

*City of the Village of Douglas  
Allegan County, Michigan*

**FINANCIAL STATEMENTS**

*Year ended June 30, 2019*

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## INDEPENDENT AUDITOR'S REPORT

City Council  
City of the Village of Douglas, Michigan

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of the Village of Douglas, Michigan, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the 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.

### **Auditor's 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. 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 auditor's 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 discretely presented component units, each major fund, and the aggregate remaining fund information of the City of the Village of Douglas, Michigan, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance 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, budgetary comparison information, and pension schedules, as listed in the 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.

### *Supplementary information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of the Village of Douglas, Michigan's basic financial statements. The component unit financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements and the budgetary comparison schedules for the component units (supplementary information) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Siegfried Crandall P.C.*

November 14, 2019

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of the Village of Douglas' (the City) financial performance provides a narrative overview of the City's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the City's financial statements.

### **FINANCIAL HIGHLIGHTS**

- The City's total net position increased by \$54,269 (less than 1 percent) as a result of this year's operations.
- Total net position at the end of the fiscal year was \$12,304,642. However, \$7,882,817 of this total represents a net investment in capital assets and \$521,608 is restricted for various purposes. Consequently, the City's unrestricted net position is \$3,900,217, without constraints established by debt covenants, enabling legislation, or other legal requirements.
- The General Fund's unassigned fund balance at the end of the fiscal year was \$1,935,950, which represents 71 percent of the actual total General Fund expenditures and transfers out for the fiscal year.

### **Overview of the financial statements**

The City's annual report is comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents component unit budgetary comparison schedules. The basic financial statements include two kinds of statements that present different views of the City:

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by sections of required supplementary information and other supplementary information that further explain and support the information in the financial statements.

A comparative analysis of the government-wide financial statements for 2019 and 2018 is also presented.

### **Government-wide financial statements**

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how it has changed. Net position (the difference between the City's assets and deferred outflows of resources, and liabilities and deferred inflows of resources) is one way to measure the City's financial health, or position.

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

The government-wide financial statements present governmental activities. All of the City's basic services are included here, such as general government, public works, etc. Property taxes and intergovernmental revenues generally fund these services.

### **Fund financial statements**

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

- Some funds are required by state law (like the street funds) and bond agreements.
- The City Council establishes other funds to control and manage money for particular purposes (like the Water and Sewer Revolving Fund) or to show that it is properly using certain taxes and other revenues.

The City has three types of funds:

- *Governmental funds.* The City's basic services are included in its governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flows in and out, and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship between them.
- *Proprietary funds.* Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds statements, like the government-wide statements, provide both long-term and short-term financial information. The City uses an internal service fund to report activities that provide services for the City's other programs and activities. The City's internal service fund is its Equipment Fund that manages the City's fleet of vehicles and equipment. The Equipment Fund has been included within the governmental activities in the government-wide financial statements.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

**Net position**

Total net position at the end of the fiscal year was \$12,304,642. However, \$7,882,817 of this total is invested in capital assets and \$521,608 is restricted for various purposes. Consequently, the City has unrestricted net position of \$3,900,217.

*Condensed financial information  
Net position*

	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 4,857,105	\$ 4,802,536
Capital assets	<u>7,888,841</u>	<u>8,047,169</u>
Total assets	<u>12,745,946</u>	<u>12,849,705</u>
Deferred outflows of resources	<u>296,625</u>	<u>111,281</u>
Current and other liabilities	555,928	331,686
Long-term debt	<u>6,024</u>	<u>53,653</u>
Total liabilities	<u>561,952</u>	<u>385,339</u>
Deferred inflows of resources	<u>175,977</u>	<u>325,274</u>
Net position:		
Net investment in capital assets	7,882,817	7,993,516
Restricted	521,608	565,833
Unrestricted	<u>3,900,217</u>	<u>3,691,024</u>
Total net position	<u>\$ 12,304,642</u>	<u>\$ 12,250,373</u>

**Changes in net position**

The City's total revenues totaled \$3,300,857, compared to \$3,616,069 in the prior year. Approximately 62 percent of the City's revenues comes from property taxes. Almost 10 percent of the City's revenues comes from charges for services and 16 percent comes from operating grants. State shared revenue represents less than 3 percent of the City's total revenues.



*Condensed financial information  
Changes in net position*

	<u>2019</u>	<u>2018</u>
Program revenues:		
Charges for services	\$ 326,337	\$ 820,989
Operating grants and contributions	512,480	444,673
Capital grants and contributions	70,894	211,282
General revenues:		
Property taxes	2,040,755	1,928,431
State shared revenue	111,511	107,481
Local community stabilization revenue	41,592	34,865
Investment income	182,618	21,256
Other	14,670	47,092
	<u>3,300,857</u>	<u>3,616,069</u>
 Expenses:		
General government	1,011,950	708,965
Public safety	705,623	1,157,249
Public works	1,141,123	1,083,311
Community and economic development	298,105	187,499
Recreation and culture	88,197	186,950
Interest on long-term debt	1,590	3,146
	<u>3,246,588</u>	<u>3,327,120</u>
 Changes in net position	<u>54,269</u>	<u>288,949</u>
 Net position, end of year	<u>\$ 12,304,642</u>	<u>\$ 12,250,373</u>

**Governmental activities**

Governmental activities increased the City's net position by \$54,269 in the current year compared to a \$288,949 increase in the prior year. The increase in net position was lower this year as revenues decreased by \$315,212, while expenses only decreased by \$80,532.

Revenues decreased primarily due to a \$494,652 decrease in charges for services associated with a reduction in intergovernmental charges related to the Police Department.

The decrease in expenses can be primarily attributed to an \$451,626 decrease in public safety expenses, due to lower Police Department personnel costs, as the Department's staff was reduced during the year.

The total cost of governmental activities this year was \$3,246,588. After subtracting the direct charges to those who directly benefited from the programs (\$326,337) and operating and capital grants (\$583,374), the "public benefit" portion covered by property taxes, state shared revenue, and other general revenues was \$2,336,877.

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,165,587, an increase of \$17,388 in comparison to the prior year.

The General Fund is the primary operating fund of the City. At the end of the fiscal year, its fund balance was \$2,895,269, which represents a decrease of \$120,971, as revenues (\$2,861,516) were not sufficient to cover expenditures (\$2,716,987) and net other financing uses (\$265,500) in the current year.

The Major Street Fund experienced an increase in fund balance of \$97,022, as the fund's revenues (\$195,928) and transfers in (\$132,500) exceeded expenditures (\$231,406) in the current year. The fund balance at the end of the fiscal year was \$231,746 and is assigned for future street preservation costs of the City's major streets.

The Local Street Fund experienced an increase in fund balance of \$88,526, as the fund's revenues (\$82,597) and transfers in (\$137,500) exceeded expenditures (\$131,571) in the current year. The fund balance at the end of the fiscal year was \$483,062 and is assigned for future street preservation costs of the City's local streets.

The Water and Sewer Revolving Fund experienced a decrease in fund balance of \$46,091. Revenues, in the amount of \$80,977, which are primarily charges for services for utility connection fees, were not sufficient to cover all expenditures (\$127,068) incurred during the current year. At the end of the fiscal year, fund balance was \$499,831, which is restricted for utility system improvements.

