000
Allegan County Road Commission for engineering, testing and distributive expenses.	41,000

Saugatuck Township General Fund for administrative reimbursement.	<u>34,000</u>	
	Total	\$498,000 (498,000)

Fund Balance		\$509,000
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2015

Available Funds / Revenues

7-1-2015	Fund Balance	\$509,000	
2015	Property Taxes	<u>506,000</u>	
	Total	\$1,015,000	\$1,015,000

Projects for 2015

Dust Control / Mowing	\$2,500	
Resurfacing with 2 inch asphalt mat with 3 foot paved shoulders on 63 rd Street from Old Allegan Road then North to 136 th Avenue. 1.36 mile.	214,500	
Resurface with 2 inch asphalt mat with paved shoulders on 126 th Avenue from Blue Star Highway thence west to I-196 Freeway for .34 mile.	78,000	
Allegan County Road Commission for engineering, testing and distributive expenses.	30,500	
Saugatuck Township General Fund for administrative reimbursement.	<u>34,000</u>	
	Total	\$359,500 (\$359,500)
Fund Balance		\$655,500

2016

Available Funds / Revenues

7-1-2016	Fund Balance	\$655,500	
2016	Property Taxes	<u>507,000</u>	
		Total \$1,162,500	\$1,162,500

Projects for 2016

Dust Control / Mowing	\$2,500	
Resurfacing with 2 inch asphalt mat with 3 foot paved shoulders 128 th Avenue from 63 rd Street to end.55 miles.	99,000	
Resurface subdivision streets with 2 inch asphalt mat with average width of 22 feet with no paved shoulders. Streets to be determined in order based upon wear and condition. Consideration given to daily traffic flow.	400,000	
Allegan County Road Commission for engineering, testing and distributive expenses.	48,000	
Saugatuck Township General Fund for administrative reimbursement.	<u>34,000</u>	
	Total \$583,500	<u>(\$583,500)</u>
Fund Balance		\$579,000

2017

Available Funds / Revenues

7-1-2017	Fund Balance	\$579,000	
2017	Property Taxes	<u>508,000</u>	
		Total \$1,087,000	\$1,087,000

Projects for 2017

Dust Control / Mowing	\$2,500	
Complete resurfacing of all remaining subdivision streets which were not resurfaced in 2016. 2 inch asphalt mats average width 22 feet.	400,000	
Allegan County Road Commission for engineering, testing and distributive expenses.	48,000	
Saugatuck Township General Fund for administrative reimbursement.	<u>34,000</u>	
	Total \$484,500	<u>(\$484,500)</u>
Fund Balance		\$602,500

Resurface Completion Targets

2011 / 2017

62nd Street and 131 st Avenue	1.44 mile
63 rd Street from Old Allegan to 136 th Avenue	1.36 mile
63 rd Street from 130 th Avenue to M-89	2.74 mile
64 th Street from 130 th Avenue to M-89	3.00 mile
126 th Avenue from I-196 Freeway to 63 rd Street	3.34 mile
127 th Avenue from 63 rd Street to 66 nd Street	1.5 mile
128 th Avenue from 60 th Street to 62 nd Street	1.00 mile
134 th Avenue from Blue Star Highway east to I-196 Highway	<u>0.80 mile</u>
Total	15.18 miles

Sub-Division Streets

Silver Acres Drive	0.2799 mile
Clearbrook Court	0.111 mile
Colver Street	0.112 mile
Butternut Lane	0.161 mile
Hickory	0.034 mile
Chestnut	0.116 mile
Sharon Lane	0.117 mile
Sterling Road	0.085 mile
Sandra Lane	0.117 mile
Lorrimar Lane	0.370 mile
Newport Road	0.163 mile

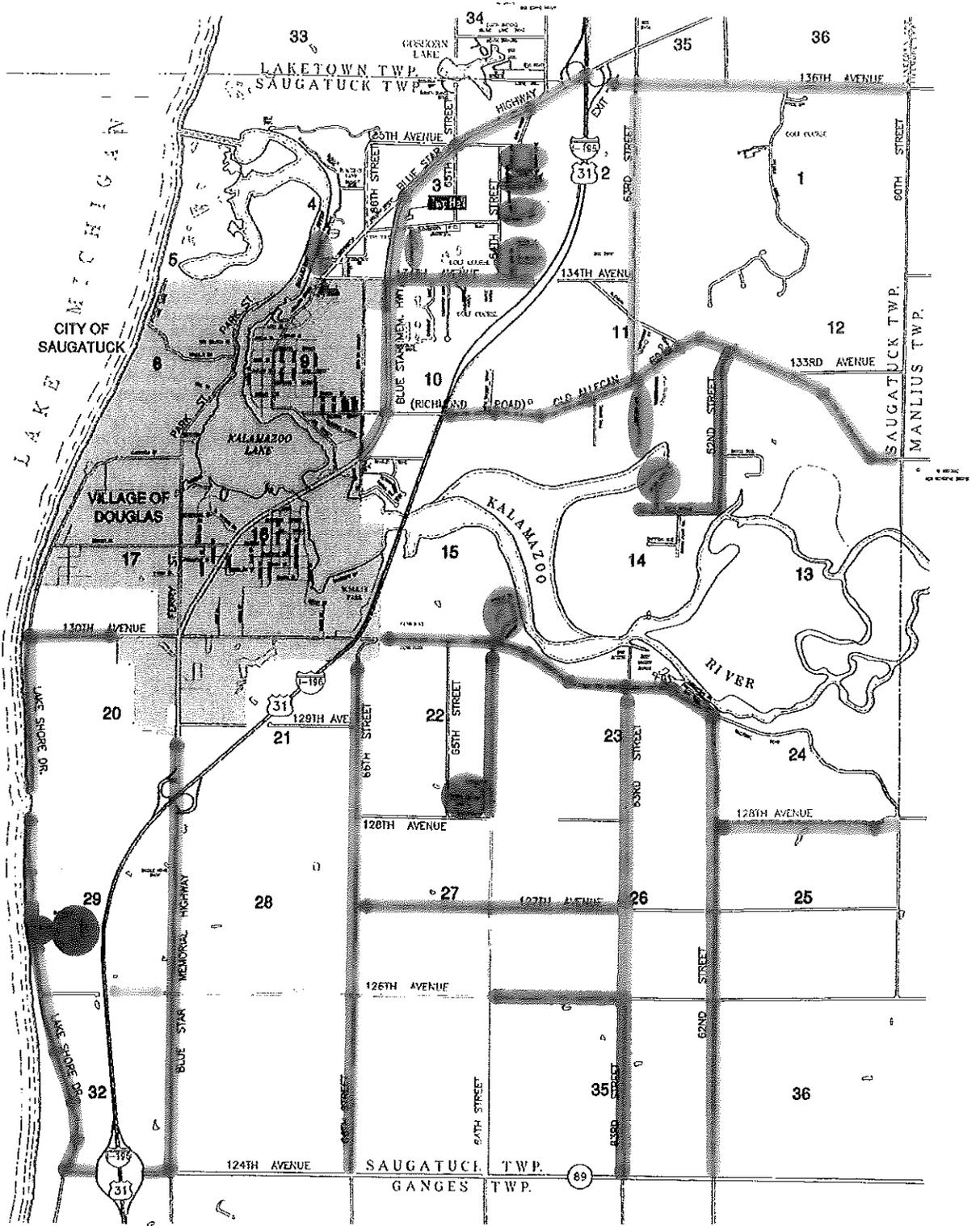
Harbor Road	0.185 mile
Maple Gate Drive	0.191 mile
Palmetto Court	0.124 mile
Destin Court	0.108 mile
Peppermill Drive	0.164 mile
Wintergreen Drive	0.172 mile
Crescent Street	0.205 mile
Ototeman Trail	0.240 mile
Wkama Way	0.075 mile
Riverside Drive (south)	0.242 mile
Sambroek Lane	0.252 mile
Whiteside Lane	0.060 mile
Keppel Lane	<u>0.060 mile</u>
	Total 3.7439 miles

Total mileage of roads resurfaced 18.92 miles

Total mileage of Township Local Roads 32.99 miles

Road expense 2011 / 2017

Plan Beginning Fund Balance	\$439,000	
Plan Revenues	<u>3,531,500</u>	
	Total	\$3,970,500
Plan Expenditures		<u>(3,368,000)</u>
Plan Conclusion Fund Balance		\$602,500



- County Primary Roads
- 2011
- 2012
- 2013
- 2014
- 2015
- 2016, 2017 (Sub-Divison Public Streets)



**EMERGENCY SERVICES TO MUNICIPALITIES
Act 57 of 1988**

AN ACT to provide for the incorporation by 2 or more municipalities of certain authorities for the purpose of providing emergency services to municipalities; to provide for the powers and duties of authorities and of certain state and local agencies and officers; to provide for certain condemnation proceedings; to provide for fees; to provide for the levy of property taxes for certain purposes; and to prescribe penalties and provide remedies.

