City of the Village of Douglas, Michigan

Year Ended
June 30, 2014

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, 2014

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

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INTRODUCTORY SECTION

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

ELECTED OFFICIALS

For the Year Ended June 30, 2014

BOARD OF COMMISSIONERS

Jim Wiley
Mayor

Martha Hoexter
Lisa Greenwood
Greg Harvath

Eric Smith
Bill Japinga
Gerald Schmidt

October 6, 2014

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, 2014 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.

86 W. Center Street • P.O. Box 757 • Douglas, Michigan 49406-0757 • Phone (269) 857-1438 • Fax (269) 857-4751 • www.ci.douglas.mi.us

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, seasonal, resort community on Lake Michigan and Kalamazoo Lake. The City's economic base mostly consists of tourism in the summer season. The City brings in tourist from all over the country for Lake Michigan, the Kalamazoo Harbor and our quant 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 boost tourism, increase pedestrian safety and continue to keep the City in 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

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corridor. As part of the Blue Star Highway Corridor Plan, along with the Beach to Bayou Trail, the City began a multi-year plan to increase sidewalks and bike paths around town and make these non-motorized pathways safer for pedestrians. The City purchased some land over the past fiscal year and along with the completion of Master Plan for the next year, City management continues to look towards the future and plan accordingly for the continued growth that the City has seen over the past several years. 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 the Village of Douglas; on page 19 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, 2014 are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the

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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, 2014, 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,

Robert Drexler, Treasurer/ Finance Director

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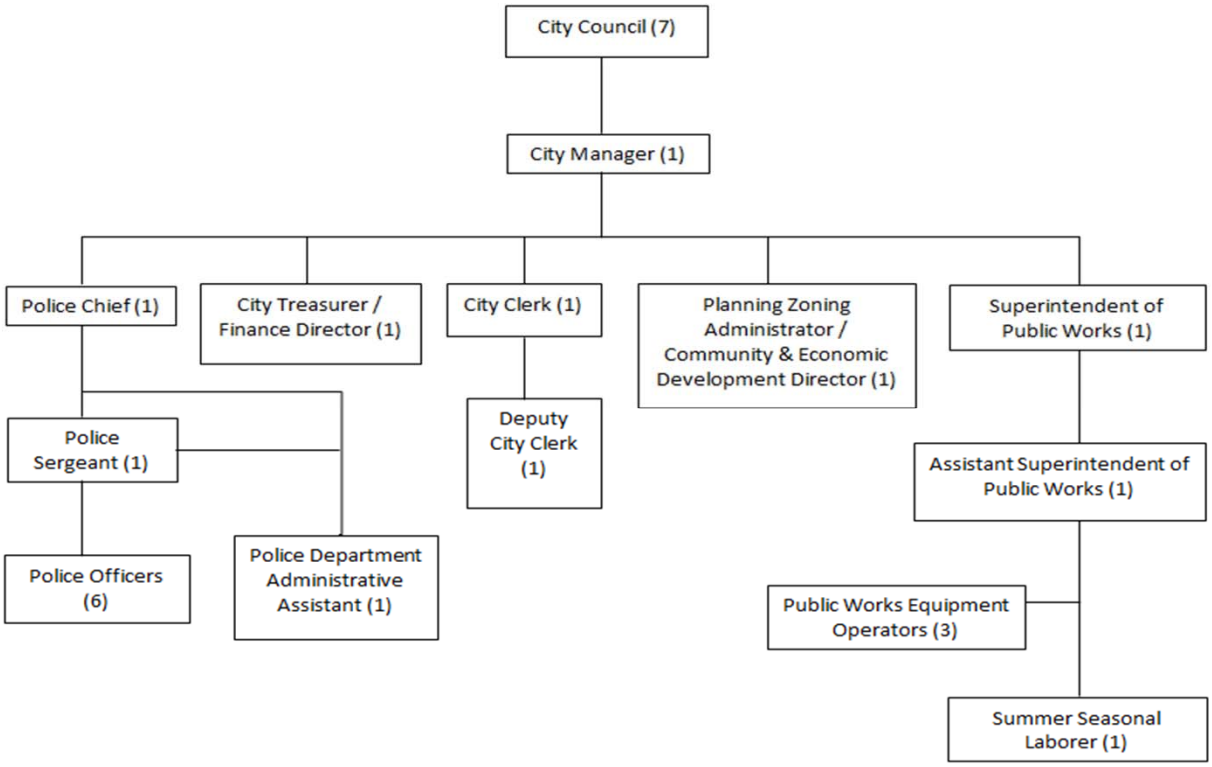
CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

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, 2013

Executive Director/CEO

FINANCIAL SECTION

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Rehmann

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INDEPENDENT AUDITORS' REPORT

October 3, 2014

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, 2014, 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, 2014, and the respective changes in financial position and cash flows, where applicable, thereof and the 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 3, 2014, 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.

