

City of Plainwell, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended June 30, 2003

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INDEPENDENT AUDITORS' REPORT

City Council
City of Plainwell, Michigan

We have audited the accompanying general purpose financial statements of the City of Plainwell, Michigan, as of June 30, 2003, and for the year then ended, as listed in the contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Plainwell, Michigan, as of June 30, 2003, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information and other supplementary data, as listed in the contents, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Plainwell, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Siegfried Crandall P.C.

August 14, 2003

GENERAL PURPOSE FINANCIAL STATEMENTS

City of Plainwell
COMBINED BALANCE SHEET - all fund types, account groups,
and discretely-presented component units
June 30, 2003

ASSETS	Governmental fund types				Proprietary fund types	
	General	Special revenue	Debt Service	Capital Projects	Enterprise	Internal Service
Cash	\$ 356,530	\$ 916,729	\$ 11,842	\$ 389,157	\$ 1,492,286	\$ 374,640
Receivables:						
Taxes	4,207	-	-	-	-	-
Accounts	16,282	-	-	-	125,179	-
Due from other governmental units	159,089	43,182	-	-	-	-
Prepaid insurance	16,117	3,502	-	-	7,793	1,609
Fixed assets (net, where applicable, of accumulated depreciation)	-	-	-	-	5,862,887	207,382
Amount to be provided for retirement of general long-term debt	-	-	-	-	-	-
TOTAL ASSETS	\$ 552,225	\$ 963,413	\$ 11,842	\$ 389,157	\$ 7,488,145	\$ 583,631
LIABILITIES AND FUND EQUITY						
LIABILITIES:						
Accounts payable	\$ 20,312	\$ 11,438	\$ -	\$ -	\$ 69,146	\$ 6,815
Accrued expenses	-	-	-	-	25,777	3,486
Due to other governmental units	-	-	-	-	-	-
Accrued employee benefits	-	-	-	-	-	-
Long-term debt	-	-	-	-	1,300,000	-
Total liabilities	20,312	11,438	-	-	1,394,923	10,301
FUND EQUITY:						
Investment in general fixed assets	-	-	-	-	-	-
Contributed capital	-	-	-	-	3,395,836	88,961
Retained earnings - unreserved, undesignated	-	-	-	-	2,697,386	484,369
Fund balance:						
Reserved	26,826	-	11,842	-	-	-
Unreserved:						
Designated	-	257,029	-	389,157	-	-
Undesignated	505,087	694,946	-	-	-	-
Total fund equity	531,913	951,975	11,842	389,157	6,093,222	573,330
TOTAL LIABILITIES AND FUND EQUITY	\$ 552,225	\$ 963,413	\$ 11,842	\$ 389,157	\$ 7,488,145	\$ 583,631

<i>Fiduciary fund type Agency</i>	<i>Account groups</i>		<i>Totals (memorandum only)</i>	<i>Component units</i>		<i>Totals (memorandum only)</i>
	<i>General fixed assets</i>	<i>General long- term debt</i>	<i>Primary government</i>	<i>Tax Increment Finance Authority</i>	<i>Downtown Development Authority</i>	<i>Reporting entity</i>
\$ 190,878	\$ -	\$ -	\$ 3,732,062	\$ 503,134	\$ -	\$ 4,235,196
-	-	-	4,207	-	-	4,207
-	-	-	141,461	703	-	142,164
230,638	-	-	432,909	-	-	432,909
-	-	-	29,021	-	-	29,021
-	2,532,613	-	8,602,882	-	-	8,602,882
-	-	142,279	142,279	-	-	142,279
<u>\$ 421,516</u>	<u>\$ 2,532,613</u>	<u>\$ 142,279</u>	<u>\$ 13,084,821</u>	<u>\$ 503,837</u>	<u>\$ -</u>	<u>\$ 13,588,658</u>
\$ 30,706	\$ -	\$ -	\$ 138,417	\$ 54,158	\$ -	\$ 192,575
-	-	-	29,263	-	-	29,263
390,810	-	-	390,810	-	-	390,810
-	-	92,279	92,279	-	-	92,279
-	-	50,000	1,350,000	-	-	1,350,000
<u>421,516</u>	<u>-</u>	<u>142,279</u>	<u>2,000,769</u>	<u>54,158</u>	<u>-</u>	<u>2,054,927</u>
-	2,532,613	-	2,532,613	-	-	2,532,613
-	-	-	3,484,797	-	-	3,484,797
-	-	-	3,181,755	-	-	3,181,755
-	-	-	38,668	-	-	38,668
-	-	-	646,186	255,689	-	901,875
-	-	-	1,200,033	193,990	-	1,394,023
-	2,532,613	-	11,084,052	449,679	-	11,533,731
<u>\$ 421,516</u>	<u>\$ 2,532,613</u>	<u>\$ 142,279</u>	<u>\$ 13,084,821</u>	<u>\$ 503,837</u>	<u>\$ -</u>	<u>\$ 13,588,658</u>

See notes to financial statements

City of Plainwell

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - all governmental fund types and discretely-presented component units**

Year ended June 30, 2003

	<u>General</u>	<u>Special revenue</u>
REVENUES:		
Taxes	\$ 1,040,263	\$ 226,217
Licenses and permits	44,244	-
Federal grant	11,094	-
State grants	487,650	250,062
Contributions from local units	30,809	79,912
Charges for services	101,943	-
Fines and forfeitures	7,596	-
Interest	10,179	20,923
Other	<u>56,329</u>	<u>7,342</u>
Total revenues	<u>1,790,107</u>	<u>584,456</u>
EXPENDITURES:		
Legislative	9,150	-
General government	367,259	93
Public safety	894,716	-
Public works	82,294	623,734
Recreation and cultural	138,208	-
Debt service:		
Principal	-	50,000
Interest and fiscal charges	-	3,388
Capital outlay	<u>868</u>	<u>-</u>
Total expenditures	<u>1,492,495</u>	<u>677,215</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>297,612</u>	<u>(92,759)</u>
OTHER FINANCING SOURCES (USES):		
Operating transfer in - other funds	-	180,000
Operating transfer in - component unit	262,734	-
Operating transfer out - other funds	-	(180,000)
Operating transfer out - component unit	<u>(84,950)</u>	<u>-</u>
Total other financing sources (uses)	<u>177,784</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	475,396	(92,759)
FUND BALANCE - BEGINNING OF YEAR	<u>56,517</u>	<u>1,044,734</u>
FUND BALANCE - END OF YEAR	<u>\$ 531,913</u>	<u>\$ 951,975</u>

