Reset Form

Michigan Deptartment of Treasury
496 (2-04)

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type	Local Government Name	County
☐ City ☐ Township ☑ Village ☐ Other	**Village of Mattawan**	**Van Buren**

Audit Date	Opinion Date	Date Accountant Report Submitted to State:
6/30/05	**9/21/05**	**12/9/05**

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.

2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

☐ Yes ☑ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.

☐ Yes ☑ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).

☐ Yes ☑ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).

☐ Yes ☑ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.

☐ Yes ☑ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).

☐ Yes ☑ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.

☐ Yes ☑ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).

☐ Yes ☑ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).

☐ Yes ☑ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✔
Reports on individual federal financial assistance programs (program audits).			✔
Single Audit Reports (ASLGU).			✔

Certified Public Accountant (Firm Name)			
Siegfried Crandall PC			
Street Address	City	State	ZIP
246 East Kilgore Road	**Kalamazoo**	**MI**	**49002-5599**
Accountant Signature Siegfried Crandall P.C.		Date **12/9/05**	

Village of Mattawan
Van Buren County, Michigan

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

Year ended June 30, 2005

CONTENTS

	Page
MANAGEMENT'S DISCUSSION AND ANALYSIS	i - vii
INDEPENDENT AUDITORS' REPORT	3 - 4
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements:	
Statement of net assets	5
Statement of activities	6
Fund financial statements:	
Balance sheet - governmental funds	7
Statement of revenues, expenditures, and changes in fund balances - governmental funds	8
Statement of net assets - proprietary funds	9
Statement of revenues, expenses, and changes in fund net assets - proprietary funds	10
Statement of cash flows - proprietary funds	11
Notes to financial statements	12 - 22
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedule:	
General Fund	23 - 24
Major Street Fund	25
SUPPLEMENTARY INFORMATION	
Combining balance sheet - nonmajor governmental funds	26
Combining statement of revenues, expenditures, and changes in fund balances - nonmajor governmental funds	27
Combining statement of net assets - internal service funds	28
Combining statement of revenues, expenses, and changes in net assets - internal service funds	29
Combining statement of cash flows - internal service funds	30
FEDERAL AWARDS	
Schedule of expenditures of federal awards	31
Schedule of findings and questioned costs	32
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*	33
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	34 - 35

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Village of Mattawan's (the Village) financial performance provides a narrative overview of the Village's financial activities for the fiscal year ended June 30, 2005. Please read it in conjunction with the Village's financial statements.

FINANCIAL HIGHLIGHTS

- The Village's total net assets decreased by $206,508 (3 percent) as a result of this year's activities. Net assets of the governmental activities increased by $130,757, and net assets of the business-type activities decreased by $337,265.
- Of the $7,015,391 total net assets reported, $1,178,995 (17 percent) is available to be used to meet the Village's ongoing obligations to its citizens and customers.
- The General Fund's unreserved fund balance at the end of the fiscal year was $312,329, which represents 67 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the financial statements

The Village's basic financial statements are comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Village:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Village's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Village, reporting the Village's operations in more detail than the government-wide financial statements.
  - Governmental fund statements tell how general government services, like public safety, were financed in the short-term as well as what remains for future spending.
  - Proprietary fund statements offer short- and long-term financial information about the activities the government operates like a business, such as the sewer and water systems.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Government-wide financial statements

The government-wide financial statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Village's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the Village's net assets and how they have changed. Net assets (the difference between the Village's assets and liabilities) is one way to measure the Village's financial health, or position.

- Over time, increases or decreases in the Village's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Village, you need to consider additional nonfinancial factors such as changes in the Village's property tax base and the condition of the Village's capital assets.

The government-wide financial statements are divided into three categories:

- *Governmental activities* - Most of the Village's basic services are included here, such as police and fire protection and general government. Property taxes and state grants finance most of these activities.
- *Business-type activities* - The Village charges fees to customers to help it cover the costs of certain services it provides. The Village's sewer and water systems are reported here.
- *Component units* - The Village includes other entities in its report - the Mattawan Downtown Development Authority and the Mattawan Local Development Authority. Although legally separate, these "component units" are important because the Village is financially accountable for them.

Fund financial statements

The fund financial statements provide more detailed information about the Village's most significant funds - not the Village as a whole. Funds are accounting devices that the Village uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond agreements.
- The Village Council establishes other funds to control and manage money for particular purposes (like the Drug Forfeitures Fund) or to show that it is properly using certain taxes and other revenues (like motor fuel taxes collected for the street funds).

The Village has two kinds of funds:

1. *Governmental funds.* Most of the Village's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flows in and out and, (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship between them.

2. *Proprietary funds.* Services for which the Village charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.

    - In fact, the Village's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
    - The Village uses internal service funds (the other type of proprietary fund) to report activities that provide services for the Village's other programs and activities. The Village's internal service funds are its DPW Building and Equipment Fund and Police Motor Pool Fund that manage the Village's fleet of vehicles and equipment.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

Net assets. Total net assets at the end of the fiscal year were $7,015,391, a decrease of 3 percent compared to the prior year. Of this total, $2,901,189 is invested in capital assets and $2,735,207 is restricted for various purposes. Consequently, unrestricted net assets were $1,178,995, or 17 percent of the total.