Rehmann Robson LLC

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MANAGEMENT'S DISCUSSION AND ANALYSIS

City of the Village of Douglas
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

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, 2014. 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, 2014:

- The City Management concentrated some investements to United States Treasury Bonds as interest rates for certificates of deposits remain historically low. These investments are fully backed by the Federal Government.
- 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 43% and 26% 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 $10,700 from the prior year but General Fund revenues increased $120,349 mostly due to the increase in revenues from other governments. General Fund expenditures increased approximately $346,000, most of which is attributable to the Kalkman lawsuit settlement and land purchase of 6825 Wiley Road.
- Total governmental fund balances decreased by $31,500 and the General Fund fund balance decreased $113,818 which was budgeted for because of the Kalkman lawsuit settlement and land purchase.

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.

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.

The City as a Whole

The following table shows, in a condensed format, the net position as of June 30, 2014 and 2013, respectively.

	Governmental Activities	
	2014	**2013**
Assets		
Current and other assets	$ 4,261,480	$ 4,136,967
Capital assets, net	8,738,326	8,988,787
Total assets	12,999,806	13,125,754
Liabilities		
Current liabilities	154,834	69,021
Long-term liabilities	523,828	837,272
Total liabilities	678,662	906,293
Net position		
Net investment in capital assets	8,311,425	8,480,354
Restricted	447,859	387,674
Unrestricted	3,561,860	3,351,433
Total net position	$ 12,321,144	$ 12,219,461

The City's total net position was $12,321,144 at June 30, 2014, representing an increase of $101,683 from the prior year, which is a smaller increase than in the past few years. This is primarily because the City did not receive a capital grant for road construction in 2014. Unrestricted net position (the part of net position that can be used to finance day-to-day operations) was $3,561,860 at the end of the fiscal year, representing an increase of $210,427 from the prior year.

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

	Governmental Activities	
	2014	**2013**
Revenues		
Program revenues:		
Charges for services	$ 717,812	$ 621,489
Operating grants and contributions	298,490	256,812
Capital grants and contributions	-	485,532
General revenues:		
Property taxes	1,717,563	1,728,241
State shared revenue	94,496	92,607
Investment earnings	7,992	8,276
Gain on sale of capital assets	-	2,372
Other	36,310	34,827
Total revenues	2,872,663	3,230,156
Program Expenses:		
General government	533,418	538,175
Public safety	941,602	881,247
Public works	974,187	784,961
Community and economic development	181,170	188,873
Cultural and recreation	126,468	104,311
Interest on long-term debt	14,135	2,829
Total expenses	2,770,980	2,500,396
Increase in net position	101,683	729,760
Net position, beginning of year, as restated	12,219,461	11,489,701
Net position, end of year	$ 12,321,144	$ 12,219,461

Governmental Activities

The City's governmental revenues totaled $2,872,663, which represents a decrease of $357,493 from the prior year, due to the loss of grant funding received for the rehabilitation of the Blue Star Highway Bridge that the City has had over the past few years. 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 $2,770,980, which represents an increase of $270,584 from the prior year. The largest area of governmental expense is the public works function which showed an increase in expenses due to the unnaturally harsh winter and snowfall this past year. The public works function maintains roads and parks including snow removal. The second highest area of governmental expense is the public safety function which provides services to both the City of the Village of Douglas and the City of Saugatuck.

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 $916,468 and $711,598 respectively, for the fiscal year ending June 30, 2014. The General Fund expensed $167,500 for public works and transferred $330,000 to the Major Street and Local Street Funds, which those funds expensed $347,078 of public works expenditures and $91,689 expenditures on capital outlay for road repairs. The General Fund expensed $256,889 in capital outlay, of which, $194,000 was for the purchase of land.

General Fund Budgetary Highlights

The City underestimated budgeted revenue by $22,187 and expended $221,672 less than budgeted expenditures for the General Fund for fiscal year ending June 30, 2014. The General Fund's expenditures for general government, public safety, and public works were under budget by $81,982, $61,382 and $48,650 respectively. The City's General Fund, after budget amendments, was budgeted for an increase in fund balance of $663; fund balance actually decreased by $113,818. The General Fund had budgeted monies for the Kalkman lawsuit settlement and land purchase out of committed fund balance reserves, as management prepared for these uncommon expenditures in prior years.