<i>Debt Service</i>	<i>Capital Projects</i>	<i>Totals (memorandurr only) Primary government</i>	<i>Component units</i>		<i>Totals (memorandurr only) Reporting entity</i>
			<i>Tax Increment Finance Authority</i>	<i>Downtown Development Authority</i>	
\$ -	\$ 76,683	\$ 1,343,163	\$ -	\$ -	\$ 1,343,163
-	-	44,244	-	-	44,244
-	-	11,094	-	-	11,094
-	-	737,712	-	-	737,712
-	-	110,721	-	-	110,721
-	-	101,943	-	-	101,943
-	-	7,596	-	-	7,596
66	6,726	37,894	18,817	-	56,711
<u>13,721</u>	<u>-</u>	<u>77,392</u>	<u>69,801</u>	<u>-</u>	<u>147,193</u>
<u>13,787</u>	<u>83,409</u>	<u>2,471,759</u>	<u>88,618</u>	<u>-</u>	<u>2,560,377</u>
-	-	9,150	-	-	9,150
-	93	367,445	-	-	367,445
-	-	894,716	-	-	894,716
-	-	706,028	74,660	-	780,688
-	-	138,208	-	-	138,208
30,000	-	80,000	-	80,000	160,000
915	-	4,303	-	4,950	9,253
<u>-</u>	<u>-</u>	<u>868</u>	<u>166,886</u>	<u>-</u>	<u>167,754</u>
<u>30,915</u>	<u>93</u>	<u>2,200,718</u>	<u>241,546</u>	<u>84,950</u>	<u>2,527,214</u>
<u>(17,128)</u>	<u>83,316</u>	<u>271,041</u>	<u>(152,928)</u>	<u>(84,950)</u>	<u>33,163</u>
-	-	180,000	-	-	180,000
-	-	262,734	-	84,950	347,684
-	-	(180,000)	-	-	(180,000)
<u>-</u>	<u>-</u>	<u>(84,950)</u>	<u>(262,734)</u>	<u>-</u>	<u>(347,684)</u>
<u>-</u>	<u>-</u>	<u>177,784</u>	<u>(262,734)</u>	<u>84,950</u>	<u>-</u>
(17,128)	83,316	448,825	(415,662)	-	33,163
<u>28,970</u>	<u>305,841</u>	<u>1,436,062</u>	<u>865,341</u>	<u>-</u>	<u>2,301,403</u>
<u>\$ 11,842</u>	<u>\$ 389,157</u>	<u>\$ 1,884,887</u>	<u>\$ 449,679</u>	<u>\$ -</u>	<u>\$ 2,334,566</u>

See notes to financial statements

City of Plainwell

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -general and special revenue funds

Year ended June 30, 2003

	<i>General</i>		<i>Variance favorable (unfavorable)</i>
	<i>Budget</i>	<i>Actual</i>	
REVENUES:			
Taxes	\$ 1,036,050	\$ 1,040,263	\$ 4,213
Licenses and permits	39,400	44,244	4,844
Federal grant	6,700	11,094	4,394
State grants	497,000	487,650	(9,350)
Contributions from local units	1,410	30,809	29,399
Charges for services	101,943	101,943	-
Fines and forfeitures	4,500	7,596	3,096
Interest	10,300	10,179	(121)
Other	54,200	56,329	2,129
Total revenues	<u>1,751,503</u>	<u>1,790,107</u>	<u>38,604</u>
EXPENDITURES:			
Legislative	9,150	9,150	-
General government	374,290	367,259	7,031
Public safety	907,080	894,716	12,364
Public works	140,813	82,294	58,519
Recreation and cultural	226,138	138,208	87,930
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Capital outlay	5,750	868	4,882
Total expenditures	<u>1,663,221</u>	<u>1,492,495</u>	<u>170,726</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>88,282</u>	<u>297,612</u>	<u>209,330</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	262,734	262,734
Operating transfer out	(84,950)	(84,950)	-
Total other financing sources (uses)	<u>(84,950)</u>	<u>177,784</u>	<u>262,734</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	3,332	475,396	472,064
FUND BALANCE - BEGINNING OF YEAR	<u>56,517</u>	<u>56,517</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 59,849</u>	<u>\$ 531,913</u>	<u>\$ 472,064</u>

<i>Special revenue</i>			<i>Totals (memorandum only)</i>		
<i>Budget</i>	<i>Actual</i>	<i>Variance favorable (unfavorable)</i>	<i>Budget</i>	<i>Actual</i>	<i>Variance favorable (unfavorable)</i>
\$ 224,800	\$ 226,217	\$ 1,417	\$ 1,260,850	\$ 1,266,480	\$ 5,630
-	-	-	39,400	44,244	4,844
-	-	-	6,700	11,094	4,394
249,500	250,062	562	746,500	737,712	(8,788)
76,000	79,912	3,912	77,410	110,721	33,311
-	-	-	101,943	101,943	-
-	-	-	4,500	7,596	3,096
16,800	20,923	4,123	27,100	31,102	4,002
-	7,342	7,342	54,200	63,671	9,471
<u>567,100</u>	<u>584,456</u>	<u>17,356</u>	<u>2,318,603</u>	<u>2,374,563</u>	<u>55,960</u>
-	-	-	9,150	9,150	-
78,100	93	78,007	452,390	367,352	85,038
-	-	-	907,080	894,716	12,364
686,452	623,734	62,718	827,265	706,028	121,237
-	-	-	226,138	138,208	87,930
50,000	50,000	-	50,000	50,000	-
3,390	3,388	2	3,390	3,388	2
-	-	-	5,750	868	4,882
<u>817,942</u>	<u>677,215</u>	<u>140,727</u>	<u>2,481,163</u>	<u>2,169,710</u>	<u>311,453</u>
<u>(250,842)</u>	<u>(92,759)</u>	<u>158,083</u>	<u>(162,560)</u>	<u>204,853</u>	<u>367,413</u>
180,000	180,000	-	180,000	442,734	262,734
(180,000)	(180,000)	-	(264,950)	(264,950)	-
-	-	-	(84,950)	177,784	262,734
(250,842)	(92,759)	158,083	(247,510)	382,637	630,147
<u>1,044,734</u>	<u>1,044,734</u>	<u>-</u>	<u>1,101,251</u>	<u>1,101,251</u>	<u>-</u>
<u>\$ 793,892</u>	<u>\$ 951,975</u>	<u>\$ 158,083</u>	<u>\$ 853,741</u>	<u>\$ 1,483,888</u>	<u>\$ 630,147</u>

See notes to financial statements

City of Plainwell

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS - *proprietary fund types***