Condensed financial information
Net Assets

	Governmental activities		*Business-type activities*		*Totals*	
	2004	*2005*	*2004*	*2005*	*2004*	*2005*
Current assets	$ 671,326	$ 844,368	$1,431,580	$1,948,400	$2,102,906	$2,792,768
Noncurrent assets	1,155,907	1,110,045	12,321,589	11,357,231	13,477,496	12,467,276
Total assets	1,827,233	1,954,413	13,753,169	13,305,631	15,580,402	15,260,044
Current liabilities	41,384	44,807	288,119	292,846	329,503	337,653
Noncurrent liabilities	736,000	729,000	7,293,000	7,178,000	8,029,000	7,907,000
Total liabilities	777,384	773,807	7,581,119	7,470,846	8,358,503	8,244,653
Net assets:						
Invested in capital assets, net of related debt	412,907	374,045	2,736,368	2,527,144	3,149,275	2,901,189
Restricted	373,761	456,774	2,477,304	2,498,433	2,851,065	2,955,207
Unrestricted	263,181	349,787	958,378	809,208	1,221,559	1,158,995
Total net assets	$1,049,849	$1,180,606	$6,172,050	$5,834,785	$7,221,899	$7,015,391

Governmental activities. Governmental activities increased the Village's net assets by $130,757. Key factors for this increase include:

- Vacancy in Village Manager Position.
- Reduction in force for Public Safety.

The cost of all governmental activities this year was $665,252. After subtracting the direct charges to those who directly benefited from the programs ($32,216), and operating and capital grants and contributions ($314,885), the "public benefit" portion covered by property taxes, state revenue sharing, and other general revenues was $317,775.

Business-type activities. Business-type activities decreased the Village's net assets by $335,165. Key factors for this decrease include:

- Principal and interest payments for Sewer/Water Debt Service.
- Sewer receivables write off of $181,806.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

Governmental funds. As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of $769,103, an increase of $148,141 in comparison with the prior year.

The General Fund is the chief operating fund of the Village. At the end of the fiscal year, unreserved fund balance was $312,329, which represents 67 percent of the actual total General Fund expenditures for the current fiscal year. The fund balance increased by $65,128 during the fiscal year because of full-time vacancies in administration and reduction of one full-time position in public safety.

The Major Street Fund experienced an increase in fund balance of $52,188 during the fiscal year due to future road construction costs.

Proprietary funds. The Sewer Fund experienced a decrease in net assets of $363,893 due to payment of debt service and an unanticipated sewer receivable write off. Total net assets are $4,311,375 at year end of which $641,150 is unrestricted.

The Water Fund experienced an increase in net assets of $14,842 due to decrease in repair, maintenance and engineering costs associated with water well/supply improvements. Total net assets are $1,509,524 at year end of which $174,172 is unrestricted.

General fund budgetary highlights

Budgeted expenditures were decreased $25,665 during the year to reflect anticipated cost reductions. The difference between the actual and budgeted amounts can be attributed to public safety and administration personnel cost savings of $20,891 and $26,059 respectively.

Capital assets and debt administration

Capital assets.
The Village's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounts to $2,901,189 (net of accumulated depreciation and related debt). This investment includes a broad range of assets including land, buildings, police equipment, and sewer and water facilities. The decrease in the Village's net investment in capital assets for the current fiscal year was $248,086. The net investment in capital assets was decreased $38,862 by governmental activities and decreased $209,224 by business-type activities.

	Governmental activities	*Business-type activities*	*Totals*
Infrastructure	$ 115,942	$ 9,785,395	$ 9,901,337
Buildings and improvements	848,776	-	848,776
Equipment	117,327	-	117,327
Land	28,000	34,749	62,749
Totals	$ 1,110,045	$ 9,820,144	$ 10,930,189

Major capital asset events during the current fiscal year included the following:

- The internal service fund acquired equipment, including a one ton truck, for $19,614.
- Purchased playground equipment for $8,515.

More detailed information about the Village's capital assets is presented in Note 5 of the notes to the basic financial statements.

Long-term debt.
At the end of the fiscal year, the Village had bonds payable outstanding in the amount of $7,293,000 which represents a decrease of $105,000 or 1 percent. These bonds are secured solely by specific revenue sources (i.e., revenue bonds).

More detailed information about the Village's long-term liabilities is presented in Note 8 of the notes to the basic financial statements.

Economic condition and outlook

The Village of Mattawan (2000 census-population of 2536) is primarily a residential community located in Van Buren County, Michigan. The village's proximity to the Kalamazoo Metropolitan Area and several major roadways, including Interstate 94, has helped spur recent commercial/industrial development. The reported median family income level for Mattawan is currently $48,259 and the median house value is $95,700. New commercial/industrial property and economic development activities is expected over the next few years that will be beneficial to the community as a whole.

The Village of Mattawan is committed to the goal of financial conservatism and through this philosophy; the Village will develop plans to ensure economic development, and infrastructure maintenance/development. The Village will continue taking progressive steps to ensure proper utilization of resources and reinvesting revenues to ensure the Village is operating at its peak efficiency.

The Village's enterprise operations will experience increased expenditures to comply with the Environmental Protection Agency's regulations for arsenic levels in drinking water and Bolt v. City of Lansing.

Contacting the Village's financial management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Heath Kaplan
Village Manager
24221 Front Avenue
Mattawan, Michigan 49071.

Phone: (269) 668-2128

SiegfriedCrandallPC
Certified Public Accountants & Advisors

246 E. Kilgore Road
Kalamazoo, MI 49002-5599
www.siegfriedcrandall.com

Telephone 269-381-4970
800-876-0979
Fax 269-349-1344

INDEPENDENT AUDITORS' REPORT

Village Council
Village of Mattawan, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely-presented component units, each major fund, and the aggregate remaining fund information of the Village of Mattawan, Michigan, as of June 30, 2005, and for the year then ended, which collectively comprise the Village's financial statements, as listed in the contents. These financial statements are the responsibility of the Village of Mattawan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Mattawan, Michigan, as of June 30, 2005, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have issued our report dated September 21, 2005, on our consideration of the Village of Mattawan, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information, on pages i through vii and 23 through 25, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Mattawan, Michigan's basic financial statements. The supplementary information, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Siegfried Crandell P.C.