**General Fund budgetary highlights**

The City amended the General Fund budget during the year to account for previously unanticipated revenues and expenditures and to reallocate appropriations among activities. Total budgeted revenues and expenditures were unchanged.

Total revenues were \$165,254 lower than budgeted, primarily because state grants were \$170,423 lower than expected, as a grant reimbursing engineering costs was less than expected. Total expenditures were \$44,283 less than the amounts appropriated, primarily because public works costs were \$52,685 lower than budgeted, as harbor authority costs were lower than anticipated. These variances resulted in a \$120,971 negative budget variance, with a \$120,971 decrease in fund balance compared to a budgeted that anticipated no change.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital assets**

The City's investment in capital assets as of June 30, 2019, amounts to \$7,888,841 (net of accumulated depreciation). This investment includes a broad range of assets, including land, buildings, equipment, and infrastructure. This amount represents a net decrease of \$158,328, comprised of \$502,500 in additions and \$660,828 in provisions for depreciation.

This year's major capital asset additions included:

- Construction of a dock, at the public marina, was started at a cost of \$134,951
- Sewer metering project at a cost of \$102,027
- Street improvements were made at a cost of \$100,438
- Land was purchased for \$99,773
- Other equipment purchases totaled \$45,381

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

**Debt**

At year end, the City's long-term liabilities totaled \$6,024, which represents a single note payable. During the fiscal year ending June 30, 2019, the City made the required principal payments totaling \$47,629, which represents the reduction in debt.

Long-term liabilities also include compensated absences, in the amount of \$95,794.

More detailed information about the City's long-term liabilities is presented in Note 7 of the notes to the basic financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's 2020 fiscal year budget does not anticipate significant changes in the amounts or composition of its major revenue sources. The City has budgeted expenditures for the upcoming year at amounts sufficient to support its ongoing programs and activities, while maintaining the current levels of its resources.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

City of the Village of Douglas  
David Carpenter, City Treasurer  
86 West Center Street  
Douglas, MI 49406

Phone: (269) 857-1438

**BASIC FINANCIAL STATEMENTS**

**STATEMENT OF NET POSITION**

June 30, 2019

	<u>Primary government</u>	<u>Component units</u>	
	<u>Governmental activities</u>	<u>Downtown Development Authority</u>	<u>Kalamazoo Lake Harbor Authority</u>
<b>ASSETS</b>			
Current assets:			
Cash	\$ 2,294,737	\$ 123,407	\$ 7,211
Investments	2,438,486	-	-
Receivables	119,361	-	100
Prepays	4,521	270	-
Total current assets	<u>4,857,105</u>	<u>123,677</u>	<u>7,311</u>
Noncurrent assets:			
Capital assets not being depreciated	1,155,339	-	-
Capital assets, net of accumulated depreciation	6,733,502	-	-
Total noncurrent assets	<u>7,888,841</u>	<u>-</u>	<u>-</u>
Total assets	<u>12,745,946</u>	<u>123,677</u>	<u>7,311</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b> - Deferred pension amounts	<u>296,625</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>			
Current liabilities:			
Payables	174,616	2,023	100
Escrows	4,367	-	-
Note payable - current portion	2,437	-	-
Total current liabilities	<u>181,420</u>	<u>2,023</u>	<u>100</u>
Noncurrent liabilities:			
Compensated absences	95,794	-	-
Net pension liability	281,151	-	-
Note payable	3,587	-	-
Total noncurrent liabilities	<u>380,532</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>561,952</u>	<u>2,023</u>	<u>100</u>
<b>DEFERRED INFLOWS OF RESOURCES</b> - Deferred pension amounts	<u>175,977</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>			
Net investment in capital assets	7,882,817	-	-
Restricted for:			
Public safety	1,166	-	-
Capital improvements	520,442	-	-
Unrestricted	3,900,217	121,654	7,211
Total net position	<u>\$ 12,304,642</u>	<u>\$ 121,654</u>	<u>\$ 7,211</u>

See notes to financial statements

## STATEMENT OF ACTIVITIES

Year ended June 30, 2019

	<u>Program revenues</u>				<u>Net (expenses) revenues and changes in net position</u>		
	<u>Expenses</u>	<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>	<u>Primary government</u>	<u>Component units</u>	
					<u>Totals</u>	<u>Downtown Development Authority</u>	<u>Kalamazoo Lake Harbor Authority</u>
<b>Functions/Programs</b>							
<b>Primary government</b>							
Governmental activities:							
General government	\$ 1,011,950	\$ 118,655	\$ 900	\$ -	\$ (892,395)		
Public safety	705,623	92,302	7,332	-	(605,989)		
Public works	1,141,123	77,334	504,248	70,894	(488,647)		
Community and economic development	298,105	19,625	-	-	(278,480)		
Recreation and culture	88,197	18,421	-	-	(69,776)		
Interest on long-term debt	1,590	-	-	-	(1,590)		
Total governmental activities	<u>3,246,588</u>	<u>326,337</u>	<u>512,480</u>	<u>70,894</u>	<u>(2,336,877)</u>		
<b>Component units</b>							
Downtown Development Authority	33,674	-	43,897	-		\$ 10,223	\$ -
Kalamazoo Lake Harbor Authority	400	-	-	-		-	(400)
Total component units	<u>\$ 34,074</u>	<u>\$ -</u>	<u>\$ 43,897</u>	<u>\$ -</u>		<u>10,223</u>	<u>(400)</u>
General revenues:							
Property taxes					2,040,755	22,442	-
State shared revenue					111,511	-	-
Local community stabilization revenue					41,592	-	-
Franchise fees					14,670	-	-
Unrestricted investment return					182,618	4,137	-
Totals					<u>2,391,146</u>	<u>26,579</u>	<u>-</u>
Changes in net position					54,269	36,802	(400)
Net position - beginning					<u>12,250,373</u>	<u>84,852</u>	<u>7,611</u>
Net position - ending					<u>\$ 12,304,642</u>	<u>\$ 121,654</u>	<u>\$ 7,211</u>