Year ended June 30, 2003

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals (memorandum only)</u>
OPERATING REVENUES	\$ 1,283,866	\$ 159,072	\$ 1,442,938
OPERATING EXPENSES	<u>1,115,988</u>	<u>237,580</u>	<u>1,353,568</u>
OPERATING INCOME (LOSS)	<u>167,878</u>	<u>(78,508)</u>	<u>89,370</u>
NONOPERATING REVENUES (EXPENSES):			
Sale of system capacity	297,500	-	297,500
Gain on disposal of fixed assets	-	6,771	6,771
Interest revenue	29,335	5,779	35,114
Interest expense	<u>(32,875)</u>	<u>-</u>	<u>(32,875)</u>
Total nonoperating revenues	<u>293,960</u>	<u>12,550</u>	<u>306,510</u>
NET INCOME (LOSS)	461,838	(65,958)	395,880
Add depreciation on fixed assets acquired by grants, externally restricted for capital acquisition and construction, that reduces contributed capital	<u>130,533</u>	<u>-</u>	<u>130,533</u>
INCREASE (DECREASE) IN RETAINED EARNINGS	592,371	(65,958)	526,413
RETAINED EARNINGS - BEGINNING OF YEAR	<u>2,105,015</u>	<u>550,327</u>	<u>2,655,342</u>
RETAINED EARNINGS - END OF YEAR	<u>\$ 2,697,386</u>	<u>\$ 484,369</u>	<u>\$ 3,181,755</u>

See notes to financial statements

COMBINED STATEMENT OF CASH FLOWS - proprietary fund types

Year ended June 30, 2003

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals (memorandum only)</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 1,268,307	\$ -	\$ 1,268,307
Receipts from interfund services provided	-	159,072	159,072
Payments to suppliers	(577,105)	(109,964)	(687,069)
Payments to employees	(318,877)	(60,706)	(379,583)
Payments for interfund services used	<u>(17,720)</u>	<u>-</u>	<u>(17,720)</u>
Net cash provided by (used in) operating activities	<u>354,605</u>	<u>(11,598)</u>	<u>343,007</u>
Cash flows from capital and related financing activities:			
Proceeds from sale of system capacity	297,500	-	297,500
Proceeds from disposal of capital assets	-	26,995	26,995
Acquisition of capital assets	(747,380)	-	(747,380)
Principal paid on long-term debt	(60,000)	-	(60,000)
Interest paid on long-term debt	<u>(33,250)</u>	<u>-</u>	<u>(33,250)</u>
Net cash provided by (used in) capital and related financing activities	<u>(543,130)</u>	<u>26,995</u>	<u>(516,135)</u>
Cash flows from investing activities:			
Interest received	<u>29,335</u>	<u>5,779</u>	<u>35,114</u>
Net increase (decrease) in cash	(159,190)	21,176	(138,014)
Cash - beginning of year	<u>1,651,476</u>	<u>353,464</u>	<u>2,004,940</u>
Cash - end of year	<u>\$ 1,492,286</u>	<u>\$ 374,640</u>	<u>\$ 1,866,926</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	\$ 167,878	\$ (78,508)	\$ 89,370
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	248,934	60,098	309,032
Increase in accounts receivable	(15,559)	-	(15,559)
Increase in prepaid insurance	(7,793)	(1,609)	(9,402)
Increase (decrease) in accounts payable	<u>(38,855)</u>	<u>8,421</u>	<u>(30,434)</u>
Net cash provided by (used in) operating activities	<u>\$ 354,605</u>	<u>\$ (11,598)</u>	<u>\$ 343,007</u>
Supplementary information:			
Acquisition of capital assets	\$ (593,940)	\$ -	\$ (593,940)
Decrease in accounts payable	(206,321)	-	(206,321)
Increase in accounts payable	<u>52,881</u>	<u>-</u>	<u>52,881</u>
Net cash used	<u>\$ (747,380)</u>	<u>\$ -</u>	<u>\$ (747,380)</u>

See notes to financial statements

City of Plainwell
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the City of Plainwell, Michigan (the City), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies:

a) Reporting entity:

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

Blended component unit:

The City of Plainwell Building Authority is governed by a separate board appointed by the City Council. Although it is legally separate, the Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct City facilities.

Discretely-presented component units:

The component unit columns in the combined financial statements include the financial data of the City's Downtown Development Authority and Tax Increment Finance Authority. These units are presented in separate columns to emphasize that they are legally separate from the City. Separate financial statements of the individual component units have not been issued as management believes these general purpose financial statements, including disclosures, contain complete information so as to constitute a fair presentation of the component units.

The governing bodies of each component unit are appointed by the City Council. The City Council must approve the budget of each unit and the legal liability for debt of each Authority remains with the City.

b) Basis of presentation:

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to, and accounted for in, individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various separate funds and account groups are categorized and described as follows:

i) Governmental funds:

General Fund - the General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

City of Plainwell
NOTES TO FINANCIAL STATEMENTS (Continued)

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

b) Basis of presentation (continued):

i) Governmental funds (continued):

Special revenue funds - these funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund - this fund is used to account for the accumulation of resources restricted for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund - this fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

ii) Proprietary funds:

Enterprise funds - the enterprise funds are comprised of the water, sewer, and airport funds and are used to account for operations: (1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Fund - this fund is comprised of the Motor Pool Fund and is used to account for the financing of services provided to other departments or agencies of the City on a cost-reimbursement basis.

iii) Fiduciary funds:

Agency funds - agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

iv) Account groups:

General fixed assets account group - this account group presents the fixed assets of the City utilized in its general operations (nonproprietary fixed assets).

General long-term debt account group - this account group presents the balance of general obligation long-term debt that is not recorded in proprietary funds.

City of Plainwell
NOTES TO FINANCIAL STATEMENTS (Continued)

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

c) Basis of accounting:

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

All governmental and fiduciary funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt, which is recognized when due.

The proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. The City has elected to follow (1) all GASB pronouncements and (2) Financial Accounting Standards Board statements and interpretations, Accounting Principles Board opinions, and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement, for its proprietary funds.

d) Budgets and budgetary accounting:

The City follows the procedure in establishing the budgetary data reflected in the financial statements in accordance with the Uniform Budgeting and Accounting Act (Act No. 621, Public Acts of 1978) as prescribed by the State of Michigan.