September 21, 2005

BASIC FINANCIAL STATEMENTS

Village of Mattawan
STATEMENT OF NET ASSETS
June 30, 2005

	Primary government		
	Governmental activities	***Business-type activities***	***Totals***
ASSETS			
Current assets:			
Cash	$ 758,531	$ 706,877	$ 1,465,408
Restricted cash	-	1,069,307	1,069,307
Receivables, net	108,825	149,228	258,053
Internal balances	(22,988)	22,988	-
Total current assets	844,368	1,948,400	2,792,768
Noncurrent assets:			
Connection fees, net	-	1,537,087	1,537,087
Capital assets, net of depreciation	1,110,045	9,820,144	10,930,189
Total noncurrent assets	1,110,045	11,357,231	12,467,276
Total assets	1,954,413	13,305,631	15,260,044
LIABILITIES			
Current liabilities:			
Payables	37,807	177,846	215,653
Bonds payable	7,000	115,000	122,000
Total current liabilities	44,807	292,846	337,653
Noncurrent liabilities:			
Bonds payable	729,000	7,178,000	7,907,000
Total liabilities	773,807	7,470,846	8,244,653
NET ASSETS			
Invested in capital assets, net of related debt	374,045	2,527,144	2,901,189
Restricted for:			
Public safety	434,982	-	434,982
Public works	21,792	-	21,792
Debt service	-	2,498,433	2,498,433
Unrestricted	349,787	809,208	1,158,995
Total net assets	$ 1,180,606	$ 5,834,785	$ 7,015,391

Component units	
Downtown Development Authority	Local Development Finance Authority
$ -	$ 18,562
-	-
-	-
-	-
-	18,562
-	-
-	-
-	-
-	18,562
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	18,562
$ -	$ 18,562

See notes to the financial statements

Village of Mattawan
STATEMENT OF ACTIVITIES
Year ended June 30, 2005

Functions/Programs	Expenses	Program revenues: Charges for services	Program revenues: Operating grants and contributions	Program revenues: Capital grants and contributions
Governmental activities:				
Legislative	$ 5,383	$ -	$ -	$ -
General government	113,941	-	-	-
Public safety	285,674	32,612	38,030	-
Public works	204,370	-	257,355	-
Community and economic development	9,019	-	-	-
Culture and recreation	11,028	-	19,500	-
Interest on long-term debt	35,837	-	-	-
Total governmental activities	665,252	32,612	314,885	-
Business-type activities				
Sewer	1,056,398	570,318	-	93,415
Water	279,293	302,412	-	-
Total business-type activities	1,335,691	872,730	-	93,415
Total primary government	$ 2,000,943	$ 905,342	$ 314,885	$ 93,415
Component units:				
Downtown Development Authority	$ 6,533	$ -	$ -	$ -
Local Development Finance Authority	2,924	-	-	-
Total component units	$ 9,457	$ -	$ -	$ -

General revenues:
Property taxes
State shared revenue
Unrestricted Interest income
Miscellaneous

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

Net (expenses) revenues and changes in net assets				
Primary government			Component Units	
Governmental activities	Business-type activities	Totals	Downtown Development Authority	Local Development Finance Authority
$ (5,383)		$ (5,383)		
(113,941)		(113,941)		
(215,032)		(215,032)		
52,985		52,985		
(9,019)		(9,019)		
8,472		8,472		
(35,837)		(35,837)		
(317,755)		(317,755)		
	$ (392,665)	(392,665)		
	23,119	23,119		
	(369,546)	(369,546)		
(317,755)	(369,546)	(687,301)		
			$ (6,533)	$ -
			-	(2,924)
			(6,533)	(2,924)
219,947	-	219,947	6,524	21,461
197,651	-	197,651	-	-
9,971	34,381	44,352	9	25
20,943	-	20,943	-	-
448,512	34,381	482,893	6,533	21,486
130,757	(335,165)	(204,408)	-	18,562
1,049,849	6,169,950	7,219,799	-	-
$ 1,180,606	$ 5,834,785	$ 7,015,391	$ -	$ 18,562

See notes to the financial statements

Village of Mattawan
BALANCE SHEET - *governmental funds*
June 30, 2005

	General	Major Street	Nonmajor governmental funds	Total governmental funds
ASSETS				
Cash	$ 270,646	$ 194,165	$ 219,359	$ 684,170
Receivables	64,429	25,667	18,729	108,825
Total assets	$ 335,075	$ 219,832	$ 238,088	$ 792,995
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payables	$ 22,746	$ -	$ 1,146	$ 23,892
Fund balances:				
Unreserved	312,329	219,832	-	532,161
Unreserved, reported in nonmajor:				
Special revenue funds	-	-	236,942	236,942
Total fund balances	312,329	219,832	236,942	769,103
Total liabilities and fund balances	$ 335,075	$ 219,832	$ 238,088	

Amounts reported for *governmental activities* in the statement of net assets (page 5) are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	307,463
Internal service funds are used by management to charge costs of fleet management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	104,040
Net assets of *governmental activities*	$ 1,180,606

See notes to the financial statements

Village of Mattawan
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - *governmental funds*
Year ended June 30, 2005

	General	Major Street	Nonmajor governmental funds	Total governmental funds
REVENUES				
Property taxes	$ 219,947	$ -	$ -	$ 219,947
Federal grants	35,000	-	-	35,000
State grants	199,346	160,087	62,406	421,839
Contribution from local unit	-	-	34,862	34,862
Fines and forfeitures	12,148	-	-	12,148
Licenses and permits	20,464	-	-	20,464
Interest	8,013	944	737	9,694
Other	37,897	-	3,881	41,778
Total revenues	532,815	161,031	101,886	795,732
EXPENDITURES				
Legislative	5,383	-	-	5,383
General government	111,493	-	-	111,493
Public safety	282,191	-	1,622	283,813
Public works	38,409	108,843	69,439	216,691
Community and economic development	9,019	-	-	9,019
Culture and recreation	12,377	-	-	12,377
Capital outlay	8,815	-	-	8,815
Total expenditures	467,687	108,843	71,061	647,591
NET CHANGE IN FUND BALANCES	65,128	52,188	30,825	148,141
FUND BALANCES - BEGINNING	247,201	167,644	206,117	620,962
FUND BALANCES - ENDING	$ 312,329	$ 219,832	$ 236,942	$ 769,103