See notes to financial statements

**BALANCE SHEET - governmental funds**

June 30, 2019

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Water and Sewer Revolving</u>	<u>Nonmajor fund</u>	<u>Total governmental funds</u>
<b>ASSETS</b>						
Cash	\$ 543,170	\$ 209,015	\$ 473,213	\$ 511,342	\$ 55,203	\$ 1,791,943
Investments	2,438,486	-	-	-	-	2,438,486
Receivables	83,901	24,377	10,377	-	706	119,361
Prepays	3,491	560	470	-	-	4,521
Total assets	<u>\$ 3,069,048</u>	<u>\$ 233,952</u>	<u>\$ 484,060</u>	<u>\$ 511,342</u>	<u>\$ 55,909</u>	<u>\$ 4,354,311</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>						
Liabilities:						
Payables	\$ 158,012	\$ 2,206	\$ 998	\$ 11,511	\$ 230	\$ 172,957
Escrows	4,367	-	-	-	-	4,367
Total liabilities	<u>162,379</u>	<u>2,206</u>	<u>998</u>	<u>11,511</u>	<u>230</u>	<u>177,324</u>
Deferred inflows of resources - unavailable interest	<u>11,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,400</u>
Fund balances:						
Nonspendable - prepaids	3,491	560	470	-	-	4,521
Restricted for:						
Capital improvements	20,611	-	-	499,831	-	520,442
Public safety	1,166	-	-	-	-	1,166
Committed for recreation and culture	-	-	-	-	55,679	55,679
Assigned for public works	934,051	231,186	482,592	-	-	1,647,829
Unassigned	1,935,950	-	-	-	-	1,935,950
Total fund balances	<u>2,895,269</u>	<u>231,746</u>	<u>483,062</u>	<u>499,831</u>	<u>55,679</u>	<u>4,165,587</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,069,048</u>	<u>\$ 233,952</u>	<u>\$ 484,060</u>	<u>\$ 511,342</u>	<u>\$ 55,909</u>	<u>\$ 4,354,311</u>
Reconciliation of the balance sheet to the statement of net position:						
Total fund balance - total governmental funds						\$ 4,165,587
Amounts reported for <i>governmental activities</i> in the statement of net position (page 11) are different because:						
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.						7,734,820
Other long-term assets are not available to pay for current-period expenditures and, therefore, are presented as deferred inflows of resources in the funds.						11,400
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:						
Notes payable						(6,024)
Compensated absences						(95,794)
Pension-related amounts are not due and payable in the current period or do not represent current financial resources and, therefore, are not reported in the funds:						
Net pension liability						(281,151)
Deferred outflows related to the pension liability						296,625
Deferred inflows related to the pension liability						(175,977)
The assets and liabilities of the internal service fund are included in the <i>governmental activities</i> in the statement of net position.						<u>655,156</u>
Net position of <i>governmental activities</i>						<u>\$ 12,304,642</u>

See notes to financial statements

City of the Village of Douglas

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**

**BALANCES - governmental funds**

Year ended June 30, 2019

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Water and Sewer Revolving</u>	<u>Nonmajor fund</u>	<u>Total governmental funds</u>
<b>REVENUES</b>						
Property taxes	\$ 2,120,544	\$ -	\$ -	\$ -	\$ -	\$ 2,120,544
Licenses and permits	103,390	-	-	-	-	103,390
State grants	252,077	188,156	65,751	-	-	505,984
Contributions from local units	158,699	-	-	-	-	158,699
Charges for services	38,673	-	-	77,000	18,421	134,094
Fines and forfeitures	5,687	-	-	-	-	5,687
Investment return and rentals	126,403	7,772	16,846	3,977	2,171	157,169
Other	56,043	-	-	-	-	56,043
Total revenues	<u>2,861,516</u>	<u>195,928</u>	<u>82,597</u>	<u>80,977</u>	<u>20,592</u>	<u>3,241,610</u>
<b>EXPENDITURES</b>						
Current:						
General government	845,261	-	-	-	-	845,261
Public safety	686,655	-	-	-	-	686,655
Public works	523,470	231,406	131,571	25,041	-	911,488
Community and economic development	297,745	-	-	-	-	297,745
Recreation and culture	136,219	-	-	-	17,190	153,409
Capital outlay	182,613	-	-	102,027	-	284,640
Debt service:						
Principal	43,434	-	-	-	-	43,434
Interest	1,590	-	-	-	-	1,590
Total expenditures	<u>2,716,987</u>	<u>231,406</u>	<u>131,571</u>	<u>127,068</u>	<u>17,190</u>	<u>3,224,222</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>144,529</u>	<u>(35,478)</u>	<u>(48,974)</u>	<u>(46,091)</u>	<u>3,402</u>	<u>17,388</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	4,500	132,500	137,500	-	-	274,500
Transfers out	(270,000)	-	-	-	(4,500)	(274,500)
Net other financing sources (uses)	<u>(265,500)</u>	<u>132,500</u>	<u>137,500</u>	<u>-</u>	<u>(4,500)</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCES</b>	(120,971)	97,022	88,526	(46,091)	(1,098)	17,388
<b>FUND BALANCES - BEGINNING</b>	<u>3,016,240</u>	<u>134,724</u>	<u>394,536</u>	<u>545,922</u>	<u>56,777</u>	<u>4,148,199</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 2,895,269</u>	<u>\$ 231,746</u>	<u>\$ 483,062</u>	<u>\$ 499,831</u>	<u>\$ 55,679</u>	<u>\$ 4,165,587</u>

See notes to financial statements



**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - governmental funds (Continued)**

Year ended June 30, 2019

Reconciliation of the statement of revenues, expenditures, and changes in fund balances to the statement of activities:

Net change in fund balance - total governmental funds (page 14) \$ 17,388

Amounts reported for *governmental activities* in the statement of activities (page 12) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their useful lives and reported as depreciation expense.

Add - asset acquisitions	463,819
Deduct - depreciation provision	(586,552)

Changes in long-term debt:

Principal payments	43,434
Capital lease	4,195

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 the governmental funds.

Net decrease in compensated absences	12,614
Net increase in net pension liability	(342,796)

Changes in deferred outflows and deferred inflows:

Increase in deferred outflows of resources related to unavailable revenue	(33,758)
Net increase in deferred outflows of resources related to pension	185,344
Net decrease in deferred inflows of resources related to pension	149,297

The net revenues of the internal service fund are reported with *governmental activities*. 141,284

Change in net position of *governmental activities* \$ 54,269

*City of the Village of Douglas*

**STATEMENT OF NET POSITION - *proprietary fund***

*June 30, 2019*

	<i><b>Governmental activities</b></i>
	<i><b>Internal service</b></i>
<b>ASSETS</b>	
Current assets - cash	\$ 502,794
Noncurrent assets - capital assets, net of depreciation	<u>154,021</u>
Total assets	<u>656,815</u>
<b>LIABILITIES</b>	
Current liabilities - payables	<u>1,659</u>
<b>NET POSITION</b>	
Investment in capital assets	154,021
Unrestricted	<u>501,135</u>
Total net position	<u><u>\$ 655,156</u></u>

*See notes to financial statements*

*City of the Village of Douglas*

**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION -**

***proprietary fund***

*Year ended June 30, 2019*

	<u><i>Governmental activities</i></u>
	<u><i>Internal service</i></u>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 256,361
<b>OPERATING EXPENSES</b>	
Costs of interfund services	57,050
Depreciation	74,276
Total operating expenses	<u>131,326</u>
<b>OPERATING INCOME</b>	125,035
<b>NONOPERATING REVENUE</b>	
Interest revenue	<u>16,249</u>
<b>CHANGE IN NET POSITION</b>	141,284
<b>NET POSITION - BEGINNING</b>	<u>513,872</u>
<b>NET POSITION - ENDING</b>	<u><u>\$ 655,156</u></u>

*See notes to financial statements*

**STATEMENT OF CASH FLOWS - proprietary fund**

Year ended June 30, 2019

	<u>Governmental activities</u>
	<u>Internal service</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from interfund services provided	\$ 256,361
Payments to suppliers	<u>(56,339)</u>
Net cash provided by operating activities	200,022
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of capital assets	(38,681)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received	<u>16,249</u>
<b>NET INCREASE IN CASH</b>	177,590
<b>CASH - BEGINNING</b>	<u>325,204</u>
<b>CASH - ENDING</b>	<u><u>\$ 502,794</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 125,035
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	74,276
Changes in assets and liabilities - increase in payables	<u>711</u>
Net cash provided by operating activities	<u><u>\$ 200,022</u></u>

See notes to financial statements

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the City of the Village of Douglas, Michigan (the City), conform to accounting principles generally accepted in the United States of America (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the more significant accounting policies.