Capital Asset and Debt Administration

At the end of the fiscal year, the City had $8,738,326 invested in a broad range of capital assets, including buildings, land, equipment, and infrastructure. The City incurred depreciation expense of $628,451 for the current fiscal year. Additional information on the City's capital assets can be found in Note 5 of this report.

During the current year the City paid $101,792 in principal on installment purchase debt. The City has $523,828 of long-term debt outstanding as of June 30, 2014, including $96,927 of accumulated compensated absences. Of the $523,828 of outstanding long-term debt $106,139 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 8 of this report.

Current Economic Factors

Over the past year, the City's largest employer and taxpayer, Haworth, decided to close their operations in Douglas and consolidate their operations within their other locations in West Michigan. The City of the Village Douglas along with the City of Saugatuck has been working on a long-term plan for the dredging of the Kalamazoo Harbor. The Kalamazoo Harbor and Lake Michigan are the two biggest attractions for tourist. The long-term dredging plan is essential for continued attraction of tourist to the area, which over the years is filling with silt and making navigation of the shallow harbor difficult for boaters.

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 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 four consecutive years and interest rates continue to be at historic low keeping interest income low.

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 Treasurer at the City Hall.

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BASIC FINANCIAL STATEMENTS

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Statement of Net Position

June 30, 2014

	Primary Government	
	Governmental Activities	Component Units
Assets		
Cash and cash equivalents	$ 916,911	$ 75,952
Investments	2,595,341	-
Receivables	127,600	100
Prepaids and other assets	15,070	6,527
Deposits with others	260,012	-
Net pension asset	346,546	-
Capital assets:		
Not being depreciated	290,559	-
Being depreciated, net	8,447,767	-
Total assets	12,999,806	82,579
Liabilities		
Payables and accrued liabilities	154,584	7,722
Unearned revenue	250	1,350
Long-term liabilities:		
Due within one year	178,881	-
Due in more than one year	344,947	-
Total liabilities	678,662	9,072
Net position		
Net investment in capital assets	8,311,425	-
Restricted for:		
Highways and streets	435,018	-
Capital improvements	12,841	-
Unrestricted	3,561,860	73,507
Total net position	$ 12,321,144	$ 73,507

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, 2014

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues
Governmental activities					
General government	$ 533,418	$ 67,826	$ 13,133	$ -	$ (452,459)
Public safety	941,602	606,926	6,534	-	(328,142)
Public works	974,187	36,265	278,573	-	(659,349)
Community and economic development	181,170	-	-	-	(181,170)
Recreation and culture	126,468	6,795	250	-	(119,423)
Interest on long-term debt	14,135	-	-	-	(14,135)
Total governmental activities	$ 2,770,980	$ 717,812	$ 298,490	$ -	$ (1,754,678)
Component units					
Downtown Development Authority	$ 37,965	$ -	$ 20,798	$ -	$ (17,167)
Water Resource Improvement Tax Increment Finance Authority	17,443	-	17,856	-	413
Total component units	$ 55,408	$ -	$ 38,654	$ -	$ (16,754)

continued...

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2014

	Primary Government	
	Governmental Activities	Component Units
Changes in net position		
Net (expenses) revenues	$ (1,754,678)	$ (16,754)
General revenues:		
Property taxes	1,717,563	21,477
State shared revenues	94,496	-
Unrestricted investment income	7,992	250
Other general revenues	36,310	-
Total general revenues	1,856,361	21,727
Change in net position	101,683	4,973
Net position, beginning of year	12,219,461	68,534
Net position, end of year	$ 12,321,144	$ 73,507

concluded

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

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CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Balance Sheet