Net change in fund balances - total governmental funds	$ 148,141
Amounts reported for *governmental activities* in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.	
Add: assets acquired	8,515
Less: provision for depreciation	(19,008)
The net revenues of the internal service funds are reported with governmental activities.	(6,891)
Change in net assets of *governmental activities* (page 6)	$ 130,757

See notes to the financial statements

Village of Mattawan
STATEMENT OF NET ASSETS - *proprietary funds*
June 30, 2005

	Business-type activities - enterprise funds			Governmental activities
	Sewer	Water	Totals	Internal Service
ASSETS				
Current assets:				
Cash	$ 575,113	$ 131,764	$ 706,877	$ 73,511
Restricted cash	941,404	127,903	1,069,307	-
Receivables, net:				
Accounts	64,930	34,298	99,228	-
Connection fees	50,000	-	50,000	-
Due from other funds	17,943	-	17,943	8,841
Total current assets	1,649,390	293,965	1,943,355	82,352
Noncurrent assets:				
Connection fees, net	1,537,087	-	1,537,087	-
Capital assets, net of depreciation	7,950,695	1,869,449	9,820,144	802,582
Total noncurrent assets	9,487,782	1,869,449	11,357,231	802,582
Total assets	11,137,172	2,163,414	13,300,586	884,934
LIABILITIES				
Current liabilities:				
Payables	168,604	9,242	177,846	13,065
Due to other funds	6,193	2,648	8,841	17,944
Bonds payable	81,000	34,000	115,000	7,000
Total current liabilities	255,797	45,890	301,687	38,009
Noncurrent liabilities:				
Bonds payable	6,570,000	608,000	7,178,000	729,000
Total liabilities	6,825,797	653,890	7,479,687	767,009
NET ASSETS				
Investment in capital assets, net of related debt	1,299,695	1,227,449	2,527,144	66,582
Restricted for debt service	2,370,530	127,903	2,498,433	-
Unrestricted	641,150	154,172	795,322	51,343
Total net assets	$ 4,311,375	$ 1,509,524	5,820,899	$ 117,925
Adjustment to reflect the consolidation of internal service fund balances related to enterprise funds.			13,886	
Net assets of business-type activities			$ 5,834,785	

See notes to the financial statements

Village of Mattawan
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - *proprietary funds*
Year ended June 30, 2005

	Business-type activities - enterprise funds			*Governmental activities*
	Sewer	*Water*	*Totals*	*Internal Service*
OPERATING REVENUES				
Charges for services	$ 570,318	$ 291,016	$ 861,334	$ 143,213
Other	-	11,396	11,396	-
Total operating revenues	570,318	302,412	872,730	143,213
OPERATING EXPENSES				
Public works	315,356	180,627	495,983	-
Depreciation	247,587	75,478	323,065	54,985
Cost of interfund services provided	-	-	-	47,774
Total operating expenses	562,943	256,105	819,048	102,759
OPERATING INCOME	7,375	46,307	53,682	40,454
NONOPERATING REVENUES (EXPENSES)				
Interest income:				
Connection fees	69,415	-	69,415	-
Investment	33,046	1,335	34,381	277
Connection fees	24,000	-	24,000	-
Receivable writeoff	(181,806)	-	(181,806)	-
Interest expense	(315,923)	(32,800)	(348,723)	(35,837)
Total nonoperating expenses	(371,268)	(31,465)	(402,733)	(35,560)
CHANGE IN NET ASSETS	(363,893)	14,842	(349,051)	4,894
NET ASSETS - BEGINNING	4,675,268	1,494,682		113,031
NET ASSETS - ENDING	$ 4,311,375	$ 1,509,524		$ 117,925

Adjustment to reflect the consolidation of internal service fund net revenues related to enterprise funds.	13,886
Change in net assets of *business-type activities* (page 6)	$ (335,165)

See notes to the financial statements

Village of Mattawan
STATEMENT OF CASH FLOWS - *proprietary funds*
Year ended June 30, 2005

	Business-type activities - Enterprise funds			*Governmental activities*
	Sewer	*Water*	*Totals*	*Internal Service*
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 574,432	$ 296,605	$ 871,037	$ 136,706
Payments to suppliers	(276,072)	(119,033)	(395,105)	(42,250)
Payments to employees	(33,899)	(63,841)	(97,740)	(4,260)
Net cash provided by operating activities	264,461	113,731	378,192	90,196
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Collection of connection fee principal	70,327	-	70,327	-
Collection of connection fee interest	69,415	-	69,415	-
Acquisition of capital assets	-	(8,840)	(8,840)	(19,615)
Decrease in due from other funds	17,592	-	17,592	-
Decrease in due to other funds	-	-	-	(17,592)
Principal payments on capital debt	(77,000)	(28,000)	(105,000)	(7,000)
Interest payments on capital debt	(317,751)	(32,875)	(350,626)	(35,837)
Net cash used in capital and related financing activities	(237,417)	(69,715)	(307,132)	(80,044)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	33,046	1,335	34,381	277
NET INCREASE IN CASH	60,090	45,351	105,441	10,429
CASH - BEGINNING (including $821,873 in restricted accounts)	1,456,427	214,316	1,670,743	63,082
CASH - ENDING (including $1,069,307 in restricted accounts)	$ 1,516,517	$ 259,667	$ 1,776,184	$ 73,511
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	$ 7,375	$ 46,307	$ 53,682	$ 40,454
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	247,587	75,478	323,065	54,985
Changes in assets and liabilities:				
Receivables, net	4,114	(5,807)	(1,693)	-
Due from other funds	-	-	-	(6,507)
Payables	(415)	(2,955)	(3,370)	1,264
Due to other funds	5,800	708	6,508	-
Net cash provided by operating activities	$ 264,461	$ 113,731	$ 378,192	$ 90,196