History: 1988, Act 57, Eff. Apr. 1, 1988;—Am. 1998, Act 167, Eff. Mar. 23, 1999;—Am. 2006, Act 652, Imd. Eff. Jan. 5, 2007;—Am. 2011, Act 261, Imd. Eff. Dec 14, 2011.

The People of the State of Michigan enact:

124.601 Definitions.

Sec. 1. As used in this act:

- (a) "Authority" means an authority incorporated under this act.
- (b) "Emergency services" means fire protection services, emergency medical services, police protection, and any other emergency health or safety services designated in the articles of incorporation of an authority.
- (c) "Incorporating municipality" means a municipality that becomes part of a new authority in the manner provided in section 2, or joins an existing authority in the manner provided in section 3.
- (d) "Municipal emergency service" means an emergency service performed by a municipality, rather than by an authority.
- (e) "Municipality" means a county, city, village, or township.

History: 1988, Act 57, Eff. Apr. 1, 1988.

124.602 Incorporation of 2 or more municipalities as authority for purpose of providing emergency services; transfer of municipal emergency service; creation of authority by adoption of articles of incorporation; endorsement; form; jurisdiction of authority; publication of articles of incorporation; filing certified copy; effective date of authority; validity of incorporation; applicable laws.

Sec. 2. (1) Any 2 or more municipalities may incorporate an authority for the purpose of providing emergency services to the incorporating municipalities. An incorporating municipality may transfer to the authority of which it is a part any municipal emergency service.

(2) An authority is created by the adoption of articles of incorporation by the legislative body of each incorporating municipality. The adoption by an incorporating municipality shall be endorsed on the articles of incorporation in the case of a county by the county executive or chairperson of the board of commissioners of the county and the county clerk; in the case of a city by the mayor and clerk of the city; in the case of a village by the president and clerk of a village; and in the case of a township by the supervisor and clerk of a township, in a form substantially as follows:

"The foregoing articles of incorporation were adopted by the _____ of the _____ of _____ county, Michigan, at a meeting duly held on the _____ day of _____, 19____ of said _____ Clerk of said _____"

(3) An authority's jurisdiction shall be comprised of the total territory within the incorporating municipalities. The articles of incorporation shall be published at least once in a newspaper designated in the articles of incorporation and circulating within the territory of the authority. A printed copy of the articles of incorporation, certified as a true copy by the person or persons designated in the articles, and containing the date and place of publication, shall be filed with the secretary of state. An authority shall become effective at the time provided in its articles of incorporation. The validity of the incorporation of an authority shall be conclusively presumed unless questioned in a court of competent jurisdiction within 60 days after the date on which certified copies of the articles of incorporation are filed with the secretary of state.

(4) The laws of this state applying to a municipality that becomes a part of an authority also shall continue to apply to the municipality and the authority after the municipality becomes a part of the authority.

History: 1988, Act 57, Eff. Apr. 1, 1988.

124.603 County, city, village, or township as part of existing authority; amendment to articles of incorporation.

Sec. 3. (1) Any county, city, village, or township may become a part of an existing authority by

employees in a municipal emergency service under 1947 PA 336, MCL 423.201 to 423.217, shall continue to represent the employees or group of employees after those employees or group of employees are transferred to the authority's emergency service.

(7) This section does not limit the rights of employees, under applicable law, to assert that a bargaining representative protected by subsection (6) is no longer their representative. The employees of the authority are eligible as of the day the authority becomes effective through its articles of incorporation to choose their representative under 1947 PA 336, MCL 423.201 to 423.217. This subsection does not extend the time limits as provided in subsection (4).

(8) If multiple labor organizations assert the right to represent all or part of the authority's workforce or where a substantial portion of the transferred employees were not previously represented, in the absence of a voluntary mutual agreement, at the request of any party or on the initiative of the Michigan employment relations commission, the Michigan employment relations commission shall conduct a representation election.

(9) In the absence of a voluntary mutual agreement, the authority's workforce shall be merged by using a single seniority list for each of the same or similar classifications. The single seniority list shall be composed of all employees from each incorporating municipality employed or having recall rights on the date of transfer and shall be used for purposes that include, but are not limited to, initial assignments, layoffs, recalls, and job bidding. Disputes concerning the single seniority list or use of the single seniority list shall be heard by a single arbitrator appointed by the Michigan employment relations commission.

(10) Nothing in this section requires a municipality or an authority to assume a collective bargaining agreement between another municipality and its employees.

(11) An employee who left the employ of the municipal emergency response service to enter the military service of the United States shall have the same employment rights as to the emergency service as they would have had under the municipal emergency response service under 1951 PA 263, MCL 35.351 to 35.356.

History: 1988, Act 57, Eff. Apr. 1, 1988;—Am. 2011, Act 261, Imd. Eff. Dec. 14, 2011.

124.611 Withdrawal of incorporating municipality from authority.

Sec. 11. (1) An incorporating municipality may withdraw from the authority of which it is a part by resolution of the municipality's legislative body approving the withdrawal.

(2) A municipality that withdraws from an authority shall continue to be subject to any tax levied in its jurisdiction under section 12 for the duration of the period of that tax as determined pursuant to section 12(3).

(3) Employees of an authority who perform emergency services in the jurisdiction of a municipality that withdraws from an authority shall be protected in relation to the municipality to the same extent as employees of an incorporating municipality are protected in relation to an authority under section 10.

(4) A municipality that withdraws from an authority shall remain liable for a proportion of the debts and liabilities of the authority incurred while the municipality was a part of the authority. The proportion of the authority's debts for which a municipality is liable under this subsection shall be determined by dividing the state equalized value of the real property in the municipality by the state equalized value of all real property in the authority at the time of the withdrawal.

History: 1988, Act 57, Eff. Apr. 1, 1988.

124.612 Tax levy by authority.

Sec. 12. (1) An authority may levy a tax on all of the taxable property within the limits of the authority for the purposes of this act.

(2) The tax authorized under subsection (1) shall not be levied without the approval of a majority of the registered electors residing in the authority affected and qualified to vote and voting on the tax at a general or special election. The election may be called by resolution of the board of the authority. The recording officer of the authority shall file a copy of the resolution of the board calling the election with the clerk of each incorporating municipality not less than 60 days before the date of the election. The resolution calling the election shall contain a statement of the proposition to be submitted to the electors. Each municipal clerk and all other municipal officials of an incorporating municipality shall undertake those steps to properly submit the proposition to the electors of the incorporating municipality at the election specified in the resolutions of the authority. The election shall be conducted and canvassed in accordance with the Michigan election law, Act No. 116 of the Public Acts of 1954, being sections 168.1 to 168.992 of the Michigan Compiled Laws, except that if the authority is located in more than 1 county, the election shall be canvassed by the state board of canvassers. The results of the election shall be certified to the governing body of the authority promptly after the date of the election. Not more than 1 election may be held in an authority in a calendar year for approval of the tax authorized under subsection (1). If the election is a special election, the authority in which the election is held shall pay its share of the costs of the election.