Budgets for the general and special revenue funds are adopted at the functional level and are on a basis consistent with generally accepted accounting principles.

e) Receivables:

All receivables are expected to be fully collectible as presented.

f) Fixed assets:

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group rather than in governmental funds. Public domain ("infrastructures") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are not capitalized with other general fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

City of Plainwell
NOTES TO FINANCIAL STATEMENTS (Continued)

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

f) *Fixed assets (continued):*

This account group is not a fund. It is concerned only with the measurement of financial position and is not involved with measurement of results of operations.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Airport Fund</u>	<u>Motor Pool Fund</u>
Buildings and improvements	25 years	50 years	10 - 25 years	-
Mains	50 - 100 years	50 years	-	-
Equipment	10 - 20 years	10 - 20 years	10 years	10 years
Sewer laterals and interceptors	50 years	-	-	-
Meters	-	14 - 20 years	-	-
Hydrant	-	50 years	-	-
Water tower	-	50 years	-	-
Furniture and fixtures	-	10 - 25 years	-	-
Vehicles	10 years	-	-	3 - 10 years

g) *Compensated absences:*

Vacation leave is accrued as the benefits are earned by the employees, as the leave is attributable to past service and it is probable that the City will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

Sick leave is accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination benefits, as well as other employees who are expected to receive such payments in the future. Such accumulations are reduced to the maximum amount allowed as a termination payment.

The portion of compensated absence liabilities not includable in the City's governmental or proprietary fund types is reported in the general long-term debt account group.

h) *Fund equity:*

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers, or other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

City of Plainwell
NOTES TO FINANCIAL STATEMENTS (Continued)

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

i) Property tax revenue recognition:

Property taxes are levied as of July 1 on property values assessed as of December 31 of the prior year. The billings are due on or before August 15, after which time the bill becomes delinquent and penalties and interest may be assessed by the City. Property tax revenue is recognized in the year for which taxes have been levied and become available. The City levy date is July 1, and, accordingly, the total levy is recognized as revenue in the current year.

j) Special assessment revenue recognition:

Special assessment revenue is recorded as deferred when initially assessed. To the extent special assessments are realized, that is collected, revenue is recognized. Special assessments are recognized as revenue when they become measurable and available. Any portion of special assessments that does not meet both criteria is reported as deferred revenue. Interest income on special assessments receivable is not accrued until its due date.

k) Totals (memorandum only):

Total columns on the combined statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 - CASH - REPORTING ENTITY:

Deposits with financial institutions:

A reconciliation of cash, as presented in the combined balance sheet, to the City's deposits and cash on hand, is as follows:

	<u>Primary government</u>	<u>Component units</u>	<u>Totals</u>
Cash on hand	\$ 1,000	\$ -	\$ 1,000
Deposits with financial institutions	<u>3,731,062</u>	<u>503,134</u>	<u>4,234,196</u>
	<u>\$3,732,062</u>	<u>\$ 503,134</u>	<u>\$4,235,196</u>

Deposits are carried at cost and are maintained at various financial institutions in the name of the City. Michigan Compiled Laws, Section 129.91, authorizes the City to deposit and invest in the accounts of federally-insured banks, credit unions, and savings and loan associations. The City's deposits are in accordance with statutory authority. At June 30, 2003, the City has deposits with a carrying amount of \$4,234,196 and a bank balance of \$4,350,541. Of the bank balance, \$200,000 is covered by federal depository insurance and \$4,150,541 is uninsured.

City of Plainwell
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - CASH AND INVESTMENTS (Continued):

Deposits with financial institutions (Continued):

The City maintains pooled cash accounts for all of its funds and component units. Each fund and component unit's portion of these pools is included in cash on the combined balance sheet. Interest earned on the pooled cash accounts is allocated based upon proportionate balances.

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

NOTE 3 - FIXED ASSETS:

A summary of changes in general fixed assets is as follows:

	<i>Balance July 1, 2002</i>	<i>Additions</i>	<i>Dispositions</i>	<i>Balance June 30, 2003</i>
Land	\$ 250,556	\$ -	\$ -	\$ 250,556
Land improvements	519,999	-	-	519,999
Building and improvements	862,967	-	-	862,967
Equipment and furniture	370,333	-	-	370,333
Vehicles	482,862	-	-	482,862
Industrial park plats	<u>45,896</u>	<u>-</u>	<u>-</u>	<u>45,896</u>
	<u>\$2,532,613</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,532,613</u>

A summary of proprietary fund type fixed assets at June 30, 2003, is as follows:

	<i>Enterprise funds</i>	<i>Internal Service Fund</i>
Land	\$ 48,196	\$ -
Buildings and improvements	6,354,807	-
Mains	3,013,462	-
Equipment and vehicles	414,775	1,001,848
Hydrants	55,349	-
Tower	1,364,504	-
Office furniture and equipment	<u>24,505</u>	<u>-</u>
Total cost	11,275,598	1,001,848
Less accumulated depreciation	<u>5,412,711</u>	<u>794,466</u>
Net book value	<u>\$ 5,862,887</u>	<u>\$ 207,382</u>

City of Plainwell
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - LONG-TERM DEBT:

Long-term debt at June 30, 2003, is comprised of the following individual issues:

<i>Primary government:</i>	
<i>General long-term debt account group:</i>	
Accrued employee benefits	\$ 92,279
 \$275,000 1997 Local Government Loan Program revenue bonds - payable in an annual installment of \$50,000, plus interest at 4.55%; final payment due August 2003	 <u>50,000</u>
Total general long-term debt account group	142,279
 <i>Enterprise funds:</i>	
\$1,570,000 1999 Water Supply System bonds - payable in annual installments ranging from \$65,000 to \$90,000, plus interest at 2.5%; final payment due October 2019	 <u>1,300,000</u>
Total long-term debt	<u>\$1,442,279</u>

The full faith and credit of the City has been pledged for repayment of all long-term debt. A summary of long-term debt transactions of the City, for the year ended June 30, 2003, is as follows:

	<u>Accrued employee benefits</u>	<u>General long-term debt account group</u>	<u>Proprietary funds</u>	<u>Component units</u>	<u>Totals</u>
Bonds/benefits payable - July 1, 2002	\$ 85,708	\$130,000	\$1,360,000	\$ 80,000	\$1,655,708
Net increase	6,571	-	-	-	6,571
Retirements	<u>-</u>	<u>(80,000)</u>	<u>(60,000)</u>	<u>(80,000)</u>	<u>(220,000)</u>
 Bonds/benefits payable - June 30, 2003	 <u>\$ 92,279</u>	 <u>\$ 50,000</u>	 <u>\$1,300,000</u>	 <u>\$ -</u>	 <u>\$1,442,279</u>

City of Plainwell
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - LONG-TERM DEBT (Continued):

The annual requirements to amortize all debt outstanding (except accrued employee benefits) at June 30, 2003, including interest of \$295,887, are as follows:

	<i>General long-term debt account group</i>	<i>Proprietary funds</i>	<i>Totals</i>
2004	\$ 51,137	\$ 96,687	\$ 147,824
2005	-	95,063	95,063
2006	-	93,438	93,438
2007	-	91,812	91,812
2008	-	95,125	95,125
Thereafter	<u>-</u>	<u>1,122,625</u>	<u>1,122,625</u>
	<u>\$ 51,137</u>	<u>\$1,594,750</u>	<u>\$1,645,887</u>

NOTE 5 - CONTRIBUTED CAPITAL:

The changes in the contributed capital of the City's proprietary funds were as follows:

	<i>Enterprise</i>			<i>Totals</i>	<i>Internal Service Equipment</i>
	<u>Sewer</u>	<u>Water</u>	<u>Airport</u>	<u>Totals</u>	<u>Equipment</u>
Balance -					
July 1, 2002	\$1,864,550	\$1,594,510	\$ 67,309	\$3,526,369	\$ 88,961
Depreciation on fixed assets acquired by grants	<u>(126,913)</u>	<u>(3,620)</u>	<u>-</u>	<u>(130,533)</u>	<u>-</u>
Balance -					
June 30, 2003	<u>\$1,737,637</u>	<u>\$1,590,890</u>	<u>\$ 67,309</u>	<u>\$3,395,836</u>	<u>\$ 88,961</u>

NOTE 6 - DEFINED CONTRIBUTION PENSION PLAN:

The City provides pension benefits for all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate from the date of employment. The City contributes 9% of each qualified employee's base salary to the plan. The City's contributions are fully vested immediately. The City is not a trustee of the plan, nor is the City responsible for investment management of plan assets.

The City and employees made the required contributions of \$126,660 and \$103,980, respectively.

City of Plainwell
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - SEGMENT INFORMATION:

The City provides sewer, water, and airport services to customers, which are accounted for in three enterprise funds. Segment information for the year ended June 30, 2003, is as follows:

	<u>Sewer</u> <u>Fund</u>	<u>Water</u> <u>Fund</u>	<u>Airport</u> <u>Fund</u>	<u>Totals</u>
Operating revenue	\$840,963	\$393,235	\$49,668	\$1,283,866
Depreciation expense	235,862	7,311	5,761	248,934
Operating income	29,198	119,857	18,823	167,878
Net income (loss)	346,589	96,164	19,085	461,838
Property, plant, and equipment additions	532,637	61,303	-	593,940
Net working capital	1,053,774	379,835	31,726	1,465,335
Bonds payable	-	1,235,000	-	1,235,000
Total assets	3,844,994	3,535,741	107,410	7,488,145
Total equity	3,768,472	2,217,594	107,156	6,093,222

NOTE 8 - CLAIMS ARISING FROM RISKS OF LOSS:

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other local governmental units in the state to form the Michigan Municipal League Insurance Pool (MML), a public-entity risk pool currently operating as a common-risk management and insurance program for local governmental units within the state. The City pays an annual premium to MML for all of its insurance coverages except workers' compensation that is covered by commercial insurance. MML is self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$3,000,000 for each insured event.

NOTE 9 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended June 30, 2003, follows:

Permit revenue	\$ 15,947
Inspection expenses	<u>(15,947)</u>
Excess	<u>\$ -</u>

NOTE 10 - CONSTRUCTION COMMITMENT:

At June 30, 2003, the City had authorized contracts totaling \$297,907 to expand the infrastructure in the Industrial Park. The City had expended \$42,218 on the project through June 30, 2003, leaving a commitment in the amount of \$255,689. The project is funded by available resources within the Tax Increment Finance Authority, a component unit of the City.

City of Plainwell
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 - CONTINGENCY:

The Tax Increment Finance Authority, a component unit of the City, has adopted a tax increment financing plan that allows the Authority to expend tax increment revenues for purposes of furthering the development program contemplated in the financing plan. At June 30, 2003, the Authority's fund balance is \$449,679. The Authority intends to use the available fund balance to complete the development program. However, any funds remaining after completion of the development program shall revert proportionately to the respective taxing entities, including the City, from which the tax increment revenues were derived.

SUPPLEMENTARY INFORMATION

City of Plainwell

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - *General Fund***

Year ended June 30, 2003

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES:			
Taxes	\$ 1,036,050	\$ 1,040,263	\$ 4,213
Licenses and permits	39,400	44,244	4,844
Federal grant	6,700	11,094	4,394
State grants	497,000	487,650	(9,350)
Contribution from local unit - school	1,410	30,809	29,399
Charges for services	101,943	101,943	-
Fines and forfeitures	4,500	7,596	3,096
Interest	10,300	10,179	(121)
Other:			
Sale of land	34,500	34,568	68
Miscellaneous	19,700	21,761	2,061
Total revenues	<u>1,751,503</u>	<u>1,790,107</u>	<u>38,604</u>
EXPENDITURES:			
Legislative - City Council	<u>9,150</u>	<u>9,150</u>	<u>-</u>
General government:			
Elections	5,845	4,669	1,176
Administration	260,930	256,745	4,185
Assessor	19,530	18,381	1,149
Building and grounds	86,485	85,795	690
Community promotion	1,500	1,669	(169)
Total general government	<u>374,290</u>	<u>367,259</u>	<u>7,031</u>
Public safety:			
Department of Public Safety	881,875	870,441	11,434
Planning Commission	11,705	8,328	3,377
Building Inspections	13,500	15,947	(2,447)
Total public safety	<u>907,080</u>	<u>894,716</u>	<u>12,364</u>
Public works:			
Department of Public Works	112,813	53,284	59,529
Street lighting	28,000	29,010	(1,010)
Total public works	<u>140,813</u>	<u>82,294</u>	<u>58,519</u>

City of Plainwell

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - General Fund (Continued)**

Year ended June 30, 2003

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued):			
Recreation and cultural:			
Parks	\$ 137,838	\$ 78,213	\$ 59,625
Flowers and beautification	37,370	26,284	11,086
Special events	14,270	13,906	364
Forestry	31,140	14,285	16,855
School recreation	5,520	5,520	-
Total recreation and cultural	<u>226,138</u>	<u>138,208</u>	<u>87,930</u>
Capital outlay	<u>5,750</u>	<u>868</u>	<u>4,882</u>
Total expenditures	<u>1,663,221</u>	<u>1,492,495</u>	<u>170,726</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>88,282</u>	<u>297,612</u>	<u>209,330</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in - component unit:			
Tax Incremental Financing Authority	-	262,734	262,734
Operating transfer out - component unit:			
Downtown Development Authority	<u>(84,950)</u>	<u>(84,950)</u>	<u>-</u>
Total other financing sources (uses)	<u>(84,950)</u>	<u>177,784</u>	<u>262,734</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	3,332	475,396	472,064
FUND BALANCE - BEGINNING OF YEAR	<u>56,517</u>	<u>56,517</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 59,849</u>	<u>\$ 531,913</u>	<u>\$ 472,064</u>