See notes to the financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Village of Mattawan, Michigan (the Village), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies.

a) Reporting entity:
In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Village. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

Discretely-presented component units:

Local Development Finance Authority and Downtown Development Authority
Each component units' governing body is appointed by the Village Council and their debt remains with the Village. Separate financial statements for the component units have not been issued as management believes that these financial statements, including disclosures, contain complete information so as to constitute a fair presentation of each component unit.

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

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:
The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):
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 if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village generally 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, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, 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. All other revenue items are considered to be measurable only when cash is received by the Village.

The Village reports the following major governmental funds:

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

The Major Street Fund accounts for the resources of state gas and weight tax revenues that are restricted for expenditures related to maintaining and improving the Village's major streets.

The Village reports the following major enterprise funds:

The Sewer Fund accounts for the activities of the Village's sewage collection systems.

The Water Fund accounts for the activities of the Village's water distribution system.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do no conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to the same limitations. The Village has elected not to follow subsequent private-sector standards.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):
Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash is considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less from the date of acquisition.

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Village considers all receivables to be fully collectible.

iii) Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the government-wide financial statements.

iv) Capital assets - Capital assets, which include property, equipment, and infrastructure assets (e.g., streets and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than $1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Village has elected to use the prospective method of accounting for infrastructure assets whereby it will capitalize its infrastructure assets as acquired on or after July 1, 2003, as permitted by GASB No. 34.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	10 - 50 years
Equipment	3 - 20 years
Sewer and water systems	50 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

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

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the Village Council is the functional level. All annual appropriations lapse at the end of the fiscal year. During the year ended June 30, 2005, the Village did not incur expenditures that were significantly in excess of the amounts appropriated.

NOTE 3 - CASH:

At June 30, 2005, cash is classified in the accompanying statement of net assets as follows:

Cash:	
Governmental activities	$ 758,531
Business-type activities	706,877
Restricted cash:	
Business-type activities	1,069,307
Component units	18,562
Total cash	$ 2,553,277

At June 30, 2005, cash consists of the following:

Cash on hand	$ 200
Deposits with financial institutions	2,553,077
Total	$ 2,553,277

NOTE 3 - CASH (Continued):

Deposits with financial institutions - State statutes and the Village's investment policy authorize the Village to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Village's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Village will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized. As of June 30, 2005, $2,399,573 of the Village's bank balances of $2,599,573 was exposed to custodial credit risk because it was uninsured.

The Village maintains individual and pooled cash accounts for all of its funds and its component units. Due to use of pooled deposits, it is not practicable to allocate insured and uninsured portions of certain bank balances between the primary government and its component units. The insured portion of the bank balance has been allocated entirely to the primary government.

NOTE 4 - RECEIVABLES:

Receivables as of year end for the Village's individual major and nonmajor funds, in the aggregate, are as follows:

Fund	*Accounts*	*Connection fees*	*Inter-govern-mental*	*Totals*
Governmental activities:				
General	$ -	$ -	$ 64,429	$ 64,429
Major Street	-	-	25,667	25,667
Nonmajor governmental	-	-	-	-
Totals	$ -	$ -	$ 90,096	$ 90,096
Business-type activities:				
Sewer	$ 64,930	$ 1,587,087	$ -	$ 1,652,017
Water	34,298	-	-	34,298
Totals	$ 99,228	$ 1,587,087	$ -	$ 1,686,315
Noncurrent portion	$ -	$ 1,537,087	$ -	$ 1,537,087

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2005, was as follows:

	Beginning balance	*Increases*	*Decreases*	*Ending balance*
Governmental activities:				
Capital assets not being depreciated - land	$ 28,000	$ -	$ -	$ 28,000
Capital assets being depreciated:				
Buildings	896,180	-	-	896,180
Land improvements	46,800	-	-	46,800
Equipment	105,113	8,515	-	113,628
Vehicles	290,845	19,614	-	310,459
Infrastructure	125,343	-	-	125,343
Subtotal	1,464,281	28,129	-	1,492,410
Less accumulated depreciation for:				
Buildings	(64,911)	(22,039)	-	(86,950)
Land improvements	(4,446)	(2,808)	-	(7,254)
Equipment	(65,358)	(8,728)	-	(74,086)
Vehicles	(198,525)	(34,149)	-	(232,674)
Infrastructure	(3,134)	(6,267)	-	(9,401)
Subtotal	(336,374)	(73,991)	-	(410,365)
Total capital assets being depreciated, net	1,127,907	(45,862)	-	1,082,045
Governmental activities capital assets, net	$ 1,155,907	$ (45,862)	$ -	$ 1,110,045

NOTE 5 - CAPITAL ASSETS (Continued):

	Beginning balance	*Increases*	*Decreases*	*Ending balance*
Business-type activities:				
Capital assets not being depreciated - land	$ 34,749	$ -	$ -	$ 34,749
Capital assets being depreciated:				
Sewer system	9,437,133	-	-	9,437,133
Water system	2,733,891	8,840	-	2,742,731
Subtotal	12,171,024	8,840	-	12,179,864
Less accumulated depreciation for:				
Sewer system	(1,238,852)	(247,587)	-	(1,486,439)
Water system	(831,685)	(76,345)	-	(908,030)
Subtotal	(2,070,537)	(323,932)	-	(2,394,469)
Total capital assets being depreciated, net	10,100,487	(315,092)	-	9,785,395
Business-type activities capital assets, net	$ 10,135,236	$ (315,092)	$ -	$ 9,820,144

