



City Council Agenda Item Report

FROM: Ryan Cummins, City Manager
Nicole Bredeweg, City Treasurer/Finance Officer

MEETING DATE: January 12, 2026

SUBJECT: Audit Presentation – Fiscal Year 2024-2025

DESCRIPTION:

The annual audit for FY 24/25 was recently completed. Attached is a copy. The auditor will be at your regular meeting to present their findings. In the meantime, here are some highlights:

- The City's net position increased by \$2,306,694.
- The City continues to report a solid net position, with approximately \$12.8 million reported in cash and investments, approximately \$1.3 million in long-term debt, and no net pension liability.
- We added significant sums (\$1,854,599 in total of all funds) to our fund balances last year:
 - General Fund financing sources exceeded their financing uses by \$1,186,199 increasing its ending fund balance to \$7,444,857.
 - Major Street Fund increased its ending fund balance by \$131,633 to \$912,302.
 - Local Street Fund, increased its ending fund balance by \$314,628 to \$2,564,302.
 - The Water/Sewer Improvements Fund, increased its ending fund balance by \$219,742 to \$794,256.
 - The Debt Service Fund, increased its ending fund balance by \$2,397 to \$55,767.
- As you know, we are investing some of these savings into several capital improvement projects that are in the works.

As a reminder, all audits are available on the Michigan Department of Treasury website and can be searched for here: <https://treas-secure.state.mi.us/documentsearch>. Once on this page, fill in the following dropdown cells:

- County: Allegan-03
- Year: 2025

- Municipality Type: City
- Municipality: Saugatuck, City of

The audit appears in the list and is listed as 'Audit-Financial Report'

LEGAL REVIEW:

Legal will be at your meeting if you have any questions.

SAMPLE MOTION:

N/A.

CITY OF SAUGATUCK

Allegan County, Michigan

FINANCIAL STATEMENTS

June 30, 2025

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INDEPENDENT AUDITORS' REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of City of Saugatuck as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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 City of Saugatuck as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our standards under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Saugatuck and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Saugatuck's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that individually or in the aggregate, they would influence the judgment made by a reasonable user based on financial statements.

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City of Saugatuck's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Saugatuck's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis (pages 4 through 8), schedule of changes in the net pension liability and related ratios (pages 40 through 41), schedule of defined benefit plan pension contributions (page 42), and budgetary comparison information (pages 43 through 47) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Saugatuck's basic financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Berthiaume & Co.

Saginaw, Michigan
December 13, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF SAUGATUCK

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2025

As management of the City of Saugatuck (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements and the notes to the financial statements.

FINANCIAL HIGHLIGHTS:

- The City's total net position is reported as \$40,694,062 for the year ended June 30, 2025, compared to \$38,387,368 for the year ended June 30, 2024.
- In the City's governmental activities, revenues generated were \$6,141,024 while expenses totaled \$3,834,330.
- Total net position increased by \$2,306,694.

OVERVIEW OF THE FINANCIAL STATEMENTS:

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

Government-wide Financial Statements:

The government-wide statements are designed to provide readers with a broad overview of the City's finances, as a whole, in a manner similar to a private sector business. The *statement of net position* presents information on all of the City's assets, liabilities, and deferred outflows and inflows, with the difference between these reported as net position. The *statement of activities* presents all of the City's revenues and expenses, and is reported based on when the underlying event giving rise to the revenue or expense occurs, regardless of when cash is received or paid.

The governmental activities of the City include general government administration, legislative, public works, street maintenance, public safety and recreation and cultural. Property taxes, state shared revenue, and charges for services finance most of these activities.

Fund Financial Statements:

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. 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 has three types of 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.

CITY OF SAUGATUCK

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2025

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 five (5) individual governmental funds. Separate information is presented for the General Fund, Major Street Fund, Local Street Fund, Water and Sewer Improvements Fund, and Debt Service Fund which are considered to be "major" funds. The City has elected to report all governmental funds as major.

The City adopts an annual budget for its General Fund 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.

Proprietary Funds – Proprietary funds are used to report services where the City charges a fee to the customer to recover most or all of the cost of the service rendered. Proprietary funds provide both long- and short-term financial information. The two types of proprietary funds are enterprise and internal service funds. The City has no enterprise funds.

- Internal service funds are used to report activities that provide supplies and services to the City's other programs. The City's internal service fund is the Motor Pool Fund. Because these services solely benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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

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.

Other Information:

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City.

CITY OF SAUGATUCK AS A WHOLE:

The City's total net position for the year ended June 30, 2025 is \$40,694,062. Unrestricted net position, that part of net position that can be used to finance day-to-day operations, is \$8,330,975.

CITY OF SAUGATUCK

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2025

The following table shows comparisons of total assets, total deferred outflows of resources, total liabilities, total deferred inflows of resources, and total net position in a condensed format for the government-wide net position as of June 30, 2025 and June 30, 2024.

	<i>Governmental Activities</i>	
	<i>2025</i>	<i>2024</i>
Assets:		
Current and other assets	\$ 13,508,351	\$ 11,286,238
Capital assets, net	29,034,941	28,800,564
Total assets	42,543,292	40,086,802
Deferred outflows of resources	143,099	215,748
Liabilities:		
Current and other liabilities	597,153	254,999
Long-term liabilities	1,395,176	1,660,183
Total liabilities	1,992,329	1,915,182
Net position:		
Net investment in capital assets	27,691,941	27,171,564
Restricted	4,671,146	3,982,347
Unrestricted	8,330,975	7,233,457
Total net position	\$ 40,694,062	\$ 38,387,368

Overall Analysis of Financial Position and Changes in Net Position:

The City's net position increased by \$2,306,694 during the current fiscal year. The City continues to report a solid net position, with approximately \$12.8 million reported in cash and investments, approximately \$1.3 million in long-term debt, and no net pension liability.

Governmental Activities:

The City's total governmental revenue is reported at \$6,141,024, an increase of \$722,434 from the prior year. Property tax revenues and charges for services attributed to approximately \$621,000 of this increase.

Total expenses decreased by \$71,899 from the prior year.

The following table shows comparison of the change in net position in a condensed format for the years ended June 30, 2025 and June 30, 2024.

CITY OF SAUGATUCK

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2025

	<i>Governmental Activities</i>	
	<i>2025</i>	<i>2024</i>
Revenues:		
Program revenues		
Charges for services	\$ 1,467,574	\$ 1,029,372
Operating grants and contributions	665,537	622,580
Capital grants	15,000	-
General revenues		
Property taxes	3,256,767	3,073,580
Franchise fees	39,035	45,114
Grants and contributions not restricted to specific programs	170,806	123,380
Investment earnings	526,305	524,564
Total revenues	<u>6,141,024</u>	<u>5,418,590</u>
Expenses:		
General government	926,403	1,196,075
Public safety	393,186	379,045
Public works	1,634,552	1,412,922
Community and economic development	218,231	153,276
Recreation and culture	632,163	730,410
Interest on long-term debt	29,795	34,501
Total expenses	<u>3,834,330</u>	<u>3,906,229</u>
Excess (deficiency) of revenues over expenses before other items	<u>2,306,694</u>	<u>1,512,361</u>
Other items:		
Sale of capital assets	-	7,605
Change in net position	<u>2,306,694</u>	<u>1,519,966</u>
Net position, beginning of year	<u>38,387,368</u>	<u>36,867,402</u>
Net position, end of year	<u>\$ 40,694,062</u>	<u>\$ 38,387,368</u>

CITY OF SAUGATUCK'S FUNDS:

Presentation of the City of Saugatuck's major funds begins on page 12, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. Funds are created to help manage money for specific purposes, as well as show accountability for certain activities, such as specific property tax millages and restricted receipts from Federal and State sources.