City of Plainwell
COMBINING BALANCE SHEET - special revenue funds
June 30, 2003

	<u>Major Street</u>	<u>Local Street</u>	<u>Solid Waste Removal</u>	<u>Capital Reserve</u>	<u>Totals</u>
ASSETS					
Cash	\$ 492,146	\$ 86,709	\$ 80,845	\$ 257,029	\$ 916,729
Due from other governmental units	31,487	11,695	-	-	43,182
Other assets	<u>1,210</u>	<u>1,032</u>	<u>1,260</u>	<u>-</u>	<u>3,502</u>
TOTAL ASSETS	<u>\$ 524,843</u>	<u>\$ 99,436</u>	<u>\$ 82,105</u>	<u>\$ 257,029</u>	<u>\$ 963,413</u>
LIABILITIES AND FUND EQUITY					
LIABILITIES:					
Accounts payable	<u>\$ 1,160</u>	<u>\$ 37</u>	<u>\$ 10,241</u>	<u>\$ -</u>	<u>\$ 11,438</u>
FUND BALANCE:					
Unreserved:					
Designated	-	-	-	257,029	257,029
Undesignated	<u>523,683</u>	<u>99,399</u>	<u>71,864</u>	<u>-</u>	<u>694,946</u>
Total fund equity	<u>523,683</u>	<u>99,399</u>	<u>71,864</u>	<u>257,029</u>	<u>951,975</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 524,843</u>	<u>\$ 99,436</u>	<u>\$ 82,105</u>	<u>\$ 257,029</u>	<u>\$ 963,413</u>

City of Plainwell

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - *special revenue funds***

Year ended June 30, 2003

	<u>Major Street</u>	<u>Local Street</u>
REVENUES:		
Property taxes	\$ -	\$ -
State grants	182,329	67,733
Contributions from local units	10,928	68,984
Interest	12,267	2,065
Other	<u>1,401</u>	<u>1,335</u>
Total revenues	<u>206,925</u>	<u>140,117</u>
EXPENDITURES:		
General government	-	-
Public works	137,805	342,077
Debt service:		
Principal	-	50,000
Interest and fiscal charges	<u>-</u>	<u>3,388</u>
Total expenditures	<u>137,805</u>	<u>395,465</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>69,120</u>	<u>(255,348)</u>
OTHER FINANCING SOURCES (USES):		
Operating transfer in	-	180,000
Operating transfer out	<u>(180,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(180,000)</u>	<u>180,000</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(110,880)	(75,348)
FUND BALANCE - BEGINNING OF YEAR	<u>634,563</u>	<u>174,747</u>
FUND BALANCE - END OF YEAR	<u>\$ 523,683</u>	<u>\$ 99,399</u>

<u>Solid Waste Removal</u>	<u>Capital Reserve</u>	<u>Totals</u>
\$ 149,534	\$ 76,683	\$ 226,217
-	-	250,062
-	-	79,912
2,102	4,489	20,923
<u>4,606</u>	<u>-</u>	<u>7,342</u>
<u>156,242</u>	<u>81,172</u>	<u>584,456</u>
-	93	93
143,852	-	623,734
-	-	50,000
<u>-</u>	<u>-</u>	<u>3,388</u>
<u>143,852</u>	<u>93</u>	<u>677,215</u>
<u>12,390</u>	<u>81,079</u>	<u>(92,759)</u>
-	-	180,000
<u>-</u>	<u>-</u>	<u>(180,000)</u>
<u>-</u>	<u>-</u>	<u>-</u>
12,390	81,079	(92,759)
<u>59,474</u>	<u>175,950</u>	<u>1,044,734</u>
<u>\$ 71,864</u>	<u>\$ 257,029</u>	<u>\$ 951,975</u>

City of Plainwell

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - Major Street Fund**

Year ended June 30, 2003

	<u>Budget</u>	<u>Actual</u>	<i>Variance favorable (unfavorable)</i>
REVENUES:			
State grants	\$ 182,000	\$ 182,329	\$ 329
Contribution from local unit - county tax levy	9,000	10,928	1,928
Interest	12,000	12,267	267
Other	-	1,401	1,401
	<u>203,000</u>	<u>206,925</u>	<u>3,925</u>
Total revenues			
EXPENDITURES:			
Public works:			
Routine maintenance	105,497	96,911	8,586
Bridge maintenance	25,500	656	24,844
Traffic services	8,545	9,507	(962)
Winter maintenance	29,595	24,590	5,005
Administration	11,560	6,141	5,419
	<u>180,697</u>	<u>137,805</u>	<u>42,892</u>
Total expenditures			
EXCESS OF REVENUES OVER EXPENDITURES	22,303	69,120	46,817
OTHER FINANCING USES:			
Operating transfer out - Local Street Fund	<u>(180,000)</u>	<u>(180,000)</u>	<u>-</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES AND OTHER USES	(157,697)	(110,880)	46,817
FUND BALANCE - BEGINNING OF YEAR	<u>634,563</u>	<u>634,563</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 476,866</u>	<u>\$ 523,683</u>	<u>\$ 46,817</u>

City of Plainwell

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - Local Street Fund**

Year ended June 30, 2003

	<u>Budget</u>	<u>Actual</u>	<i>Variance favorable (unfavorable)</i>
REVENUES:			
State grants	\$ 67,500	\$ 67,733	\$ 233
Contribution from local unit - county tax levy	67,000	68,984	1,984
Interest	800	2,065	1,265
Other	-	1,335	1,335
Total revenues	<u>135,300</u>	<u>140,117</u>	<u>4,817</u>
EXPENDITURES:			
Public works:			
Construction	245,825	246,212	(387)
Routine maintenance	70,900	68,143	2,757
Traffic services	3,520	3,097	423
Winter maintenance	24,535	18,215	6,320
Administration	10,275	6,410	3,865
Total public works	<u>355,055</u>	<u>342,077</u>	<u>12,978</u>
Debt service:			
Principal	50,000	50,000	-
Interest and fiscal charges	3,390	3,388	2
Total debt service	<u>53,390</u>	<u>53,388</u>	<u>2</u>
Total expenditures	<u>408,445</u>	<u>395,465</u>	<u>12,980</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(273,145)	(255,348)	17,797
OTHER FINANCING SOURCES:			
Operating transfer in - Major Street Fund	180,000	180,000	-
DEFICIENCY OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	(93,145)	(75,348)	17,797
FUND BALANCE - BEGINNING OF YEAR	<u>174,747</u>	<u>174,747</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 81,602</u>	<u>\$ 99,399</u>	<u>\$ 17,797</u>

