

City of the Village
of Douglas,
Michigan



Year Ended
June 30, 2013

Comprehensive
Annual Financial
Report

Prepared by: Robert Drexler
Treasurer/Finance Director

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN



Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2013

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Table of Contents

	<u>Page</u>
Title Page	1
Table of Contents	2
INTRODUCTORY SECTION	5
Elected Officers	6
Letter of Transmittal	7
Table of Organization	11
GFOA Certificate of Achievement	12
FINANCIAL SECTION	
Independent Auditors' Report	15
Management's Discussion and Analysis	19
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	26
Statement of Activities	27
Fund Financial Statements:	
Balance Sheet - Governmental Funds	30
Reconciliation of Fund Balances of Governmental Funds to Net Position of Governmental Activities	31
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	32
Reconciliation of Net Changes in Fund Balances of Governmental Funds to Change in Net Position of Governmental Activities	33
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	34
Statement of Net Position - Proprietary Fund	36
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund	37
Statement of Cash Flows - Proprietary Fund	38
Statement of Fiduciary Assets and Liabilities	39
Combining Statement of Net Position - Discretely Presented Component Units	40
Combining Statement of Activities - Discretely Presented Component Units	41
Notes to Financial Statements	43
Required Supplementary Information	
Employees' Retirement Plan Schedules of Funding Progress and Employer Contributions	62

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Table of Contents

	<u>Page</u>
Combining and Individual Fund Financial Statements and Schedules	
Nonmajor Governmental Funds:	
Combining Balance Sheet - Nonmajor Governmental Funds	64
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	66
Schedule of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual:	
Major Street Fund	68
Local Street Fund	69
Schultz Park Launch Ramp Fund	70
Agency Fund:	
Statement of Changes in Fiduciary Assets and Liabilities	72
STATISTICAL SECTION (UNAUDITED)	73
TABLE	
Statistical Table of Contents	75
1 Net Position by Component	76
2 Changes in Net Position, Governmental Funds	78
3 Governmental Activities Tax Revenue by Source	80
4 Fund Balances of Government Funds	82
5 Changes in Fund Balances of Governmental Funds	84
6 State Equalized Value and Estimated Actual Value of Taxable Property - Ad Valorem Roll	86
7 State Equalized Value and Estimated Actual Value of Taxable Property - Industrial Facilities Tax Roll	88
8 Taxable Value Components by Class - Ad Valorem Roll	90
9 Taxable Value Components by Class - Industrial Facilities Tax Roll	92
10 Property Tax Rates - Direct and Overlapping Governments	94
11 Profile of Ten Largest Property Taxpayers	96
12 Schedule of Principal Employers	98
13 Property Tax, Levies and Collections	99
14 Ratio of Outstanding Debt by Type	100
15 Direct and Overlapping Governmental Activities Debt	101
16 Legal Debt Margin	102
17 State Revenue Sharing	104
18 Demographic Statistics	106
19 Full-Time Equivalent Government Employees by Function	107
20 Labor Contracts	108
21 Operating Indicators by Function	109
22 Capital Assets Statistics by Function	110

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Table of Contents

	<u>Page</u>
COMPLIANCE AND INTERNAL CONTROL	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	111
Schedule of Findings and Responses	113

INTRODUCTORY SECTION

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

ELECTED OFFICIALS

For the Year Ended June 30, 2013

BOARD OF COMMISSIONERS

Jim Wiley
Mayor

Martha Hoexter
Lisa Greenwood
Greg Harvath

Eric Smith
Bill Japinga
Gerald Schmidt



October 17, 2013

To the Honorable Mayor, Members of the City Council, and the Citizens of the City of Douglas:

The City Charter and State law require that the City publish, within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of the Village of Douglas for fiscal year ended June 30, 2013 prepared by Treasurer/ Finance Director Robert Drexler.

Douglas began as two communities separated by present day Center Street. Jonathan Wade platted Dudleyville, named for his brother Dudley Wade, on the south side of "Centre" in 1860. In 1861, William F. Dutcher platted the town of Douglas on the north side. Dutcher named it for his hometown on the Isle of Man in the Irish Sea. The original plat consisted of the area bounded by Union, Chestnut, Water and Centre Streets. The two towns were incorporated as the village of Douglas in 1870. Dutcher's son Thomas, a prosperous lumber mill owner built a three-story commercial and residential structure downtown around 1867. The building, the town's first Masonic hall burned in 1870. Masons from Douglas, Fennville and Saugatuck chartered Dutcher Lodge, at the corner of Center and Union Streets, in 1867. The first floor of the Lodge was used for government and civic meetings while the Masons used the second floor. The building was doubled in size in 1902. This new section became known as the village hall. Douglas' fire truck was parked in the lower level until 1969. Dutcher Lodge is a rare example of a Masonic Lodge still in use, now as the City Hall, a century after its construction.

In December 2004 Douglas residents voted to become The City of the Village of Douglas electing its first Mayor and six council members and adopting a Home Rule City governed by a City Charter.

Your Mayor and City Council are an active, elected body of government officials responsible for legislation and policy-making for the City. The Mayor and six Council members are devoted to:

- Adopting City ordinances
- Appointing members to boards, committee and commissions
- Approving the City budget based on income generated by property taxes and other Income sources.

The Mayor has additional responsibilities as the official head of the City, conducting council meetings and representing the City at various government functions on a local, state and national basis.

The City of the Village of Douglas is a small resort seasonal community on Lake Michigan and Kalamazoo Lake. The City's economic base mostly consists of tourism in the summer season. The City brings in tourists from all over the country for Lake Michigan, the Kalamazoo Harbor and our quaint downtown with art galleries, shops and award winning restaurants. The majority of the commercial businesses are based around the tourist economy and the City has a few industrial and manufacturing businesses.

City management continues to look to the future to find ways to make our City better. The city management is working on several long-term plans to help make our community boost tourism, increase pedestrian safety and continue to keep the City in a strong financial shape. The City is active in assisting the Kalamazoo Lake Harbor Authority in the creation of long and short-term dredging plans. These plans are necessary to keep the Harbor navigable for commercial and recreational vessels and to ensure the tourism base in which the community relies. The Blue Star Highway Corridor Plan is designed to highlight the unique character of the city by improving safety and convenience for all users, strengthening the economic vitality of the corridor, reducing the impact of the former state highway upon the environment and

enhancing the visual appearance of the corridor. As part of the Blue Star Highway Corridor Plan the City began a multi-year plan to increase sidewalks and bike paths around town and make these non-motorized pathways safer for pedestrians. These actions of preserving the harbor, developing friendly motorized and non-motorized access around the city and reducing liabilities and future expenses are all key parts of the City's sustainable long-term plan.

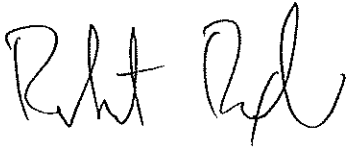
This report consists of management's representations concerning the finances of the City of Douglas; on page 20 you will find the Management Discussion & Analysis as part of the annual audit. The Management Discussion & Analysis is produced by the city management and explains the factors, events and decisions that covered the audited fiscal year.

Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Douglas has established a comprehensive internal control framework that is designed both to protect the city's assets from loss, theft, and misuse and to compile sufficient reliable information for the preparation of the City of Douglas' financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Douglas' comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute assurance, that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Douglas' financial statements have been audited by Rehmann Robson, LLC, an independent firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Douglas for the fiscal year ended June 30, 2013 are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent

auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Douglas' financial statements for the fiscal year ended June 30, 2013, are fairly presented in conformity with GAAP. An unmodified opinion is the best opinion that an organization can receive on its financial statements. The independent auditor's report is presented as the first component of the financial section of this report.

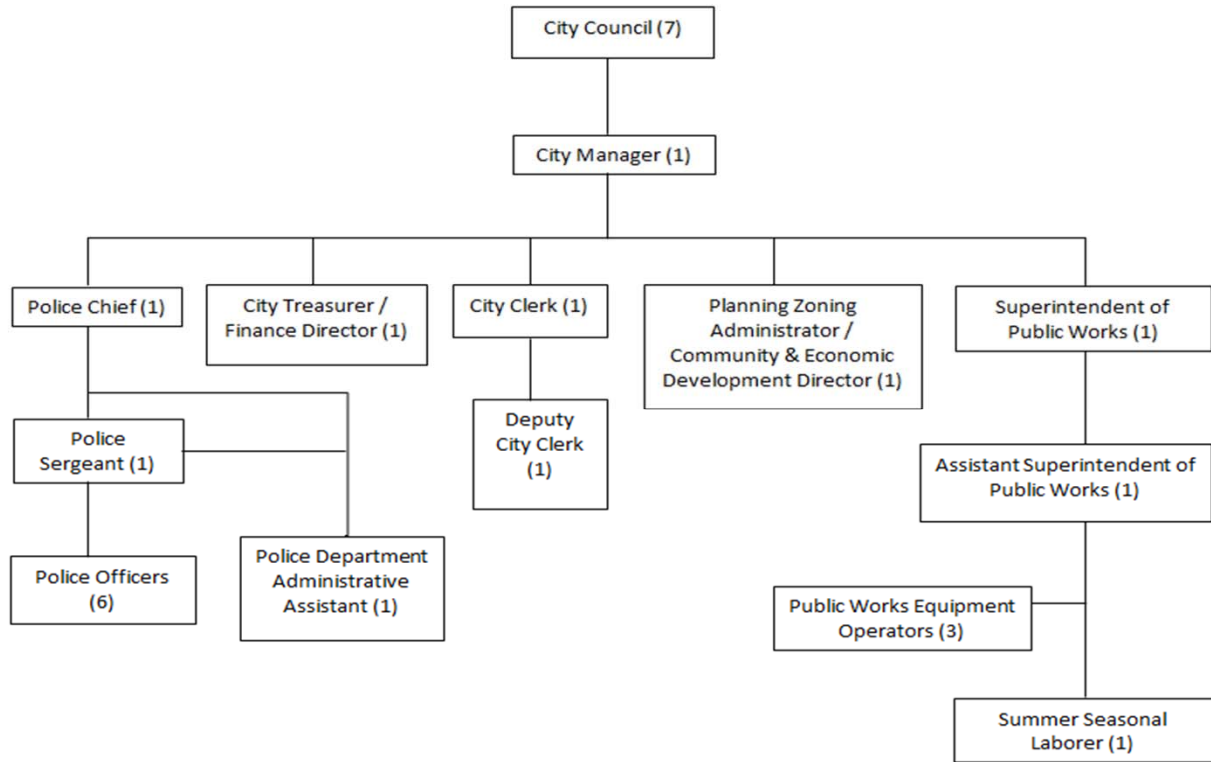
Respectfully submitted,

A handwritten signature in black ink, appearing to read "Robert Drexler". The signature is written in a cursive style with a large initial "R" and "D".

Robert Drexler, Treasurer/ Finance Director

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Table of Organization



CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

GFOA Certificate of Achievement



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of the Village of Douglas
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

A handwritten signature in black ink, reading "Jeffrey R. Emer". The signature is written in a cursive, flowing style.

Executive Director/CEO

FINANCIAL SECTION

This page intentionally left blank.

INDEPENDENT AUDITORS' REPORT

October 17, 2013

Honorable Mayor and Members of
the City Council
City of the Village of Douglas, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, the major fund, and the aggregate remaining fund information of the *City of the Village of Douglas, Michigan* (the "City"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Independent Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, the major fund and the aggregate remaining fund information of the City as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of funding progress and employer contributions for the pension plan listed in the table of contents be presented to supplement the basic financial statements. Such information, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules are 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Rehmann Loborn LLC". The signature is written in a cursive, flowing style.

This page intentionally left blank.

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of the Village of Douglas
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

As management of the City of the Village of Douglas, we offer readers of the City of the Village of Douglas' financial statements this narrative overview and analysis of the financial activities of the City for the year ended June 30, 2013. Please read it in conjunction with the City's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2013:

- Additional emphasis placed on investing in certificate of deposits covered by FDIC Insurance; however interest rates declined due to the Federal Reserve keeping interest rates at historic lows.
- The Major Street and Local Street Funds both receive ACT 51 funding from the State of Michigan. However, the ACT 51 funding only covers about 38% and 19.5% of the operating expenditures for the Major Street and Local Street Funds respectively. In order for these funds to maintain a positive fund balance they are both significantly supported with monies from the General Fund.
- Property tax revenues decreased approximately \$60,000 from the prior year and General Fund expenditures decreased approximately \$98,000, most of which is attributable to the pension payments to reduce the City's unfunded liability made last fiscal year.
- Total governmental fund balances increased by \$142,386 including \$123,247 in the General Fund.

Using this Annual Report

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

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

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

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., accrued interest on long-term debt).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, community and economic development, and recreation and culture.

City of the Village of Douglas
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

The government-wide financial statements include not only the City itself (known as the primary government), but also legally separate component units for which the City is financially accountable. The City's component units are the Downtown Development Authority and the Water Resource Improvement Tax Increment Finance Authority. Financial information for the component units are reported separately from the financial information presented for the primary government itself.

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

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

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

The City reports six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

Proprietary funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. Because these services predominantly 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 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 those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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. This is limited to this management's discussion and analysis and schedules of funding progress and employer contributions for the City's pension plan.