Depreciation expense was charged to functions of the Village as follows:

Governmental activities:	
General government	$ 5,687
Public safety	4,175
Public works	9,075
Recreation	71
Depreciation on capital assets of internal service funds	54,983
Total governmental activities	$ 73,991
Business-type activities:	
Sewer	$ 247,587
Water	76,345
Total business-type activities	$ 323,932

NOTE 6 - NONCURRENT LIABILITIES:

Noncurrent liabilities at June 30, 2005, is comprised of the following:

Governmental activities:	
$750,000 2002 Building Authority general obligation bonds - payable in annual installments ranging from $6,000 to $35,000, plus interest at 4.75%; final payment due December 2041	$ 736,000
Business-type activities:	
$755,000 1977 Water Supply System revenue bonds - payable in annual installments ranging from $25,000 to $30,000, plus interest at 5.00%; final payment due January 2016	$ 330,000
$330,000 1996 Water Supply System Junior Lien revenue bonds - payable in annual installments ranging from $3,000 to $14,000, plus interest at 5.00%; final payment due July 2036	312,000
$7,000,000 1998 Sanitary Sewer System revenue bonds - payable in annual installments ranging from $73,000 to $403,000, plus interest at 4.75%; final payment due July 2037	6,651,000
Total business-type activities noncurrent liabilities	$ 7,293,000

Noncurrent liability activity for the year ended June 30, 2005, was as follows:

	Beginning balance	*Additions*	*Reductions*	*Ending balance*	*Amounts due within one year*
Governmental activities:					
2002 general obligation bonds	$ 743,000	$ -	$ (7,000)	$ 736,000	$ 7,000
Business-type activities:					
1977 revenue bonds	$ 355,000	$ -	$ (25,000)	$ 330,000	$ 30,000
1996 revenue bonds	315,000	-	(3,000)	312,000	4,000
1998 revenue bonds	6,728,000	-	(77,000)	6,651,000	81,000
Total business-type activities noncurrent liabilities	$ 7,398,000	$ -	$ (105,000)	$ 7,293,000	$ 115,000

NOTE 6 - NONCURRENT LIABILITIES (Continued):

Debt service requirements at June 30, 2005, were as follows:

	Governmental activities		*Business-type activities*	
	Principal	*Interest*	*Principal*	*Interest*
Year ended June 30:				
2006	$ 7,000	$ 34,794	$ 115,000	$ 345,349
2007	7,000	34,461	119,000	339,706
2008	7,000	34,129	124,000	333,850
2009	7,000	33,796	130,000	327,821
2010	8,000	33,440	135,000	321,396
2011 - 2015	47,000	160,811	764,000	1,502,117
2016 - 2020	62,000	148,153	820,000	1,310,051
2021 - 2025	83,000	131,028	1,007,000	1,096,755
2026 - 2030	115,000	107,754	1,280,000	825,498
2031 - 2035	149,000	76,356	1,637,000	480,197
2036 - 2040	174,000	37,383	1,162,000	81,398
2041 - 2045	70,000	3,325	-	-
	$ 736,000	$ 835,430	$ 7,293,000	$ 6,964,138

NOTE 7 - RESTRICTED CASH:

As a condition of individual debt issues, the Village is required to maintain certain separate cash reserves. At June 30, 2005, all required reserves have been properly funded and are as follows:

Business-type activities:	
Sewer Fund:	
1998 Sewer Supply System revenue bonds:	
Principal and interest redemption accounts	$ 479,404
Bond reserve account	422,000
Repair and reconstruction account	40,000
	941,404
Water Fund:	
1977 Water Supply System revenue bonds:	
Principal and interest redemption account	11,625
Bond reserve account	46,750
Funded depreciation account	20,000
1996 Water Supply System Junior Lien revenue bonds:	
Principal and interest redemption account	28,028
Bond reserve account	21,500
	127,903
	$ 1,069,307

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES:

At June 30, 2005, the composition of interfund balances, as reported in the fund financial statements, is as follows:

Fund	*Receivables*	*Fund*	*Payables*
Sewer	$ 17,943	DPW Building and Equipment	$ 17,943
DPW Building and Equipment	$ 8,841	Sewer	$ 6,193
		Water	2,648
			$ 8,841

In 2002, the Sewer Fund, an enterprise fund, advanced $86,810 to the DPW Building and Equipment Fund, an internal service fund, to finance the acquisition of a dump truck. The advance will be repaid in annual installments of $18,303 that include interest at 2%, through 2006.

NOTE 9 - RISK MANAGEMENT:

The Village is exposed to various risks of loss to general liability, property and casualty, workers' compensation, and employee health and medical claims. The risks of loss arising from general liability up to $2,000,000, building contents, workers' compensation, employee medical, and casualty are managed through purchased commercial insurance. For all risks of loss, there have been no significant reductions in insurance coverage from coverage provided in prior years. Also, in the past three years, settlements did not exceed insurance coverage.

NOTE 10 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended June 30, 2005, is as follows:

Revenues	$ 3,612
Expenses	(2,205)
Excess of revenues over expenses	$ 1,407

NOTE 11 - DEFINED CONTRIBUTION PENSION PLAN:

On October 1, 1996, the Village adopted a defined contribution pension plan, specifically referred to as the Village of Mattawan Employee Retirement Plan (the Plan). In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Full-time employees are eligible to participate after satisfactorily completing the required probationary period of 90 days of employment. The Village contributes 3% of each qualified employee's earnings to the Plan. Qualified employees are required to contribute 3% of their earnings as a condition of participation in the Plan.