City of Plainwell

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - *Solid Waste Removal Fund***

Year ended June 30, 2003

	<u>Budget</u>	<u>Actual</u>	<i>Variance favorable (unfavorable)</i>
REVENUES:			
Property taxes	\$ 148,700	\$ 149,534	\$ 834
Interest	2,000	2,102	102
Other	<u>-</u>	<u>4,606</u>	<u>4,606</u>
Total revenues	150,700	156,242	5,542
EXPENDITURES:			
Public works	<u>150,700</u>	<u>143,852</u>	<u>6,848</u>
EXCESS OF REVENUES OVER EXPENDITURES	-	12,390	12,390
FUND BALANCE - BEGINNING OF YEAR	<u>59,474</u>	<u>59,474</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 59,474</u>	<u>\$ 71,864</u>	<u>\$ 12,390</u>

City of Plainwell

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - *Capital Reserve Fund***

Year ended June 30, 2003

	<u>Budget</u>	<u>Actual</u>	<i>Variance favorable (unfavorable)</i>
REVENUES:			
Property taxes	\$ 76,100	\$ 76,683	\$ 583
Interest	<u>2,000</u>	<u>4,489</u>	<u>2,489</u>
Total revenues	78,100	81,172	3,072
EXPENDITURES:			
General government	<u>78,100</u>	<u>93</u>	<u>78,007</u>
EXCESS OF REVENUES OVER EXPENDITURES	-	81,079	81,079
FUND BALANCE - BEGINNING OF YEAR	<u>175,950</u>	<u>175,950</u>	-
FUND BALANCE - END OF YEAR	<u>\$ 175,950</u>	<u>\$ 257,029</u>	<u>\$ 81,079</u>

City of Plainwell
COMBINING BALANCE SHEET - enterprise funds
June 30, 2003

ASSETS

	<u>Sewer</u>	<u>Water</u>	<u>Airport</u>	<u>Totals</u>
CURRENT ASSETS:				
Cash	\$ 1,049,066	\$ 411,316	\$ 31,904	\$ 1,492,286
Accounts receivable	76,487	48,692	-	125,179
Prepaid insurance	<u>4,743</u>	<u>2,974</u>	<u>76</u>	<u>7,793</u>
Total current assets	<u>1,130,296</u>	<u>462,982</u>	<u>31,980</u>	<u>1,625,258</u>
FIXED ASSETS:				
Land	400	17,346	30,450	48,196
Buildings and improvements	5,319,237	939,440	96,130	6,354,807
Collection and distribution mains	1,203,808	1,809,654	-	3,013,462
Equipment and vehicles	235,553	140,095	39,127	414,775
Hydrants	-	55,349	-	55,349
Tower	-	1,364,504	-	1,364,504
Office furniture and equipment	<u>24,505</u>	<u>-</u>	<u>-</u>	<u>24,505</u>
	6,783,503	4,326,388	165,707	11,275,598
Less accumulated depreciation	<u>4,068,805</u>	<u>1,253,629</u>	<u>90,277</u>	<u>5,412,711</u>
Net fixed assets	<u>2,714,698</u>	<u>3,072,759</u>	<u>75,430</u>	<u>5,862,887</u>
TOTAL ASSETS	<u>\$ 3,844,994</u>	<u>\$ 3,535,741</u>	<u>\$ 107,410</u>	<u>\$ 7,488,145</u>

LIABILITIES AND FUND EQUITY

	<i>Sewer</i>	<i>Water</i>	<i>Airport</i>	<i>Totals</i>
CURRENT LIABILITIES:				
Current maturities of long-term debt	\$ -	\$ 65,000	\$ -	\$ 65,000
Accounts payable	66,251	2,641	254	69,146
Accrued expenses	10,271	15,506	-	25,777
Total current liabilities	76,522	83,147	254	159,923
LONG-TERM DEBT, less current maturities				
	-	1,235,000	-	1,235,000
Total liabilities	76,522	1,318,147	254	1,394,923
FUND EQUITY:				
Contributed capital - capital grants	3,374,572	947,394	67,309	4,389,275
Less amortization	2,800,926	69,042	-	2,869,968
Net capital grants	573,646	878,352	67,309	1,519,307
Municipality	1,125,362	670,871	-	1,796,233
Customers	38,629	41,667	-	80,296
Total contributed capital	1,737,637	1,590,890	67,309	3,395,836
Retained earnings - unreserved, undesignated	2,030,835	626,704	39,847	2,697,386
Total fund equity	3,768,472	2,217,594	107,156	6,093,222
TOTAL LIABILITIES AND FUND EQUITY	\$ 3,844,994	\$ 3,535,741	\$ 107,410	\$ 7,488,145

City of Plainwell

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS -enterprise funds**

Year ended June 30, 2003

	<u>Sewer</u>	<u>Water</u>	<u>Airport</u>	<u>Totals</u>
OPERATING REVENUES:				
Charges for services	\$ 840,963	\$ 380,419	\$ 20,668	\$ 1,242,050
Other	<u>-</u>	<u>12,816</u>	<u>29,000</u>	<u>41,816</u>
Total operating revenues	<u>840,963</u>	<u>393,235</u>	<u>49,668</u>	<u>1,283,866</u>
OPERATING EXPENSES:				
Administration	182,667	92,980	25,084	300,731
Treatment	330,412	80,650	-	411,062
Collection	62,824	92,437	-	155,261
Depreciation	<u>235,862</u>	<u>7,311</u>	<u>5,761</u>	<u>248,934</u>
Total operating expenses	<u>811,765</u>	<u>273,378</u>	<u>30,845</u>	<u>1,115,988</u>
OPERATING INCOME	<u>29,198</u>	<u>119,857</u>	<u>18,823</u>	<u>167,878</u>
NONOPERATING REVENUES (EXPENSES):				
Sale of system capacity	297,500	-	-	297,500
Interest revenue	19,891	9,182	262	29,335
Interest expense	<u>-</u>	<u>(32,875)</u>	<u>-</u>	<u>(32,875)</u>
Total nonoperating revenues (expenses)	<u>317,391</u>	<u>(23,693)</u>	<u>262</u>	<u>293,960</u>
NET INCOME	<u>346,589</u>	<u>96,164</u>	<u>19,085</u>	<u>461,838</u>
Add depreciation on fixed assets acquired by grants, externally restricted for capital acquisition and construction, that reduces contributed capital	<u>126,913</u>	<u>3,620</u>	<u>-</u>	<u>130,533</u>
INCREASE IN RETAINED EARNINGS	<u>473,502</u>	<u>99,784</u>	<u>19,085</u>	<u>592,371</u>
RETAINED EARNINGS - BEGINNING OF YEAR	<u>1,557,333</u>	<u>526,920</u>	<u>20,762</u>	<u>2,105,015</u>
RETAINED EARNINGS - END OF YEAR	<u>\$ 2,030,835</u>	<u>\$ 626,704</u>	<u>\$ 39,847</u>	<u>\$ 2,697,386</u>