*Reporting entity:*

As required by generally accepted accounting principles, these financial statements present the City (the primary government), located in Allegan County, and its component units described below, for which the City is financially accountable. The discretely presented component units are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the primary government. Separate financial statements for the component units have not been issued, as management believes that these financial statements, including disclosures, contain complete information so as to constitute a fair presentation of the component units.

*Discretely presented component units:*

*Downtown Development Authority* - The Authority was established, pursuant to Public Act 197 of 1975, as amended, to correct and prevent deterioration and promote economic growth within the downtown district. The Authority is fiscally dependent on the City because the City Council appoints the Authority's governing body and approves its budget. The City is also obligated to provide some of its tax revenues to the Authority, through tax increment financing, which represents a financial burden on the City. Fiscal dependence and the financial burden relationship make the City financially accountable for the Authority and require the City to report it in its financial statements.

*Kalamazoo Lake Harbor Authority* - The Authority was established pursuant to Public Act 94 of 2008, as amended, to obtain funding to maintain the Kalamazoo River harbor. The Authority is included in the reporting entity due to its close relation to, and financial integration with, the City.

*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 City. The effect of interfund activity has been removed from these statements. Governmental activities, normally 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.

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

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

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

*Measurement focus, basis of accounting, and financial statement presentation:*

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

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

Licenses and permits, state grants, contributions from local units, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the City.

The City reports the following major governmental funds:

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

The Major Street Fund, a special revenue fund, accounts for state gas and weight tax revenues that are restricted for expenditures related to maintaining and improving the City's major streets.

The Local Street Fund, a special revenue fund, accounts for state gas and weight tax revenues that are restricted for expenditures related to maintaining and improving the City's local streets.

The Water and Sewer Revolving Fund, a capital project fund, accounts for resources that are restricted for future water and sewer infrastructure improvements. Revenues are primarily derived from connection fees.

Additionally, the City reports an internal service fund that is used to account for equipment management services provided to other departments of the City on a cost-reimbursement basis.

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

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

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

*Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position or equity:*

*Cash and investments* - Cash is considered to be demand deposits, time deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are reported at fair value, with changes in value recognized in the operating statement of each fund. Realized and unrealized gains and losses are included in investment income.

*Receivables* - No allowance for uncollectible accounts has been recorded, as the City considers all receivables to be fully collectible.

*Prepaid items* - 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, equipment, and infrastructure assets (e.g., streets and sewer and water lines), are reported in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$3,000 (\$10,000 for infrastructure assets) and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value as of the date received. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The City has elected to account for infrastructure assets prospectively, beginning July 1, 2003.

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

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

*Deferred outflows of resources* - The statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element reflects a decrease in net position that applies to a future period. The related expense will not be recognized until a future event occurs. The City reports deferred amounts relating to the defined benefit pension plan, associated with changes in expected and actual investment returns, assumptions, and benefits, which are discussed in Note 10. No deferred outflows of resources affect the governmental funds financial statements.

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

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

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

*Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position or equity (continued):*

*Deferred inflows of resources* - The statement of net position and the governmental funds balance sheet include a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in equity that applies to a future period. The related revenues will not be recognized until a future event occurs. The City has two items that are included in this category: deferred interest revenue and deferred amounts relating to the defined benefit pension plan. The deferred interest revenue, in the governmental funds, relates to revenue that was unavailable at year end that will be recognized when received in the subsequent year. The deferred amounts relating to the pension plan are discussed in Note 10.

*Net position* - Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. The City reports three categories of net position, as follows: (1) *Net investment in capital assets* consists of net capital assets and related deferred outflows of resources reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of those assets; (2) *Restricted net position* is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations, such as federal or state laws or donors. Restricted net position is reduced by liabilities related to the restricted assets; (3) *Unrestricted net position* consists of all other net position that does not meet the definition of the above components and is available for general use by the City.

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

*Fund equity* - Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are not in spendable form (prepaids). Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws and 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 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 City's intent to be used for specific purposes, but are neither restricted nor committed. The City Council has delegated the authority to assign fund balance to management, per the City's fund balance resolution. Unassigned fund balance is the residual classification for all other amounts. When the City incurs an expenditure for purposes for which various fund balance classifications can be used, it is the City's policy to use the restricted fund balance first, then committed, assigned, and finally unassigned fund balance. 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.

*Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, at which time the bill becomes delinquent and penalties and interest may be assessed by the City. Property tax revenue is recognized in the year for which taxes have been levied and become available. The City levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

*Use of estimates* - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Accordingly, actual results could vary from those estimates.



**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

*Budgetary information* - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the governing body is the activity level. All annual appropriations lapse at the end of the fiscal year.

*Excess of expenditures over appropriations* - The following schedule sets forth the reportable budget variances:

<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
General	Public safety	Code inspections	\$ 71,303	\$ 75,542	\$ 4,239
	Public works	Department of Public Works	375,455	381,588	6,133
	Community and economic development	Contractual engineering	108,383	135,481	27,098

**NOTE 3 - CASH AND INVESTMENTS**

At June 30, 2019, cash and investments are classified in the accompanying financial statements as follows:

	<u>Primary government</u>		
	<u>Governmental activities</u>	<u>Component units</u>	<u>Totals</u>
Statement of net position:			
Cash	\$ 2,294,737	\$ 130,618	\$ 2,425,355
Investments	<u>2,438,486</u>	<u>-</u>	<u>2,438,486</u>
Totals	<u>\$ 4,733,223</u>	<u>\$ 130,618</u>	<u>\$ 4,863,841</u>

At June 30, 2019, cash and investments consist of the following:

Cash on hand	\$ 25
Deposits with financial institutions	2,425,330
Investments	<u>2,438,486</u>
Total	<u>\$ 4,863,841</u>

*Deposits* - Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended) and the City’s investment policy authorize the City to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The City’s deposits are in accordance with statutory authority.

Custodial credit risk for deposits is the risk that, in the event of the failure of a financial institution, the City will not be able to recover its deposits. The City’s investment policy does not specifically address custodial credit risk for deposits. As of June 30, 2019, \$144,206 of the City’s bank balances of \$2,385,020 was exposed to custodial credit risk because it was uninsured and uncollateralized. The City maintains individual and pooled bank accounts for all of its funds and its component units. Due to the use of pooled deposits, it is not practicable to allocate insured and uninsured portions of certain bank balances between the primary government and the component units.