City of the Village of Douglas
 MANGAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2013

The City as a Whole

The following table shows, in a condensed format, the net position as of June 30, 2013 and 2012, respectively.

	Governmental Activities	
	2013	2012
Assets		
Current and other assets	\$ 4,136,967	\$ 4,062,685
Capital assets, net	8,988,787	8,580,081
Total assets	13,125,754	12,642,766
Liabilities		
Current liabilities	69,021	198,414
Long-term liabilities	837,272	954,651
Total liabilities	906,293	1,153,065
Net position		
Net investment in capital assets	8,480,354	7,958,138
Restricted	387,674	641,846
Unrestricted	3,351,433	2,889,717
Total net position	\$ 12,219,461	\$ 11,489,701

The City's total net position was \$12,219,461 at June 30, 2013, representing an increase of \$729,760 from the prior year, primarily due to the grant funding for the rehabilitation of Blue Star Highway Bridge and budgeted projects and items that did not occur during the fiscal year. Unrestricted net position (the part of net position that can be used to finance day-to-day operations) were \$3,351,433 at the end of the fiscal year, representing an increase of \$461,716 from the prior year. The majority of this increase comes from reclassifying restricted fund balance as unrestricted from the Water and Sewer Revolving Fund.

City of the Village of Douglas
MANGAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

The following table shows the changes in net position during the prior year and current year, respectively.

	Governmental Activities	
	2013	2012
Revenues		
Program revenues:		
Charges for services	\$ 621,489	\$ 587,084
Operating grants and contributions	256,812	278,337
Capital grants and contributions	485,532	3,088,349
General revenues:		
Property taxes	1,728,241	1,788,389
State shared revenue	92,607	90,866
Investment earnings	8,276	10,558
Gain on sale of capital assets	2,372	-
Other	34,827	47,639
Total revenues	3,230,156	5,891,222
Program Expenses:		
General government	538,175	599,114
Public safety	881,247	899,738
Public works	784,961	748,865
Community and economic development	188,873	160,923
Cultural and recreation	104,311	106,906
Interest on long-term debt	2,829	28,444
Total expenses	2,500,396	2,543,990
Increase in net position	729,760	3,347,232
Net position, beginning of year, as restated	11,489,701	8,142,469
Net position, end of year	\$ 12,219,461	\$ 11,489,701

Governmental Activities

The City's governmental revenues totaled \$3,230,156, which represents a decrease of \$2,661,066 from the prior year, due to grant funding received for the rehabilitation of the Blue Star Highway Bridge and decreased property tax revenue. The greatest revenue source for the City is property taxes. Over the past several years, property tax income has declined, as well as investment earnings. The significant decline in investment earnings is the result of drastic decreases in certificate of deposit rates.

The City incurred governmental expenses of \$2,500,396, which represents a decrease of \$43,594 from the prior year. The largest area of governmental expense is the public safety function which showed a decrease in expenses. The public safety function provides services to both the City of the Village of Douglas and the City of Saugatuck. The second highest area of governmental expense is the public works function which maintains roads and parks including snow removal.

City of the Village of Douglas
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

The net position of the governmental activities increased by \$729,760, of which, the significant portion of change in net position is from the grant received for the rehabilitation of the Blue Star Bridge and unspent budgeted expenses in the attorney department. The project is almost entirely completed at the end of the fiscal year, so next year's change in net position will be significantly lower.

Fund Level Financial Statements of the City's Funds

The General Fund pays for most of the City's governmental services. The most significant services provided during the fiscal year were public safety, general government, and public works. Public works includes road maintenance and repairs, snow plowing and leaf and brush pickup. Public safety includes the police department for both the City of the Village of Douglas and the City of Saugatuck. The General Fund incurred expenditures for public safety and general government of \$897,339 and \$570,391 respectively, for the fiscal year ending June 30, 2013. The General Fund expensed \$194,910 for public works and transferred \$289,500 to the Major Street and Local Street Funds, which those funds expensed \$326,377 of public works expenditures and \$111,213 expenditures on capital outlay for road repairs.

General Fund Budgetary Highlights

The City underestimated budgeted revenue by \$12,267 and expended \$569,052 less than budgeted expenditures for the General Fund for fiscal year ending June 30, 2013. The General Fund's expenditures for general government, public safety, and public works were under budget by \$227,804, \$68,687 and \$43,416 respectively. The City's General Fund, after budget amendments, was budgeted for an increase in fund balance of \$96; fund balance actually increased by \$123,247. The General Fund had budgeted monies for some projects that were not completed in the fiscal year ending June 30, 2013 creating the budget variances and the increase to fund balance.

Capital Asset and Debt Administration

At the end of the fiscal year, the City had \$8,988,787 invested in a broad range of capital assets, including buildings, land, equipment, and infrastructure. The City incurred depreciation expense of \$424,076 for the current fiscal year. Additional information on the City's capital assets can be found in Note 4 of this report.

During the current year the City paid \$113,510 in principal on installment purchase debt. The City has \$837,272 of long-term debt outstanding as of June 30, 2013, including \$96,871 of accumulated compensated absences. Of the \$837,272 of outstanding long-term debt \$429,495 is expected to be paid within the next fiscal year. Additional information on the City's long-term debt can be found in the Note 7 of this report.

Current Economic Factors

The State of Michigan is experiencing significant budget problems, and as they look for solutions, revenue sharing continues to be cut for municipalities. The ACT 51 revenue that the City receives from the State for Major and Local Street Funds is insufficient to cover the required costs just to maintain the roads. This requires money from the General Fund millage to be transferred to the Major and Local Street Funds annually just to cover the operating costs of maintaining the streets in the City. The City's property taxes have declined for three consecutive years.

Contacting the City's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the City Clerk or Treasurer at the City Hall.

BASIC FINANCIAL STATEMENTS

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Statement of Net Position June 30, 2013

	Primary Government	
	Governmental Activities	Component Units
Assets		
Cash and cash equivalents	\$ 1,140,559	\$ 71,409
Investments	2,254,821	-
Receivables	180,653	749
Prepays and other assets	10,981	2,250
Deposits with others	210,201	-
Net pension asset	339,752	-
Capital assets:		
Not being depreciated	93,800	-
Being depreciated, net	8,894,987	-
Total assets	13,125,754	74,408
Liabilities		
Payables and accrued liabilities	69,021	2,749
Unearned revenue	-	3,125
Long-term debt:		
Due within one year	429,495	-
Due in more than one year	407,777	-
Total liabilities	906,293	5,874
Net position		
Net investment in capital assets	8,480,354	-
Restricted for highways and streets	387,674	-
Unrestricted	3,351,433	68,534
Total net position	\$ 12,219,461	\$ 68,534

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

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Statement of Activities
For the Year Ended June 30, 2013

Functions / Programs	Expenses	Program Revenues			Net (Expenses) Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
General government	\$ 538,175	\$ 54,339	\$ 1,720	\$ -	\$ (482,116)
Public safety	881,247	509,795	6,875	-	(364,577)
Public works	784,961	49,619	247,967	485,532	(1,843)
Community and economic development	188,873	-	-	-	(188,873)
Recreation and culture	104,311	7,736	250	-	(96,325)
Interest on long-term debt	2,829	-	-	-	(2,829)
Total governmental activities	\$ 2,500,396	\$ 621,489	\$ 256,812	\$ 485,532	\$ (1,136,563)
Component units					
Downtown Development Authority	\$ 35,540	\$ -	\$ 18,661	\$ -	\$ (16,879)
Water Resource Improvement Tax Increment Finance Authority	57,214	-	62,057	-	4,843
Total component units	\$ 92,754	\$ -	\$ 80,718	\$ -	\$ (12,036)

continued...

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Statement of Activities For the Year Ended June 30, 2013

	Primary Government	
	Governmental Activities	Component Units
Changes in net position		
Net (expenses) revenues	\$ (1,136,563)	\$ (12,036)
General revenues:		
Property taxes	1,728,241	17,947
State shared revenues	92,607	-
Unrestricted investment income	8,276	250
Other general revenues	34,827	-
Gain on sale of capital assets	2,372	-
Total general revenues	1,866,323	18,197
Change in net position	729,760	6,161
Net position, beginning of year, as restated	11,489,701	62,373
Net position, end of year	\$ 12,219,461	\$ 68,534

concluded

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

This page intentionally left blank.

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Balance Sheet

Governmental Funds

June 30, 2013

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 480,948	\$ 492,050	\$ 972,998
Investments	2,254,821	-	2,254,821
Accounts receivable	4,851	3,619	8,470
Due from other governments	107,203	20,307	127,510
Due from other funds	42,771	-	42,771
Interest receivable	1,902	-	1,902
Deposits with others	-	210,201	210,201
Prepays	9,075	1,906	10,981
Total assets	\$ 2,901,571	\$ 728,083	\$ 3,629,654
Liabilities			
Accounts payable	\$ 29,974	\$ 8,333	\$ 38,307
Due to other governments	1,059	-	1,059
Accrued liabilities	24,959	2,701	27,660
Total liabilities	55,992	11,034	67,026
Deferred inflows of resources			
Unavailable revenue - long-term receivable	75,000	-	75,000
Fund balances (Note 9)			
Nonspendable	9,075	1,906	10,981
Restricted	-	385,768	385,768
Committed	-	57,054	57,054
Assigned	415,000	272,321	687,321
Unassigned	2,346,504	-	2,346,504
Total fund balances	2,770,579	717,049	3,487,628
Total liabilities, deferred inflows of resources and fund balances	\$ 2,901,571	\$ 728,083	\$ 3,629,654

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

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2013

Fund balances - total governmental funds	\$ 3,487,628
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the fund statements.	
Capital assets not being depreciated	93,800
Capital assets being depreciated, net	8,894,987
Capital assets, net accounted for in the internal service fund	(115,488)
Some items are recorded as revenues and expenditures in the fund statements when paid or when received. These items are recorded on the government-wide statements when incurred in the case of expenditures and when revenues are earned.	
Net pension asset	339,752
The focus of governmental funds is on short-term financing. Accordingly, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred inflows of resources in the governmental funds, and thus are not included in fund balance.	
Deferred inflow for long-term receivable	75,000
An internal service fund is used by management to charge the costs of certain activities, such as equipment usage and other centralized costs, to individual funds. The assets and liabilities of the internal service fund are included in governmental activities.	
Net position of governmental activities accounted for in the internal service fund	282,949
Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the fund statements:	
Long-term debt	(508,433)
Litigation settlement	(231,968)
Compensated absences	(96,871)
Accrued interest on long-term debt	(1,895)
Net position of governmental activities	<u>\$ 12,219,461</u>

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

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2013

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 1,728,241	\$ -	\$ 1,728,241
Licenses and permits	53,439	-	53,439
Intergovernmental	685,241	130,179	815,420
Charges for services	38,824	57,236	96,060
Fines and forfeitures	3,777	-	3,777
Interest	8,277	491	8,768
Rentals	500	-	500
Other revenue	36,047	-	36,047
Total revenues	2,554,346	187,906	2,742,252
Expenditures			
Current:			
General government	570,391	-	570,391
Public safety	897,339	-	897,339
Public works	194,910	326,377	521,287
Community and economic development	195,234	-	195,234
Recreation and culture	93,302	2,496	95,798
Other functions	28,300	-	28,300
Debt service:			
Principal	113,510	-	113,510
Interest	3,076	-	3,076
Capital outlay	41,654	135,649	177,303
Total expenditures	2,137,716	464,522	2,602,238
Revenues over (under) expenditures	416,630	(276,616)	140,014
Other financing sources (uses)			
Proceeds from sale of capital assets	2,372	-	2,372
Transfers in	4,500	300,255	304,755
Transfers out	(300,255)	(4,500)	(304,755)
Total other financing sources (uses)	(293,383)	295,755	2,372
Net changes in fund balances	123,247	19,139	142,386
Fund balances, beginning of year	2,647,332	697,910	3,345,242
Fund balances, end of year	\$ 2,770,579	\$ 717,049	\$ 3,487,628

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

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2013

Net changes in fund balances - total governmental funds	\$ 142,386
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Purchases of capital assets	265,575
Donated capital assets	500,532
Depreciation expense	(424,076)
Depreciation expense accounted for in the internal service fund	57,347
Proceeds on sale of capital assets	(2,372)
Gain realized on sale of capital assets	2,372
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Net change in deferred long-term receivables	(15,000)
Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Principal payments on long-term liabilities	113,510
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 net pension asset	54,752
Change in accrued interest on bonds	247
Change in accrual for compensated absences	12,326
Change in accrual for litigation settlement	(8,457)
An internal service fund is used by management to charge the costs of certain services to individual governmental funds. The net revenue (expense) attributable to that fund is reported with governmental activities.	
Operating income from governmental activities internal service fund	20,898
Interest income from governmental activities internal service fund	1,000
Gain on sale of capital assets from governmental activities internal service fund	8,720
Change in net position of governmental activities	<u>\$ 729,760</u>

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

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 1,726,000	\$ 1,726,000	\$ 1,728,241	\$ 2,241
Licenses and permits	32,500	44,500	53,439	8,939
Intergovernmental revenue	684,564	688,564	685,241	(3,323)
Charges for services	39,067	39,067	38,824	(243)
Fines and forfeitures	4,500	4,500	3,777	(723)
Interest	8,000	8,000	8,277	277
Rentals	500	500	500	-
Other revenue	25,215	33,320	36,047	2,727
Total revenues	2,520,346	2,544,451	2,554,346	9,895
Expenditures				
Current:				
General government:				
City council	17,715	17,715	14,780	(2,935)
Attorney	45,000	218,938	9,517	(209,421)
City manager	114,605	114,605	110,923	(3,682)
Assessing	46,500	46,500	45,241	(1,259)
Elections	3,850	5,350	4,491	(859)
Buildings and grounds	111,880	115,730	113,975	(1,755)
Clerk / Treasurer	251,105	268,557	260,664	(7,893)
Other	10,800	10,800	10,800	-
Total general government	601,455	798,195	570,391	(227,804)
Public safety:				
Police department	956,300	966,026	897,339	(68,687)
Public works:				
Department of public works	226,600	238,326	194,910	(43,416)
Community and economic development:				
Planning and zoning	160,970	182,696	161,734	(20,962)
Harbor authority	1,500	33,500	33,500	-
Total community and economic development	162,470	216,196	195,234	(20,962)
Recreation and culture:				
Parks department	111,575	120,575	93,302	(27,273)
Other:				
Insurance	26,000	26,000	25,091	(909)
Other	2,000	4,000	3,209	(791)
Total other	28,000	30,000	28,300	(1,700)

continued...