The General Fund is the City's largest governmental fund and one of five governmental funds that are considered major. It pays for most of the City's government services. Its major components of revenue are property taxes, charges for services and state shared revenue. For the year ended June 30, 2025, General Fund financing sources exceeded its financing uses by \$1,186,199 increasing its ending fund balance to \$7,444,857. The City's second major governmental fund, the Major Street Fund increased its ending fund balance by \$131,633 to \$912,302. The City's third major governmental fund, the Local Street Fund, increased its ending fund balance by \$314,628 to \$2,564,302. The City's fourth major governmental fund, the Water and Sewer Improvements Fund, increased its ending fund balance by \$219,742 to \$794,256. The City's fifth major governmental fund, the Debt Service Fund, increased its ending fund balance by \$2,397 to \$55,767.

CITY OF SAUGATUCK

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2025

Overall Analysis of Financial Position and Change in General Fund Fund Balance:

The General Fund fund balance of \$7,444,857 as of June 30, 2025 is considered, by management, to be very healthy in comparison to the annual General Fund expenditures budget of approximately \$4 million. The City's revenues and expenditures were monitored during the current year through a budget process and the operating results were as expected.

General Fund Budgetary Highlights:

The General Fund budget, as originally adopted, projected a decrease in fund balance of \$217,885. During the year, the City made budget amendments, which projected a decrease in fund balance of \$57,586. The actual results for the year yielded a net increase in fund balance of \$1,186,199.

Capital Assets and Debt Administration:

At June 30, 2025, the City of Saugatuck had \$29,034,941 invested in capital assets including land, buildings, equipment, land improvements, and infrastructure, net of accumulated depreciation. At June 30, 2024, this total was \$28,800,564. Additional information about the City's capital assets is presented in Note 1 and Note 5 of the Notes to the Financial Statements.

At June 30, 2025, the City of Saugatuck's total long-term indebtedness (not including compensated absences or net pension liability) was \$1,343,000 which was backed by the full faith and credit of the City. Additional information about the City's indebtedness is presented in Note 6 of the Notes to the Financial Statements.

Economic Factors and Next Year's Budget:

The City Administration and Council continue to focus on balancing service delivery with responsible financial management in an environment of rising costs and ongoing infrastructure needs. Budget line items are regularly reviewed to identify cost efficiencies and ensure expenditures remain aligned with available revenues. The City's adopted budget for the coming fiscal year reflects sufficient revenues to support essential services, maintain streets and parks, and address priority operational needs while continuing to monitor economic conditions and cost pressures.

The City has built up healthy savings in its various funds and needs to invest in infrastructure needs. The Department of Public Works and the Parks and Public Works Committee have recommended, and Council has approved, several capital improvement projects for the upcoming year. Planned projects include park improvements, traffic and pedestrian infrastructure enhancements, and street and utility projects that will be funded through a combination of road, water and sewer, and general fund revenues, with selective use of fund balance where appropriate. These projects require no debt service to complete and we will still maintain healthy reserves in the general fund that are far above Council's policy requirement.

Where feasible, the City continues to pursue state and federal grant opportunities to help offset the cost of major capital projects. Grant funding is not assumed in the adopted budget unless awarded but remains an important tool to reduce local financial impact and support long-term infrastructure investment.

The City also continues to maintain a fully funded status for its MERS defined benefit pension plan, in compliance with State of Michigan requirements. The Administration and Council remain committed to preserving this funded status and supporting the City's long-term financial stability.

Contacting the City's Financial Management:

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. If you have questions about this report or need additional financial information, contact the City Treasurer, 102 Butler Street, P.O. Box 86, Saugatuck, Michigan 49453.

BASIC FINANCIAL STATEMENTS

CITY OF SAUGATUCK

STATEMENT OF NET POSITION

June 30, 2025

	<i>Governmental Activities</i>
Assets:	
Cash and cash equivalents	\$ 3,933,635
Investments	8,958,995
Receivables	414,301
Capital assets not being depreciated	22,420,934
Capital assets being depreciated, net	6,614,007
Net pension asset	<u>201,420</u>
Total assets	<u>42,543,292</u>
Deferred outflows of resources:	
Related to pension	<u>143,099</u>
Liabilities:	
Accounts payable and accrued expenses	597,153
Long-term liabilities:	
Due within one year	
Current portion of long-term debt	307,000
Due in more than one year	
Compensated absences	52,176
Long-term debt	<u>1,036,000</u>
Total liabilities	<u>1,992,329</u>
Net position:	
Net investment in capital assets	27,691,941
Restricted for:	
Debt service	55,767
Pension benefits	344,519
Public works	794,256
Streets	3,476,604
Unrestricted	<u>8,330,975</u>
Total net position	<u><u>\$ 40,694,062</u></u>

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

CITY OF SAUGATUCK

STATEMENT OF ACTIVITIES

Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<i>Governmental activities:</i>					
General government	\$ 926,403	\$ 2,090	\$ -	\$ -	\$ (924,313)
Public safety	393,186	163,046	-	-	(230,140)
Public works	1,634,552	237,226	635,620	-	(761,706)
Community and economic development	218,231	-	-	-	(218,231)
Recreation and culture	632,163	1,065,212	29,917	15,000	477,966
Interest on long-term debt	29,795	-	-	-	(29,795)
Total governmental activities	<u>\$ 3,834,330</u>	<u>\$ 1,467,574</u>	<u>\$ 665,537</u>	<u>\$ 15,000</u>	<u>(1,686,219)</u>
General revenues:					
Property taxes, levied for general purpose					2,536,747
Property taxes, levied for streets					395,469
Property taxes, levied for debt service					317,847
Payment in lieu of taxes					6,704
Franchise fees					39,035
Grants and contributions not restricted to specific programs					170,806
Unrestricted investment earnings					<u>526,305</u>
Total general revenues					<u>3,992,913</u>
Change in net position					2,306,694
Net position, beginning of year					<u>38,387,368</u>
Net position, end of year					<u>\$ 40,694,062</u>

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

CITY OF SAUGATUCK

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2025

	<i>General Fund</i>	<i>Major Street Fund</i>	<i>Local Street Fund</i>	<i>Water and Sewer Improvements Fund</i>
Assets:				
Cash and cash equivalents	\$ 2,358,788	\$ 268,340	\$ 425,449	\$ 411,582
Investments	5,230,923	627,034	2,158,971	358,725
Accounts receivable	261,726	-	6,411	57,726
Due from other governments	59,067	18,429	10,942	-
Total assets	<u>\$ 7,910,504</u>	<u>\$ 913,803</u>	<u>\$ 2,601,773</u>	<u>\$ 828,033</u>
Liabilities:				
Accounts payable	\$ 171,735	\$ 145	\$ 35,776	\$ 33,777
Accrued expenses	547	-	-	-
Accrued wages payable	68,027	1,356	1,695	-
Total liabilities	<u>240,309</u>	<u>1,501</u>	<u>37,471</u>	<u>33,777</u>
Deferred inflows of resources:				
Unavailable revenue	<u>225,338</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Restricted for:				
Debt service	-	-	-	-
Streets	-	912,302	2,564,302	-
Public works	-	-	-	794,256
Committed for:				
Parks	1,000,000	-	-	-
Spear Boat Launch	26,942	-	-	-
Unassigned	6,417,915	-	-	-
Total fund balances	<u>7,444,857</u>	<u>912,302</u>	<u>2,564,302</u>	<u>794,256</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,910,504</u>	<u>\$ 913,803</u>	<u>\$ 2,601,773</u>	<u>\$ 828,033</u>