Compiler's note: In the middle of the second sentence, the section range "being sections 213.1 to 213.25" evidently should read "being sections 213.21 to 213.25."

124.608 Contracts for provision of emergency services.

Sec. 8. An authority may enter into a contract with any incorporating municipality for the provision of emergency services in the incorporating municipality for a period not exceeding 30 years. The emergency services may be established or funded in conjunction with any municipal emergency services, and any municipal emergency service may be delegated by contract to an authority. The charges specified in a contract shall be subject to increase by the authority, if necessary, in order to provide funds to meet its obligations. An authority may also enter into contracts with a city, village, or township that is not an incorporating municipality, for a period not exceeding 30 years except that the charges for services under a contract with a nonincorporating municipality may be greater than the charges to an incorporating municipality, and shall be subject to change from time to time without notice. However, existing contracts between the county sheriff's department and the municipalities shall remain in effect for the lifetime of those contracts.

History: 1988, Act 57, Eff. Apr. 1, 1988.

124.609 Additional powers of authority.

Sec. 9. An authority, in addition to its other powers and duties, may do all of the following:

- (a) Adopt bylaws and rules of administration to accomplish the purposes of this act.
- (b) Adopt ordinances that allow the authority to assess fees on owners or occupants of property who receive emergency services to cover the costs of providing emergency services under this act. An ordinance adopted under this subdivision shall be rescinded if, within 60 days from the date the ordinance is adopted, 1/3 or more of the municipalities affected by the ordinance vote to rescind the ordinance.
- (c) Apply for and accept grants, loans, or contributions from the federal government or any of its agencies, the state, or other public or private agencies to be used for any of the purposes of this act and to do any and all things within its express or implied powers necessary or desirable to secure that financial or other aid or cooperation in the carrying out of any of the purposes of this act.
- (d) Enter into any contracts with other entities not prohibited by law.
- (e) Investigate emergency services requirements, needs, and programs and engage, by contract, consultants as may be necessary and cooperate with the federal government, state, political subdivisions, and other authorities in those investigations.
- (f) Subject to section 10, hire employees, attorneys, accountants, and consultants as the authority considers necessary to carry out the purposes of the authority.

History: 1988, Act 57, Eff. Apr. 1, 1988;—Am. 2006, Act 652, Imd. Eff. Jan. 5, 2007.

124.610 Emergency services; articles of incorporation; collective bargaining; labor agreements; representation.

Sec. 10. (1) The municipalities that are parties to an authority entered into pursuant to this act have the responsibility, authority, and right to manage and direct on behalf of the public the emergency services performed or exercised to the extent provided in the articles of incorporation creating the authority.

(2) The contents or language of the articles of incorporation under this act shall be a permissive subject of collective bargaining between a municipality and a bargaining representative of its employees. If a municipality and a bargaining representative of its employees engage in collective bargaining before the articles of incorporation are approved and that municipality and that bargaining representative reach an agreement on issues that would obligate an entity that will function as an employer in the authority, the articles of incorporation shall include those obligations.

(3) Nothing in this act creates an employment relationship between the existing employees of a municipality and the proposed authority.

(4) An authority is effective through its articles of incorporation at least 180 days before the actual transfer of personnel and equipment. Before the authority's effective date, the incorporating municipalities shall affirm in writing to the authority those employees who will be transferred to the authority.

(5) If employees who are transferred to the authority are represented by a labor organization, those employees are subject to their previous terms and conditions of employment until those terms and conditions of employment are modified in accordance with 1947 PA 336, MCL 423.201 to 423.217, or for 6 months after the transfer to the authority, whichever is earlier. Negotiations on a collective bargaining agreement with an authority shall begin no later than 180 days before the date the employees transfer to the authority.

(6) Subject to subsection (7), a representative of the employees or group of employees in a municipal emergency service who previously represented or was entitled to represent the employees or group of

(3) The taxes authorized by this section may be levied at a rate not to exceed 20 mills and for a period as determined by the authority in the resolution calling the election and as shall be set forth in the proposition submitted to the electors.

(4) The tax rate authorized by this section shall be levied and collected as are all ad valorem property taxes in the state, and the recording officer of the authority shall at the appropriate times certify to the proper tax assessing or collecting officers of each tax collecting municipality the amount of taxes to be levied and collected each year by each municipality. The authority shall determine on which tax roll, if there is more than 1, of each incorporating municipality that the taxes authorized by this section shall be collected. Each tax assessing and collecting officer and each county treasurer shall levy and collect the taxes certified by the authority and shall pay those taxes to the authority by the time provided in section 43 of the general property tax act, Act No. 206 of the Public Acts of 1893, being section 211.43 of the Michigan Compiled Laws. The tax rate authorized by this section may be first levied by the authority as a part of the first tax roll of the appropriate municipalities occurring after the election described in subsection (2). The tax may be levied and collected on the December tax roll next following the date of election, if the tax is certified to the proper tax assessing officials not later than September 15 of the year in which the election is held.

(5) To the extent applicable and consistent with the requirements of this section, the general property tax act, Act No. 206 of the Public Acts of 1893, being sections 211.1 to 211.157 of the Michigan Compiled Laws, shall apply to proceedings in relation to the assessment, spreading, and collection of taxes pursuant to this section. Additionally, in relation to the assessment, spreading, and collection of taxes pursuant to this section, the county treasurer shall have powers and duties similar to those prescribed by Act No. 206 of the Public Acts of 1893, for township supervisors, township clerks, and township treasurers. However, this section shall not be considered to transfer any authority over the assessment of property.

(6) A county treasurer collecting taxes pursuant to this section shall be bonded for tax collection in the same amount and in the same manner as a township treasurer would be for undertaking the duties prescribed by this section.

History: 1988, Act 57, Eff. Apr. 1, 1988.

124.613 Tax levy by municipality.

Sec. 13. Any incorporating municipality or a municipality otherwise granted taxing authority under state law may levy a tax on all of the taxable property within the limits of the political subdivision, and appropriate, grant, or contribute the proceeds of the tax to an authority for the purposes of this act or to provide sufficient money to fulfill its contractual obligation to the authority, which tax shall be within charter, statutory, and constitutional limitations.

History: 1988, Act 57, Eff. Apr. 1, 1988.

124.614 Effective date.

Sec. 14. This act shall take effect April 1, 1988.

History: 1988, Act 57, Eff. Apr. 1, 1988.

April 25, 2012

For: Township Board Members

From: Phil Quade

Subject: Consolidation

This is a draft of presentation to the boundary commission. It can be refined, enlarged and organized better on short notice.

I have been somewhat hesitant to discuss township tactics in the matter before city officials since township interests differ significantly. The consolidated government committee plan which includes the township as a city would result in a massive transfer of Saugatuck / Douglas operation expenses to our township taxpayers. Not only that but it is hard to avoid the prospect of greatly increased new expenditures especially in roads and police. Despite the fact that the township would be the proverbial equivalent to a square peg in a round hole we will be required to present at the public hearing to be conducted by the boundary commission.

I plan to offer several exhibits for the boundary commission's consideration.

Including:

- The very flawed Plante Moran study which uses legally restricted funds for purposes other than mandates allow and the Michigan Extension Dept. Study which also plays loose with the facts.
- Saugatuck and Douglas City audits for the fiscal year ending 6-30-2011 showing Douglas debt at \$1,034,786 with interest and Saugatuck debt at \$5,665,000. Total debt with interest at \$6,699,756. This is ad valorem debt meaning that it is spread on the cities at large and also would mean that Saugatuck Township taxpayers would inherit and be responsible for paying a proportionate amount of that debt based upon taxable valuations.
- L-4022 2012 reports of taxable values for Saugatuck and Douglas and Saugatuck Township. Saugatuck and Douglas combined taxable is \$248,282,000. Township taxable for 2012 is \$249,658,000. Result is consolidated township taxpayers would assume at least \$3,349,878 of Saugatuck and Douglas debt and would be responsible for more than half of all local government operations and in effect assume half of the cost of operating Saugatuck/Douglas governments.
- A copy of the Saugatuck Township audit for the year ending 6-30-2011 showing that total debt with interest is \$1,624,034. That debt is entirely due from sewer and water special assessment districts properties and cannot be transferred to any properties outside of those districts including Saugatuck and Douglas City property owners or other township properties or consolidated city properties. Special assessment debt will remain the responsibility of each property until all debt issues with interest are retired.