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - General Fund For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (concluded)				
Debt service:				
Principal	\$ 100,000	\$ 113,766	\$ 113,510	\$ (256)
Interest	17,600	3,834	3,076	(758)
Total debt service	<u>117,600</u>	<u>117,600</u>	<u>116,586</u>	<u>(1,014)</u>
Capital outlay	<u>31,250</u>	<u>219,850</u>	<u>41,654</u>	<u>(178,196)</u>
Total expenditures	<u>2,235,250</u>	<u>2,706,768</u>	<u>2,137,716</u>	<u>(569,052)</u>
Revenues over (under) expenditures	<u>285,096</u>	<u>(162,317)</u>	<u>416,630</u>	<u>578,947</u>
Other financing sources (uses)				
Proceeds from the sale of capital assets	-	-	2,372	2,372
Transfers in	4,500	462,668	4,500	(458,168)
Transfers out	<u>(289,500)</u>	<u>(300,255)</u>	<u>(300,255)</u>	<u>-</u>
Total other financing sources (uses)	<u>(285,000)</u>	<u>162,413</u>	<u>(293,383)</u>	<u>(455,796)</u>
Net change in fund balance	96	96	123,247	123,151
Fund balance, beginning of year	<u>2,647,332</u>	<u>2,647,332</u>	<u>2,647,332</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,647,428</u>	<u>\$ 2,647,428</u>	<u>\$ 2,770,579</u>	<u>\$ 123,151</u>

concluded

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

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Statement of Net Position

Proprietary Fund

June 30, 2013

	Internal Service Fund
Assets	
Current assets:	
Cash and cash equivalents	\$ 167,561
Capital assets:	
Capital assets being depreciated, net	<u>115,488</u>
Total assets	<u>283,049</u>
Liabilities	
Current liabilities:	
Accounts payable	<u>100</u>
Net position	
Net investment in capital assets	115,488
Unrestricted	<u>167,461</u>
Total net position	<u><u>\$ 282,949</u></u>

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

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Fund

For the Year Ended June 30, 2013

	Internal Service Fund
Operating revenues	
Charges for services	\$ 100,636
Operating expenses	
Operating supplies	22,391
Depreciation	57,347
Total operating expenses	79,738
Operating income	20,898
Nonoperating revenues	
Interest income	1,000
Gain on sale of capital assets	8,720
Total nonoperating revenue	9,720
Change in net position	30,618
Net position, beginning of year	252,331
Net position, end of year	\$ 282,949

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

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Statement of Cash Flows

Proprietary Fund

For the Year Ended June 30, 2013

	Internal Service Fund
Cash flows from operating activities	
Receipts from interfund services provided	\$ 100,636
Payments to suppliers	<u>(22,550)</u>
Net cash provided by operating activities	<u>78,086</u>
Cash flows from capital and related financing activities	
Sale of capital assets	8,720
Purchase of capital assets	<u>(66,675)</u>
Net cash used in capital and related financing activities	<u>(57,955)</u>
Cash flows from investing activities	
Interest received	<u>1,000</u>
Net increase in cash and cash equivalents	21,131
Cash and cash equivalents, beginning of year	<u>146,430</u>
Cash and cash equivalents, end of year	<u><u>\$ 167,561</u></u>
Cash flows from operating activities	
Operating income	\$ 20,898
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	57,347
Changes in operating assets and liabilities which provide cash:	
Accounts payable	<u>(159)</u>
Net cash provided by operating activities	<u><u>\$ 78,086</u></u>

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

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Statement of Fiduciary Assets and Liabilities

Agency Fund
June 30, 2013

	Tax Collection Fund
Assets	
Cash and cash equivalents	\$ 4,355
Due from other governments	42,771
	<hr/>
Total assets	\$ 47,126
	<hr/> <hr/>
Liabilities	
Undistributed receipts	\$ 4,355
Due to other funds	42,771
	<hr/>
Total liabilities	\$ 47,126
	<hr/> <hr/>

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

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Combining Statement of Net Position Discretely Presented Component Units June 30, 2013

	Downtown Development Authority	Water Resource Improvement Authority	Total
Assets			
Cash and cash equivalents	\$ 63,464	\$ 7,945	\$ 71,409
Due from other governments	-	749	749
Prepays and other assets	2,250	-	2,250
Total assets	65,714	8,694	74,408
Liabilities			
Payables and accrued liabilities	1,251	1,498	2,749
Unearned revenue	3,125	-	3,125
Total liabilities	4,376	1,498	5,874
Net position			
Unrestricted	\$ 61,338	\$ 7,196	\$ 68,534

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

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Combining Statement of Activities Discretely Presented Component Units For the Year Ended June 30, 2013

	Downtown Development Authority	Water Resource Improvement Authority	Total
Expenses			
Downtown Development Authority	\$ 35,540	\$ -	\$ 35,540
Water Resource Improvement Authority	-	57,214	57,214
Total expenses	35,540	57,214	92,754
Program revenues			
Operating grants and contributions	18,661	62,057	80,718
Net revenues (expenses)	(16,879)	4,843	(12,036)
General revenues			
Property taxes	17,947	-	17,947
Unrestricted interest income	250	-	250
Total general revenues	18,197	-	18,197
Change in net position	1,318	4,843	6,161
Net position, beginning of year	60,020	2,353	62,373
Net position, end of year	\$ 61,338	\$ 7,196	\$ 68,534

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

This page intentionally left blank.

NOTES TO FINANCIAL STATEMENTS

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of the Village of Douglas, Michigan (the "City"), is located in Allegan County, Michigan and has a population of approximately 1,200. The City operates under a Council-Manager, non-partisan form of government and provides services to its residents in many areas, including general government, law enforcement, highways and streets.

A regular City election is held in November each year. Councilpersons are elected at large for two-year terms. At one election, four councilpersons are elected. At the following election, three councilpersons are elected. The Council holds an organizational meeting at the first regular meeting following the election of its members. At that time, the Council elects a mayor and a mayor pro-tem from its members.

The accounting policies of the City conform to generally accepted accounting principles as applicable to governments. The following is a summary of the most significant policies:

The Reporting Entity

As required by generally accepted accounting principles, these financial statements present the City, which is incorporated under the Home Rule City Act (P.A. 279 of 1979) and is governed by a seven-member council, and its component units, entities for which the City is considered to be financially accountable.

Discretely Presented Component Units

Downtown Development Authority - The Downtown Development Authority is reported in a separate column to emphasize that, while legally separate, the City of the Village of Douglas remains financially accountable for this entity. The governing body of the Downtown Development Authority is appointed by the City Council, the Authority's budget is subject to the approval of the City Council and the City temporarily relinquishes part of its tax base to the Authority (tax increment revenues). A separate report is not issued for the Authority.

Water Resource Improvement Tax Increment Finance Authority - The Water Resource Improvement Tax Increment Finance Authority was created to obtain funding to maintain the Kalamazoo River harbor. The governing body of the Authority is appointed by the City Council, the Authority's budget is subject to the approval of the City Council and the City temporarily relinquishes part of its tax base to the Authority (tax increment revenues). A separate report is not issued for the Authority.

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Notes to Financial Statements

Joint Ventures

a. Township of Saugatuck Fire District:

The Township of Saugatuck Fire District (the “District”) is a joint venture of the City, the Township of Saugatuck and the City of Saugatuck. The administrative Board of the District consists of five members, two at-large members and one member from each of the three participating units. The budget of the District is approved at a joint meeting of the participating units. The participating units levy special millages for fire protection that are used to finance the cost of operations and capital expenditures of the District. During the year ended June 30, 2013, the City made no contributions to the District. Complete audited financial statements for the District can be obtained from the Township of Saugatuck.

b. Interurban Transit Authority:

The Interurban Transit Authority (the “Authority”) is a joint venture of the City, the Township of Saugatuck, and the City of Saugatuck. The Authority’s Administrative Board consists of six members, two members appointed by each of the three participating units. During the year ended June 30, 2013, the City made no contributions to the Authority.

c. Kalamazoo Lake Sewer and Water Authority:

The Kalamazoo Lake Sewer and Water Authority (the “Authority”) is a joint venture of the City, the Township of Saugatuck, and the City of Saugatuck. The Authority’s Administrative Board consists of five members appointed by each of the three participating units. The Authority was formed to operate, maintain, administer and manage the water and sewerage systems located within the constituent units of government. During the year ended June 30, 2013, the City made no contributions to the Authority. Any infrastructure constructed or paid by the City is recorded as infrastructure on the City’s records. Complete audited financial statements for the Authority can be obtained from their offices or the City of the Village of Douglas’ City Hall.

During its fiscal year ended February 28, 2013, the Authority entered into an agreement with the County of Allegan, Michigan to issue Drinking Water Revolving Bonds on its behalf for the construction of infrastructure. Bond proceeds are drawn down as needed to fund construction, up to \$4,693,525. As of February 28, 2013, the amount drawn down was approximately \$2,150,000. These bonds and the related interest, at 2.5 percent, will be retired through payments made by the Authority and are secured by the full faith and credit pledge of the City of the Village of Douglas (55.38 percent), the Township of Saugatuck (6.27 percent), and the City of Saugatuck (38.35 percent).

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Notes to Financial Statements

The annual principal and interest requirements are as follows:

Year Ended February 28,	Principal	Interest	Total	City Backed Amount
2014	\$ -	\$ 58,669	\$ 58,669	\$ 32,491
2015	183,525	117,338	300,863	166,618
2016	190,000	112,750	302,750	167,663
2017	195,000	108,000	303,000	167,801
2018	200,000	103,126	303,126	167,871
2019-2023	1,065,000	439,004	1,504,004	832,917
2024-2028	1,205,000	298,752	1,503,752	832,778
2029-2033	1,360,000	140,502	1,500,502	830,978
2034-2035	295,000	7,376	302,376	167,456
Total	\$ 4,693,525	\$ 1,385,517	\$ 6,079,042	\$ 3,366,573

Government-wide and Fund Financial Statements

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. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The City has no business-type activities for the year ended June 30, 2013.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, internal service funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Notes to Financial Statements

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

Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City. The City reports the following major governmental fund:

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

Additionally, the City reports the following fund types:

The *special revenue funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

The *capital projects funds* account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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

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

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

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

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

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Notes to Financial Statements

Budgets and Budgetary Accounting

Comparisons to budget are presented for the General Fund. The City Council adopts a legally enforceable budget for the General Fund and special revenue funds with remaining funds maintaining budgets as a management control device. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed for the government fund types as a management control device.
5. Budgets for the General and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Annual budgets lapse at fiscal year end.
6. Adoption and amendments of all budgets used by the City are governed by Public Act 621, which was followed for the year ended June 30, 2013. Expenditures may not exceed appropriations. The appropriations resolutions are based on the projected expenditures budget of the department heads of the City. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures of any fund must be approved by the City Council.
7. Budgeted amounts are as originally adopted, or as amended by the City Council.

Budgets for expenditures are adopted on an activity level.

Cash and Cash Equivalents

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

Investments

Investments consist of a third party pooled investment fund and treasury bonds and are recorded in the City's records at fair value.

Receivables

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Deposits with Others

The City has deposits held with the Kalamazoo Lake Sewer and Water Authority for sewer and water connections.

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Notes to Financial Statements

Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the 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 reported in the government-wide financial statements. The City does not have a formal policy in place establishing capitalization thresholds, but in practice, capital assets are those with an initial individual cost of \$3,000 or more and an established useful life of more than three years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

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

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

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

	Years
Buildings	40
Improvements	10-15
Infrastructure	10-40
Machinery and equipment	3-10

Compensated Absences

City employees are granted vacation, sick leave, and personal leave in varying amounts. Certain non-salaried, non-FLSA exempt City employees may also elect to accumulate compensatory time up to certain varying maximum limits in lieu of taking overtime pay. In the event of termination, an employee is paid for accumulated vacation, half of sick leave time, and personal days and compensatory time. All employees with accumulated vacation, half of sick leave time, and personal days and compensatory time at June 30, 2013, were vested and the total due to the employees, along with the related payroll taxes, is recorded entirely in the government-wide financial statements.