Governmental Funds
June 30, 2014

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	$ 65,778	$ 605,491	$ 671,269
Investments	2,595,341	-	2,595,341
Accounts receivable	5,912	243	6,155
Due from other governments	97,334	20,795	118,129
Interest receivable	3,316	-	3,316
Deposits with others	-	260,012	260,012
Prepaids	13,095	1,975	15,070
Total assets	$ 2,780,776	$ 888,516	$ 3,669,292
Liabilities			
Accounts payable	$ 27,328	$ 86,654	$ 113,982
Due to other governments	1,802	-	1,802
Accrued liabilities	34,635	2,495	37,130
Unearned revenue	250	-	250
Total liabilities	64,015	89,149	153,164
Deferred inflows of resources			
Unavailable revenue - long-term receivable	60,000	-	60,000
Fund balances (Note 9)			
Nonspendable	13,095	1,975	15,070
Restricted	12,841	433,043	445,884
Committed	-	43,437	43,437
Assigned	-	320,912	320,912
Unassigned	2,630,825	-	2,630,825
Total fund balances	2,656,761	799,367	3,456,128
Total liabilities, deferred inflows of resources and fund balances	$ 2,780,776	$ 888,516	$ 3,669,292

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, 2014

Fund balances - total governmental funds	$ 3,456,128
Amounts reported for *governmental activities* 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	290,559
Capital assets being depreciated, net	8,447,767
Capital assets, net accounted for in the internal service fund	(86,857)
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	346,546
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	60,000
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	332,443
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	(426,901)
Compensated absences	(96,927)
Accrued interest on long-term debt	(1,614)
Net position of governmental activities	$ 12,321,144

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, 2014

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Taxes	$ 1,717,563	$ -	$ 1,717,563
Licenses and permits	66,746	-	66,746
Intergovernmental	820,638	156,111	976,749
Charges for services	2,845	56,295	59,140
Fines and forfeitures	9,470	-	9,470
Interest	7,990	562	8,552
Rentals	500	-	500
Other revenues	48,943	-	48,943
Total revenues	2,674,695	212,968	2,887,663
Expenditures			
Current:			
General government	711,598	-	711,598
Public safety	916,468	-	916,468
Public works	167,500	348,299	515,799
Community and economic development	181,388	-	181,388
Recreation and culture	103,836	16,162	119,998
Other functions	29,386	-	29,386
Debt service:			
Principal	101,792	-	101,792
Interest	14,416	-	14,416
Capital outlay	256,889	91,689	348,578
Total expenditures	2,483,273	456,150	2,939,423
Revenues over (under) expenditures	191,422	(243,182)	(51,760)
Other financing sources (uses)			
Issuance of long-term debt	20,260	-	20,260
Transfers in	4,500	330,000	334,500
Transfers out	(330,000)	(4,500)	(334,500)
Total other financing sources (uses)	(305,240)	325,500	20,260
Net changes in fund balances	(113,818)	82,318	(31,500)
Fund balances, beginning of year	2,770,579	717,049	3,487,628
Fund balances, end of year	$ 2,656,761	$ 799,367	$ 3,456,128

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, 2014

Net changes in fund balances - total governmental funds	$	(31,500)
Amounts reported for *governmental activities* in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Purchases of capital assets		377,990
Purchases of capital assets accounted for in the internal service fund		(17,116)
Depreciation expense		(628,451)
Depreciation expense accounted for in the internal service fund		45,747
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		101,792
Proceeds from issuance of long-term debt		(20,260)
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		6,794
Change in accrued interest on bonds		281
Change in accrual for compensated absences		(56)
Change in accrual for litigation settlement		231,968
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		48,494
Interest income from governmental activities internal service fund		1,000
Change in net position of governmental activities	$	101,683

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, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	$ 1,750,700	$ 1,750,700	$ 1,717,563	$ (33,137)
Licenses and permits	49,750	57,750	66,746	8,996
Intergovernmental	790,083	797,333	820,638	23,305
Charges for services	600	2,350	2,845	495
Fines and forfeitures	4,050	8,175	9,470	1,295
Interest	9,500	9,500	7,990	(1,510)
Rentals	500	500	500	-
Other revenues	26,200	26,200	48,943	22,743
Total revenues	2,631,383	2,652,508	2,674,695	22,187
Expenditures				
Current:				
General government:				
City council	15,175	15,175	16,545	1,370
Attorney	210,000	210,000	195,875	(14,125)
City manager	117,175	118,650	115,201	(3,449)
Assessing	47,580	47,580	46,011	(1,569)
Elections	6,450	6,450	2,550	(3,900)
Buildings and grounds	103,550	120,700	73,902	(46,798)
Clerk / Treasurer	262,675	262,675	249,164	(13,511)
Other	11,100	12,350	12,350	-
Total general government	773,705	793,580	711,598	(81,982)
Public safety:				
Police department	977,850	977,850	916,468	(61,382)
Public works:				
Department of public works	236,400	216,150	167,500	(48,650)
Community and economic development:				
Planning and zoning	170,215	178,215	170,388	(7,827)
Harbor authority	3,500	12,500	11,000	(1,500)
Total community and economic development	173,715	190,715	181,388	(9,327)
Recreation and culture:				
Parks department	114,800	120,800	103,836	(16,964)
Other:				
Insurance	27,500	26,000	25,591	(409)
Other	10,000	10,000	3,795	(6,205)
Total other	37,500	36,000	29,386	(6,614)