- A copy of the most recent form L-4029 which shows the millages levied for Operating 0.4304 – for Cemetery 0.2240 – for Roads 2.000. The Plante Moran consolidation business case posits that all of these millages proceeds as well as all cash balances in these funds be used for general operating purposes for the new consolidated city despite the fact that the road millages and cemetery millage and fund balances are extra voted and legally restricted to uses as prescribed by ballot languages.

- Copies of the road and cemetery ballot questions and the exact restricted uses for proceeds that the millages raise.

- The most recent monthly report of township fund balances listing the exact amount of each legally restricted fund.

- Police. Plante Moran assumption were/and are that the police structure would not change and that the cost of policing would be a separate millage for police only and that millage would not be spread on properties in the township since the township is served by the Allegan County Sheriff Department and the township provides free Michigan State Police detachment facilities at a township facility.

Police millage would only be spread and collected only on properties in Saugatuck and Douglas.

Fact: No charter commission can write a charter (or at least no city can adopt a charter) with different millages for operation for different sections of the city. For instance a city charter can not dictate that all areas south of Pickle Street and west of Relish Street will pay a maximum amount of (x) mills for police while the rest of the city will pay no mills for police or all properties east of Hamburger and north of Hot Dog will pay (x) mills for Parks & Recreation while the rest of the city will pay (y) mills for Parks & Recreation.

There must be a uniform millage for all properties in the entire city for operations.

If the township were to be consolidated along with Saugatuck and Douglas as one city all boundaries that currently exist will disappear. The property owners in what formerly was the township would pay the same taxes on their properties as former Saugatuck/Douglas properties for police. In the Plante study the police budget at the time was supposedly \$908,659. Based on that amount and taxable valuations township folks would pay more than \$450,000 each year for police protection in what was Saugatuck and Douglas Cities.

The Michigan State University Extension Study on page 17 notes that police spending (approximately \$800,000) was excluded from their analysis. “Under the consolidated city, it is assumed that a police district would be formed and would continue to serve the two cities old jurisdictional boundaries for the same basic funding level.” This police district would likely be formed under the Emergency Services Authority Act (PA 57 of 1989).

- A copy of Act 57 is provided as an exhibit. The Act does not apply to one consolidated city but instead addresses the incorporation of 2 or more municipalities as an authority for purpose of providing emergency services etc, etc, (please read).

At least two police scenarios are to be considered. If the consolidation would ensue there would be 2,944 additional persons to be served. There would be 27 more square miles to be patrolled – 54 more miles of roads to be patrolled – 5 miles of M-89 – 7 miles of I-196.

First scenario the current Saugatuck/Douglas police force are over staffed and over equipped and thus able to police and patrol the additional areas of responsibility.

Second scenario and more likely is that the police department would request more vehicles, more equipment, a larger police station and more certified officers and support staff. They would use the above cited statistics as reasons for increased police responsibilities.

If the present police budget for only Douglas and Saugatuck is \$800,000 - \$900,000 can anyone imagine a requested budget for the entire consolidated city? \$2,000,000? \$2,500,000?

Township 2011 / 2017 Road Plan

- Roads. Plante Moran after already having spent the township extra voted road millage for General Fund operating their report states “currently the Allegan County Road Commission is responsible for general maintenance and upkeep of roads in Saugatuck Township. The township has an additional millage for further road improvements beyond that which is provided by the road commission” the report goes on to the state correctly that the new entity would become responsible for the maintenance and upkeep of township roads. Also correctly stated is that the city would receive Act 51 Funds but incorrectly that Act 51 funds will offset any additional costs to provide this service in the township.

First, Act 51 Funds are not sufficient to provide this service. Road Commissions all over Michigan have had to cut back on expenses in order to survive. The Allegan County Road Commission has reduced their staff from 71 to 48 in recent years.

Second, the road millages have always been approved by Saugatuck Township voters. The funds raised have been used to rebuild and pave gravel roads and to resurface existing asphalt paved roads. A total of \$3,368,000 is being spent on resurfacing asphalt roads and streets during the span of the current road plan.

This road work would not be done and roads would fall into disrepair without the extra voted road millages which are anticipated to be spent by Plante Moran for government operations. It is difficult to envision the township voters in the consolidated city voting to continue road millages when the equivalent has been used for general operations and there is no assurance as to which roads or streets would benefit.

The consolidated city would have 54 more miles of road to maintain, repair and resurface. These roads require different types of equipment than typical city streets. High speed plows, road graders, equipment for cleaning and excavating roadside drainage ditches. Act 51 Funds are not adequate and do not buy equipment such as trucks nor garages to house that equipment or salt/sand storage facilities. Money for all of these purchases must come from other city sources. Obviously Saugatuck and Douglas have equipment for current needs but not enough or right types or equipment for 54 more miles. Another statement from Plante on page 8. "In order to provide a conservative estimate of future expenditures we are not projecting any cost savings associated with the public works – street funds."

On the same page Plante suggests current (at that time) costs for public works to be \$579,220 and consolidated costs to be \$579,220 – what??!! With 54 more miles of roads to snow plow, repair and maintain??

Michigan State University Extension on page 12 of their report stated "in terms of consolidation analysis, this is one of the more difficult departments to assess. Our operating assumption is the funds currently used by the township would continue to be set aside in a new type fund and would be used to contract with the County Road Commission to continue to provide that level of service to residents."

That statement flunks the reality test. The Allegan County Road Commission has conveyed a clear message that they are not interested in such a major precedent setting agreement to maintain and repair 54 miles of city streets. The statement also verifies that the author is completely oblivious to the fact that in a consolidated city boundaries no longer exist. Separate areas of the city would not have separate funds for specific activities. Also the road millage which the township levied as a township would no longer be available.

-Thoughts.

The township uses extra voted millage which is dedicated for cemetery operations and maintenance. Neither Plante Moran or Michigan State Extension address the issue of funding for cemeteries since that millage revenue will no longer be available.

The consolidated government committee has issued many statements; "There will be over a million dollars in savings with consolidation" – "The harbor problems / dredging will be solved" - "Consolidation will magically provide funds for decaying infrastructure" – "The consolidated city will get more grant funds than the individual units."

All this is talk and empty promises with no factual basis.

CITY OF SAUGATUCK, MICHIGAN

**AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2011

CITY OF SAUGATUCK, MICHIGAN

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INDEPENDENT AUDITORS' REPORT

September 19, 2011

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*, (the "City") as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City as of June 30, 2011 and the respective changes in financial position and, where applicable, cash flows, 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 3-8 and the historical supplementary information for the Employees' Retirement Systems are not required parts 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the City's basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of 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.

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

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, 2011. 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 received grant funding from the State of Michigan and donations from a private party for the purchase of the dune property adjacent to Oval Beach, which totaled \$5.6 million.
- The City was able to add \$90,258 to its General Fund fund balance during the year ended June 30, 2011. 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.

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 9-11 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 six 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 six funds. These six funds are: General Fund, Major Streets, Local Streets, Sewer Improvements, Streetscape, 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 for the general fund and all major special revenue funds.