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Notes to Financial Statements

Deferred inflows of resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues, which arises only under a modified accrual basis of accounting, from long-term receivables from the Township of Saugatuck. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. For new bond issuances of governmental funds after the implementation of GASB Statement No. 34 and all proprietary fund bond issues, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognized bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses.

Property Taxes

The City bills and collects its own as well as other governmental units property taxes. The City's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph.

Property taxes are levied by the City on July 1 and are payable without penalty through September 15. The July 1 levy is composed of the City's millages, County's operating millage, school taxes and State Education Tax. The December 1 levy is composed of County's Senior and Road millage, Transit Authority, District Library, Fire District, and school taxes. All real property taxes not paid to the City by March 1 are turned over to the Allegan County Treasurer for collection. The Allegan County Treasurer purchases the receivables of all taxing districts on any delinquent real property taxes. City property tax revenues are recognized as revenue in the fiscal year levied.

Interfund Transactions

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

The internal service fund records charges for equipment rental to various City departments and funds as operating revenue. All City funds record these payments as operating expenditures/expense.

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Notes to Financial Statements

Use of Estimates

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

Fund Equity

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

The City Council has adopted a minimum fund balance policy in which the total fund balance of the General Fund (excluding any restricted balances) will be equal to at least 25 percent of the current year General Fund expenditures. If the General Fund balance falls below the minimum range, the City will replenish shortages or deficiencies using budget strategies and timeframes as detailed in the policy.

When the government incurs an expenditure for purposes for which various fund balance classifications can be used, it is the government's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

2. DEPOSITS AND INVESTMENTS

Deposits and investments are recorded in the financial statements at June 30, 2013, as follows:

	Governmental Activities	Agency Fund	Component Units	Total
Cash and cash equivalents	\$ 1,140,559	\$ 4,355	\$ 71,409	\$ 1,216,323
Investments	2,254,821	-	-	2,254,821
Total	\$ 3,395,380	\$ 4,355	\$ 71,409	\$ 3,471,144

Deposits and investments consist of the following at June 30, 2013:

Bank deposits	\$ 535,458
Certificates of deposit (due within one year)	1,654,493
Investments	1,281,193
Total	\$ 3,471,144

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Notes to Financial Statements

Deposits

These deposits and investments are in eleven (11) financial institutions located in Michigan in varying amounts. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the City and a specific fund or common account. They are recorded in the City's records at cost. Interest is recorded when earned.

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

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require, and the City does not have, a policy for deposit custodial credit risk. As of year end, \$200,364 of the City's bank balance of \$2,203,037 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Statutory Authority

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

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

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Notes to Financial Statements

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

Investment	Maturity	Fair Value	Rating
MBIA Class Fund	No maturity	\$ 680,794	S&P / AAAm
US Treasury Bonds	11/30/2013	300,177	Moody's / AAA
US Treasury Bonds	01/31/2014	<u>300,222</u>	Moody's / AAA
Total		<u>\$ 1,281,193</u>	

Investment Risk

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

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

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2013, none of the City’s investments were exposed to custodial credit risk inasmuch as all investments are held in the name of the City.

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

3. RECEIVABLES

At June 30, 2013, the City’s receivables were as follows:

	Governmental Activities	Component Units
Accounts	\$ 8,470	\$ -
Due from other governments	127,510	749
Due from other funds	42,771	-
Interest	<u>1,902</u>	<u>-</u>
Total	<u>\$ 180,653</u>	<u>\$ 749</u>

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Notes to Financial Statements

Of the amounts reported for receivables above, an amount due from other governments of \$60,000 is not expected to be collected within one year.

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities					
Capital assets, not being depreciated:					
Land	\$ 93,800	\$ -	\$ -	\$ -	\$ 93,800
Construction in progress	3,369,048	524,010	-	(3,893,058)	-
	<u>3,462,848</u>	<u>524,010</u>	<u>-</u>	<u>(3,893,058)</u>	<u>93,800</u>
Capital assets, being depreciated:					
Buildings	804,362	59,842	-	-	864,204
Improvements	579,799	29,949	-	-	609,748
Machinery and equipment	741,166	108,716	(99,194)	-	750,688
Infrastructure	7,670,371	110,265	-	3,893,058	11,673,694
	<u>9,795,698</u>	<u>308,772</u>	<u>(99,194)</u>	<u>3,893,058</u>	<u>13,898,334</u>
Less accumulated depreciation for:					
Buildings	(428,843)	(38,766)	-	-	(467,609)
Improvements	(235,943)	(30,009)	-	-	(265,952)
Machinery and equipment	(561,365)	(77,485)	99,194	-	(539,656)
Infrastructure	(3,452,314)	(277,816)	-	-	(3,730,130)
	<u>(4,678,465)</u>	<u>(424,076)</u>	<u>99,194</u>	<u>-</u>	<u>(5,003,347)</u>
Total capital assets being depreciated, net	<u>5,117,233</u>	<u>(115,304)</u>	<u>-</u>	<u>3,893,058</u>	<u>8,894,987</u>
Governmental activities capital assets, net	<u>\$ 8,580,081</u>	<u>\$ 408,706</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,988,787</u>

Depreciation expense was charged to functions as follows:

General government	\$ 38,186
Public safety	13,230
Public works	302,712
Recreation and culture	12,601
Internal service fund	57,347
	<u>\$ 424,076</u>

At June 30, 2013, the City had placed a good faith deposit in the amount of \$5,000 as a commitment to purchase a parcel of land. The City closed on the land purchase on July 23, 2013, for a total of \$196,600.

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Notes to Financial Statements

5. PAYABLES AND ACCRUED LIABILITIES

At June 30, 2013, the City’s payables and accrued liabilities were as follows:

	Governmental Activities	Component Units
Accounts	\$ 38,407	\$ 2,749
Accrued liabilities	27,660	-
Due to other governments	1,059	-
Accrued interest on long-term debt	1,895	-
Total	\$ 69,021	\$ 2,749

6. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

For the year ended June 30, 2013, interfund receivables and payables consisted of the following:

	Due to Other Fund	Due from Other Fund
General Fund	\$ -	\$ 42,771
Tax Collection Fund	42,771	-
Total	\$ 42,771	\$ 42,771

For the year ended June 30, 2013, interfund transfers consisted of the following:

	Transfers In	Transfers out
General Fund	\$ 4,500	\$ 300,255
Nonmajor governmental funds	300,255	4,500
Total	\$ 304,755	\$ 304,755

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Notes to Financial Statements

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

7. LONG-TERM DEBT

The following is a summary of debt transactions of the City for the year ended June 30, 2013:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Bonds payable	\$ 285,000	\$ -	\$ (45,000)	\$ 240,000	\$ 45,000
Installment purchase agreements	336,943	-	(68,510)	268,433	55,656
Total installment debt	621,943	-	(113,510)	508,433	100,656
Litigation settlement	223,511	8,457	-	231,968	231,968
Compensated absences	109,197	96,871	(109,197)	96,871	96,871
Total	\$ 954,651	\$ 105,328	\$ (222,707)	\$ 837,272	\$ 429,495

\$325,000 2010 Capital Improvement Bonds, due in annual installments of \$40,000 to \$50,000 plus interest ranging from 1.90 to 3.65%, payable semi-annually, through October 1, 2017. \$ 240,000

\$190,000 Loan agreement dated March 17, 2006, due in monthly installments of \$689 to \$1,509 plus interest at 5.14%, through March 1, 2021. 113,955

\$448,403 Loan agreement dated June 26, 2003, due in monthly installments of \$506 to \$3,751 plus interest at 1.40%, through January 10, 2017. 154,478

Total **\$ 508,433**

The annual requirements to amortize all debt outstanding (excluding long-term compensated absences and the litigation settlement) as of June 30, 2013 are as follows:

Year Ended June 30,	Principal	Interest	Total
2014	\$ 100,656	\$ 14,517	\$ 115,173
2015	102,087	12,040	114,127
2016	108,333	9,341	117,674
2017	87,567	6,421	93,988
2018	65,399	3,778	69,177
2019-2021	44,391	3,513	47,904
	\$ 508,433	\$ 49,610	\$ 558,043

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Notes to Financial Statements

Compensated absences are generally expected to be liquidated by the General Fund and are all considered current as deletions during the current year are in excess of the liability.

8. PENSION PLAN

Defined Benefit Plan

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

The City is required to contribute at an actuarially determined amount, which for the current year was \$105,811. The contribution requirements of the City are established and may be amended by the MERS Retirement Board. The contribution requirements of plan members are established and may be amended by the City depending on the MERS contribution program adoption by the City.

For the year ended June 30, 2013, the City's annual pension cost of \$99,689 for MERS was less than the City's required contributions. The City voluntarily contributed an additional \$48,630 during the year. The required contribution was determined as part of the December 31, 2010 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of eight (8.0) percent; (b) projected salary increases of four and one-half (4.5) percent per year, compounded annually based on inflation; (c) additional projected salary increases of 0.0% to 8.4% per year, depending on age, attributable to merit, longevity, and promotional pay increases; and (d) post-retirement benefits will increase based on City Council resolution. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect fair value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2012, the date of the latest actuarial valuation, was 26 years.

Three-Year Trend Information			
Years Ended June 30,	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Asset
2011	\$ 123,669	100%	\$ -
2012	115,927	346%	285,000
2013	99,689	155%	339,752

Funded Status and Funding Progress. As of December 31, 2012, the most recent actuarial valuation date, the plan was 85 percent funded. The actuarial accrued liability for benefits was \$2,603,611, and the actuarial value of assets was \$2,213,402, resulting in an unfunded actuarial accrued liability (UAAL) of \$390,209. The covered payroll (annual payroll of active employees covered by the plan) was \$863,147, and the ratio of the UAAL to the covered payroll was 45 percent.

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Notes to Financial Statements

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

The City's Annual Pension Cost and Net Pension Asset for the current year are as follows:

Actuarial required contribution	\$ 105,811
Interest on net pension asset	(22,800)
Adjustment to actuarially required contribution	<u>16,678</u>
Annual pension cost	99,689
Contributions made	<u>154,441</u>
Increase in net pension asset	54,752
Net pension asset, beginning of the year	<u>285,000</u>
Net pension asset, end of the year	<u>\$ 339,752</u>

Defined Contribution Plans

The City offers its employees a deferred compensation plan sponsored by ICMA Retirement Corporation, which is a compensation plan created in accordance with IRC Section No. 457. The deferred compensation is not available to the individual until termination, retirement, death, or unforeseeable emergency. The City's deferred compensation program is administered by the ICMA Retirement Corporation. The City also has three employees who participate in a 457 deferred compensation plan administered through Nationwide. The City's contributions for the year ended June 30, 2013 totaled \$7,283.

The City also participates in defined contribution option provided by MERS, covering the City Manager. The contribution requirements of plan members, if any, are established and may be amended by the City, depending on the MERS contribution program adopted by the City. The City is required to contribute 12% of the Manager's gross wages. The City's contributions for the year ended June 30, 2013 totaled \$8,736.

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Notes to Financial Statements

9. FUND BALANCES - GOVERNMENTAL FUNDS

Detailed information on fund balances of governmental funds is as follows:

	General Fund	Nonmajor Governmental Funds	Total
Nonspendable:			
Prepaid items	\$ 9,075	\$ 1,906	\$ 10,981
Restricted:			
Highways and streets	-	385,768	385,768
Committed:			
Recreation and culture	-	57,054	57,054
Assigned :			
Litigation settlement	200,000	-	200,000
Land acquisition	190,000	-	190,000
Pension contribution	25,000	-	25,000
Capital improvements	-	272,321	272,321
Total assigned	415,000	272,321	687,321
Unassigned	2,346,504	-	2,346,504
Total fund balances	<u>\$ 2,770,579</u>	<u>\$ 717,049</u>	<u>\$ 3,487,628</u>

10. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of June 30, 2013, was as follows:

Capital assets:	
Capital assets not being depreciated	\$ 93,800
Capital assets being depreciated, net	<u>8,894,987</u>
	8,988,787
Related debt:	
Total bonds and notes payable	<u>508,433</u>
Net investment in capital assets	<u>\$ 8,480,354</u>

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Notes to Financial Statements

11. RISK MANAGEMENT

The City participates in a pool, the Michigan Municipal League Liability and Property Pool with other municipalities for property, liability, in-land marine, boiler and machinery, auto, and crime. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self insurance pool. In the event that the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

The City also participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for worker's compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

12. CONTINGENCIES

The City is party to various pending legal actions. It is the opinion of the City's legal counsel that it is not reasonably possible to determine the outcome of these matters at this time. However, management has estimated that the City's potential liability, if any, above amounts that would be covered by insurance, would likely be immaterial.

A settlement did occur during the prior fiscal year that resulted in an expected liability of \$231,968 as of June 30, 2013. This liability had not been paid as of year end and therefore has been recorded in the government-wide financial statements.

13. RESTATEMENTS

The City adopted the provisions of GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and No. 65, *Items Previously Reported as Assets and Liabilities*, in the current year. In addition to the revised classification of certain financial elements in the financial statements, the implementation of GASB Statement No. 65 resulted in the elimination of bond issuance costs as an asset. As a result of this change, beginning net position of governmental activities decreased by \$11,138.