City of Plainwell

COMBINING STATEMENT OF CASH FLOWS - enterprise funds

Year ended June 30, 2003

	<u>Sewer</u>	<u>Water</u>	<u>Airport</u>	<u>Totals</u>
Cash flows from operating activities:				
Receipts from customers and users	\$ 837,794	\$ 380,845	\$ 49,668	\$ 1,268,307
Payments to suppliers	(410,964)	(145,425)	(20,716)	(577,105)
Payments to employees	(195,927)	(118,669)	(4,281)	(318,877)
Payments for interfund services used	(6,589)	(11,015)	(116)	(17,720)
Net cash provided by operating activities	<u>224,314</u>	<u>105,736</u>	<u>24,555</u>	<u>354,605</u>
Cash flows from capital and related financing activities:				
Proceeds from sale of system capacity	297,500	-	-	297,500
Acquisition of capital assets	(686,077)	(61,303)	-	(747,380)
Principal paid on long-term debt	-	(60,000)	-	(60,000)
Interest paid on long-term debt	-	(33,250)	-	(33,250)
Net cash used in capital and related financing activities	<u>(388,577)</u>	<u>(154,553)</u>	<u>-</u>	<u>(543,130)</u>
Cash flows from investing activities:				
Interest received	<u>19,891</u>	<u>9,182</u>	<u>262</u>	<u>29,335</u>
Net increase (decrease) in cash	(144,372)	(39,635)	24,817	(159,190)
Cash - beginning of year	<u>1,193,438</u>	<u>450,951</u>	<u>7,087</u>	<u>1,651,476</u>
Cash - end of year	<u>\$ 1,049,066</u>	<u>\$ 411,316</u>	<u>\$ 31,904</u>	<u>\$ 1,492,286</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 29,198	\$ 119,857	\$ 18,823	\$ 167,878
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	235,862	7,311	5,761	248,934
Increase in:				
Accounts receivable	(3,169)	(12,390)	-	(15,559)
Prepaid insurance	(4,743)	(2,974)	(76)	(7,793)
Increase (decrease) in accounts payable	<u>(32,834)</u>	<u>(6,068)</u>	<u>47</u>	<u>(38,855)</u>
Net cash provided by operating activities	<u>\$ 224,314</u>	<u>\$ 105,736</u>	<u>\$ 24,555</u>	<u>\$ 354,605</u>
Supplementary information:				
Acquisition of capital assets	\$ (532,637)	\$ (61,303)	\$ -	\$ (593,940)
Decrease in accounts payable	(206,321)	-	-	(206,321)
Increase in accounts payable	<u>52,881</u>	<u>-</u>	<u>-</u>	<u>52,881</u>
Net cash used	<u>\$ (686,077)</u>	<u>\$ (61,303)</u>	<u>\$ -</u>	<u>\$ (747,380)</u>

City of Plainwell
COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES - all agency funds
Year ended June 30, 2003

	<u>Balance June 1, 2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2003</u>
AGENCY FUND				
ASSETS				
Cash	\$ 123,844	\$ 2,333,722	\$ 2,266,688	\$ 190,878
Due from other governmental units	<u>-</u>	<u>230,638</u>	<u>-</u>	<u>230,638</u>
TOTAL ASSETS	<u>\$ 123,844</u>	<u>\$ 2,564,360</u>	<u>\$ 2,266,688</u>	<u>\$ 421,516</u>
LIABILITIES				
Due to others	\$ 30,706	\$ -	\$ -	\$ 30,706
Due to other governmental units	<u>93,138</u>	<u>2,564,360</u>	<u>2,266,688</u>	<u>390,810</u>
TOTAL LIABILITIES	<u>\$ 123,844</u>	<u>\$ 2,564,360</u>	<u>\$ 2,266,688</u>	<u>\$ 421,516</u>

OTHER SUPPLEMENTARY DATA

City of Plainwell

**SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST REQUIREMENTS -
\$275,000 1997 LOCAL GOVERNMENT LOAN PROGRAM REVENUE BONDS**

June 30, 2003

<u>Fiscal period</u>	<u>Interest requirements</u>		<u>Maturity date</u>	<u>Principal</u>	<u>Total requirements</u>
	<u>August 1</u>	<u>February 1</u>			
2004	<u>\$ 1,137</u>	<u>\$ -</u>	8/01/03	<u>\$ 50,000</u>	<u>\$ 51,137</u>

City of Plainwell

**SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST REQUIREMENTS -
\$1,570,000 1999 WATER SUPPLY SYSTEM BONDS**

June 30, 2003

<i>Fiscal period</i>	<i>Interest requirements</i>		<i>Maturity date</i>	<i>Principal</i>	<i>Total requirements</i>
	<i>October 1</i>	<i>April 1</i>			
2004	\$ 16,250	\$ 15,437	10/01/03	\$ 65,000	\$ 96,687
2005	15,438	14,625	10/01/04	65,000	95,063
2006	14,625	13,813	10/01/05	65,000	93,438
2007	13,812	13,000	10/01/06	65,000	91,812
2008	13,000	12,125	10/01/07	70,000	95,125
2009	12,125	11,250	10/01/08	70,000	93,375
2010	11,250	10,375	10/01/09	70,000	91,625
2011	10,375	9,438	10/01/10	75,000	94,813
2012	9,437	8,500	10/01/11	75,000	92,937
2013	8,500	7,500	10/01/12	80,000	96,000
2014	7,500	6,500	10/01/13	80,000	94,000
2015	6,500	5,500	10/01/14	80,000	92,000
2016	5,500	4,438	10/01/15	85,000	94,938
2017	4,437	3,375	10/01/16	85,000	92,812
2018	3,375	2,250	10/01/17	90,000	95,625
2019	2,250	1,125	10/01/18	90,000	93,375
2020	1,125	-	10/01/19	90,000	91,125
	<u>\$ 155,499</u>	<u>\$ 139,251</u>		<u>\$ 1,300,000</u>	<u>\$ 1,594,750</u>