The basic governmental fund financial statements can be found on pages 12-22 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 solely benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

The proprietary fund financial statements can be found on pages 23-26 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 fund statements can be found on page 26 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 27-41 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 \$15,096,375 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>2011</u>	<u>2010</u>
Current and other assets	\$ 2,781,389	\$ 3,076,300
Capital assets, net	<u>16,320,474</u>	<u>10,059,452</u>
Total assets	<u>19,101,863</u>	<u>13,135,752</u>
Long-term liabilities outstanding	3,888,694	4,035,419
Other liabilities	<u>116,794</u>	<u>119,135</u>
Total liabilities	<u>4,005,488</u>	<u>4,154,554</u>
Net assets:		
Invested in capital assets, net of related debt	12,452,474	6,045,452
Restricted	1,102,919	1,756,332
Unrestricted	<u>1,540,982</u>	<u>1,179,414</u>
Total net assets	<u>\$ 15,096,375</u>	<u>\$ 8,981,198</u>

Net assets of the City increased by \$6,115,177 primarily due to the large purchase of land with grant funding and a capital donation from a private party.

City of Saugatuck's Changes in Net Assets

	<u>2011</u>	<u>2010</u>
Revenue		
Program revenue:		
Charges for services	\$ 572,566	\$ 403,111
Operating grants and contributions	264,925	389,198
Capital grants and Contributions	<u>5,646,953</u>	<u>-</u>
Total program revenue	<u>6,484,444</u>	<u>792,309</u>
General revenue:		
Property taxes	1,909,957	1,856,896
State shared revenue	87,444	86,451
Interest earnings	<u>32,874</u>	<u>61,031</u>
Total general revenue	<u>2,030,275</u>	<u>2,004,378</u>
Total revenue	<u>8,514,719</u>	<u>2,796,687</u>
Expenses		
General government	442,498	477,389
Legislative	81,960	57,487
Public safety	567,315	505,914
Public works	744,842	754,206
Recreation and cultural	398,927	575,187
Interest on long-term debt	<u>164,000</u>	<u>159,671</u>
Total expenses	<u>2,399,542</u>	<u>2,266,833</u>
Change in net assets	6,115,177	266,833
Net assets – beginning of year	<u>8,981,198</u>	<u>8,714,365</u>
Net assets – end of year	<u>\$ 15,096,375</u>	<u>\$ 8,981,198</u>

Governmental activities

During the year, the City invested \$744,842 or 31% of governmental activities expenses in public works. \$567,315 or 24% of governmental activities expenses was invested in public safety, while general government, legislative, recreation and culture, and interest on long-term debt made up the remaining 45% of governmental activities expenses.

Revenues increase due to capital donation and grant funding recorded to purchase the land adjacent to Oval Beach, while there was a decrease in interest income revenue.

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 \$2,547,513, a decrease of \$325,745 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, unassigned fund balance of the general fund was \$1,131,886.

The fund balance of the City's general fund increased by \$90,258 to \$1,456,886 during the current fiscal year.

General Fund Budgetary Highlights

- Miscellaneous revenue was budgeted high due to the expected donation revenue for the dune property purchase, however, as the donation was capital in nature, it was only recorded in the government-wide statements.
- Public works expenditures were budgeted high because the City purchased a street sweeper.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental activities as of June 30, 2011, amounted to \$16,320,474 (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 land adjacent to Oval Beach.

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

	<u>2011</u>	<u>2010</u>
Land	\$ 8,807,650	\$ 3,160,697
Construction in progress	-	2,993,775
Land improvements	352,535	383,943
Buildings and improvements	780,224	813,457
Machinery and equipment	383,277	286,786
Streets	3,307,900	592,345
Infrastructure	<u>2,688,888</u>	<u>1,828,449</u>
Total	<u>\$ 16,320,474</u>	<u>\$ 10,059,452</u>

Additional information on the City capital assets can be found in Note 5 on pages 35 and 36 of this report.

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of \$3,888,694 as follows:

City of Saugatuck's Long-term Debt

	<u>2010</u>	<u>2010</u>
Bonds	\$ 3,820,000	\$ 3,920,000
Notes	48,000	94,000
Compensated absences	<u>20,694</u>	<u>21,419</u>
Total	<u>\$ 3,888,694</u>	<u>\$ 4,035,419</u>

The City's total debt decreased by \$146,725 during the current fiscal year.

Additional information on the City's long-term debt can be found in Note 7 on page 37 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 2011-12 fiscal year:

- Increased property tax revenue due to increased taxable values.
- Slightly declining 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, 2011

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 2,320,895
Investments	415,931
Receivables	44,563
Capital assets:	
Not being depreciated	8,807,650
Being depreciated, net	<u>7,512,824</u>
Total assets	<u>19,101,863</u>
Liabilities	
Payables, and accrued liabilities	116,794
Long-term debt:	
Due within one year	201,625
Due in more than one year	<u>3,687,069</u>
Total liabilities	<u>4,005,488</u>
Net assets	
Invested in capital assets, net of related debt	12,452,474
Restricted for:	
Public works	574,635
Debt service	20,885
Highways and streets	471,399
Oval Beach	36,000
Unrestricted	<u>1,540,982</u>
Total net assets	<u>\$ 15,096,375</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, 2011

<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>		<u>Capital Grants and Contributions</u>
Governmental activities					
General government	\$ 442,498	\$ 52,475	\$ 63,606	\$ 3,500,000	\$ 3,173,583
Legislative	81,960	-	-	-	(81,960)
Public safety	567,315	-	-	-	(567,315)
Public works	744,842	208,838	201,319	-	(334,685)
Recreation and culture	398,927	311,253	-	2,146,953	2,059,279
Interest on long-term debt	164,000	-	-	-	(164,000)
Total governmental activities	\$ 2,399,542	\$ 572,566	\$ 264,925	\$ 5,646,953	\$ 4,084,902

(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, 2011

	<u>Governmental Activities</u>
Changes in net assets	
Net (expense) revenue	<u>\$ 4,084,902</u>
General revenues:	
Property taxes	1,909,957
Grants and contributions not restricted to specific programs	87,444
Unrestricted investment income	<u>32,874</u>
Total general revenues	<u>2,030,275</u>
Change in net assets	6,115,177
Net assets, beginning of year	<u>8,981,198</u>
Net assets, end of year	<u><u>\$ 15,096,375</u></u>

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

CITY OF SAUGATUCK, MICHIGAN

Balance Sheet Governmental Funds

June 30, 2011

	General Fund	Local Streets	Sewer Improvements
Assets			
Cash and cash equivalents	\$ 1,380,682	\$ 134,461	\$ 479,357
Investments	117,460	207,799	90,672
Receivables	26,443	8,085	1,500
Total assets	\$ 1,524,585	\$ 350,345	\$ 571,529
Liabilities and fund balances			
Liabilities			
Accounts payable	\$ 42,376	\$ 17,504	\$ -
Accrued liabilities	25,323	1,115	-
Deferred revenue	-	3,106	1,500
Total liabilities	67,699	21,725	1,500
Fund balances (Note 9)			
Restricted	36,000	328,620	570,029
Committed	325,000	-	-
Unassigned	1,095,886	-	-
Total fund balances	1,456,886	328,620	570,029
Total liabilities and fund balances	\$ 1,524,585	\$ 350,345	\$ 571,529

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

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 184,769	\$ 2,179,269
-	415,931
8,535	44,563
<u>\$ 193,304</u>	<u>\$ 2,639,763</u>
\$ 615	\$ 60,495
711	27,149
-	4,606
<u>1,326</u>	<u>92,250</u>
191,978	1,126,627
-	325,000
-	1,095,886
<u>191,978</u>	<u>2,547,513</u>
<u>\$ 193,304</u>	<u>\$ 2,639,763</u>

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, 2011

Fund balances - total governmental funds \$ 2,547,513

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.

Capital assets not being depreciated	8,807,650
Capital assets being depreciated, net	7,151,035

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.

Deferred special assessments receivable	4,606
---	-------

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.