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

*Investments* - State statutes and the City's investment policy authorize the City to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper rated within the two highest rate classifications, which mature not more than 270 days after the date of purchase; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; e) mutual funds composed of otherwise legal investments; and f) investment pools organized under the local government investment pool act. The City's investments are summarized as follows:

<i>Investment</i>	<i>Fair value</i>	<i>Maturity</i>	<i>Rating</i>	<i>Source</i>
MBIA CLASS Fund	\$ 1,306,972	N/A	AAAm	S&P
U.S. government agency securities:				
Federal Home Loan Bank bonds	665,875	2019 - 2031	AA+	S&P
Federal Home Loan Mortgage Corporation bonds	49,918	2018 - 2021	AA+	S&P
Federal National Mortgage Association notes	8,942	2019 - 2021	AA+	S&P
Federal Farm Credit Bank	<u>406,779</u>	2025 - 2029	AA+	S&P
	<u>\$ 2,438,486</u>			

*Fair value measurement* - The City categorizes its fair value measurements of investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The U.S. government agency securities were valued using observable fair values of similar assets (Level 2). The MBIA CLASS Fund was measured at net asset value (or its equivalent) as a practical expedient, and, accordingly, has not been classified in the fair value hierarchy.

The City's investments are subject to several types of risk, which are discussed below:

*Custodial credit risk.* Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. State law does not require, and the City's investment policy does not contain, requirements that would limit the exposure to custodial credit risk for investments. At year end, all of the U.S. government agency securities were uninsured and unregistered and held by the same broker-dealer (counterparty) that purchased the securities for the City.

*Credit risk.* Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's investment policy does not contain requirements that would limit the exposure to credit risk for investments. The credit quality ratings of the City's investments are identified above.

*Concentration of credit risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. State law and the City's investment policy place no limitations on the amount that can be invested in any one issuer. 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 of issuer will be minimized. All investments held at year end are reported above.

*Interest rate risk.* Interest rate risk is the risk that the value of an investment will decrease as a result of an increase in market interest rates. Generally, longer investment maturities generate more sensitivity to changes in an investment's fair value due to changes in market interest rates. The City's investment policy has no specific limitations with respect to maturities of investments. The maturities of the City's investments are identified above.

**NOTE 4 - RECEIVABLES**

Receivables as of June 30, 2019, for the City’s individual major funds, nonmajor fund, and component units, all of which are due within one year and are considered fully collectible, were as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Intergovern- mental</u>	<u>Totals</u>
Primary government:			
Governmental:			
General	\$ 21,220	\$ 62,681	\$ 83,901
Major Streets	-	24,377	24,377
Local Streets	-	10,377	10,377
Nonmajor	<u>706</u>	<u>-</u>	<u>706</u>
Total governmental	<u>\$ 21,926</u>	<u>\$ 97,435</u>	<u>\$ 119,361</u>
Component unit:			
Kalamazoo Lake Harbor Authority	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 100</u>

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2019, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 343,023	\$ 99,773	\$ -	\$ 442,796
Construction in progress	<u>399,764</u>	<u>312,779</u>	<u>-</u>	<u>712,543</u>
Subtotal	<u>742,787</u>	<u>412,552</u>	<u>-</u>	<u>1,155,339</u>
Capital assets being depreciated:				
Buildings	903,628	9,678	-	913,306
Improvements	1,087,438	24,636	-	1,112,074
Machinery and equipment	1,175,202	45,381	(116,489)	1,104,094
Infrastructure	<u>12,317,247</u>	<u>10,253</u>	<u>-</u>	<u>12,327,500</u>
Subtotal	<u>15,483,515</u>	<u>89,948</u>	<u>(116,489)</u>	<u>15,456,974</u>
Less accumulated depreciation for:				
Buildings	(659,315)	(15,771)	-	(675,086)
Improvements	(434,820)	(57,239)	-	(492,059)
Machinery and equipment	(931,476)	(102,066)	116,489	(917,053)
Infrastructure	<u>(6,153,522)</u>	<u>(485,752)</u>	<u>-</u>	<u>(6,639,274)</u>
Subtotal	<u>(8,179,133)</u>	<u>(660,828)</u>	<u>116,489</u>	<u>(8,723,472)</u>
Total capital assets being depreciated	<u>7,304,382</u>	<u>(570,880)</u>	<u>-</u>	<u>6,733,502</u>
Governmental activities capital assets, net	<u>\$ 8,047,169</u>	<u>\$ (158,328)</u>	<u>\$ -</u>	<u>\$ 7,888,841</u>

Depreciation expense was charged to the City's governmental functions as follows:

Governmental activities:	
General government	\$ 158,421
Public safety	21,468
Public works	364,693
Recreation and culture	41,970
Depreciation on internal service fund assets	<u>74,276</u>
Total governmental activities	<u>\$ 660,828</u>

**NOTE 6 - PAYABLES**

Payables as of June 30, 2019, for the City’s individual major funds, nonmajor fund, and component units were as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Payroll</u>	<u>Totals</u>
Primary government:			
Governmental:			
General	\$ 107,345	\$ 50,667	\$ 158,012
Major Streets	-	2,206	2,206
Local Streets	-	998	998
Water and Sewer Revolving	11,511	-	11,511
Nonmajor	<u>-</u>	<u>230</u>	<u>230</u>
Total governmental	<u>\$ 118,856</u>	<u>\$ 54,101</u>	<u>\$ 172,957</u>
Internal Service - equipment	<u>\$ 1,659</u>	<u>\$ -</u>	<u>\$ 1,659</u>
Component units:			
Downtown Development Authority	<u>\$ 2,023</u>	<u>\$ -</u>	<u>\$ 2,023</u>
Kalamazoo Lake Harbor Authority	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 100</u>

**NOTE 7 - LONG-TERM LIABILITIES**

At June 30, 2019, long-term liabilities are comprised of the following:

Governmental activities:	
Note payable:	
\$9,749 2017 capital lease due in monthly installments of \$203, with interest at 0.0 %; final payment due August 2022	\$ 6,024
Compensated absences	<u>95,794</u>
Total governmental activities long-term liabilities	<u>\$ 101,818</u>

**NOTE 7 - LONG-TERM LIABILITIES (Continued)**

Long-term liability activity for the year ended June 30, 2019, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Governmental activities:					
Notes payable:					
2006 loan agreement	\$ 43,434	\$ -	\$ (43,434)	\$ -	\$ -
2014 capital lease	1,892	-	(1,892)	-	-
2014 capital lease	<u>8,327</u>	<u>-</u>	<u>(2,303)</u>	<u>6,024</u>	<u>2,437</u>
Total notes	53,653	-	(47,629)	6,024	2,437
Compensated absences	<u>108,408</u>	<u>51,983</u>	<u>(64,597)</u>	<u>95,794</u>	<u>-</u>
Total governmental activities	<u>\$ 162,061</u>	<u>\$ 51,983</u>	<u>\$ (112,226)</u>	<u>\$ 101,818</u>	<u>\$ 2,437</u>

At June 30, 2019, debt service requirements, with the exception of compensated absences, are as follows:

<u>Year ended June 30,</u>	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 2,437	\$ -
2021	2,437	-
2022	<u>1,150</u>	<u>-</u>
Totals	<u>\$ 6,024</u>	<u>\$ -</u>

**NOTE 8 - INTERFUND TRANSFERS**

For the year ended June 30, 2019, interfund transfers consisted of the following:

<u>Fund</u>	<u>Transfers in</u>	<u>Fund</u>	<u>Transfers out</u>
General	\$ 4,500	Nonmajor governmental	\$ 4,500
Major Street	132,500		
Local Street	<u>137,500</u>		
Subtotal	<u>270,000</u>	General	<u>270,000</u>
Total	<u>\$ 274,500</u>	Total	<u>\$ 274,500</u>

The transfers out of the General Fund to the Major Street and Local Street funds represent unrestricted revenues, collected in the General Fund, that were used to support street improvement and maintenance expenditures accounted for in the Major Street and Local Street funds.