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Required Supplementary Information
 Employees' Retirement Plan

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
12/31/2007	\$ 1,404,289	\$ 1,799,344	\$ 395,055	78%	\$ 630,356	63%
12/31/2008	1,476,585	1,975,079	498,494	75%	653,935	76%
12/31/2009	1,571,699	2,278,110	706,411	69%	911,052	78%
12/31/2010	1,691,096	2,216,487	525,391	76%	781,445	67%
12/31/2011	1,795,384	2,463,126	667,742	73%	849,207	79%
12/31/2012	2,213,402	2,603,611	390,209	85%	863,147	45%

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contributions	Percentage Contributed
2008	\$ 94,007	100%
2009	96,663	100%
2010	112,786	100%
2011	123,669	100%
2012	115,927	346%
2013	105,811	155%

**COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES**

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2013

	Special Revenue		
	Major Streets	Local Streets	Schultz Park Launch Ramp
Assets			
Cash and cash equivalents	\$ 263,692	\$ 109,503	\$ 56,735
Accounts receivable	3,300	-	319
Due from other governments	14,251	6,056	-
Deposits with others	-	-	-
Prepays	1,046	860	-
Total assets	\$ 282,289	\$ 116,419	\$ 57,054
Liabilities			
Accounts payable	\$ 7,681	\$ 652	\$ -
Accrued liabilities	1,260	1,441	-
Total liabilities	8,941	2,093	-
Fund balances			
Nonspendable	1,046	860	-
Restricted	272,302	113,466	-
Committed	-	-	57,054
Assigned	-	-	-
Total fund balances	273,348	114,326	57,054
Total liabilities and fund balances	\$ 282,289	\$ 116,419	\$ 57,054



Capital Projects		
Blue Star Bridge	Water and Sewer Revolving	Total
\$ -	\$ 62,120	\$ 492,050
-	-	3,619
-	-	20,307
-	210,201	210,201
-	-	1,906
<u>\$ -</u>	<u>\$ 272,321</u>	<u>\$ 728,083</u>
\$ -	\$ -	\$ 8,333
-	-	2,701
<u>-</u>	<u>-</u>	<u>11,034</u>
-	-	1,906
-	-	385,768
-	-	57,054
-	272,321	272,321
<u>-</u>	<u>272,321</u>	<u>717,049</u>
<u>\$ -</u>	<u>\$ 272,321</u>	<u>\$ 728,083</u>

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds
For the Year Ended June 30, 2013

	Special Revenue		
	Major Streets	Local Streets	Schultz Park Launch Ramp
Revenues			
Intergovernmental	\$ 91,490	\$ 38,689	\$ -
Charges for services	-	-	7,736
Interest	-	-	250
Total revenues	91,490	38,689	7,986
Expenditures			
Current:			
Public works	183,956	142,421	-
Recreation and culture	-	-	2,496
Capital outlay	55,533	55,680	-
Total expenditures	239,489	198,101	2,496
Revenues over (under) expenditures	(147,999)	(159,412)	5,490
Other financing sources (uses)			
Transfers in	142,500	147,000	-
Transfers out	-	-	(4,500)
Total other financing sources (uses)	142,500	147,000	(4,500)
Net change in fund balances	(5,499)	(12,412)	990
Fund balances, beginning of year	278,847	126,738	56,064
Fund balances, end of year	\$ 273,348	\$ 114,326	\$ 57,054



Capital Projects		
Blue Star Bridge	Water and Sewer Revolving	Total
\$ -	\$ -	\$ 130,179
-	49,500	57,236
-	241	491
<hr/>	<hr/>	<hr/>
-	49,741	187,906
<hr/>	<hr/>	<hr/>
-	-	326,377
-	-	2,496
24,436	-	135,649
<hr/>	<hr/>	<hr/>
24,436	-	464,522
<hr/>	<hr/>	<hr/>
(24,436)	49,741	(276,616)
<hr/>	<hr/>	<hr/>
10,755	-	300,255
-	-	(4,500)
<hr/>	<hr/>	<hr/>
10,755	-	295,755
<hr/>	<hr/>	<hr/>
(13,681)	49,741	19,139
<hr/>	<hr/>	<hr/>
13,681	222,580	697,910
<hr/>	<hr/>	<hr/>
<u>\$ -</u>	<u>\$ 272,321</u>	<u>\$ 717,049</u>

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget to Actual - Major Streets Fund

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ 90,000	\$ 90,000	\$ 91,490	\$ 1,490
Expenditures				
Current:				
Public works	187,025	222,025	183,956	(38,069)
Capital outlay	45,000	62,000	55,533	(6,467)
Total expenditures	232,025	284,025	239,489	(44,536)
Revenues over (under) expenditures	(142,025)	(194,025)	(147,999)	46,026
Other financing sources (uses)				
Transfers in	142,500	142,500	142,500	-
Net change in fund balances	475	(51,525)	(5,499)	46,026
Fund balances, beginning of year	278,847	278,847	278,847	-
Fund balances, end of year	\$ 279,322	\$ 227,322	\$ 273,348	\$ 46,026

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget to Actual - Local Streets Fund

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ 40,000	\$ 40,000	\$ 38,689	\$ (1,311)
Expenditures				
Current:				
Public works	140,250	170,750	142,421	(28,329)
Capital outlay	45,000	57,500	55,680	(1,820)
Total expenditures	185,250	228,250	198,101	(30,149)
Revenues over (under) expenditures	(145,250)	(188,250)	(159,412)	28,838
Other financing sources (uses)				
Transfers in	147,000	147,000	147,000	-
Net change in fund balances	1,750	(41,250)	(12,412)	28,838
Fund balances, beginning of year	126,738	126,738	126,738	-
Fund balances, end of year	\$ 128,488	\$ 85,488	\$ 114,326	\$ 28,838

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget to Actual - Schultz Park Launch Ramp Fund

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Charges for services	\$ 10,000	\$ 10,000	\$ 7,736	\$ (2,264)
Interest	250	250	250	-
Total revenues	10,250	10,250	7,986	(2,264)
Expenditures				
Current:				
Recreation and culture	1,915	2,615	2,496	(119)
Revenues over (under) expenditures	8,335	7,635	5,490	(2,145)
Other financing sources (uses)				
Transfers out	(4,500)	(4,500)	(4,500)	-
Net change in fund balances	3,835	3,135	990	(2,145)
Fund balances, beginning of year	56,064	56,064	56,064	-
Fund balances, end of year	\$ 59,899	\$ 59,199	\$ 57,054	\$ (2,145)

AGENCY FUNDS

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Statement of Changes in Fiduciary Assets and Liabilities

Agency Fund

For the Year Ended June 30, 2013

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Assets				
Cash and cash equivalents	\$ 1,467	\$ 5,916,482	\$ 5,913,594	\$ 4,355
Due from other governments	-	42,771	-	42,771
Total assets	\$ 1,467	\$ 5,959,253	\$ 5,913,594	\$ 47,126
Liabilities				
Undistributed receipts	\$ 1,467	\$ 5,916,482	\$ 5,913,594	\$ 4,355
Due to other funds	-	42,771	-	42,771
Total liabilities	\$ 1,467	\$ 5,959,253	\$ 5,913,594	\$ 47,126

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

STATISTICAL SECTION

This page intentionally left blank.

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Statistical Section Table of Contents

This part of the City’s Comprehensive Annual Financial Report presents detailed information to assist the user in understanding what the financial statements, note disclosures and required supplementary information say about the overall economic condition of the City of the Village of Douglas.

		<u>Page</u>
Financial Trends Tables 1-5	These schedules contain trend information to help the reader understand and evaluate how the City’s financial condition, performance and well-being have changed over time.	76
Revenue Capacity Tables 6-13	These schedules contain information to help the reader assess the City’s ability to generate its most significant local revenue source, the property tax.	86
Debt Capacity Tables 14-16	These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and its ability to issue additional debt in the future.	100
Demographic and Economic Information Tables 17-19	These schedules present various demographic and economic indicators to help the reader understand the environment within which the City operates and how they affect the City’s financial activities.	104
Operating Information Tables 20-22	These schedules contain information about the City’s operations and resources to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	108

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Report for the relevant year.

City of the Village of Douglas
NET POSITION BY COMPONENT (UNAUDITED)
Last Ten Years
(Accrual Basis of Accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental Activities				
Net investment in capital assets	\$ 454,390	\$ 974,954	\$ 2,346,275	\$ 2,531,774
Restricted	931,037	808,596	529,356	532,364
Unrestricted	693,723	778,218	1,084,894	1,476,252
Total Primary Government				
Net Position	<u>\$ 2,079,150</u>	<u>\$ 2,561,768</u>	<u>\$ 3,960,525</u>	<u>\$ 4,540,390</u>

*The City does NOT have any Business-type activities

**GASB 63 and 65 were implemented for fiscal year ended June 30, 2013. This resulted in a change renaming net assets to net position and invested in capital assets, net of related debt to net investments in capital assets. As a result of implementation, bond issuance costs have been eliminated. Prior years were not restated retroactively.

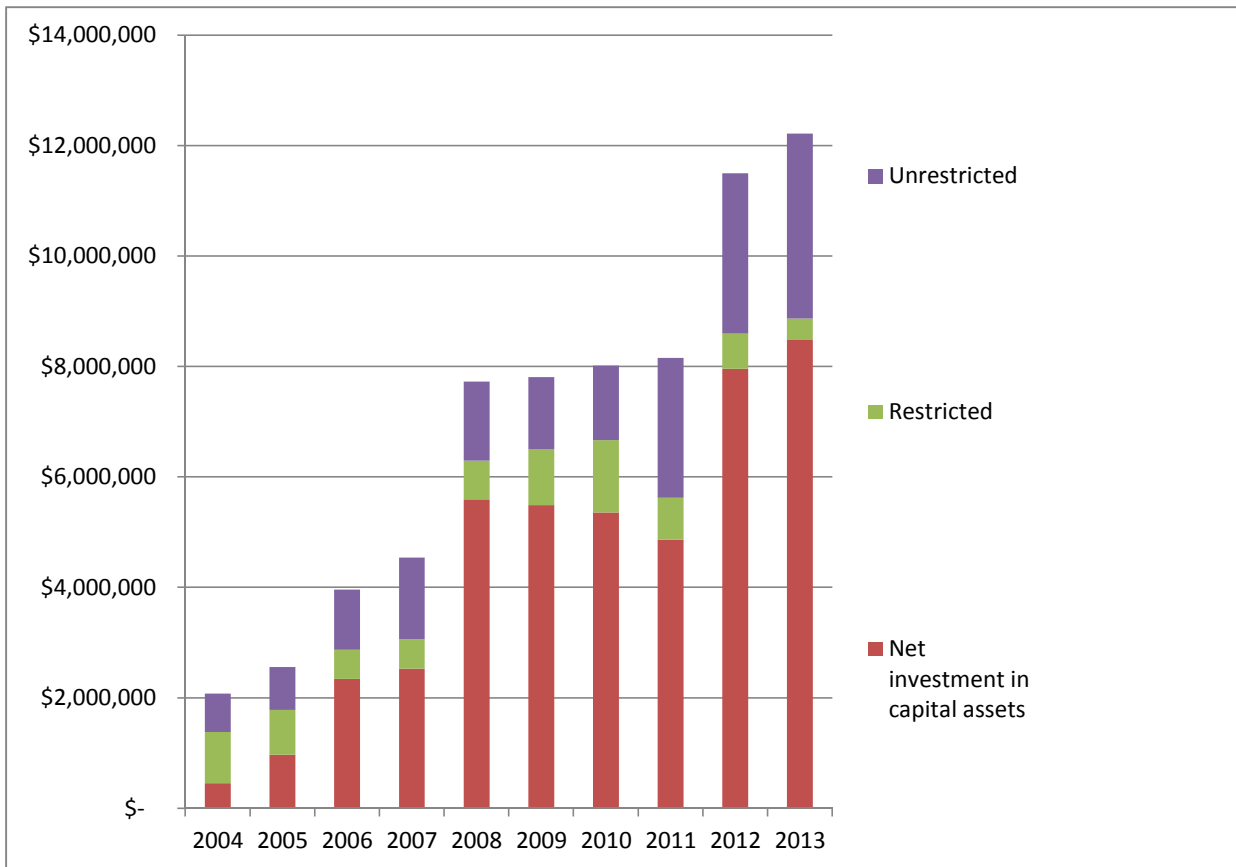


Table 1

2008	2009	2010	2011	2012	2013
\$ 5,599,009	\$ 5,489,314	\$ 5,360,358	\$ 4,867,939	\$ 7,958,138	\$ 8,480,354
696,907	1,010,944	1,308,795	754,300	641,846	387,674
1,432,499	1,306,673	1,351,687	2,532,718	2,900,855	3,351,433
<hr/>					
\$ 7,728,415	\$ 7,806,931	\$ 8,020,840	\$ 8,154,957	\$ 11,500,839	\$ 12,219,461

City of the Village of Douglas
CHANGES IN NET POSITION-GOVERNMENTAL FUNDS (UNAUDITED)
Last Ten Years
(Accrual Basis of Accounting)