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, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (concluded)				
Debt service:				
Principal	$ 100,000	$ 100,000	$ 101,792	$ 1,792
Interest	17,500	17,500	14,416	(3,084)
Total debt service	117,500	117,500	116,208	(1,292)
Capital outlay	58,750	252,350	256,889	4,539
Total expenditures	2,490,220	2,704,945	2,483,273	(221,672)
Revenues over (under) expenditures	141,163	(52,437)	191,422	243,859
Other financing sources (uses)				
Issuance of long-term debt	-	-	20,260	20,260
Transfers in	189,500	383,100	4,500	(378,600)
Transfers out	(330,000)	(330,000)	(330,000)	-
Total other financing sources (uses)	(140,500)	53,100	(305,240)	(358,340)
Net change in fund balance	663	663	(113,818)	(114,481)
Fund balance, beginning of year	2,770,579	2,770,579	2,770,579	-
Fund balance, end of year	$ 2,771,242	$ 2,771,242	$ 2,656,761	$ (114,481)

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, 2014

	Internal Service Fund
Assets	
Current assets:	
Cash and cash equivalents	$ 245,642
Capital assets:	
Capital assets being depreciated, net	86,857
Total assets	332,499
Liabilities	
Current liabilities:	
Accounts payable	56
Net position	
Net investment in capital assets	86,857
Unrestricted	245,586
Total net position	$ 332,443

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, 2014

	Internal Service Fund
Operating revenues	
Charges for services	$ 125,391
Operating expenses	
Operating supplies	31,150
Depreciation	45,747
Total operating expenses	76,897
Operating income	48,494
Nonoperating revenues	
Interest income	1,000
Change in net position	49,494
Net position, beginning of year	282,949
Net position, end of year	$ 332,443

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, 2014

	Internal Service Fund
Cash flows from operating activities	
Receipts from interfund services provided	$ 125,391
Payments to suppliers	(31,194)
Net cash provided by operating activities	94,197
Cash flows from capital and related financing activities	
Purchase of capital assets	(17,116)
Cash flows from investing activities	
Interest received	1,000
Net increase in cash and cash equivalents	78,081
Cash and cash equivalents, beginning of year	167,561
Cash and cash equivalents, end of year	$ 245,642
Cash flows from operating activities	
Operating income	$ 48,494
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	45,747
Changes in operating assets and liabilities which used cash:	
Accounts payable	(44)
Net cash provided by operating activities	$ 94,197

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, 2014

	Tax Collection Fund
Assets	
Due from other governments	$ 20,374
Liabilities	
Negative equity in pooled cash	$ 20,374

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, 2014

	Downtown Development Authority	Water Resource Improvement Authority	Total
Assets			
Cash and cash equivalents	$ 67,737	$ 8,215	$ 75,952
Accounts receivable	100	-	100
Prepaids and other assets	6,527	-	6,527
Total assets	74,364	8,215	82,579
Liabilities			
Payables and accrued liabilities	6,998	606	7,604
Due to other governments	118	-	118
Unearned revenue	1,350	-	1,350
Total liabilities	8,466	606	9,072
Net position			
Unrestricted	$ 65,898	$ 7,609	$ 73,507

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, 2014

	Downtown Development Authority	Water Resource Improvement Authority	Total
Expenses			
Downtown Development Authority	$ 37,965	$ -	$ 37,965
Water Resource Improvement Authority	-	17,443	17,443
Total expenses	37,965	17,443	55,408
Program revenues			
Operating grants and contributions	20,798	17,856	38,654
Net revenues (expenses)	(17,167)	413	(16,754)
General revenues			
Property taxes	21,477	-	21,477
Unrestricted interest income	250	-	250
Total general revenues	21,727	-	21,727
Change in net position	4,560	413	4,973
Net position, beginning of year	61,338	7,196	68,534
Net position, end of year	$ 65,898	$ 7,609	$ 73,507

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

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NOTES TO FINANCIAL STATEMENTS

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.

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, 2014, 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, 2014, 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, 2014, 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.