continued

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

CITY OF SAUGATUCK

GOVERNMENTAL FUNDS BALANCE SHEET, CONTINUED June 30, 2025

	<i>Debt Service Fund</i>	<i>Total</i>
Assets:		
Cash and cash equivalents	\$ 55,767	\$ 3,519,926
Investments	-	8,375,653
Accounts receivable	-	325,863
Due from other governments	-	88,438
	<u>55,767</u>	<u>88,438</u>
Total assets	<u>\$ 55,767</u>	<u>\$ 12,309,880</u>
Liabilities:		
Accounts payable	\$ -	\$ 241,433
Accrued expenses	-	547
Accrued wages payable	-	71,078
	<u>-</u>	<u>71,078</u>
Total liabilities	<u>-</u>	<u>313,058</u>
Deferred inflows of resources:		
Unavailable revenue	-	225,338
	<u>-</u>	<u>225,338</u>
Fund balances:		
Restricted for:		
Debt service	55,767	55,767
Streets	-	3,476,604
Public works	-	794,256
Committed for:		
Parks	-	1,000,000
Spear Boat Launch	-	26,942
Unassigned	-	6,417,915
	<u>55,767</u>	<u>11,771,484</u>
Total fund balances	<u>55,767</u>	<u>11,771,484</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 55,767</u>	<u>\$ 12,309,880</u>

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

CITY OF SAUGATUCK

RECONCILIATION OF FUND BALANCES OF THE GOVERNMENTAL FUNDS TO NET POSITION OF GOVERNMENTAL ACTIVITIES

June 30, 2025

Fund balances of governmental funds	\$ 11,771,484
Net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	
Capital assets not being depreciated	22,420,934
Capital assets being depreciated, net	6,614,007
Capital assets accounted for in the internal service fund	(694,301)
The net pension asset shown in governmental activities is not a current financial resource and therefore not reported in the funds.	201,420
Deferred outflows from the difference between projected and actual investment earnings of the pension plan, the difference between expected and actual experience and assumption changes of the pension plan as well as City contributions made after the measurement date of the net pension liability are not reported in the funds.	143,099
Some assets are not available to pay for current year expenditures. Those assets (such as certain receivables) are offset by deferred inflows of resources in the governmental funds, and thus not included in fund balance.	225,338
Certain liabilities are not due and payable in the current year and therefore are not reported in the governmental funds.	
Bonds payable	(1,343,000)
Compensated absences payable	(52,176)
Accrued interest payable	(4,688)
An internal service fund is used by management to charge the costs of certain activities, such as equipment usage, to individual funds. The assets and liabilities of the internal service fund are included in governmental activities.	<u>1,411,945</u>
Net position of governmental activities	<u>\$ 40,694,062</u>

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

CITY OF SAUGATUCK

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2025

	<i>General Fund</i>	<i>Major Street Fund</i>	<i>Local Street Fund</i>	<i>Water and Sewer Improvements Fund</i>
Revenues:				
Property taxes	\$ 2,542,045	\$ -	\$ 395,911	\$ -
Licenses and permits	190,582	-	-	-
Federal grants	201,346	-	-	-
State grants	130,952	122,898	69,575	-
Contributions from other units	-	117,695	124,106	-
Charges for services	1,067,302	-	-	237,043
Fines and forfeits	3,594	-	-	-
Interest and rents	335,339	18,031	112,095	25,893
Other revenue	62,759	-	183	-
Total revenues	<u>4,533,919</u>	<u>258,624</u>	<u>701,870</u>	<u>262,936</u>
Expenditures:				
Current				
General government	902,239	-	-	-
Public safety	396,246	-	-	-
Public works	878,260	126,991	169,340	6,750
Community and economic development	217,532	-	-	-
Recreation and culture	685,868	-	-	-
Capital outlay	267,575	-	217,902	36,444
Debt service				
Principal	-	-	-	-
Interest and fees	-	-	-	-
Total expenditures	<u>3,347,720</u>	<u>126,991</u>	<u>387,242</u>	<u>43,194</u>
Changes in fund balances	1,186,199	131,633	314,628	219,742
Fund balances, beginning of year	<u>6,258,658</u>	<u>780,669</u>	<u>2,249,674</u>	<u>574,514</u>
Fund balances, end of year	<u>\$ 7,444,857</u>	<u>\$ 912,302</u>	<u>\$ 2,564,302</u>	<u>\$ 794,256</u>

continued

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

CITY OF SAUGATUCK

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES, CONTINUED

Year Ended June 30, 2025

	<i>Debt Service Fund</i>	<i>Total</i>
Revenues:		
Property taxes	\$ 318,811	\$ 3,256,767
Licenses and permits	-	190,582
Federal grants	-	201,346
State grants	-	323,425
Contributions from other units	-	241,801
Charges for services	-	1,304,345
Fines and forfeits	-	3,594
Interest and rents	215	491,573
Other revenue	-	62,942
Total revenues	319,026	6,076,375
Expenditures:		
Current		
General government	-	902,239
Public safety	-	396,246
Public works	-	1,181,341
Community and economic development	-	217,532
Recreation and culture	-	685,868
Capital outlay	-	521,921
Debt service		
Principal	286,000	286,000
Interest and fees	30,629	30,629
Total expenditures	316,629	4,221,776
Changes in fund balances	2,397	1,854,599
Fund balances, beginning of year	53,370	9,916,885
Fund balances, end of year	\$ 55,767	\$ 11,771,484

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

CITY OF SAUGATUCK

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2025

Changes in fund balances of governmental funds	\$ 1,854,599
Change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.	
Purchases of capital assets	463,476
Depreciation expense	(440,267)
Deferred inflows of resources in governmental funds do not provide current financial resources but are current revenues in the statement of activities.	29,917
Payments of principal on long-term obligations are expenditures in governmental funds but the payments reduce long-term liabilities in the statement of net position.	286,000
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 compensated absences payable	(20,993)
Change in accrued interest on bonds	834
Change in net pension asset and related deferred outflows and deferred inflows	20,399
An internal service fund is used by management to charge the costs of certain activities, such as equipment usage, to individual funds. The change in net position of the internal service fund is included in governmental activities.	112,729
Change in net position of governmental activities	<u>\$ 2,306,694</u>

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

CITY OF SAUGATUCK

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
June 30, 2025

	<u><i>Internal Service Fund Motor Pool Fund</i></u>
Assets:	
<i>Current assets:</i>	
Cash and cash equivalents	\$ 413,709
Investments	<u>583,342</u>
Total current assets	<u>997,051</u>
<i>Noncurrent assets:</i>	
Capital assets being depreciated, net	<u>694,301</u>
Total assets	<u>1,691,352</u>
Liabilities:	
<i>Current liabilities:</i>	
Accounts payable	278,998
Accrued wages payable	<u>409</u>
Total current liabilities	<u>279,407</u>
Net position:	
Investment in capital assets	694,301
Unrestricted	<u>717,644</u>
Total net position	<u>\$ 1,411,945</u>

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

CITY OF SAUGATUCK

PROPRIETARY FUNDS
**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION**
Year Ended June 30, 2025

	<i><u>Internal Service Fund Motor Pool Fund</u></i>
Operating revenues:	
Equipment rental	\$ 313,462
Operating expenses:	
Personal services	32,730
Supplies	44,066
Other services and charges	82,484
Depreciation	<u>76,185</u>
Total operating expenses	<u>235,465</u>
Operating income (loss)	<u>77,997</u>
Non-operating revenues (expenses):	
Interest income	<u>34,732</u>
Change in net position	112,729
Net position, beginning of year	<u>1,299,216</u>
Net position, end of year	<u><u>\$ 1,411,945</u></u>