	2004	2005	2006	2007
Expenses				
General Government	\$ 457,318	\$ 385,619	\$ 469,839	\$ 664,188
Public Safety	818,166	893,020	1,001,950	982,598
Public Works	235,809	344,804	473,202	521,540
Community & Economic Development	-	-	-	-
Recreation & Culture	96,426	73,301	143,294	123,347
Interest on Long-term Debt	24,614	19,302	18,274	23,066
Total expenses	1,632,333	1,716,046	2,106,559	2,314,739
Program Revenues				
Charges for Services:				
General Government	13,375	11,468	14,962	12,650
Public Safety	363,872	432,479	426,911	450,481
Public Works	251,217	241,741	314,753	117,547
Community & Economic Development	-	-	-	-
Recreation & Culture	17,297	16,462	14,655	17,814
Total Charges for Services	645,761	702,150	771,281	598,492
Operating Grants & Contributions	149,310	165,584	150,437	148,090
Capital Grants & Contributions	28,925	-	871,894	44,925
Total Program Revenues	823,996	867,734	1,793,612	791,507
Net Expense	(808,337)	(848,312)	(312,947)	(1,523,232)
General Revenues				
Taxes	1,056,294	1,174,377	1,458,846	1,650,647
State-shared Revenue	107,975	106,974	105,903	102,864
Investment Income	10,273	31,312	86,579	112,523
Miscellaneous	84,522	18,267	60,376	237,063
Total General Revenues	1,259,064	1,330,930	1,711,704	2,103,097
Change in Net Position	\$ 450,727	\$ 482,618	\$ 1,398,757	\$ 579,865

*The City does NOT have any Business-type activities

Table2

	2008	2009	2010	2011	2012	2013
\$	630,302	\$ 650,855	\$ 606,299	\$ 749,854	\$ 599,114	\$ 538,175
	822,513	831,754	985,780	843,915	899,738	881,247
	778,104	905,668	777,822	810,775	748,865	784,961
	324,413	278,432	162,451	164,215	160,923	188,873
	121,550	122,661	117,786	124,156	106,906	104,311
	24,079	19,619	17,975	27,236	29,794	2,829
	<u>2,700,961</u>	<u>2,808,989</u>	<u>2,668,113</u>	<u>2,720,151</u>	<u>2,545,340</u>	<u>2,500,396</u>
	65,081	35,550	88,906	32,503	42,059	54,339
	461,529	518,010	518,615	569,372	530,697	509,795
	-	-	1,065	816	621	49,619
	-	-	13,500	14,450	4,250	-
	11,002	24,246	10,227	8,966	9,457	7,736
	<u>537,612</u>	<u>577,806</u>	<u>632,313</u>	<u>626,107</u>	<u>587,084</u>	<u>621,489</u>
	226,242	205,434	159,069	152,139	278,337	256,812
	<u>137,594</u>	<u>115,100</u>	<u>128,805</u>	<u>122,586</u>	<u>3,088,349</u>	<u>485,532</u>
	901,448	898,340	920,187	900,832	3,953,770	1,363,833
	(1,799,513)	(1,910,649)	(1,747,926)	(1,819,319)	1,408,430	(1,136,563)
	1,757,485	1,829,377	1,815,691	1,823,754	1,788,389	1,728,241
	97,336	92,528	82,294	83,116	90,866	92,607
	83,815	37,908	27,078	15,140	10,558	8,276
	15,280	52,926	36,772	31,426	47,639	37,199
	<u>1,953,916</u>	<u>2,012,739</u>	<u>1,961,835</u>	<u>1,953,436</u>	<u>1,937,452</u>	<u>1,866,323</u>
\$	154,403	\$ 102,090	\$ 213,909	\$ 134,117	\$ 3,345,882	\$ 729,760

City of the Village of Douglas
GOVERNMENTAL ACTIVITIES TAX REVENUE BY SOURCE (UNAUDITED)
Last Ten Years
(Accrual Basis of Accounting)

Table 3

Fiscal Year Ended June 30	General Property Tax	Road Millage	Debt Service
2004	\$ 555,373	\$ 459,766	\$ 41,155
2005	608,774	519,021	46,582
2006*	1,166,885	291,961	-
2007	1,316,803	333,844	-
2008	1,757,485	-	-
2009	1,829,377	-	-
2010	1,815,691	-	-
2011	1,823,754	-	-
2012	1,788,389	-	-
2013	1,728,241	-	-

*The Village of Douglas became The City of the Village of Douglas

This page intentionally left blank.

City of the Village of Douglas
FUND BALANCES OF GOVERNMENTAL FUNDS (UNAUDITED)
Last Ten Years
(Modified Accrual Basis of Accounting)

	2004	2005	2006	2007
General Fund				
Reserved	\$ -	\$ -	\$ -	\$ 3,500
Unreserved	60,854	414,774	736,820	827,415
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	60,854	414,774	736,820	830,915
All Other Governmental Funds				
Reserved	72,170	-	-	-
Unreserved, reported in:				
Special Revenue Funds	880,912	1,171,400	725,596	828,246
Debt Service Funds	358,311	-	-	-
Capital Project Funds	359,545	69,462	(58,627)	115,039
Nonspendable	-	-	-	-
Restricted: Special Revenue	-	-	-	-
Committed: Special Revenue	-	-	-	-
Assigned: Capital Project	-	-	-	-
Total All Other Governmental Funds	\$ 1,731,792	\$ 1,655,636	\$ 1,403,789	\$ 1,774,200

*Refer to Page 32 for description of fund balance classifications

** The City implemented GASB 54 for the fiscal year ended June 30, 2011. Prior years were not restated retroactively.

Table 4

2008	2009	2010	2011	2012	2013
\$ 8,788	\$ 3,852	\$ 9,462	\$ -	\$ -	\$ -
894,103	1,048,920	1,159,871	-	-	-
-	-	-	9,732	7,494	9,075
-	-	-	-	-	-
-	-	-	935,230	935,230	-
-	-	-	688,938	472,141	415,000
-	-	-	916,172	1,232,467	2,346,504
902,891	1,052,772	1,169,333	2,550,072	2,647,332	2,770,579
794	2,062	1,356	-	-	-
929,151	841,452	1,149,520	-	-	-
-	-	-	-	-	-
2,357	214,406	211,076	-	-	-
-	-	-	1,472	1,594	1,906
-	-	-	306,482	403,991	385,768
-	-	-	59,840	56,064	57,054
-	-	-	446,346	236,261	272,321
\$ 1,835,193	\$ 2,110,692	\$ 2,531,285	\$ 3,364,212	\$ 3,345,242	\$ 3,487,628

City of the Village of Douglas
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS (UNAUDITED)
Last Ten Years
(Modified Accrual Basis of Accounting)

	2004	2005	2006	2007
Revenues				
Property Taxes	\$ 1,056,294	\$ 1,174,377	\$ 1,458,846	\$ 1,650,647
Licenses & Permits	89,094	83,077	123,742	71,699
State Shared Revenue	235,727	234,403	238,053	235,941
Contributions from Local Units	366,748	428,846	421,494	439,512
Grant Revenue	27,999	34,534	628,439	209,824
Charges for Services	235,194	224,322	248,506	171,821
Fines	5,764	4,759	5,637	8,982
Interest & Rentals	10,274	31,311	86,164	109,783
Other	20,336	15,563	52,588	15,871
Total Revenue	2,047,430	2,231,192	3,263,469	2,914,080
Expenditures				
Legislative	7,678	13,053	19,760	24,081
General government	419,312	335,702	418,868	576,283
Public Safety	789,221	874,118	973,264	974,455
Public Works	222,012	327,374	445,729	516,728
Community & Economic Development	-	-	-	-
Recreation & Culture	85,349	64,042	134,167	130,609
Capital Outlay	350,029	558,658	1,430,665	244,071
Other Functions	-	-	-	-
Debt Service:				
Principal	97,061	114,189	48,885	53,791
Interest	24,364	20,212	18,113	23,651
Bond Issuance Costs	-	-	-	-
Total Expenditures	1,995,026	2,307,348	3,489,451	2,543,669
Excess (Deficiency) of revenue over expenditures	52,404	(76,156)	(225,982)	370,411
Other Financing Sources				
Loan Proceeds	-	-	-	-
Proceeds of Sale-Land	60,000	-	-	-
Transfers In	267,666	689,626	465,173	245,000
Transfers Out	(267,666)	(689,626)	(491,038)	(245,000)
Total other financing sources (uses)	60,000	-	(25,865)	-
Net Change in Fund Balances	112,404	(76,156)	(251,847)	370,411
Fund Balance-Beginning of Year	1,619,388	1,731,792	1,655,636	1,403,789
Prior Period Adjustment	-	-	-	-
Fund Balance - End of Year	\$ 1,731,792	\$ 1,655,636	\$ 1,403,789	\$ 1,774,200
Debt Service as a percentage of noncapital expenditures	7%	8%	3%	3%

*FY 2009 a restatement of Fund Balance was necessary

**FY 2008 Legislative expenditure rolled in General government expenditures

Table 5

	2008	2009	2010	2011	2012	2013
\$	1,757,485	\$ 1,829,377	\$ 1,881,517	\$ 1,823,754	\$ 1,788,389	\$ 1,728,241
	61,735	40,711	24,581	33,423	45,544	53,439
	277,319	288,052	246,863	201,632	239,316	228,818
	636,069	634,982	613,361	691,173	642,138	586,602
	-	-	-	-	-	-
	26,002	57,246	56,577	63,312	51,601	96,060
	13,992	10,379	7,274	6,344	5,763	3,777
	84,145	38,409	27,578	15,640	11,058	9,268
	17,797	58,973	40,336	33,990	48,564	38,419
	2,874,544	2,958,129	2,898,087	2,869,268	2,832,373	2,744,624
	-	-	-	-	-	-
	622,497	605,603	558,535	481,546	612,377	570,391
	801,090	831,080	881,254	827,039	940,606	897,339
	659,995	726,418	689,779	483,023	500,725	521,287
	324,413	278,432	159,300	164,215	209,373	195,234
	110,684	144,721	101,602	95,850	98,169	95,798
	191,556	11,806	-	205,538	356,889	177,303
	-	-	26,028	25,254	25,664	28,300
	42,132	41,276	43,460	41,791	77,175	113,510
	23,946	19,720	17,536	23,585	30,365	3,076
	-	-	-	13,500	-	-
	2,776,313	2,659,056	2,477,494	2,361,341	2,851,343	2,602,238
	98,231	299,073	420,593	507,927	(18,970)	142,386
	-	-	-	325,000	-	-
	-	-	-	-	-	-
	333,208	417,000	757,857	269,500	335,928	304,755
	(333,208)	(417,000)	(757,857)	(269,500)	(335,928)	(304,755)
	-	-	-	325,000	-	-
	98,231	299,073	420,593	832,927	(18,970)	142,386
	1,736,962	1,835,193	2,110,692	2,531,285	3,364,212	3,345,242
	-	(23,574)	-	-	-	-
\$	1,835,193	\$ 2,110,692	\$ 2,531,285	\$ 3,364,212	\$ 3,345,242	\$ 3,487,628
	3%	2%	2%	3%	4%	5%

City of the Village of Douglas
STATE EQUALIZED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY (UNAUDITED)
2006 through 2013
Ad Valorem Roll

Fiscal Year Ended June 30	Real Property			Personal Property		
	Taxable Value	State Equalized Value	Estimated Actual Value	Taxable Value	State Equalized Value	Estimated Actual Value
2006	\$ 99,662,712	\$ 136,255,200	\$ 272,510,400	\$ 3,836,800	\$ 3,836,800	\$ 7,673,600
2007	113,061,474	170,461,600	340,923,200	3,790,100	3,790,100	7,580,200
2008	124,484,737	191,191,600	382,383,200	3,858,800	3,858,800	7,717,600
2009	130,031,755	199,691,400	399,382,800	4,423,900	4,423,900	8,847,800
2010	136,160,118	197,217,700	394,435,400	4,318,200	4,318,200	8,636,400
2011	130,571,141	178,294,600	356,589,200	4,108,200	4,108,200	8,216,400
2012	126,903,561	164,462,000	328,924,000	4,070,500	4,070,500	8,141,000
2013	122,576,558	152,601,700	305,203,400	4,095,100	3,167,400	6,334,800

Source: City of the Village of Douglas Treasurer
FY ending June 30, 2006 is the first FY as a city.

The City is authorized by Charter to levy 20 mills for operation. The Maximum allowable millage rate after Headlee rollback reduction is 18.7160 for 2012

Valuations are stated as of the March Board of Review

Taxable property is assessed initially by the City assessing officials, then equalized by Allegan County and finally by the State. In accordance with Act 409, P.A. 1965, and Article IX, Section 3 of the Michigan Constitution, State Equalized Value (SEV) represents 50% of true cash value.

On March 15, 1994, the people of the State of Michigan approved an amendment to the Michigan Constitution. The Amendment and implementing legislation limit the growth in assessments (capped value) for each parcel of property to the percentage change in State Equalized Value, the rate of inflation, or 5%, whichever is less. when ownership of the parcel of property is transferred as defined by law, the parcel shall be assessed at the applicable proportion of current true cash value. The lower of the "capped value" or SEV is the taxable value for each parcel.