The Village's contributions for each employee (and interest allocated to the employee's account) are fully vested after five years of continuous service. Village contributions for, and interest forfeited by, employees who leave employment before five years of service are used to reduce the Village's current period contribution requirements. The Village is not a trustee of the Plan, nor is the Village responsible for investment management of plan assets. Michigan State statute assigns the authority to establish and amend benefit provisions to the Village Council.

The Village and the Plan participants each made their required contributions in the amount of $9,477 for the year ended June 30, 2005.

REQUIRED SUPPLEMENTARY INFORMATION

Village of Mattawan
BUDGETARY COMPARISON SCHEDULE - *General Fund*
Year ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance favorable (unfavorable)
REVENUES				
Property taxes	$ 221,600	$ 221,600	$ 219,947	$ (1,653)
Federal grant	36,532	36,532	35,000	(1,532)
State grants	201,087	201,752	199,346	(2,406)
Fines and forfeitures	8,000	13,000	12,148	(852)
Licenses and permits	10,763	19,894	20,464	570
Interest	8,000	8,000	8,013	13
Other	18,075	44,184	37,897	(6,287)
Total revenues	504,057	544,962	532,815	(12,147)
EXPENDITURES				
Legislative - Village Council	6,820	6,820	5,383	1,437
General government:				
Administration	104,351	78,292	67,456	10,836
Clerk	32,403	30,283	25,020	5,263
Treasurer	175	75	77	(2)
Village hall	29,449	21,018	18,940	2,078
Total general government	166,378	129,668	111,493	18,175
Public safety:				
Police	360,236	339,345	279,986	59,359
Inspections	1,000	1,800	2,205	(405)
Total public safety	361,236	341,145	282,191	58,954
Public works:				
Public works department	10,000	21,581	22,241	(660)
Street lighting	15,000	15,000	16,168	(1,168)
Total public works	25,000	36,581	38,409	(1,828)

Village of Mattawan
BUDGETARY COMPARISON SCHEDULE - *General Fund* (Continued)
Year ended June 30, 2005

	Original Budget	*Amended Budget*	*Actual*	*Variance favorable (unfavorable)*
EXPENDITURES (Continued)				
Community and economic development:				
Planning	$ 5,960	$ 8,460	$ 9,019	$ (559)
Economic development	2,500	-	-	-
Total community and economic development	8,460	8,460	9,019	(559)
Culture and recreation	10,256	10,311	12,377	(2,066)
Capital outlay	-	19,500	8,815	10,685
Total expenditures	578,150	552,485	467,687	84,798
NET CHANGE IN FUND BALANCES	(74,093)	(7,523)	65,128	72,651
FUND BALANCES - BEGINNING	247,201	247,201	247,201	-
FUND BALANCES - ENDING	$ 173,108	$ 239,678	$ 312,329	$ 72,651

Village of Mattawan
BUDGETARY COMPARISON SCHEDULE - *Major Street Fund*
Year ended June 30, 2005

	Original Budget	*Amended Budget*	*Actual*	*Variance favorable (unfavorable)*
REVENUES				
State grants	$ 155,000	$ 155,000	$ 160,087	$ 5,087
Interest	1,000	1,000	944	(56)
Total revenues	156,000	156,000	161,031	5,031
EXPENDITURES				
Public works:				
Preservation	51,124	131,415	69,184	62,231
Winter maintenance	28,031	29,794	30,642	(848)
Traffic service	1,000	1,500	658	842
Administration	16,280	11,632	8,359	3,273
Total expenditures	96,435	174,341	108,843	65,498
NET CHANGE IN FUND BALANCES	59,565	(18,341)	52,188	70,529
FUND BALANCES - BEGINNING	167,644	167,644	167,644	-
FUND BALANCES - ENDING	$ 227,209	$ 149,303	$ 219,832	$ 70,529

SUPPLEMENTARY INFORMATION

Village of Mattawan

COMBINING BALANCE SHEET - *nonmajor governmental funds*

June 30, 2005

	Special revenue funds				Total nonmajor governmental funds
	Local Street	Drug Forfeitures	Justice Training	Metro Act	
ASSETS					
Cash	$ 199,220	$ 6,247	$ 2,399	$ 11,493	$ 219,359
Receivables	8,430	-	-	10,299	18,729
Total assets	$ 207,650	$ 6,247	$ 2,399	$ 21,792	$ 238,088
LIABILITIES AND FUND EQUITY					
Liabilities:					
Payables	$ 716	$ 430	$ -	$ -	$ 1,146
Fund balances:					
Unreserved	206,934	5,817	2,399	21,792	236,942
Total liabilities and fund balances	$ 207,650	$ 6,247	$ 2,399	$ 21,792	$ 238,088

Village of Mattawan

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - *nonmajor governmental funds*

Year ended June 30, 2005

	Special revenue funds				*Total nonmajor governmental funds*
	Local Street	*Drug Forfeitures*	*Justice Training*	*Metro Act*	
REVENUES					
State grants	$ 52,107	$ -	$ -	$ 10,299	$ 62,406
Contribution from local unit	34,862	-	-	-	34,862
Interest	678	19	-	40	737
Other	-	2,546	1,335	-	3,881
Total revenues	87,647	2,565	1,335	10,339	101,886
EXPENDITURES					
Public safety	-	100	1,442	80	1,622
Public works	69,439	-	-	-	69,439
Total expenditures	69,439	100	1,442	80	71,061
NET CHANGE IN FUND BALANCES	18,208	2,465	(107)	10,259	30,825
FUND BALANCES - BEGINNING	188,726	3,352	2,506	11,533	206,117
FUND BALANCES - ENDING	$ 206,934	$ 5,817	$ 2,399	$ 21,792	$ 236,942