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

CITY OF SAUGATUCK

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Year Ended June 30, 2025

	<i><u>Internal Service Fund</u></i> <i><u>Motor Pool Fund</u></i>
Cash flows from operating activities:	
Cash received from interfund services	\$ 313,462
Cash payments to employees and on behalf of employees	(32,786)
Cash payments for goods, services and other	<u>142,711</u>
Net cash provided (used) by operating activities	<u>423,387</u>
Cash flows from capital related financing activities:	
Acquisition of capital assets	<u>(287,353)</u>
Cash flows from investing activities:	
Interest received	<u>34,732</u>
Net increase in cash and cash equivalents	170,766
Cash, cash equivalents, and investments, beginning of year	<u>826,285</u>
Cash, cash equivalents, and investments, end of year	<u><u>\$ 997,051</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 77,997
Adjustments:	
Depreciation	76,185
Change in assets and liabilities:	
Accounts payable	269,261
Accrued wages payable	<u>(56)</u>
Net cash provided (used) by operating activities	<u><u>\$ 423,387</u></u>

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

CITY OF SAUGATUCK

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
June 30, 2025

	<i>Custodial Fund</i>
	<i>Current Tax Collection Fund</i>
Assets:	
Cash and cash equivalents	\$ -
Liabilities:	
Due to other governments	-
Net position:	
Held for other governments	\$ -

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

CITY OF SAUGATUCK

FIDUCIARY FUNDS
**STATEMENT OF CHANGES IN FIDUCIARY
FUND NET POSITION**
Year Ended June 30, 2025

	<u><i>Custodial Fund</i></u> <u><i>Current Tax Collection Fund</i></u>
Additions:	
Property taxes collected for other governments	\$ 8,425,164
Deductions:	
Property taxes paid to other governments	<u>8,425,164</u>
Change in net position	-
Net position, beginning of year	<u>-</u>
Net position, end of year	<u><u>\$ -</u></u>

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

NOTES TO FINANCIAL STATEMENTS

CITY OF SAUGATUCK

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies used by the City of Saugatuck, (the “City”).

Reporting Entity:

The City of Saugatuck was incorporated under the Home Rule City Act (P.A. 279 pf 1979) and operates under a Council/Manager form of government. The City Council consists of seven (7) members including the Mayor and Mayor Pro-Tem. The City provides the following services: general administrative services, public safety, public works, highway and street maintenance, recreation and culture, and other governmental functions. In evaluating the City as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the City may be financially accountable and, as such, should be included within the City’s financial statements. Management has concluded there are no component units to be included in the City’s financial statements.

Jointly Governed Organizations:

Township of Saugatuck Fire District – The Township of Saugatuck Fire District (the “District”) is a jointly-governed organization of the City of Saugatuck, Township of Saugatuck and the City of the Village of Douglas formed May 18, 1976, to provide fire protection within the participating municipalities. Costs of operations and capital expenditures are supported by contributions from the participating municipalities. Complete audited financial statements for the District can be obtained from the City of Saugatuck’s Treasurer.

Interurban Transit Authority – The Interurban Transit Authority (the “Authority”) is organized as a non-profit corporation. The incorporating municipalities include the City of Saugatuck, 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. Complete audited financial statements for the District can be obtained from the City of Saugatuck’s Treasurer.

Kalamazoo Lake Sewer and Water Authority – The Kalamazoo Lake Sewer and Water Authority (the “Authority”) was created under the provisions of Act 233, Public Acts of Michigan, 1955, as amended with the constituent communities of the City of Saugatuck, the Township of Saugatuck, and the City of the Village of Douglas. 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, 2025, 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. Complete audited financial statements for the District can be obtained from the City of Saugatuck’s Treasurer.

Water Resource Improvement Tax Increment Finance Authority – The Water Resource Improvement Tax Increment Finance Authority (the “Authority”) was established by the City of Saugatuck and the City of the Village of Douglas. The Authority was formed to obtain funding to maintain the Kalamazoo River harbor. During the year ended June 30, 2025, the City made no contribution to the Authority.

Accounting and Reporting Principles:

The City follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Government Accounting Standards Board.

CITY OF SAUGATUCK

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Report Presentation:

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. 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, including special assessments. Taxes and other items not properly included among program revenues are reported instead as general revenue. For the most part, the effect of interfund activity has been removed from these statements.

Separate financial statements are provided for governmental funds and proprietary funds, even though the latter are not included in the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Basis of Accounting:

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources. Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due. Revenues are not recognized until they are collected, or collected soon enough after the end of the year that they are available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: most state-shared revenue, state gas and weight tax revenue, and interest associated with the current fiscal period.

Proprietary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting.

Fund Accounting:

The City accounts for its various activities in several different funds in order to demonstrate accountability for how it has spent certain resources - separate funds allow the City to show the particular expenditures that specific revenues were used for. The various funds are aggregated into three broad fund types:

CITY OF SAUGATUCK

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, and debt service funds. The City has elected to report all its governmental funds as “major” funds.

General Fund is the City’s primary operating fund because it accounts for all financial resources used to provide general government services, other than those specifically assigned to another fund.

Special Revenue Fund – Major Street Fund accounts for the expenditures associated with the maintenance and construction needs of the major street portion of the City’s street network.

Special Revenue Fund – Local Street Fund accounts for the expenditures associated with the maintenance and construction needs of the local street portion of the City’s street network.

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

Debt Service Fund accounts for a property tax levy for the payment of the 2017 Street and Infrastructure Refunding Bonds.

Fiduciary funds are used to account for the resources held in a fiduciary capacity. Fiduciary funds are not reflected in the government-wide financial statements because the resources of the funds are not available to support the City’s own programs

Custodial Funds report fiduciary activities that are not required to be reported in trust funds. This includes the Current Tax Collection Fund.

Proprietary funds include enterprise funds and internal service funds, which provide goods or services to users in exchange for charges or fees. The City has only an internal service fund.

Specific Balances and Transactions:

Cash, Cash Equivalents, and Investments – Cash and cash equivalents includes cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments are stated at fair value. For purposes 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. Investments are recorded in the City’s records at fair value.

Prepaid Items – Certain payments to vendors reflect costs applicable to future accounting periods and may be recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are defined by the City as assets with an individual cost in excess of \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The amount reported for infrastructure includes water and sewer improvements made since 1984, and all other types of infrastructure constructed or acquired since 2003. Capital assets are depreciated using the straight-line method over the following useful lives:

CITY OF SAUGATUCK

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Buildings and improvements	5-50 years
Infrastructure	20-50 years
Land improvements	10-30 years
Machinery and equipment	5-30 years
Streets	7-30 years

Long-term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs, if any, are expensed when bonds are issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as expenditures, as well as bond premiums and discounts. Debt service funds are generally used to liquidate long-term debt.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Unavailable revenue qualifies for reporting in this category and arises only under a modified accrual basis of accounting and therefore is reported only in the governmental funds.

Net Position Flow Assumption – Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumption – Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

CITY OF SAUGATUCK

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Fund Balance Policies – Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either committed or assigned fund balance.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as committed. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Other classifications of fund balance include: nonspendable fund balance, which are amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact; restricted fund balance, which are amounts that have constraints placed on their use by an external party or constitutional provisions or enabling legislation (grants, contributions, specific fee mandates); and unassigned fund balance, which are amounts that are available for any purpose. The General Fund is the only fund that reports a positive unassigned fund balance amount. However, unassigned balances also include negative balances in other governmental funds.

Property Taxes – Property taxes attach as enforceable liens on properties as of July 1. Taxes are levied July 1 and are due without penalty on or before September 14. The City bills and collects its own property taxes and also taxes for other taxing authorities. Collections of all the taxes and remittances of them to the other taxing authorities are accounted for in an agency fund. 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. In 2024, the City levied property taxes on an assessed property tax value of \$226,946,076 (exclusive of any Michigan Tax Tribunal or Board of Review adjustments). Taxes levied consisted of 10.5880 mills for the City's operating purposes, 1.7418 mills for streets and 1.4000 mills for debt.