State Equalized Value and Taxable Value do not include any value of tax exempt property or property granted abatement under either Act 198, Michigan Public Acts of 1974, as amended (Act 198) or Act 255, Michigan Public act of 1978, as amended (Act 255). Such an abatement entitles a facility to exemption from ad valorem property taxes for a period of up to 12 years. In lieu of the property tax, the facility pays a reduced tax.

Table 6

Total Ad Valorem Taxable Property				
Taxable Value	State Equalized Value	Estimated Actual Value	Tax Rate Mills	Taxable Value as a % of Actual Value
\$ 103,499,512	\$ 140,092,000	\$ 280,184,000	13.0818	36.9%
116,851,574	174,251,700	348,503,400	13.0818	33.5%
128,343,537	195,050,400	390,100,800	13.0818	32.9%
134,455,655	204,115,300	408,230,600	13.0818	32.9%
140,478,318	201,535,900	403,071,800	13.0818	34.9%
134,679,341	182,402,800	364,805,600	13.0818	36.9%
130,974,061	168,532,500	337,065,000	13.0818	38.9%
126,671,658	155,769,100	311,538,200	13.0818	40.7%

City of the Village of Douglas
STATE EQUALIZED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY (UNAUDITED)
2006 through 2013
Industrial Facilities Tax Roll

Fiscal Year Ended June 30	Real Property			Personal Property		
	Taxable Value	State Equalized Value	Estimated Actual Value	Taxable Value	State Equalized Value	Estimated Actual Value
2006	\$ 601,669	\$ 605,100	\$ 1,210,200	\$ 512,900	\$ 512,900	\$ 1,025,800
2007	427,000	605,100	1,210,200	413,700	413,700	827,400
2008	418,000	418,000	836,000	365,600	365,600	731,200
2009	395,400	395,400	790,800	328,200	328,200	656,400
2010	362,400	362,400	724,800	295,300	295,300	590,600
2011	314,500	314,500	629,000	246,300	246,300	492,600
2012	312,000	312,000	624,000	226,200	226,200	452,400
2013	286,500	286,500	573,000	210,600	210,600	421,200

Source: City of the Village of Douglas Treasurer
FY ending June 30, 2006 is the first FY as a city.

The City is authorized by Charter to levy 20 mills for operation. The Maximum allowable millage rate after Headlee rollback reduction is 18.7160 for 2012.

Valuations are stated as of the March Board of Review

Taxable property is assessed initially by the city assessing officials, then equalized by Allegan County and finally by the State. In accordance with Act 409, P.A. 1965, and Article IX, Section 3 of the Michigan Constitution, State Equalized Value (SEV) represents 50% of true cash value.

On March 15, 1994, the people of the State of Michigan approved an amendment to the Michigan Constitution. The Amendment and implementing legislation limit the growth in assessments (capped value) for each parcel of property to the percentage change in State Equalized Value, the rate of inflation, or 5%, whichever is less. when ownership of the parcel of property is transferred as defined by law, the parcel shall be assessed at the applicable proportion of current true cash value. The lower of the "capped value" or SEV is the taxable value for each parcel.

State Equalized Value and Taxable Value do not include any value of tax exempt property or property granted abatement under either Act 198, Michigan Public Acts of 1974, as amended (Act 198) or Act 255, Michigan Public act of 1978, as amended (Act 255). Such an abatement entitles a facility to exemption from ad valorem property taxes for a period of up to 12 years. In lieu of the property tax, the facility pays a reduced tax.

Table 7

Total Ad Valorem Taxable Property					
Taxable Value	State Equalized Value	Estimated Actual Value	Tax Rate Mills	Taxable Value as a % of Actual Value	
\$ 1,114,569	\$ 1,118,000	\$ 2,236,000	5.6002	49.8%	
840,700	1,018,800	2,037,600	5.6002	41.3%	
783,600	783,600	1,567,200	5.6002	50.0%	
723,600	723,600	1,447,200	5.6002	50.0%	
657,700	657,700	1,315,400	5.6002	50.0%	
560,800	560,800	1,121,600	5.6002	50.0%	
538,200	538,200	1,076,400	5.6002	50.0%	
497,100	497,100	994,200	5.6002	50.0%	

City of the Village of Douglas
TAXABLE VALUE COMPONENTS BY CLASS (UNAUDITED)
2006 through 2013
Ad Valorem Roll

Fiscal Year Ended June 30	Real Property - Ad Valorem Roll				Real Property Total
	Agriculture	Commercial	Industrial	Residential	
2006	\$ -	\$ 18,481,215	\$ 2,273,743	\$ 78,907,754	\$ 99,662,712
2007	-	19,909,868	1,987,056	91,164,550	113,061,474
2008	-	19,591,617	1,902,419	102,990,701	124,484,737
2009	-	21,310,667	1,878,494	106,842,594	130,031,755
2010	-	22,094,210	1,779,423	112,286,485	136,160,118
2011	-	20,816,779	1,530,203	108,224,159	130,571,141
2012	-	18,903,184	1,438,838	106,561,539	126,903,561
2013	-	18,877,153	1,372,634	102,326,771	122,576,558

Source: City of the Village of Douglas Treasurer
FY ending June 30, 2006 is the first FY as a city.

Table 8

Personal Property - Ad Valorem Roll

Agriculture	Commercial	Industrial	Residential	Utility	Personal Property Total
\$ -	\$ 1,360,600	\$ 1,889,000	\$ -	\$ 587,200	\$ 3,836,800
-	1,412,000	1,739,100	-	639,000	3,790,100
-	1,416,400	1,748,900	-	693,500	3,858,800
-	1,682,900	2,020,300	-	720,700	4,423,900
-	1,646,000	1,909,100	-	763,100	4,318,200
-	1,613,400	1,735,800	-	759,000	4,108,200
-	1,707,700	1,601,800	-	767,000	4,076,500
-	1,826,200	1,493,600	-	775,300	4,095,100

City of the Village of Douglas
TAXABLE VALUE COMPONENTS BY CLASS (UNAUDITED)
2006 through 2013
Industrial Facilities Tax Roll

Table 9

Fiscal Year Ended June 30	Industrial Facility Tax Roll		
	Real Property Industrial	Personal Property Industrial	IFT Roll Total
2006	\$ 601,669	\$ 512,900	\$ 1,114,569
2007	605,100	413,700	1,018,800
2008	418,000	365,600	783,600
2009	395,400	328,200	723,600
2010	362,400	295,300	657,700
2011	314,500	246,300	560,800
2012	312,000	226,200	538,200
2013	286,500	210,600	497,100

Source: City of the Village of Douglas Treasurer
FY ending June 30, 2006 is the first FY as a city.

This page intentionally left blank.

City of the Village of Douglas
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS (UNAUDITED)
2006 Through 2013

Fiscal Year Ended June 30		City		
		Operating	Roads	Total
2006	H	11.2004	1.8814	13.0818
2006	NH	11.2004	1.8814	13.0818
2007	H	11.2004	1.8814	13.0818
2007	NH	11.2004	1.8814	13.0818
2008	H	11.2004	1.8814	13.0818
2008	NH	11.2004	1.8814	13.0818
2009	H	11.2004	1.8814	13.0818
2009	NH	11.2004	1.8814	13.0818
2010	H	13.0818	0	13.0818
2010	NH	13.0818	0	13.0818
2011	H	13.0818	0	13.0818
2011	NH	13.0818	0	13.0818
2012	H	13.0818	0	13.0818
2012	NH	13.0818	0	13.0818
2013	H	13.0818	0	13.0818
2013	NH	13.0818	0	13.0818

Fiscal Year Ended June 30		Allegan County			
		Operating	Roads	Senior	Total
2006	H	5.6592	0	0	5.6592
2006	NH	5.6592	0	0	5.6592
2007	H	4.6587	0.9699	0.24	5.8686
2007	NH	4.6587	0.9699	0.24	5.8686
2008	H	4.6577	0.9998	0.2399	5.8974
2008	NH	4.6577	0.9998	0.2399	5.8974
2009	H	4.6577	0.9998	0.2399	5.8974
2009	NH	4.6577	0.9998	0.2399	5.8974
2010	H	4.6577	0.9998	0.2399	5.8974
2010	NH	4.6577	0.9998	0.2399	5.8974
2011	H	4.6577	0.9998	0.24	5.8975
2011	NH	4.6577	0.9998	0.24	5.8975
2012	H	4.6093	0.9998	0.24	5.8491
2012	NH	4.6093	0.9998	0.24	5.8491
2013	H	4.6377	1	0.24	5.8777
2013	NH	4.6377	1	0.24	5.8777

H: Property has homestead exemption which exempts property owners from School Operating Millage

NH: Property owner does NOT have homestead exemption

Source: City of the Village of Douglas Treasurer

Table 10

Schools						
Operating	Supplemental	Bldg./ Site	Debt	Recreation	State Education	
					Tax	Total
0	1.4871	0.971	2.6	0.25	6	11.3081
15.3911	1.4871	0.971	2.6	0.25	6	26.6992
0	1.4074	0.9506	2.6	0.244	6	11.202
16.5926	1.4074	0.9506	2.6	0.244	6	27.7946
0	1.3174	0.9061	2.6	0.2325	6	11.056
16.6826	1.3174	0.9061	2.6	0.2325	6	27.7386
0	1.1842	0.8985	2.6	0.2305	6	10.9132
16.8158	1.1842	0.8985	2.6	0.2305	6	27.729
0	1.0416	0	2.6	0.2305	6	9.8721
16.9584	1.0416	0	2.6	0.2305	6	26.8305
0	1.1408	0	2.6	0.25	6	9.9908
16.8592	1.1408	0	2.6	0.25	6	26.85
0	1.1458	0	2.9	0.25	6	10.2958
16.8542	1.1458	0	2.9	0.25	6	27.15
0	1.1286	0	3	0.25	6	10.3786
16.8714	1.1286	0	3	0.25	6	27.25
Total						
OAISD	Library	Fire District	Transit	Grand Total		
4.2109	0.4226	1.2932	0.4601	36.4359		
4.2109	0.4226	1.2932	0.4601	51.827		
4.2093	0.5136	1.2932	0.4517	36.6202		
4.2093	0.5136	1.2932	0.4517	53.2128		
5.5234	0.4882	1.2932	0.5	37.84		
5.5234	0.4882	1.2932	0.5	54.5226		
5.5234	0.4841	1.2932	0.4861	37.6792		
5.5234	0.4841	1.2932	0.4861	54.495		
5.5234	0.4841	1.1	0.4861	36.4449		
5.5234	0.4841	1.1	0.4861	53.4033		
5.5234	0.4841	1.16	0.4861	36.6237		
5.5234	0.4841	1.16	0.4861	53.4829		
5.5234	0.5173	1.16	0.4861	36.9135		
5.5234	0.5173	1.16	0.4861	53.7677		
5.5234	0.5173	1.16	0.5	37.0388		
5.5234	0.5173	1.16	0.5	53.9102		

City of the Village of Douglas
PROFILE OF TEN LARGEST PROPERTY TAXPAYERS (UNAUDITED)
Current Year and Seven Years Ago

Taxpayer	2013		
	Taxable Value	Rank	% of Total Taxable Value
Haworth Inc.	\$ 2,273,300	1	1.79%
Dunes Realty LLC	1,020,832	2	0.80%
Kalamazoo Ferry Co.	925,941	3	0.73%
Douglas Property Investment LLC	987,300	4	0.78%
Charles Higgins	864,600	5	0.68%
Douglas Property Developers	825,300	6	0.65%
Coastal Real Estate Holdings	799,051	7	0.63%
R & R International LLC	755,800	8	0.60%
David Leader Mgmt Co.	749,175	9	0.59%
204 Lakeshore LLC	681,200	10	0.54%

The Harbours
Group West Michigan LLC
Singapore Harbor LLC

Source: City of the Village of Douglas Treasurer

Note: Includes ad valorem taxable value and the value of IFT's granted under Act 198

FY ending June 30, 2006 is the first FY as a city.

Table 11

2006		
Taxable Value	Rank	% of Total Taxable Value
\$ 3,123,494	1	1.28%
836,140	4	0.34%
817,460	5	0.34%
1,097,054	2	0.45%
915,929	3	0.38%
602,500	12	0.25%
628,849	10	0.26%
898,959	6	0.37%
758,733	7	0.31%
676,598	8	0.28%
667,148	9	0.27%

City of the Village of Douglas
SCHEDULE OF PRINCIPAL EMPLOYERS
Current Year

Table 12

Employer	Full-time Employees	Part-time Employees
Haworth Inc.	106	0
Grace of Douglas	40	34
Saugatuck Brewing Co	30	20
DeMonds Super Valu	7	35
Wild Dog Grille, Inc.	25	15
Tower Marine	23	11
Douglas Marine Corporation	32	0
Zing Eat / Drink Holdings LLC	2	28
Chef Container LLC	23	0
Kalico Kitchen	6	15

Source: City of the Village of Douglas Business License records. 2013 is the first year the City of the Village of Douglas has this information about employers in the City.