Village of Mattawan

COMBINING STATEMENT OF NET ASSETS - *internal service funds*

June 30, 2005

	DPW Building and Equipment	*Police Motor Pool*	*Totals*
ASSETS			
Current assets:			
Cash	$ 56,308	$ 17,203	$ 73,511
Due from other funds	8,841	-	8,841
Total current assets	65,149	17,203	82,352
Noncurrent assets:			
Capital assets, net of depreciation	776,660	25,922	802,582
Total assets	841,809	43,125	884,934
LIABILITIES			
Current liabilities:			
Payables	12,508	557	13,065
Due to other funds	17,944	-	17,944
Bonds payable	7,000	-	7,000
Total current liabilities	37,452	557	38,009
Noncurrent liabilities:			
Bonds payable	729,000	-	729,000
Total liabilities	766,452	557	767,009
NET ASSETS			
Investment in capital assets, net of related debt	40,660	25,922	66,582
Unrestricted	34,697	16,646	51,343
Total net assets	$ 75,357	$ 42,568	$ 117,925

Village of Mattawan

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - *internal service funds*

Year ended June 30, 2005

	DPW Building and Equipment	*Police Motor Pool*	*Totals*
OPERATING REVENUES			
Charges for services:			
Equipment rental	$ 65,245	$ -	$ 65,245
Building rental	52,516	25,452	77,968
Total operating revenues	117,761	25,452	143,213
OPERATING EXPENSES			
Repairs and maintenance:			
Equipment	25,744	15,194	40,938
DPW Building	6,836	-	6,836
Depreciation	47,041	7,944	54,985
Total operating expenses	79,621	23,138	102,759
OPERATING INCOME	38,140	2,314	40,454
NONOPERATING REVENUES (EXPENSES)			
Interest income	189	88	277
Interest expense	(35,837)	-	(35,837)
Total nonoperating revenues (expenses)	(35,648)	88	(35,560)
CHANGE IN NET ASSETS	2,492	2,402	4,894
NET ASSETS - BEGINNING	72,865	40,166	113,031
NET ASSETS - ENDING	$ 75,357	$ 42,568	$ 117,925

Village of Mattawan

COMBINING STATEMENT OF CASH FLOWS - *internal service funds*

Year ended June 30, 2005

	DPW Building and Equipment	Police Motor Pool	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from interfund services provided	$ 111,254	$ 25,452	$ 136,706
Payments to suppliers	(28,031)	(14,219)	(42,250)
Payments to employees	(3,841)	(419)	(4,260)
Net cash provided by operating activities	79,382	10,814	90,196
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	-	(19,615)	(19,615)
Decrease in due to other funds	(17,592)	-	(17,592)
Principal payments on capital debt	(7,000)	-	(7,000)
Interest payments on capital debt	(35,837)	-	(35,837)
Net cash used in capital and related financing activities	(60,429)	(19,615)	(80,044)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	189	88	277
NET INCREASE (DECREASE) IN CASH	19,142	(8,713)	10,429
CASH - BEGINNING	37,166	25,916	63,082
CASH - ENDING	$ 56,308	$ 17,203	$ 73,511
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$ 38,140	$ 2,314	$ 40,454
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	47,041	7,944	54,985
Changes in assets and liabilities:			
Increase in due from other funds	(6,507)	-	(6,507)
Increase in payables	708	556	1,264
Net cash provided by operating activities	$ 79,382	$ 10,814	$ 90,196

FEDERAL AWARDS

Village of Mattawan
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2005

Federal grantor/pass-through grantor/program title	*Federal CFDA number*	*Federal expenditures*
U.S. Department of Agriculture:		
Community Facilities Loans	10.766	$736,000
U.S. Department of Justice:		
School Resource Officer	16.710	36,143
		$772,143

NOTES: 1) The schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

2) Federal expenditures include a loan payable to the U.S. Department of Agriculture in the amount of $736,000.

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Village of Mattawan.

2. No reportable conditions were identified during the audit of the financial statements.

3. No instances of noncompliance material to the financial statements of Village of Mattawan were disclosed during the audit.

4. No reportable conditions were identified during the audit of the major federal award program.

5. The auditors' report on compliance for the major federal award program for Village of Mattawan expresses an unqualified opinion.

6. Audit findings relative to the major federal award program for Village of Mattawan are reported in Part C of this schedule.

7. The program tested as a major program follows:

Federal agency	*Program name*	*CFDA #*
U.S. Department of Agriculture	Community Facilities Loans	10.766

8. The threshold for distinguishing Types A and B programs was $300,000.

9. Village of Mattawan was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

NONE

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

NONE

SiegfriedCrandallPC
Certified Public Accountants & Advisors

246 E. Kilgore Road
Kalamazoo, MI 49002-5599
www.siegfriedcrandall.com

Telephone 269-381-4970
800-876-0979
Fax 269-349-1344

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Village Council
Village of Mattawan, Michigan

We have audited the financial statements of Village of Mattawan, Michigan (the Village), as of and for the year ended June 30, 2005, and have issued our report thereon dated September 21, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance
As part of obtaining reasonable assurance about whether the Village's statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal control over financial reporting
In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level, the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Siegfried Crandall P.C.

September 21, 2005

Member of CPAMERICA™ INTERNATIONAL

SiegfriedCrandallPC
Certified Public Accountants & Advisors

246 E. Kilgore Road
Kalamazoo, MI 49002-5599
www.siegfriedcrandall.com

Telephone 269-381-4970
800-876-0979
Fax 269-349-1344

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Village Council
Village of Mattawan

Compliance

We have audited the compliance of Village of Mattawan, Michigan (the Village), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2005. The Village's major federal program is its Community Facilities Loan Program. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Village's management. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2005.

Internal control over compliance

The management of the Village is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Member of CPAMERICA INTERNATIONAL

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level, the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be a material weakness.

This report is intended for the information of management, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Siegfried Crandall P.C.

September 21, 2005