Pension Costs – The City provides pension benefits to employees and retirees in two different pension plans; one is a defined benefit plan and the other is a defined contribution plan. For the defined benefit plan, the City records a net pension liability or asset for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability or asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF SAUGATUCK

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Compensated Absences – It is the City’s policy to permit full-time employees to accumulate earned but unused paid time off (PTO). Depending on employee’s years of service, the maximum accumulation and carryover of unused PTO hours are 160, 300, 360 or 420 each year, per employee. Any PTO that is not used, above the maximum accrual amount, shall be cashed/paid out at the employee’s current base rate of pay prior to the second pay period in December annually. A liability for vested compensated absences is accrued when earned and recognized in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only when they have matured or come due for payment – generally when an individual’s employment has terminated as of year end.

Proprietary Funds Operating Classification – 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 are charges to customers or other funds for sales and services. The proprietary funds recognize as nonoperating revenues investment income and gains on sales of capital assets. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All expenses not included in these classifications are reported as nonoperating expenses.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Interfund Activity:

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity may occur during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information:

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all special revenue funds. A comparison of actual results of operations to the budgeted amounts for the General Fund as well as any other major special revenue funds is included in the required supplementary information.

CITY OF SAUGATUCK

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, CONTINUED

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 governmental fund types as a management control device; 5. 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, 2025. 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 revision that alters the total expenditures of any fund must be approved by the City Council; 6. Budgeted amounts are as originally adopted, or as amended by the City Council.

Excess of Expenditures over Appropriations in Budgeted Funds:

During the year, the City did not incur expenditures in excess of the amounts budgeted.

NOTE 3: DEPOSITS AND INVESTMENTS

The investment policy adopted by the City Council is in accordance with Public Act 196 of 1997. The City's deposits and investments have been made in accordance with statutory authority. The City's deposits and investments are subject to several types of risk, which are presented in more detail as follows:

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 deposit policy for custodial credit risk. As of year end, the City's bank deposits were \$3,943,763, of which \$2,443,763 was exposed to custodial credit risk because it was uninsured and uncollateralized. Deposits of \$1,500,000 were covered by FDIC or SIPC. 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. The City analyzes the financial condition of the banks. The City only invests with those institutions with an acceptable estimated risk level for depositories and certificates of deposit.

Custodial Credit Risk – Investments – Public Act 196 of 1997 authorizes the City is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States, in accounts of financial institutions, commercial paper with specific maximum maturities and ratings when purchased, repurchase agreements, bankers acceptances of United States banks, obligations of the State of Michigan or any of its political subdivisions, mutual funds composed of investment vehicles that are legal for direct investment by a public corporation and investments in Michigan government pools. 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 a policy for investment custodial credit risk and the City does not have a policy.

CITY OF SAUGATUCK

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 3: DEPOSITS AND INVESTMENTS, CONTINUED

Interest Rate Risk – Investments – Interest rate risk is the risk that the value of fixed income investments will decrease as a result of a rise in interest rates. State law limits the allowable investments and the maturities of some of the allowable investments. The Township’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. At year end, the average maturities of fixed income security investments are as follows:

<u>Investment Type</u>	<u>Market Value</u>	<u>Less than 1 Year</u>
Investment Pool - Michigan CLASS	\$ 8,958,995	\$ 8,958,995

Credit Risk – Investments – State law limits investments to specific government securities, certificates of deposit and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools. The Township’s investment policy does not have specific limits in excess of state law on investment credit risk. At year end, the credit quality ratings of fixed income securities are as follow:

<u>Investment Type</u>	<u>Market Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Investment Pool - Michigan CLASS	\$ 8,958,995	AAA/m	S & P

NOTE 4: FAIR VALUE MEASUREMENTS

Fair Value Measurements – The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has \$8,958,995 invested with the Michigan Cooperative Liquid Assets Security System (Michigan CLASS). Michigan CLASS is a participant-controlled trust created in accordance with Section 5 of Act 7 of the Urban Cooperation Act of 1967 and the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150. Michigan CLASS funds are authorized to invest in U.S. Treasuries, U.S. Agencies, commercial paper, bankers’ acceptances, repurchase agreements, certificates of deposit, and mutual funds. Michigan CLASS is not subject to regulatory oversight and is not registered with the SEC, however, does issue a separate audited financial statement. Michigan CLASS operates like a money market mutual fund, with each share valued at \$1. Fair value of the City’s position in the government investment pool is the same as the value of the Michigan CLASS pool shares.

Michigan CLASS (money market mutual fund) is recorded at amortized cost, which approximates fair value and these funds are not subject to the fair value disclosures under Governmental Accounting Standards Board (GASB) Statement No. 72. The funds do not require notification of redemptions.

CITY OF SAUGATUCK

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025 was as follows:

	<i>Restated July 1, 2024</i>	<i>Additions</i>	<i>Retirements</i>	<i>June 30, 2025</i>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,160,697	\$ -	\$ -	\$ 3,160,697
Land - Saugatuck Harbor Natural Area *	19,000,000	-	-	19,000,000
Constructions in progress	130,483	129,754	-	260,237
Total capital assets not being depreciated	22,291,180	129,754	-	22,420,934
Capital assets being depreciated:				
Buildings and improvements	1,544,993	10,872	-	1,555,865
Infrastructure	3,954,133	-	-	3,954,133
Land improvements	1,878,421	160,000	-	2,038,421
Machinery and equipment	1,809,810	302,653	-	2,112,463
Streets	5,764,489	147,550	-	5,912,039
Total capital assets being depreciated	14,951,846	621,075	-	15,572,921
Less accumulated depreciation for:				
Buildings and improvements	(997,239)	(37,368)	-	(1,034,607)
Infrastructure	(2,189,753)	(81,960)	-	(2,271,713)
Land improvements	(985,757)	(62,311)	-	(1,048,068)
Machinery and equipment	(1,310,460)	(83,176)	-	(1,393,636)
Streets	(2,959,253)	(251,637)	-	(3,210,890)
Total accumulated depreciation	(8,442,462)	(516,452)	-	(8,958,914)
Capital assets being depreciated, net	6,509,384	104,623	-	6,614,007
Governmental activities, capital assets, net	\$ 28,800,564	\$ 234,377	\$ -	\$ 29,034,941

* Land - Saugatuck Harbor Natural Area was acquired with MNRTF assistance and shall be maintained as public outdoor use in perpetuity.

Depreciation expense was charged to various functions as follows:

General government	\$ 20,891
Public works	344,621
Recreation and culture	74,755
Internal service fund	76,185
	<u>\$ 516,452</u>

CITY OF SAUGATUCK

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 6: LONG-TERM DEBT

The City may issue bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds and contract financing are direct obligations and pledge the full faith and credit of the City.

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2025:

	<u>July 1, 2024</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2025</u>	<u>Due Within One Year</u>
Governmental activities:					
Direct Placements	\$ 1,629,000	\$ -	\$ (286,000)	\$ 1,343,000	\$ 307,000
Compensated absences	<u>31,183</u>	<u>20,993</u> *	<u>-</u>	<u>52,176</u>	<u>-</u>
Total long-term obligations	<u>\$ 1,660,183</u>	<u>\$ 20,993</u>	<u>\$ (286,000)</u>	<u>\$ 1,395,176</u>	<u>\$ 307,000</u>

* The change in the compensated absences liability is presented as a net change.