The transfers out of the nonmajor governmental fund to the General Fund represent support for operational costs.

**NOTE 9 - JOINT VENTURES AND JOINTLY-GOVERNED ORGANIZATION**

*Kalamazoo Lake Sewer and Water Authority:*

The Kalamazoo Lake Sewer and Water Authority is a joint venture of the City, the City of Saugatuck, and the Township 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. The City did not provide support to the Authority in fiscal year 2019. Any infrastructure constructed for the City, by the Authority, is recorded as infrastructure on the City’s records. Complete audited financial statements for the Authority can be obtained from their offices. The City has pledged its full faith and credit for its obligation to pay its portion (55.38 percent) of the Authority’s debt service in the event that the Authority is unable to meet its debt service requirements. The Authority’s loan balance at February 28, 2019, was \$3,725,090.

*Saugatuck Township Fire District:*

The Saugatuck Township Fire District is a joint venture of the City, the City of Saugatuck, and the Township of Saugatuck. The District’s administrative board consists of seven members, one at-large member and two members from each of the three participating units. The budget of the District is approved at a joint meeting of the participating units. The City did not provide support to the District in fiscal year 2019. The District entered into an installment purchase agreement in March 2019, to purchase a fire truck. The City has pledged its limited full faith and credit for its obligation to pay a portion of the District’s debt service, under the installment purchase agreement, in the event that the District is unable to meet its debt service requirements. The loan balance at June 30, 2019, is \$82,028

*Interurban Transit Authority:*

The City, in conjunction with the City of Saugatuck and the Township of Saugatuck, created the Interurban Transit Authority, which is considered a jointly-governed organization. The Authority’s administrative board consists of six members, two members appointed by each of the three participating units. The City of the Village of Douglas did not provide support to the Authority in fiscal year 2019. The City does not retain an ongoing financial interest or responsibility in the Authority and is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

**NOTE 10 - DEFINED BENEFIT PENSION PLAN**

*Plan description:*

The City participates in the Municipal Employees’ Retirement System of Michigan (MERS). MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly-available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the MERS website at [www.mersofmich.com](http://www.mersofmich.com).

*Benefits provided:*

The City’s defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries and covers all full-time employees at the City. Retirement benefits for eligible employees vary by division/bargaining unit and are calculated as 2.0% to 2.5% of the employee’s five-year final average compensation times the employee’s years of service, with a maximum of 80% of final average compensation. Normal retirement age is 60, with early retirement at a reduced benefit at age 50, with 25 years of service, or age 55, with 15 years of service. Deferred retirement benefits vest after six years of credited service but are not paid until the date retirement would have occurred had the member remained an employee. Employees are not required to contribute to the plan. An employee who leaves service may withdraw their contributions, plus any accumulated interest. Benefit terms, within the parameters of MERS, are established and amended by the authority of the City Council.

*Employees covered by benefit terms:*

At the December 31, 2018, measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	15
Inactive employees entitled to but not yet receiving benefits	16
Active employees	<u>14</u>
 Total	 <u><u>45</u></u>

*Contributions:*

The City is required to contribute amounts at least equal to an actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the fiscal year ended June 30, 2019, City contributions ranged from 9.06% to 17.99% of covered payroll. Currently, employee contributions range from 0% to 1.8% of payroll. For the fiscal year ended June 30, 2019, the City contributed \$108,041 to the plan, while employees contributed \$4,090.

*Net pension liability:*

The City’s net pension liability reported at June 30, 2019, was determined using a measurement of the total pension liability and the pension net position as of December 31, 2018. The total pension liability was determined by an actuarial valuation as of that date.

*Actuarial assumptions:*

The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
Salary increases	3.75%	In the long term
Investment rate of return	7.75%	Net of investment expense, including inflation



**NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued)**

Mortality rates were based on a blend of the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent; RP-2014 Employee Mortality Tables; and RP-2014 Juvenile Mortality Tables all with a 50 percent male and 50 percent female blend. For disabled retirees, the RP-2014 Disabled Retiree Mortality Table with a 50 percent male and 50 percent female blend is used to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in the December 31, 2018, valuation were based on the results of the 2015 Experience Study, which is the most recent actuarial experience study.

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

<i>Asset class</i>	<i>Target allocation</i>	<i>Long-term expected real rate of return</i>
Global equity	55.50%	8.65%
Global fixed income	18.50%	3.76%
Real assets	13.50%	9.72%
Diversifying strategies	12.50%	7.50%

*Discount rate:*

The discount rate used to measure the total pension liability is 8.00% for 2018. The projection of cash flows used to determine the discount rate assumes that employer contributions will be made at the actuarially determined rates for employers. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued)**

Changes in the net pension liability:

	<i>Increase (decrease)</i>		
	<i>Total pension liability</i>	<i>Plan fiduciary net position</i>	<i>Net pension (asset) liability</i>
	<i>(a)</i>	<i>(b)</i>	<i>(a) - (b)</i>
Balances at December 31, 2017	\$ 3,445,998	\$ 3,507,643	\$ (61,645)
Changes for the year:			
Service cost	86,011	-	86,011
Interest	273,493	-	273,493
Differences between expected actual experience	(31,671)	-	(31,671)
Employer contributions	-	125,508	(125,508)
Employee contributions	-	5,912	(5,912)
Net investment income	-	(139,523)	139,523
Benefit payments, including refunds	(140,686)	(140,686)	-
Administrative expenses	-	(6,860)	6,860
Net changes	<u>187,147</u>	<u>(155,649)</u>	<u>342,796</u>
Balances at December 31, 2018	<u>\$ 3,633,145</u>	<u>\$ 3,351,994</u>	<u>\$ 281,151</u>

*Sensitivity of the net pension liability to changes in the discount rate:*

The following presents the net pension liability of the City, calculated using the discount rate of 8.00%, as well as what the City's net pension liability would be using a discount rate that is 1 percentage point lower (7.00%) or 1 percentage point higher (9.00%) than the current rate.

	<i>1% Decrease</i>	<i>Current rate</i>	<i>1% Increase</i>
	<i>(7.00%)</i>	<i>(8.00%)</i>	<i>(9.00%)</i>
City's net pension liability	<u>\$ 718,217</u>	<u>\$ 281,151</u>	<u>\$ (87,011)</u>

*Pension plan fiduciary net position:*

Detailed information about the pension plan's fiduciary net position is available in the separately issued MERS financial report, which can be found at [www.mersofmichigan.com](http://www.mersofmichigan.com). The plan's fiduciary net position has been determined on the same basis used by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due. Benefit payments are recognized as expense when due and payable in accordance with benefit terms.

**NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued)**

*Pension expense, deferred outflows of resources, and deferred inflows of resources related to the pension plan:*

For the fiscal year ended June 30, 2019, the City recognized pension expense of \$113,024. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources, related to the pension plan, from the following sources:

<i>Source</i>	<i>Deferred outflows of resources</i>	<i>Deferred inflows of resources</i>
Difference between projected and actual earnings	\$ 245,633	\$ -
Difference between expected and actual experience	<u>-</u>	<u>175,977</u>
	245,633	175,977
Contributions made subsequent to the measurement date	<u>50,992</u>	<u>-</u>
Total	<u>\$ 296,625</u>	<u>\$ 175,977</u>

The amount reported as deferred outflows of resources resulting from contributions made subsequent to the measurement date, in the amount of \$50,992, will be recognized as a reduction in the net pension liability in fiscal year 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources, related to the pension plan, will be recognized in pension expense as follows:

<i>Year ended June 30,</i>	<i>Deferred outflows of resources</i>	<i>Deferred inflows of resources</i>
2020	\$ 79,830	\$ 81,608
2021	33,134	94,369
2022	48,772	-
2023	<u>83,897</u>	<u>-</u>
Totals	<u>\$ 245,633</u>	<u>\$ 175,977</u>

**NOTE 11 - PROPERTY TAX REVENUE**

The 2018 taxable valuation of the City approximated \$156,436,000, on which ad valorem taxes levied consisted of 13.0818 mills for operating purposes raising approximately \$2,046,000, which is recognized in the fund financial statements as property tax revenue.

**NOTE 12 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to general liability, property and casualty, workers' compensation, and employee medical claims. The City has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. For all risks of loss, there have been no significant reductions in insurance coverage from coverage provided in prior years. Also, in the past three years, settlements did not exceed insurance coverage.

**NOTE 13 - CONSTRUCTION CODE ACT**

A summary of construction code enforcement transactions for the year ended June 30, 2019, is as follows:

Cumulative excess revenues, beginning of year	<u>\$ -</u>
Revenues	\$ 85,691
Expenses	<u>84,525</u>
Excess of revenues over expenses	<u>\$ 1,166</u>
Cumulative excess revenues, end of year	<u>\$ 1,166</u>

**NOTE 14 - RESTRICTED NET POSITION**

In the government-wide statement of net position, the governmental activities report restricted net position, in the amount of \$521,608. Of this amount, \$520,442 is restricted for utility system improvements and \$1,166 is restricted for public safety. None of the net position is restricted by enabling legislation.

**NOTE 15 - PENDING ACCOUNTING PRONOUNCEMENTS**

Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, was issued by the GASB in January 2017 and will be effective for periods beginning after December 15, 2018. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for periods beginning after December 15, 2019. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULE - General Fund**

Year ended June 30, 2019

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
<b>REVENUES</b>				
Property taxes	\$ 2,107,900	\$ 2,107,900	\$ 2,120,544	\$ 12,644
Licenses and permits	94,600	94,600	103,390	8,790
State grants	422,500	422,500	252,077	(170,423)
Contributions from local units	135,000	135,000	158,699	23,699
Charges for services	16,750	16,750	38,673	21,923
Fines and forfeitures	8,000	8,000	5,687	(2,313)
Investment return and rentals	27,000	27,000	126,403	99,403
Other	215,020	215,020	56,043	(158,977)
Total revenues	<u>3,026,770</u>	<u>3,026,770</u>	<u>2,861,516</u>	<u>(165,254)</u>
<b>EXPENDITURES</b>				
General government:				
City Council	19,050	20,500	19,364	1,136
Manager	170,170	176,211	170,168	6,043
Elections	6,100	7,700	7,712	(12)
Assessor	54,825	54,865	54,286	579
Treasurer and Clerk	322,219	330,011	328,698	1,313
Building and grounds	114,781	140,823	138,644	2,179
Other	61,500	125,000	126,389	(1,389)
Total general government	<u>748,645</u>	<u>855,110</u>	<u>845,261</u>	<u>9,849</u>
Public safety:				
Police department	547,871	618,047	611,113	6,934
Code inspections	65,000	71,303	75,542	(4,239)
Total public safety	<u>612,871</u>	<u>689,350</u>	<u>686,655</u>	<u>2,695</u>
Public works:				
Department of public works	304,583	375,455	381,588	(6,133)
Harbor authority	500	200,700	141,882	58,818
Total public works	<u>305,083</u>	<u>576,155</u>	<u>523,470</u>	<u>52,685</u>

**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended June 30, 2019

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
<b>EXPENDITURES (Continued)</b>				
Community and economic development:				
Contractual engineering	\$ 10,000	\$ 108,383	\$ 135,481	\$ (27,098)
Planning and zoning	<u>186,038</u>	<u>162,857</u>	<u>162,264</u>	<u>593</u>
Total community and economic development	<u>196,038</u>	<u>271,240</u>	<u>297,745</u>	<u>(26,505)</u>
Recreation and culture:				
Parks and recreation	<u>109,531</u>	<u>141,013</u>	<u>136,219</u>	<u>4,794</u>
Capital outlay	<u>719,013</u>	<u>183,313</u>	<u>182,613</u>	<u>700</u>
Debt service:				
Principal	65,530	43,347	43,434	(87)
Interest	<u>4,559</u>	<u>1,742</u>	<u>1,590</u>	<u>152</u>
Total expenditures	<u>2,761,270</u>	<u>2,761,270</u>	<u>2,716,987</u>	<u>44,283</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>265,500</u>	<u>265,500</u>	<u>144,529</u>	<u>(120,971)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	4,500	4,500	4,500	-
Transfers out	<u>(270,000)</u>	<u>(270,000)</u>	<u>(270,000)</u>	<u>-</u>
Total other financing uses	<u>(265,500)</u>	<u>(265,500)</u>	<u>(265,500)</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCES</b>	-	-	(120,971)	(120,971)
<b>FUND BALANCES - BEGINNING</b>	<u>3,016,240</u>	<u>3,016,240</u>	<u>3,016,240</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 3,016,240</u>	<u>\$ 3,016,240</u>	<u>\$ 2,895,269</u>	<u>\$ (120,971)</u>

**BUDGETARY COMPARISON SCHEDULE - Major Street Fund**

Year ended June 30, 2019

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
<b>REVENUES</b>				
State grants	\$ 154,500	\$ 185,119	\$ 188,156	\$ 3,037
Interest	-	1,800	7,772	5,972
Total revenues	154,500	186,919	195,928	9,009
<b>EXPENDITURES</b>				
Public works	235,951	259,951	231,406	28,545
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>				
	(81,451)	(73,032)	(35,478)	37,554
<b>OTHER FINANCING SOURCES</b>				
Transfers in	132,500	132,500	132,500	-
<b>NET CHANGES IN FUND BALANCES</b>				
	51,049	59,468	97,022	37,554
<b>FUND BALANCES - BEGINNING</b>				
	134,724	134,724	134,724	-
<b>FUND BALANCES - ENDING</b>				
	<u>\$ 185,773</u>	<u>\$ 194,192</u>	<u>\$ 231,746</u>	<u>\$ 37,554</u>