Net assets of governmental activities accounted for in the internal service fund	502,579
--	---------

Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the fund statements:

Long-term debt	(3,868,000)
Compensated absences	(20,694)
Accrued interest on long-term debt	(28,314)

Net assets of governmental activities	<u>\$ 15,096,375</u>
---------------------------------------	----------------------

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

CITY OF SAUGATUCK, MICHIGAN

**Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds**

For the Year Ended June 30, 2011

	<u>General Fund</u>	<u>Local Streets</u>	<u>Sewer Improvements</u>
Revenues			
Taxes	\$ 1,523,948	\$ 121,415	\$ -
Special assessments	-	3,665	657
Licenses and permits	66,715	-	-
Intergovernmental revenue	3,579,725	89,979	-
Charges for services	298,044	-	182,776
Fines and forfeitures	30,925	-	-
Interest and rentals	65,725	1,003	4,399
Other revenue	20,098	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	5,585,180	216,062	187,832
Expenditures			
Current:			
General government	386,386	-	-
Legislative	81,960	-	-
Public safety	615,592	-	-
Public works	293,469	184,266	70,796
Recreation and culture	370,095	-	-
Debt service:			
Principal	46,000	-	-
Interest	3,065	-	-
Capital outlay	3,537,512	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	5,334,079	184,266	70,796
Revenues over (under) expenditures	<hr/>	<hr/>	<hr/>
	251,101	31,796	117,036
Other financing sources (uses)			
Transfers in	-	15,226	-
Transfers out	(160,843)	(50,000)	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(160,843)	(34,774)	-
Net changes in fund balances	90,258	(2,978)	117,036
Fund balances, beginning of year	1,366,628	331,598	452,993
	<hr/>	<hr/>	<hr/>
Fund balances, end of year	\$ 1,456,886	\$ 328,620	\$ 570,029

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

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 264,594	\$ 1,909,957
-	4,322
-	66,715
111,340	3,781,044
-	480,820
-	30,925
6,960	78,087
-	20,098
382,894	6,371,968
-	386,386
-	81,960
-	615,592
179,417	727,948
-	370,095
100,000	146,000
161,995	165,060
617,160	4,154,672
1,058,572	6,647,713
(675,678)	(275,745)
145,617	160,843
-	(210,843)
145,617	(50,000)
(530,061)	(325,745)
722,039	2,873,258
\$ 191,978	\$ 2,547,513

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, 2011

Net changes in fund balances - total governmental funds \$ (325,745)

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.

Purchases of capital assets	4,183,782
Donated capital assets	2,146,953
Depreciation expense	(170,374)

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.

Change in deferred long-term receivables	(4,557)
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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.

Principal payments on long-term liabilities	146,000
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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.

Change in accrued interest on bonds	1,060
Change in the accrual for compensated absences	725

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.

Operating income from governmental activities in the Internal Service Fund	86,978
Transfer from governmental activities to the Internal Service Fund	50,000
Interest income from governmental activities in the Internal Service Fund	355

Change in net assets of governmental activities	<u>\$ 6,115,177</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, 2011

	Original Budget	Amended Budget	Actual	Variance from Amended Budget
Revenues				
Taxes	\$ 1,504,500	\$ 1,521,478	\$ 1,523,948	\$ 2,470
Licenses and permits:				
Building permits	3,000	7,100	7,387	287
Liquor license fees	7,250	7,719	7,719	-
Cable TV franchise fees	10,000	40,000	49,859	9,859
Other	3,090	3,090	1,750	(1,340)
Total licenses and permits	23,340	57,909	66,715	8,806
Intergovernmental revenues:				
State shared revenues	78,000	78,000	79,725	1,725
Other state grants	-	3,500,000	3,500,000	-
Total intergovernmental revenues	78,000	3,578,000	3,579,725	1,725
Charges for services:				
Tax collection fees	3,800	3,489	3,490	1
Chain ferry fees	26,000	27,500	28,895	1,395
Oval Beach fees	180,000	248,000	259,796	11,796
Recreation fees	3,900	5,100	5,863	763
Total charges for services	213,700	284,089	298,044	13,955
Fines and forfeitures:				
Parking tickets	12,000	31,000	30,925	(75)
Interest and rentals:				
Interest	13,500	13,529	20,157	6,628
Rental fees	39,000	45,500	45,568	68
Total interest and rentals	52,500	59,029	65,725	6,696
Other revenue:				
Assessments	4,500	6,500	6,351	(149)
Miscellaneous	1,500	3,012,500	13,747	(2,998,753)
Total other revenue	6,000	3,019,000	20,098	(2,998,902)
Total revenues	1,890,040	8,550,505	5,585,180	(2,965,325)

(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, 2011

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance from Amended Budget</u>
Expenditures				
Current:				
General government:				
City manager	\$ 157,400	\$ 161,800	\$ 157,845	\$ (3,955)
Elections	3,600	3,600	3,207	(393)
Assessor	36,270	40,345	36,431	(3,914)
Clerk	99,250	83,250	81,368	(1,882)
Treasurer	88,215	88,215	84,624	(3,591)
Buildings and grounds	21,750	24,750	22,911	(1,839)
Total general government	<u>406,485</u>	<u>401,960</u>	<u>386,386</u>	<u>(15,574)</u>
Legislative	<u>58,000</u>	<u>83,425</u>	<u>81,960</u>	<u>(1,465)</u>
Public safety:				
Police contract	555,498	567,498	567,315	(183)
Building inspections	52,660	55,160	48,277	(6,883)
Total public safety	<u>608,158</u>	<u>622,658</u>	<u>615,592</u>	<u>(7,066)</u>
Public works	<u>272,100</u>	<u>3,804,648</u>	<u>293,469</u>	<u>(3,511,179)</u>
Recreation and culture:				
Parks	185,050	188,050	163,451	(24,599)
Oval Beach	129,850	143,000	136,500	(6,500)
Chain ferry	33,450	35,000	32,707	(2,293)
Historic district	32,730	40,230	37,437	(2,793)
Total recreation and culture	<u>381,080</u>	<u>406,280</u>	<u>370,095</u>	<u>(36,185)</u>
Debt service:				
Principal	46,000	46,000	46,000	-
Interest	3,500	3,500	3,065	(435)
Total debt service	<u>49,500</u>	<u>49,500</u>	<u>49,065</u>	<u>(435)</u>
Capital outlay	<u>90,200</u>	<u>3,091,825</u>	<u>3,537,512</u>	<u>445,687</u>
Total expenditures	<u>1,865,523</u>	<u>8,460,296</u>	<u>5,334,079</u>	<u>(3,126,217)</u>
Revenues over (under) expenditures	<u>24,517</u>	<u>90,209</u>	<u>251,101</u>	<u>160,892</u>

(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, 2011

	Original Budget	Amended Budget	Actual	Variance from Amended Budget
Other financing sources (uses)				
Transfers in	\$ 3,750	\$ 3,750	\$ -	\$ (3,750)
Transfers out	(28,267)	(110,843)	(160,843)	(50,000)
Total other financing sources (uses)	(24,517)	(107,093)	(160,843)	(53,750)
Net change in fund balance	-	(16,884)	90,258	107,142
Fund balance, beginning of year	1,366,628	1,366,628	1,366,628	-
Fund balance, end of year	\$ 1,366,628	\$ 1,349,744	\$ 1,456,886	\$ 107,142

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
Local Streets Fund**

For the Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance from Amended Budget
Revenues				
Taxes	\$ 120,500	\$ 120,500	\$ 121,415	\$ 915
Special assessments	-	-	3,665	3,665
Intergovernmental revenue	88,100	93,100	89,979	(3,121)
Interest and rentals	2,000	1,000	1,003	3
Total revenues	210,600	214,600	216,062	1,462
Expenditures				
Current:				
Public works	260,600	264,600	184,266	(80,334)
Revenues over (under) expenditures	(50,000)	(50,000)	31,796	81,796
Other financing sources (uses)				
Transfers in	100,000	100,000	15,226	(84,774)
Transfers out	(50,000)	(50,000)	(50,000)	-
Total other financing sources (uses)	50,000	50,000	(34,774)	(84,774)
Net change in fund balance	-	-	(2,978)	(2,978)
Fund balance, beginning of year	331,598	331,598	331,598	-
Fund balance, end of year	\$ 331,598	\$ 331,598	\$ 328,620	\$ (2,978)