Debt issues outstanding are as follows:

	<u>Maturity Date</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>
Governmental activities:				
<i>Direct Placements:</i>				
2017 Unlimited Tax General Obligation				
Street and Infrastructure Refunding Bonds	2029	\$ 2,793,000	1.90-2.20%	\$ 1,343,000

Annual debt service requirements to maturity for the general obligation bonds are as follows:

<u>Year Ended June 30,</u>	<u>Governmental Activities</u>		
	<u>Direct Placements</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 307,000	\$ 25,210	\$ 332,210
2027	326,000	18,871	344,871
2028	346,000	11,728	357,728
2029	<u>364,000</u>	<u>4,004</u>	<u>368,004</u>
	<u>\$ 1,343,000</u>	<u>\$ 59,813</u>	<u>\$ 1,402,813</u>

CITY OF SAUGATUCK

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 8: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

	<i>Governmental Activities</i>
Receivables:	
Accounts	\$ 325,863
Intergovernmental	88,438
Total receivables	<u>\$ 414,301</u>
Accounts payable and accrued expenses:	
Accounts	\$ 520,431
Payroll liabilities	72,034
Accrued interest	4,688
Total accounts payable and accrued expenses	<u>\$ 597,153</u>

NOTE 9: 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 (workers' compensation); and natural disasters. During the year ended June 30, 2025, the City carried commercial insurance to cover all risks of losses. The City has 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.

NOTE 10: EMPLOYEE RETIREMENT BENEFIT COMMITMENTS

The City has two employee pension plans and a deferred compensation plan. One of the pension plans is a defined benefit pension plan and the other is a defined contribution plan. Information concerning each plan follows:

Defined Contribution Pension Plan (Municipal Employees' Retirement System of Michigan):

In addition to participating in the hybrid division of the defined benefit pension plan, employees hired on or after May 1, 2004 are eligible to participate in the City's defined contribution plan. The City's Defined Contribution Pension Plan is a single employer defined contribution pension plan, established by the City and administered by MERS Retirement Board. The City's contribution is 6% of each participant's base salary each month. The City's contributions for each participant and interest allocation to the participant's account are vested as follows: 0-20-40-60-80-100, fully vested after six (6) years of continuous service. Employer contributions for the plan were \$48,380 and employees contributed \$5,177 for the year ended June 30, 2025.

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

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, if any, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF SAUGATUCK

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 10: EMPLOYEE RETIREMENT BENEFIT COMMITMENTS, CONTINUED

Plan Description – The employer’s defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

Benefits Provided – The following are the benefits provided from the December 31, 2024 valuation. The General Division is closed to new hires (linked to Division HA) and the HA Division is open to new hires after May 1, 2004 (linked to Division General).

	<u>01 - General (closed)</u>	<u>HA - EEs hired after 5/1/04</u>
Benefit Multiplier:	2.00% Multiplier (no max)	1.50% Multiplier (no max)
Normal Retirement Age:	60	60
Vesting:	10 years	6 years
Early Retirement (Unreduced):	-	-
Early Retirement (Reduced):	50/25	-
	55/15	-
Final Average Compensation:	5 years	3 years
Member Contributions:	0%	0%
Act 88:	No	No

Employees covered by benefit terms – At the December 31, 2024 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits:	14
Inactive employees entitled to but not yet receiving benefits:	5
Active employees:	<u>11</u>
Total	<u>30</u>

Contributions – Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The City is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City may establish contribution rates to be paid by its covered employees.

City contributions, for the current fiscal year, were 8.15% based on annual payroll for open divisions and a flat monthly contribution of \$4,500 for the closed division. The percentage rates/contribution amounts for the current year were based on the December 31, 2022 valuation.

Net Pension Liability (Asset) – The City’s net pension liability (asset) reported at June 30, 2025 was measured as of December 31, 2024, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation performed as of that date.

Actuarial assumptions – The total pension liability (asset) in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement: Inflation: 2.50%; Salary Increases: 3.00% in the long-term; Investment rate of return: 6.93%, net of investment and administrative expenses including inflation.

CITY OF SAUGATUCK

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 10: EMPLOYEE RETIREMENT BENEFIT COMMITMENTS, CONTINUED

Although no specific price inflation assumptions are needed for the valuation, the 3.00% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%. Mortality rates used were based on a version of Pub-2010 and fully generational MP-2019.

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study of 2014-2018.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Target Allocation Gross Rate of Return	Long-Term Expected Gross Rate of Return	Inflation Assumption	Long-Term Expected Real Rate of Return
Global Equity	60.00%	7.00%	4.20%	2.50%	2.70%
Global Fixed Income	20.00%	4.66%	0.93%	2.50%	0.43%
Private Investments	20.00%	9.00%	1.80%	2.50%	1.30%
Total	100.00%		6.93%		4.43%

Discount rate – The discount rate used to measure the total pension liability (asset) is 7.18%. The projection of cash flows used to determine the discount rate assumes that City and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for the City. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in net pension liability during the measurement year were as follows:

	<i>Increase (Decrease)</i>		
	<i>Total Pension Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net Pension Liability (Asset)</i>
Balances at 12/31/23	\$ 2,247,626	\$ 2,355,998	\$ (108,372)
Service cost	53,568	-	53,568
Interest on total pension liability	157,145	-	157,145
Difference between expected and actual experience	(17,579)	-	(17,579)
Changes in assumptions	(7,772)	-	(7,772)
Employer contributions	-	108,315	(108,315)
Net investment income (loss)	-	175,305	(175,305)
Benefit payments, including employee refunds	(171,522)	(171,522)	-
Administrative expenses	-	(5,210)	5,210
Net changes	13,840	106,888	(93,048)
Balances at 12/31/24	\$ 2,261,466	\$ 2,462,886	\$ (201,420)

CITY OF SAUGATUCK

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 10: EMPLOYEE RETIREMENT BENEFIT COMMITMENTS, CONTINUED

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability (asset) of the City, calculated using the discount rate of 7.18%, as well as what the City's net pension liability (asset) would be using a discount rate that is 1 percentage point lower (6.18%) or 1 percentage point higher (8.18%) than the current rate.

	<u><i>1% Decrease Rate 6.18%</i></u>	<u><i>Current Rate 7.18%</i></u>	<u><i>1% Increase Rate 8.18%</i></u>
Change in net pension liability (asset) as of 12/31/24	\$ 247,872	\$ -	\$ (207,988)

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – For the year ended June 30, 2025, the City recognized pension expense of \$88,763. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u><i>Deferred Outflows of Resources</i></u>	<u><i>Deferred Inflows of Resources</i></u>
Difference between expected and actual experience	\$ 496	\$ -
Changes in assumptions	1,983	-
Net difference between projected and actual earnings on pension plan investments	83,847	-
Contributions subsequent to the measurement date	56,773	-
	<u>\$ 143,099</u>	<u>\$ -</u>

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date (\$56,773), which will impact the net pension liability in fiscal year 2026, rather than pension expense.

<u><i>Year Ended</i></u>	<u><i>Amount</i></u>
2026	\$ 45,347
2027	67,560
2028	(24,860)
2029	(1,721)

Pension Plan Fiduciary Net Position – Detailed information about the plan's fiduciary net position is available in the separately issued financial report found at www.mersofmichigan.com. The plan's fiduciary net position has been determined on the same basis used by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

CITY OF SAUGATUCK

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 10: EMPLOYEE RETIREMENT BENEFIT COMMITMENTS, CONTINUED

Deferred Compensation Plan:

The City 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, the plan has not been actuarially valued. The City made contributions of \$33,832 and employees contributed \$51,963 to the plan for the year ended June 30, 2025.

NOTE 11: BENEFICIARY INTEREST IN ENDOWMENT

The City is the beneficiary of an endowment fund owned by the Community Foundation Holland/Zeeland Area (CFHZ). The endowment fund was established at CFHZ from a third-party donor designating the funds to be used for the Saugatuck Harbor Natural Area. The balance of the endowment fund was \$866,397 at June 30, 2025.