**BUDGETARY COMPARISON SCHEDULE - Local Street Fund**

Year ended June 30, 2019

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<i>Variance with final budget positive (negative)</i>
<b>REVENUES</b>				
State grants	\$ 68,500	\$ 68,500	\$ 65,751	\$ (2,749)
Interest	-	-	16,846	16,846
Total revenues	68,500	68,500	82,597	14,097
<b>EXPENDITURES</b>				
Public works	189,093	189,093	131,571	57,522
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>				
	(120,593)	(120,593)	(48,974)	71,619
<b>OTHER FINANCING SOURCES</b>				
Transfers in	137,500	137,500	137,500	-
<b>NET CHANGES IN FUND BALANCES</b>				
	16,907	16,907	88,526	71,619
<b>FUND BALANCES - BEGINNING</b>				
	394,536	394,536	394,536	-
<b>FUND BALANCES - ENDING</b>				
	<u>\$ 411,443</u>	<u>\$ 411,443</u>	<u>\$ 483,062</u>	<u>\$ 71,619</u>

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

Last Ten Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability:					
Service cost	\$ 86,011	\$ 95,463	\$ 99,347	\$ 97,912	\$ 89,824
Interest	273,493	281,803	260,000	242,044	225,872
Differences between expected and actual experience	(31,671)	(335,248)	51,044	(55,441)	-
Changes in assumptions	-	-	-	158,592	-
Benefit payments, including refunds	<u>(140,686)</u>	<u>(141,647)</u>	<u>(130,190)</u>	<u>(125,185)</u>	<u>(122,245)</u>
Net change in total pension liability	187,147	(99,629)	280,201	317,922	193,451
Total pension liability, beginning of year	<u>3,445,998</u>	<u>3,545,627</u>	<u>3,265,426</u>	<u>2,947,504</u>	<u>2,754,053</u>
Total pension liability, end of year	<u>\$ 3,633,145</u>	<u>\$ 3,445,998</u>	<u>\$ 3,545,627</u>	<u>\$ 3,265,426</u>	<u>\$ 2,947,504</u>
Plan fiduciary net position:					
Contributions - employer	\$ 125,508	\$ 400,500	\$ 332,655	\$ 112,267	\$ 109,204
Contributions - employee	5,912	7,122	7,538	7,093	7,240
Net investment income (loss)	(139,523)	412,837	284,499	(36,439)	143,484
Benefit payments, including refunds	(140,686)	(141,647)	(130,190)	(125,185)	(122,245)
Administrative expenses	<u>(6,860)</u>	<u>(6,514)</u>	<u>(5,570)</u>	<u>(5,280)</u>	<u>(5,280)</u>
Net change in plan fiduciary net position	(155,649)	672,298	488,932	(47,544)	132,403
Plan fiduciary net position, beginning of year	<u>3,507,643</u>	<u>2,835,345</u>	<u>2,346,413</u>	<u>2,393,957</u>	<u>2,261,554</u>
Plan fiduciary net position, end of year	<u>\$ 3,351,994</u>	<u>\$ 3,507,643</u>	<u>\$ 2,835,345</u>	<u>\$ 2,346,413</u>	<u>\$ 2,393,957</u>
Township's net pension (asset) liability, end of year	<u>\$ 281,151</u>	<u>\$ (61,645)</u>	<u>\$ 710,282</u>	<u>\$ 919,013</u>	<u>\$ 553,547</u>
Plan fiduciary net position as a percent of total pension liability	92.26%	101.79%	79.97%	71.86%	81.22%
Covered payroll	\$ 762,993	\$ 884,507	\$ 883,260	\$ 906,913	\$ 853,200
Township's net pension (asset) liability as a percentage of covered payroll	36.85%	-6.97%	80.42%	101.33%	64.88%

Note: This schedule is being built prospectively after the implementation of GASB 68 in fiscal year 2015.

Ultimately, ten years of data will be presented.

*City of the Village of Douglas*

**SCHEDULE OF CITY PENSION CONTRIBUTIONS**

*Last Ten Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined contributions	\$ 108,041	\$ 139,563	\$ 132,427	\$ 119,838	\$ 110,541	\$ 115,686	\$ 105,811	\$ 115,927	\$ 123,669	\$ 112,786
Contributions in relation to the actuarially determined contributions	<u>108,041</u>	<u>139,563</u>	<u>395,427</u>	<u>323,088</u>	<u>110,541</u>	<u>115,686</u>	<u>154,441</u>	<u>400,927</u>	<u>123,669</u>	<u>112,786</u>
Contribution excess (deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 263,000</u>	<u>\$ 203,250</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,630</u>	<u>\$ 285,000</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 762,993</u>	<u>\$ 884,507</u>	<u>\$ 883,260</u>	<u>\$ 903,709</u>	<u>\$ 862,446</u>	<u>\$ 870,552</u>	<u>\$ 863,147</u>	<u>\$ 849,207</u>	<u>\$ 781,445</u>	<u>\$ 911,052</u>
Contributions as a percentage of covered payroll	14.16%	15.78%	44.77%	35.75%	12.82%	13.29%	17.89%	47.21%	15.83%	12.38%

Actuarial valuation information relative to the determination of contributions:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	20 years
Asset valuation method	5-year smoothed market
Inflation	2.50%
Salary increases	3.75%
Investment rate of return	7.75%
Retirement age	Normal retirement age is 60 years
Mortality	50% Female/50% Male blend of the RP-2014 Healthy Annuitant Mortality Tables with rates multiplied by 105%

**SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULE - Downtown Development Authority**

Year ended June 30, 2019

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
<b>REVENUES</b>				
Property taxes	\$ 25,100	\$ 25,100	\$ 22,442	\$ (2,658)
Charges for services	11,000	1,000	-	(1,000)
Interest	350	350	4,137	3,787
Other - donations	11,500	21,500	43,897	22,397
	<u>47,950</u>	<u>47,950</u>	<u>70,476</u>	<u>22,526</u>
Total revenues				
<b>EXPENDITURES</b>				
Community and economic development	<u>44,170</u>	<u>44,170</u>	<u>33,674</u>	<u>10,496</u>
<b>NET CHANGES IN FUND BALANCES</b>				
	3,780	3,780	36,802	33,022
<b>FUND BALANCES - BEGINNING</b>				
	<u>84,852</u>	<u>84,852</u>	<u>84,852</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>				
	<u>\$ 88,632</u>	<u>\$ 88,632</u>	<u>\$ 121,654</u>	<u>\$ 33,022</u>

City of the Village of Douglas

**BUDGETARY COMPARISON SCHEDULE - Kalamazoo Lake Harbor Authority**

Year ended June 30, 2019

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
<b>REVENUES</b>				
Intergovernmental	\$ 1,000	\$ 1,000	\$ -	\$ (1,000)
<b>EXPENDITURES</b>				
Public works	<u>1,000</u>	<u>1,000</u>	<u>400</u>	<u>600</u>
<b>NET CHANGES IN FUND BALANCES</b>	-	-	(400)	(400)
<b>FUND BALANCES - BEGINNING</b>	<u>7,611</u>	<u>7,611</u>	<u>7,611</u>	-
<b>FUND BALANCES - ENDING</b>	<u>\$ 7,611</u>	<u>\$ 7,611</u>	<u>\$ 7,211</u>	<u>\$ (400)</u>