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
Sewer Improvements Fund**

For the Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance from Amended Budget
Revenues				
Special assessments	\$ -	\$ -	\$ 657	\$ 657
Charges for services	-	182,775	182,776	1
Interest and rentals	2,000	3,000	4,399	1,399
Total revenues	2,000	185,775	187,832	2,057
Expenditures				
Current:				
Public works	2,000	102,000	70,796	(31,204)
Revenues over (under) expenditures	-	83,775	117,036	33,261
Fund balance, beginning of year	452,993	452,993	452,993	-
Fund balance, end of year	\$ 452,993	\$ 536,768	\$ 570,029	\$ 33,261

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

CITY OF SAUGATUCK, MICHIGAN

Statement of Fund Net Assets Proprietary Fund

June 30, 2011

	<u>Motor Pool Internal Service Fund</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 141,626
Capital assets:	
Being depreciated, net	<u>361,789</u>
Total assets	<u>503,415</u>
Liabilities	
Current liabilities:	
Accounts payable	540
Accrued liabilities	<u>296</u>
Total liabilities	<u>836</u>
Net assets	
Invested in capital assets	361,789
Unrestricted	<u>140,790</u>
Total net assets	<u>\$ 502,579</u>

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 Proprietary Fund For the Year Ended June 30, 2011

	<u>Motor Pool Internal Service Fund</u>
Operating revenues	
Charges for services	<u>\$ 227,478</u>
Operating expenses	
Personnel services	30,827
Repairs and maintenance	69,794
Depreciation	<u>39,879</u>
Total operating expenses	<u>140,500</u>
Operating income	86,978
Nonoperating revenues	
Interest income	355
Transfers	
Transfer in	<u>50,000</u>
Change in net assets	137,333
Net assets, beginning of year	<u>365,246</u>
Net assets, end of year	<u><u>\$ 502,579</u></u>

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

CITY OF SAUGATUCK, MICHIGAN

Statement of Cash Flows Proprietary Fund

For the Year Ended June 30, 2011

	<u>Motor Pool Internal Service Fund</u>
Cash flows from operating activities	
Receipts from interfund services provided	\$ 227,478
Payments to suppliers	(69,616)
Payments to employees	<u>(30,855)</u>
Net cash provided by operating activities	127,007
Cash flows from capital and related financing activities	
Acquisition of capital assets	(140,540)
Interfund transfer	<u>50,000</u>
Net cash used in capital and related financing activities	(90,540)
Cash flows from investing activities	
Interest earned on investments	<u>355</u>
Net increase in cash and cash equivalents	36,822
Cash and cash equivalents, beginning of year	<u>104,804</u>
Cash and cash equivalents, end of year	<u><u>\$ 141,626</u></u>
Cash flows from operating activities	
Operating income	\$ 86,978
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	39,879
Changes in operating assets and liabilities which provided cash:	
Accounts payable	178
Accrued liabilities	<u>(28)</u>
Net cash provided by operating activities	<u><u>\$ 127,007</u></u>

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, 2011

	Tax Collection Fund
Assets	
Cash and cash equivalents	<u>\$ 14,062</u>
Liabilities	
Undistributed receipts	<u>\$ 14,062</u>

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, 2011

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 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.

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, 2011, the City contributed \$143,973 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, 2011, the City contributed \$53,954 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, 2011, the City did not contribute to the Authority, except to pay water and sewer usage fees. Any infrastructure constructed or paid by the City is recorded as infrastructure on the City's records.

CITY OF SAUGATUCK, MICHIGAN

Notes to Financial Statements

For the Year Ended June 30, 2011

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, 2011.

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.

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.

CITY OF SAUGATUCK, MICHIGAN

Notes to Financial Statements

For the Year Ended June 30, 2011

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 *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 *Sewer Improvements Fund* accounts for water and sewer infrastructure improvements in the City. Revenues are derived from special assessments and charges for services.

Additionally, the City reports the following fund types:

The *special revenue funds* are used to account for restricted or committed revenues for specified purposes other than debt service or capital projects that comprise, or are expected to comprise a substantial portion of the fund's total reported inflows.

The *debt service funds* account for financial resources that are restricted to expenditures for principal and interest on long-term debt of governmental funds.

The *capital project fund* accounts for the accumulation and disbursement of financial resources for the streetscape project.

The *internal service fund* is used to account for motor pool revenues and expenditures, which are used by other departments.

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

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 resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

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.

CITY OF SAUGATUCK, MICHIGAN

Notes to Financial Statements

For the Year Ended June 30, 2011

Budgets and Budgetary Accounting

Comparisons to budget are presented for General and the major Special Revenue Funds. The City Council adopts a legally enforceable budget for the General Fund and special revenue funds 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, 2011. 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.

Budgets for expenditures are adopted on an activity level basis in the General Fund and by function in the 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.

CITY OF SAUGATUCK, MICHIGAN

Notes to Financial Statements

For the Year Ended June 30, 2011

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of 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

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.

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.

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 of governmental funds after the implementation of GASB Statement No. 34 and all proprietary fund bond issues, 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. Bonds payable are reported net of the applicable bond premium or discount.

CITY OF SAUGATUCK, MICHIGAN

Notes to Financial Statements

For the Year Ended June 30, 2011

In the fund financial statements, governmental fund types recognized 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.

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 September 14. 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.

Special Assessments

Special assessments in governmental funds are recorded as revenues when due, not when levied. Estimated annual installments not yet available are reflected as deferred revenue.

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.

Use of Estimates

The preparation of financial statements requires the use of estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Fund Equity

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the City Council. A formal resolution of the City Council is required to establish, modify, or rescind a fund balance commitment. The City reports assigned fund balance for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Unassigned fund balance is the residual classification for the general fund.

CITY OF SAUGATUCK, MICHIGAN

Notes to Financial Statements

For the Year Ended June 30, 2011

2. EXCESS OF EXPENDITURES OVER APPROPRIATION IN BUDGETARY FUNDS

During the year ended June 30, 2011, the City incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	Total Appropriations	Amount of Expenditures	Budget Variance
General Fund			
Capital outlay	\$ 3,091,825	\$ 3,537,512	\$ 445,687
Transfers out	110,843	160,843	50,000

3. DEPOSITS AND INVESTMENTS

Deposits and investments consist of the following at June 30, 2011:

	Governmental Activities	Agency Fund	Total
Cash and cash equivalents	\$ 2,320,895	\$ 14,062	\$ 2,334,957
Investments	415,931	-	415,931
Total	\$ 2,736,826	\$ 14,062	\$ 2,750,888

Deposits and investments consist of the following at June 30, 2011:

Bank deposits	\$ 1,429,321
Certificates of deposit (due within one year)	743,519
Cash held by others	160,782
Investments	415,931
Petty cash	1,335
Total	\$ 2,750,888

Deposits

These deposits and investments are in seven (7) 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.

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.

CITY OF SAUGATUCK, MICHIGAN

Notes to Financial Statements

For the Year Ended June 30, 2011

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, \$939,558 of the City's bank balance of \$2,236,923 was exposed to custodial credit risk because it was uninsured and uncollateralized. In addition, the City was exposed to custodial credit risk on the \$160,782 held on its behalf by the Kalamazoo Lake Sewer and Water Authority.

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.

The City chooses to disclose its investments by specifically identifying each. As of year end, the City had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
MBIA Class Fund	Various	\$ 415,931	AAA

Investment Risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified under "statutory authority" above. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity date for each investment is identified above for investments held at year end.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of the City's specific financial institutions, qualified mutual funds, and qualified external investment pools as identified in "statutory authority" above. The City's investment policy does not allow investments in banker acceptances or mutual funds. The credit rating on the City's investments are identified above.