City of the Village of Douglas
PROPERTY TAX LEVIES AND COLLECTIONS (UNAUDITED)
2006 Through 2013

Table 13

Tax Year	Fiscal Year Ended June 30	Tax Levy	Collected within the Fiscal Year		Collections in Subsequent Years	Total Collection to Date	
			Amount	% of Levy		Amount	% of Levy
2005	2006	\$ 1,358,109	\$ 1,318,238	97.06%	\$ 39,093	\$ 1,357,331	99.94%
2006	2007	1,537,699	1,528,939	99.43%	8,463	1,537,402	99.98%
2007	2008	1,684,106	1,680,474	99.78%	3,379	1,683,853	99.98%
2008	2009	1,762,580	1,736,448	98.52%	19,583	1,756,031	99.63%
2009	2010	1,840,610	1,804,680	98.05%	34,816	1,839,496	99.94%
2010	2011	1,762,639	1,753,858	99.50%	7,616	1,761,474	99.93%
2011	2012	1,715,539	1,709,003	99.62%	4,738	1,713,741	99.90%
2012	2013	1,700,644	1,699,378	99.93%	-	1,699,378	99.93%

Source: City of the Village of Douglas Treasurer
FY ending June 30, 2006 is the first FY as a city.

City of the Village of Douglas
RATIOS OF OUTSTANDING DEBT BY TYPE (UNAUDITED)
Last Ten Fiscal Years

Table 14

Fiscal Year Ended June 30	General Obligation Bonds	Installment Purchase Agreements	Capital Improvement Bonds	Total Primary Government Debt	Per Capita	Percentage of Personal Income	Bonded Debt to Taxable Value
2004	\$ 68,181	\$ 453,825	\$ -	\$ 522,006	\$ 436	1.12%	0.50%
2005	-	454,841	-	454,841	382.86	0.94%	0.43%
2006	-	595,956	-	595,956	504.62	1.19%	0.56%
2007	-	542,166	-	542,166	460.24	1.04%	0.46%
2008	-	500,034	-	500,034	423.04	0.95%	0.38%
2009	-	458,790	-	458,790	372.39	0.88%	0.34%
2010	-	415,909	-	415,909	337.59	0.77%	0.29%
2011	-	374,118	325,000	699,118	567.47	1.26%	0.51%
2012	-	336,943	285,000	621,943	504.82	1.12%	0.47%
2013	-	268,433	240,000	508,433	412.69	0.92%	0.40%

The City does not have any Business-type activities

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements

*Water & Sewer General Obligation Bonds ended in 2004

**The City issued Capital Improvement Bonds in 2011

See demographic statistics at Table 16 for personal income and population data

City of the Village of Douglas
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (UNAUDITED)
As of June 30, 2013

Table 15

<u>Jurisdiction</u>	<u>Bonds Outstanding</u>	<u>Percentage Applicable to City</u>	<u>City's Share of Debt</u>
Direct Debt: City of Douglas			
Loan Agreement 3/17/2006	\$ 113,955	100%	\$ 113,955
Loan Agreement 7/10/2004	154,478	100%	154,478
Capital Improvement Bonds	240,000	100%	240,000
Subtotal Direct Debt	<u>508,433</u>		<u>508,433</u>
Overlapping Debt*			
Kalamazoo Lake Sewer & Water Authority*	4,693,525	55.38%	2,599,274
Ottawa Intermediate School District**	4,560,000	1.22%	55,606
Saugatuck Public Schools***	20,103,000	25.21%	5,068,368
Subtotal Overlapping Debt	<u>29,356,525</u>		<u>7,723,248</u>
Grand Total of Direct & Overlapping Debt	<u>\$ 29,864,958</u>		<u>\$ 8,231,681</u>

* Source: Kalamazoo Lake Sewer and Water Authority Financial Statements year ending Feb. 28, 2013. Percentage applicable to the City of Douglas based on ownership capacity.

**Source: Ottawa Area ISD Financial Statements year ending June 30, 2013. Percentage applicable is based on percentage of taxable value.

***Source: Saugatuck Public Schools Financial Statements year ending June 30, 2013. Percentage applicable is based on percentage of taxable value.

City of the Village of Douglas
LEGAL DEBT MARGIN
2006 - 2013

	2006	2007	2008	2009	2010
Assessed Value	\$ 141,210,000	\$ 175,270,500	\$ 195,834,000	\$ 204,838,900	\$ 202,193,600
Debt Limit (10% assessed value)	14,121,000	17,527,050	19,583,400	20,483,890	20,219,360
Total net debt applicable to limit	595,956	542,166	500,034	458,790	415,909
Legal Debt Margin	\$ 13,525,044	\$ 16,984,884	\$ 19,083,366	\$ 20,025,100	\$ 19,803,451

Total net debt applicable to limit as a percentage of debt limit	4.22%	3.09%	2.55%	2.24%	2.06%
--	-------	-------	-------	-------	-------

Source: City of the Village of Douglas Treasurer

FY ended June 30, 2006 is the first FY as a city.

Table 16

2011	2012	2013
\$ 182,963,600	\$ 169,070,700	\$ 156,266,200
18,296,360	16,907,070	15,626,620
699,118	621,943	508,433
<u>\$ 17,597,242</u>	<u>\$ 16,285,127</u>	<u>\$ 15,118,187</u>

3.82%

3.68%

3.25%

City of the Village of Douglas
STATE REVENUE SHARING (UNAUDITED)
2004 through 2013

	2004	2005	2006	2007	2008	2009
State Sales Tax: PA 140 of 1971						
Total	\$ 102,561	\$ 102,387	\$ 100,314	\$ 125,107	\$ 97,336	\$ 92,528
Michigan Transportation Fund: PA 51 of 1951						
Major Streets	79,556	79,162	78,150	86,111	84,651	81,364
Local Streets	39,077	36,483	38,407	37,016	36,393	35,023
Winter Maintenance (Snow)	-	3,489	10,267	4,298	23,619	69,209
Total	118,633	119,134	126,824	127,425	144,663	185,596
Metro Authority: PA 48 of 2002						
Public Right of Way	5,237	-	5,327	5,653	5,719	5,752
Total State Shared Revenue	<u>\$ 226,431</u>	<u>\$ 221,521</u>	<u>\$ 232,465</u>	<u>\$ 258,185</u>	<u>\$ 247,718</u>	<u>\$ 283,876</u>

Source: City of the Village of Douglas Treasurer

Table 17

2010	2011	2012	2013
\$ 82,294	\$ 83,116	\$ 90,866	\$ 92,607
79,918	81,049	84,994	79,298
34,427	34,937	36,195	33,695
28,652	12,393	20,800	7,531
142,997	128,379	141,989	120,524
5,888	5,415	5,843	5,959
<u>\$ 231,179</u>	<u>\$ 216,910</u>	<u>\$ 238,698</u>	<u>\$ 219,090</u>

City of the Village of Douglas
DEMOGRAPHIC STATISTICS (UNAUDITED)
2004 through 2013

Table 18

Fiscal Year Ended June 30	City of Douglas Population*	City of Douglas Personal Income**	City of Douglas Estimated Personal Income	City of Douglas Per Capita Personal Income **	Unemployment Rate***	State of Michigan Unemployment Rate***
2004	1198	\$ 7,539,000,000	\$ 46,436,856	\$ 38,762	5.5%	6.4%
2005	1188	7,845,000,000	48,321,678	40,675	5.0%	7.0%
2006	1181	8,162,000,000	50,274,256	42,569	4.9%	6.5%
2007	1178	8,499,000,000	52,350,025	44,440	5.1%	7.1%
2008	1182	8,569,000,000	52,781,193	44,654	7.2%	8.0%
2009	1232	8,470,000,000	52,171,398	42,347	12.3%	14.1%
2010	1232	8,732,000,000	53,785,200	43,657	12.1%	13.6%
2011	1232	8,994,921,000	55,404,675	44,971	7.0%	10.6%
2012	1232	N/A	N/A	N/A	5.5%	8.6%
2013	1232	N/A	N/A	N/A	6.5%	8.7%

* Source: U.S. Census Bureau

**U.S. Department of Commerce, Bureau of Economic Analysis, Holland-Grand Haven Statistical Area

***U.S. department of Labor, Bureau of Labor Statistics, Holland-Grand Haven Statistical Area

City of the Village of Douglas
FULL TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION (UNAUDITED)
Last Six Fiscal Years

Table 19

Function	2007	2008	2009	2010	2011	2012	2013
General Government							
Administration	1	1	1	1	1	1	1
Clerk	2	2	1.5	2	2	2	2
Treasurer	1	1	1	1	1	1	1
Economic Development					1	1	1
Public Safety							
Police	8	8	8	8	9	9	9
Public Works							
Streets	3	4	4	4	4	4	4
Parks	1	1	1	1	1	1	1

Source: City of the Village of Douglas Treasurer
Full-time equivalents for prior years are not available
FY ended June 30, 2006 is the first FY as a city.

City of the Village of Douglas
LABOR CONTRACTS (UNAUDITED)
Current Fiscal Year

Table 20

The City has 19 full-time employees, of which 37% are represented by labor organizations. Following is a list of the organizations, number of members, and contract extension dates.

<u>Name of Organization</u>	<u>Number of Members</u>	<u>Contract Expiration Date</u>
Police Officers Labor Council	7	06/30/13
Non-Affiliated Employees	<u>12</u>	N/A
	<u><u>19</u></u>	

Source: City of the Village of Douglas Treasurer

The ASCFME #25 Union disbanded during the fiscal year ending June 30, 2013.

City of the Village of Douglas
OPERATING INDICATORS BY FUNCTION (UNAUDITED)
2009 Through 2013

Table 21

Function	2009	2010	2011	2012	2013
General Government					
Area- Square Miles	1.8	1.8	1.8	1.8	1.8
Population	1,232	1,232	1,232	1,232	1,232
Registered Voters	1,009	1,009	1,009	1,012	1,012
Number of Tax Bills	1,564	1,567	1,563	1,568	1,562
Public Safety					
Police*					
Violent Crimes	25	40	14	6	N/A
Property Crimes	22	28	8	10	N/A
Traffic Injuries	3	3	3	5	N/A
Streets and Highways					
Miles of Roads	16.17	16.17	16.17	16.17	16.17
Miles of sidewalks and pathways	2.2	2.3	2.3	2.3	2.4
Recreation & Culture					
Acres of Parks	20.94	20.94	20.94	20.94	20.94

Source: City of the Village of Douglas Treasurer

*Public Safety Statistics are calendar year

Information only available back to 2009

City of the Village of Douglas
CAPITAL ASSETS STATISTICS BY FUNCTION (UNAUDITED)
2009 Through 2013

Table 22

Function	2009	2010	2011	2012	2013
Public Safety					
Police					
Number of Police Stations	1	1	1	1	1
Number of Patrol Vehicles	5	5	5	5	5
Culture and Recreation					
Number of Parks	9	9	9	9	9
Acres of Parks	20.94	20.94	20.94	20.94	20.94
Park Pavilions	1	1	1	1	1
Playgrounds	2	2	2	2	2
Streets					
Miles of Major Streets	5.6	5.6	5.6	5.6	5.6
Miles of Local Streets	10.57	10.57	10.57	10.57	10.57
Miles of Sidewalks	2.2	2.3	2.3	2.3	2.4
Traffic Signals	1	1	1	1	1
Street Light Accounts	1	1	1	1	1
Street Garage Buildings	3	3	3	3	3

Source: City of the Village of Douglas Treasurer

Information only available back to 2009

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

October 17, 2013

Honorable Mayor and Members of
the City Council
City of the Village of Douglas, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, the major fund, and the aggregate remaining fund information of the *City of the Village of Douglas, Michigan* (the "City"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 17, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses as item 2013-FS-01 that we consider to be a significant deficiency.

Compliance and Other Matters

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

City of the Village of Douglas' Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Lehmann Johnson LLC". The signature is written in a cursive, flowing style.

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Schedule of Findings and Responses

For the Year Ended June 30, 2013

2013-FS-1 - Segregation of Incompatible Duties

Finding Type. Significant Deficiency in Internal Control over Financial Reporting.

Criteria. Management is responsible for establishing and maintaining effective internal controls in order to safeguard the assets of the City. A key element of internal control is the segregation of incompatible duties within the accounting function.

Condition. The City has several transaction cycles that are performed by the same individual or are not subject to independent review and approval, including:

- Manual journal entries are initiated, prepared, and posted by the same individual and not subject to review or approval.
- Bank accounts are not reconciled by individuals independent of cash receipts and disbursement functions, or subject to independent review and approval.
- Cash deposits are made by an individual who is also responsible for preparing deposit slips and posting receipts.
- Maintenance of the receivable subledger is not independent of general ledger maintenance.
- Responsibilities for payroll accounting are not separated from the general ledger function. After payroll is processed, there is no comparison of approved timesheets to the payroll register for accuracy.
- Spreadsheets used to track and record capital assets, long-term debt, and compensated absences are prepared by one individual and are not subject to independent review and approval.

Cause. This condition is the result of staffing constraints typical of smaller governmental units.

Effect. As a result of this condition, the City is exposed to an increased risk that misstatements (whether caused by error or fraud) may not be prevented or detected by management on a timely basis.

Recommendation. There are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of incompatible duties. Recognizing this fact, we encourage the City to mitigate this risk by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

View of Responsible Officials. Management recognizes that this limitation is a natural outgrowth of the small number of full-time staff, and applies its judgment in determining how best to allocate the City's resources to provide an appropriate balance between sound internal controls and fiscal prudence.