Each year, at the discretion of CFHZ, the City is allocated a beneficiary distribution. During the current year, the City was allocated a distribution of \$29,917 which the City Council elected not to take out of the endowment fund. As of June 30, 2025, the City has a cumulative allocation balance of \$225,338 at CFHZ that City has elected to report as *deferred inflow – unavailable* in the General Fund.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SAUGATUCK

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total pension liability					
Service cost	\$ 53,568	\$ 54,404	\$ 53,205	\$ 44,271	\$ 27,978
Interest on total pension liability	157,145	153,830	149,794	150,031	147,855
Difference between expected and actual experience	(17,579)	15,397	23,929	(4,370)	(34,618)
Changes in assumptions	(7,772)	15,626	-	69,441	51,763
Benefit payments, including employee refunds	<u>(171,522)</u>	<u>(172,467)</u>	<u>(171,216)</u>	<u>(172,423)</u>	<u>(172,564)</u>
Net change in total pension liability	13,840	66,790	55,712	86,950	20,414
Total pension liability - beginning	<u>2,247,626</u>	<u>2,180,836</u>	<u>2,125,124</u>	<u>2,038,174</u>	<u>2,017,760</u>
Total pension liability - ending	<u><u>\$ 2,261,466</u></u>	<u><u>\$ 2,247,626</u></u>	<u><u>\$ 2,180,836</u></u>	<u><u>\$ 2,125,124</u></u>	<u><u>\$ 2,038,174</u></u>
Plan fiduciary net position					
Contributions - employer	\$ 108,315	\$ 142,045	\$ 162,080	\$ 153,255	\$ 281,345
Contributions - employee	-	-	-	-	-
Net investment income (loss)	175,305	238,794	(248,728)	300,769	249,780
Benefit payments, including employee refunds	(171,522)	(172,467)	(171,216)	(172,423)	(172,564)
Administrative expenses	<u>(5,210)</u>	<u>(5,056)</u>	<u>(4,470)</u>	<u>(3,455)</u>	<u>(3,722)</u>
Net change in plan fiduciary net position	106,888	203,316	(262,334)	278,146	354,839
Total plan fiduciary net position - beginning	<u>2,355,998</u>	<u>2,152,682</u>	<u>2,415,016</u>	<u>2,136,870</u>	<u>1,782,031</u>
Total plan fiduciary net position - ending	<u><u>\$ 2,462,886</u></u>	<u><u>\$ 2,355,998</u></u>	<u><u>\$ 2,152,682</u></u>	<u><u>\$ 2,415,016</u></u>	<u><u>\$ 2,136,870</u></u>
City's net pension liability (asset)	\$ (201,420)	\$ (108,372)	\$ 28,154	\$ (289,892)	\$ (98,696)
Plan fiduciary net position as a percentage of the total pension liability	108.91%	104.82%	98.71%	113.64%	104.84%
Covered employee payroll	\$ 679,801	\$ 707,462	\$ 645,687	\$ 547,229	\$ 370,077
City's net pension liability as a percentage of covered employee payroll	-29.63%	-15.32%	4.36%	-52.97%	-26.67%

Notes:

The amounts presented for each year were determined as of December 31.

continued

CITY OF SAUGATUCK

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS, CONTINUED

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability					
Service cost	\$ 38,917	\$ 37,969	\$ 34,851	\$ 31,064	\$ 31,513
Interest on total pension liability	146,990	147,504	143,075	142,273	134,424
Difference between expected and actual experience	51,150	(31,540)	30,967	(37,535)	(16,662)
Changes in assumptions	46,146	-	-	-	85,100
Benefit payments, including employee refunds	<u>(166,721)</u>	<u>(154,928)</u>	<u>(155,248)</u>	<u>(100,096)</u>	<u>(70,168)</u>
Net change in total pension liability	116,482	(995)	53,645	35,706	164,207
Total pension liability - beginning	<u>1,901,278</u>	<u>1,902,273</u>	<u>1,848,628</u>	<u>1,812,922</u>	<u>1,648,715</u>
Total pension liability - ending	<u>\$ 2,017,760</u>	<u>\$ 1,901,278</u>	<u>\$ 1,902,273</u>	<u>\$ 1,848,628</u>	<u>\$ 1,812,922</u>
Plan fiduciary net position					
Contributions - employer	\$ 184,830	\$ 142,983	\$ 88,869	\$ 59,767	\$ 54,418
Contributions - employee	-	-	-	-	-
Net investment income (loss)	212,949	(64,967)	196,651	157,635	(22,138)
Benefit payments, including employee refunds	(166,721)	(154,928)	(155,248)	(100,096)	(70,168)
Administrative expenses	<u>(3,673)</u>	<u>(3,179)</u>	<u>(3,116)</u>	<u>(3,111)</u>	<u>(3,165)</u>
Net change in plan fiduciary net position	227,385	(80,091)	127,156	114,195	(41,053)
Total plan fiduciary net position - beginning	<u>1,554,646</u>	<u>1,634,737</u>	<u>1,507,581</u>	<u>1,393,386</u>	<u>1,434,439</u>
Total plan fiduciary net position - ending	<u>\$ 1,782,031</u>	<u>\$ 1,554,646</u>	<u>\$ 1,634,737</u>	<u>\$ 1,507,581</u>	<u>\$ 1,393,386</u>
City's net pension liability (asset)	\$ 235,729	\$ 346,632	\$ 267,536	\$ 341,047	\$ 419,536
Plan fiduciary net position as a percentage of the total pension liability	88.32%	81.77%	85.94%	81.55%	76.86%
Covered employee payroll	\$ 514,779	\$ 486,191	\$ 429,750	\$ 415,545	\$ 431,705
City's net pension liability as a percentage of covered employee payroll	45.79%	71.30%	62.25%	82.07%	97.18%

CITY OF SAUGATUCK

SCHEDULE OF CITY DEFINED BENEFIT PLAN PENSION CONTRIBUTIONS

Last Ten Fiscal Years

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Actuarially determined contribution	\$ 110,588	\$ 113,947	\$ 109,403	\$ 50,584	\$ 40,454
Contributions in relation to the actuarially determined contribution	<u>110,588</u>	<u>113,947</u>	<u>138,903</u>	<u>107,073</u>	<u>149,103</u>
Contribution (excess) deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (29,500)</u>	<u>\$ (56,489)</u>	<u>\$ (108,649)</u>
Covered-employee payroll	\$ 679,801	\$ 707,462	\$ 645,687	\$ 547,229	\$ 370,077
Actuarially determined contribution as a percentage of covered-employee payroll	16.27%	16.11%	16.94%	9.24%	10.93%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 44,944	\$ 53,191	\$ 55,048	\$ 48,167	\$ 42,929
Contributions in relation to the actuarially determined contribution	<u>284,627</u>	<u>169,732</u>	<u>142,048</u>	<u>82,167</u>	<u>54,929</u>
Contribution (excess) deficiency	<u>\$ (239,683)</u>	<u>\$ (116,541)</u>	<u>\$ (87,000)</u>	<u>\$ (34,000)</u>	<u>\$ (12,000)</u>
Covered-employee payroll	\$ 514,779	\$ 486,191	\$ 429,750	\$ 415,545	\$ 431,705
Actuarially determined contribution as a percentage of covered-employee payroll	8.73%	10.94%	12.81%	11.59%	9.94%

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of December 31 each year, which is 18 months prior to the beginning of the fiscal year in which the contributions are required

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level percentage of payroll, closed and open
Remaining amortization period	15 years
Asset valuation method	5-year smoothed market
Inflation	2.5%
Salary increases	3.00% in the long term
Investment rate of return	6.93%, effective with the December 31, 2019 valuation
Retirement age	Age 50-60
Mortality	Pub-2010 and fully generational MP-2019

Note: Information presented is as of fiscal year end of each year.