CITY OF SAUGATUCK, MICHIGAN

Notes to Financial Statements

For the Year Ended June 30, 2011

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

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk. The City minimizes concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. All investments held at year-end are reported above.

4. RECEIVABLES AND DEFERRED REVENUE

At June 30, 2011, the City's receivables were as follows:

	Property Taxes	Special Assessments	Inter- governmental	Totals
General Fund	\$ 145	\$ -	\$ 26,298	\$ 26,443
Local Streets Fund	-	3,106	4,979	8,085
Sewer Improvements Fund	-	1,500	-	1,500
Nonmajor governmental funds	26	-	8,509	8,535
Total	\$ 171	\$ 4,606	\$ 39,786	\$ 44,563

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance July 1, 2010	Additions	Disposals	Balance June 30, 2011
Capital assets, not being depreciated:				
Land	\$ 3,160,697	\$ 5,646,953	\$ -	\$ 8,807,650
Construction in progress	2,993,775	683,782	3,677,557	-
Total capital assets, not being depreciated	6,154,472	6,330,735	3,677,557	8,807,650
Capital assets, being depreciated:				
Land improvements	871,324	-	-	871,324
Buildings and improvements	1,293,885	-	-	1,293,885
Machinery and equipment	1,064,108	140,540	-	1,204,648
Streets	849,425	2,758,168	-	3,607,593
Infrastructure	2,942,300	919,389	-	3,861,689
Total capital assets, being depreciated	7,021,042	3,818,097	-	10,839,139

CITY OF SAUGATUCK, MICHIGAN

Notes to Financial Statements

For the Year Ended June 30, 2011

	Balance July 1, 2010	Additions	Disposals	Balance June 30, 2011
Less accumulated depreciation for:				
Land improvements	\$ 487,381	\$ 31,408	\$ -	\$ 518,789
Buildings and improvements	480,428	33,233	-	513,661
Machinery and equipment	777,322	44,049	-	821,371
Streets	257,080	42,613	-	299,693
Infrastructure	1,113,851	58,950	-	1,172,801
Total accumulated depreciation	3,116,062	210,253	-	3,326,315
Net capital assets, being depreciated	3,904,980	3,607,844	-	7,512,824
Net governmental activities capital assets	\$ 10,059,452	\$ 9,938,579	\$ 3,677,557	\$ 16,320,474

Depreciation expense was charged to functions/programs as follows:

General government	\$ 8,648
Public works	110,641
Recreation and culture	51,085
Internal service fund	39,879
Total depreciation expense	\$ 210,253

6. PAYABLES, AND ACCRUED LIABILITIES

At June 30, 2011, the City's payables, and accrued liabilities were as follows:

	Accounts	Payroll	Totals
General Fund	\$ 42,376	\$ 25,323	\$ 67,699
Local Streets Fund	17,504	1,115	18,619
Nonmajor Governmental Funds	615	711	1,326
Internal Service Fund	540	296	836
Subtotal	\$ 61,035	\$ 27,445	88,480
Accrued interest on long-term debt			28,314
Total			\$ 116,794

CITY OF SAUGATUCK, MICHIGAN

Notes to Financial Statements

For the Year Ended June 30, 2011

7. LONG-TERM DEBT

The following is a summary of debt transactions of the City for the year ended June 30, 2011:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Due Within One Year
Governmental activities					
\$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 5.30% to 5.60%	\$ 350,000	\$ -	\$ 50,000	\$ 300,000	\$ 75,000
\$400,000 Note payable- bank; due in annual installments of \$46,000 to \$48,000 plus interest at 4.3% through November 2011	94,000	-	46,000	48,000	48,000
\$3,570,000 City Street and Infrastructure Series (Unlimited Tax General Obligation) bonds; due in annual installments of \$50,000 to \$380,000 through November 2028; interest at 2.0% to 4.60%	3,570,000	-	50,000	3,520,000	60,000
Subtotal installment debt	4,014,000	-	146,000	3,868,000	183,000
Compensated absences	21,419	42,971	43,696	20,694	18,625
Total governmental activities	\$ 4,035,419	\$ 42,971	\$ 186,696	\$ 3,888,694	\$ 201,625

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, 2011 are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2012	\$ 183,000	\$ 158,578
2013	150,000	152,108
2014	160,000	146,194
2015	170,000	139,710
2016	110,000	134,678
2017-2021	780,000	599,921
2022-2026	1,260,000	390,765
2027-2029	1,055,000	75,161
Total	\$ 3,868,000	\$ 1,797,115

CITY OF SAUGATUCK, MICHIGAN

Notes to Financial Statements

For the Year Ended June 30, 2011

8. INTERFUND TRANSFERS

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 160,843
Local Streets Fund	15,226	50,000
Nonmajor governmental funds	145,617	-
Internal Service Fund	<u>50,000</u>	<u>-</u>
Total	<u>\$ 210,843</u>	<u>\$ 210,843</u>

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.

9. FUND BALANCES – GOVERNMENTAL FUNDS

The District adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in the current year. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. While the classifications of fund balance in the City's various governmental funds were revised, the implementation of this standard had no effect on total fund balance. Detailed information on fund balances of governmental funds is as follows:

	<u>General Fund</u>	<u>Local Streets Fund</u>	<u>Sewer Improvement Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Restricted for:					
Highways and streets	\$ -	\$ 328,620	\$ -	\$ 142,779	\$ 471,399
Debt service	-	-	-	49,199	49,199
Capital improvements	36,000	-	570,029	-	606,029
	<u>36,000</u>	<u>328,620</u>	<u>570,029</u>	<u>191,978</u>	<u>1,126,627</u>
Committed for:					
Capital improvements	325,000	-	-	-	325,000
Unassigned	<u>1,095,886</u>	-	-	-	<u>1,095,886</u>
Total fund balances	<u>\$ 1,456,886</u>	<u>\$ 328,620</u>	<u>\$ 570,029</u>	<u>\$ 191,978</u>	<u>\$ 2,547,513</u>

CITY OF SAUGATUCK, MICHIGAN

Notes to Financial Statements

For the Year Ended June 30, 2011

10. NET ASSETS INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT

The composition of net assets invested in capital assets, net of related debt as of June 30, 2011, was as follows:

Capital assets:	
Capital assets not being depreciated	\$ 8,807,650
Capital assets being depreciated, net	<u>7,512,824</u>
	16,320,474
Related debt:	
Total bonds and notes payable	<u>3,868,000</u>
Invested in capital assets, net of capital-related debt	<u>\$ 12,452,474</u>

11. 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, 2011, 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.

12. PENSION PLANS

Defined Benefit Plan

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 amount, which for the current year was \$15,893. 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.

CITY OF SAUGATUCK, MICHIGAN

Notes to Financial Statements

For the Year Ended June 30, 2011

For the year ended June 30, 2011, the City's annual pension cost of \$14,917 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2008 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, 2010, the date of the latest actuarial valuation, was 28 years.

Trend Information

Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 13,344	100%	\$ -
2010	12,501	100%	-
2011	14,917	100%	-

Funded Status and Funding Progress. As of December 31, 2010 the most recent actuarial valuation date, the plan was 93 percent funded. The actuarial accrued liability for benefits was \$1,359,695, and the actuarial value of assets was \$1,268,387, resulting in an unfunded actuarial accrued liability (UAAL) of \$91,308. The covered payroll (annual payroll of active employees covered by the plan) was \$380,376, and the ratio of the UAAL to the covered payroll was 24 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The City also has a 457(b) plan administered by MERS for all employees. For participating employees, the City will match the employees' contributions 100%, up to 4% of the participating employees earnings. Since the new option was implemented, plan has not been actuarially valued. The City made contributions of \$15,214 to the plan for the year ended June 30, 2011.

Defined Contribution 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 fully 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 \$12,681 to the plan for the year ended June 30, 2011.

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REQUIRED SUPPLEMENTARY INFORMATION