CITY OF SAUGATUCK

GENERAL FUND BUDGETARY COMPARISON SCHEDULE Year Ended June 30, 2025

	<i>Budgeted Amounts</i>			<i>Variances with Final Budget Favorable (Unfavorable)</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	
Revenues:				
Property taxes	\$ 2,496,190	\$ 2,542,013	\$ 2,542,045	\$ 32
Licenses and permits	142,000	170,047	190,582	20,535
Federal grants	1,300,000	-	201,346	201,346
State grants	603,000	304,070	130,952	(173,118)
Charges for services	726,900	844,561	1,067,302	222,741
Fines and forfeits	1,500	3,169	3,594	425
Interest and rents	100,000	233,000	335,339	102,339
Other revenue	5,000	70,904	62,759	(8,145)
Total revenues	5,374,590	4,167,764	4,533,919	366,155
Expenditures:				
Current				
General government				
Council	289,100	290,600	166,309	124,291
Administration	262,700	273,460	245,306	28,154
Clerk	244,750	246,850	233,021	13,829
Audit	11,000	10,475	10,475	-
Treasurer	148,350	171,500	161,879	9,621
Assessing	47,830	50,130	45,054	5,076
Building and Grounds	40,650	53,265	40,195	13,070
Total general government	1,044,380	1,096,280	902,239	194,041
Public safety				
Police	415,500	416,500	396,246	20,254
Public works				
Department of public works	2,498,700	995,025	830,254	164,771
Street lighting	27,000	30,000	29,938	62
Cemetery	6,800	6,800	6,000	800
Harbor	20,000	55,000	12,068	42,932
Total public works	2,552,500	1,086,825	878,260	208,565
Community and economic development				
Planning and Zoning	336,300	255,150	217,532	37,618

continued

CITY OF SAUGATUCK

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE, CONTINUED

Year Ended June 30, 2025

	<i>Budgeted Amounts</i>			<i>Variances with Final Budget Favorable (Unfavorable)</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	
Recreation and culture				
Historic District Commission	71,495	66,695	38,910	27,785
Parks and Recreation	543,000	557,000	255,602	301,398
Oval Beach	250,200	306,700	303,002	3,698
Oval Concession	83,350	107,350	88,044	19,306
Spear Boat Launch	1,250	1,350	310	1,040
Total recreation and culture	949,295	1,039,095	685,868	353,227
Capital outlay	294,500	331,500	267,575	63,925
Total expenditures	5,592,475	4,225,350	3,347,720	877,630
Change in fund balance	(217,885)	(57,586)	1,186,199	1,243,785
Fund balance, beginning of year	6,258,658	6,258,658	6,258,658	-
Fund balance, end of year	<u>\$ 6,040,773</u>	<u>\$ 6,201,072</u>	<u>\$ 7,444,857</u>	<u>\$ 1,243,785</u>

CITY OF SAUGATUCK

MAJOR STREET FUND
BUDGETARY COMPARISON SCHEDULE
 Year Ended June 30, 2025

	<i>Budgeted Amounts</i>			<i>Variances with Final Budget Favorable (Unfavorable)</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	
Revenues:				
State grants	\$ 120,000	\$ 115,000	\$ 122,898	\$ 7,898
Contributions from other units	95,000	120,000	117,695	(2,305)
Interest and rents	5,000	16,000	18,031	2,031
Total revenues	220,000	251,000	258,624	7,624
Expenditures:				
Current				
Public works	52,000	237,100	126,991	110,109
Other financing sources (uses):				
Interfund transfers in	100,000	100,000	-	(100,000)
Change in fund balance	268,000	113,900	131,633	17,733
Fund balance, beginning of year	780,669	780,669	780,669	-
Fund balance, end of year	<u>\$ 1,048,669</u>	<u>\$ 894,569</u>	<u>\$ 912,302</u>	<u>\$ 17,733</u>

CITY OF SAUGATUCK

LOCAL STREET FUND
BUDGETARY COMPARISON SCHEDULE
 Year Ended June 30, 2025

	<i>Budgeted Amounts</i>			<i>Variances with Final Budget Favorable (Unfavorable)</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	
Revenues:				
Property taxes	\$ 388,500	\$ 395,800	\$ 395,911	\$ 111
State grants	70,000	70,000	69,575	(425)
Contributions from other units	95,000	117,000	124,106	7,106
Interest and rents	15,000	90,000	112,095	22,095
Other revenue	-	-	183	183
Total revenues	<u>568,500</u>	<u>672,800</u>	<u>701,870</u>	<u>29,070</u>
Expenditures:				
Current				
Public works	54,000	169,340	169,340	-
Capital outlay	-	345,660	217,902	127,758
Total expenditures	<u>54,000</u>	<u>515,000</u>	<u>387,242</u>	<u>127,758</u>
Other financing sources (uses):				
Interfund transfers out	(100,000)	(100,000)	-	100,000
Change in fund balance	414,500	57,800	314,628	129,070
Fund balance, beginning of year	<u>2,249,674</u>	<u>2,249,674</u>	<u>2,249,674</u>	-
Fund balance, end of year	<u>\$ 2,664,174</u>	<u>\$ 2,307,474</u>	<u>\$ 2,564,302</u>	<u>\$ 129,070</u>

CITY OF SAUGATUCK

WATER AND SEWER IMPROVEMENTS FUND **BUDGETARY COMPARISON SCHEDULE**

Year Ended June 30, 2025

	<i>Budgeted Amounts</i>			<i>Variances with Final Budget Favorable (Unfavorable)</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	
Revenues:				
Charges for services	\$ 152,000	\$ 177,600	\$ 237,043	\$ 59,443
Interest and rents	3,000	18,000	25,893	7,893
Total revenues	155,000	195,600	262,936	67,336
Expenditures:				
Current				
Public works	5,000	15,000	6,750	8,250
Capital outlay	150,000	100,000	36,444	63,556
Total expenditures	155,000	115,000	43,194	71,806
Change in fund balance	-	80,600	219,742	75,586
Fund balance, beginning of year	574,514	574,514	574,514	-
Fund balance, end of year	<u>\$ 574,514</u>	<u>\$ 655,114</u>	<u>\$ 794,256</u>	<u>\$ 75,586</u>

SUPPLEMENTARY INFORMATION

CITY OF SAUGATUCK

GOVERNMENTAL ACTIVITIES SCHEDULE OF INDEBTEDNESS

June 30, 2025

2017 STREET AND INFRASTRUCTURE REFUNDING BONDS (UNLIMITED TAX GENERAL OBLIGATION)

Issue dated October 11, 2017 in the amount of	\$ 2,793,000
Less: Principal paid in prior years	(1,164,000)
Principal paid in current year	<u>(286,000)</u>
Balance payable at June 30, 2025	<u>\$ 1,343,000</u>

Balance payable as follows:

<i><u>Year Ended</u></i>	<i><u>Interest Rate</u></i>	<i><u>Principal due November 1</u></i>	<i><u>Interest due November 1</u></i>	<i><u>Interest due May 1</u></i>	<i><u>Total Annual Requirement</u></i>
2026	1.900%	\$ 307,000	\$ 14,063	\$ 11,147	\$ 332,210
2027	2.100%	326,000	11,147	7,724	344,871
2028	2.150%	346,000	7,724	4,004	357,728
2029	2.200%	<u>364,000</u>	<u>4,004</u>	<u>-</u>	<u>368,004</u>
		<u>\$ 1,343,000</u>	<u>\$ 36,938</u>	<u>\$ 22,875</u>	<u>\$ 1,402,813</u>