The Authority has 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, 2014, the amount drawn down was $4,547,124. 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).

Notes to Financial Statements

The annual scheduled principal and interest requirements are as follows:

Year Ended February 28,	Principal	Interest	Total	City Backed Amount
2015	$ 183,525	$ 113,060	$ 296,585	$ 164,249
2016	185,000	110,190	295,190	163,476
2017	190,000	105,502	295,502	163,649
2018	200,000	100,627	300,627	166,487
2019	200,000	95,627	295,627	163,718
2020-2024	1,095,000	398,699	1,493,699	827,211
2025-2029	1,235,000	253,199	1,488,199	824,165
2030-2034	1,395,090	89,073	1,484,163	821,929
Total	$ 4,683,615	$ 1,265,977	$ 5,949,592	$ 3,294,884

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, 2014.

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.

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.

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, 2014. 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 long-term certificates of deposit, 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.

Prepaids

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, 2014, were vested and the total due to the employees, along with the related payroll taxes, is recorded entirely in the government-wide 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.

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. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

During the year ended June 30, 2014, the City incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	Total Appropriations	Amount of Expenditures	Budget Variance
General fund			
General government:			
City council	$ 15,175	$ 16,545	$ 1,370
Debt service:			
Principal	100,000	101,792	1,792
Capital outlay	252,350	256,889	4,539

3. DEPOSITS AND INVESTMENTS

Deposits and investments are recorded in the financial statements at June 30, 2014, as follows:

	Governmental Activities	Agency Fund	Component Units	Total
Cash and cash equivalents	$ 916,911	$ -	$ 75,952	$ 992,863
Investments	2,595,341	-	-	2,595,341
Negative equity in pooled cash	-	(20,374)	-	(20,374)
Total	$ 3,512,252	$ (20,374)	$ 75,952	$ 3,567,830

Deposits and investments consist of the following at June 30, 2014:

Bank deposits	$ 842,398
Certificates of deposit (due within one year)	1,604,376
Certificates of deposit (due in more than one year)	490,000
Investments	631,056
Total	$ 3,567,830

Deposits

These deposits and investments are in twelve (12) 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, $349,420 of the City's bank balance of $2,942,932 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.

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	$ 130,912	S&P / AAAm
US Treasury Bonds	3/27/2017	300,117	S&P / AA+
US Treasury Bonds	8/16/2017	99,929	S&P / AA+
US Treasury Bonds	11/22/2017	100,098	S&P / AA+
Total		$ 631,056	

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.

Notes to Financial Statements

4. RECEIVABLES

At June 30, 2014, the City's receivables were as follows:

	Governmental Activities	Component Units
Accounts	$ 6,155	$ 100
Due from other governments	118,129	-
Interest	3,316	-
Total	$ 127,600	$ 100

Of the amounts reported for receivables above, an amount due from other governments of $45,000 is not expected to be collected within one year.

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities					
Capital assets, not being depreciated:					
Land	$ 93,800	$ 196,759	$ -	$ -	$ 290,559
Capital assets, being depreciated:					
Buildings	864,204	-	-	-	864,204
Improvements	609,748	29,631	-	-	639,379
Machinery and equipment	750,688	88,936	-	-	839,624
Infrastructure	11,673,694	62,664	-	-	11,736,358
	13,898,334	181,231	-	-	14,079,565
Less accumulated depreciation for:					
Buildings	(467,609)	(39,341)	-	-	(506,950)
Improvements	(265,952)	(28,544)	-	-	(294,496)
Machinery and equipment	(539,656)	(85,946)	-	-	(625,602)
Infrastructure	(3,730,130)	(474,620)	-	-	(4,204,750)
	(5,003,347)	(628,451)	-	-	(5,631,798)
Total capital assets being depreciated, net	8,894,987	(447,220)	-	-	8,447,767
Governmental activities capital assets, net	$ 8,988,787	$ (250,461)	$ -	$ -	$ 8,738,326

Depreciation expense was charged to functions as follows:

General government	$ 40,363
Public safety	28,420
Public works	501,028
Recreation and culture	12,893
Internal service fund	45,747
	$ 628,451

6. PAYABLES AND ACCRUED LIABILITIES

At June 30, 2014, the City's payables and accrued liabilities were as follows:

	Governmental Activities	Component Units
Accounts	$ 114,038	$ 7,604
Accrued liabilities	37,130	-
Due to other governments	1,802	118
Accrued interest on long-term debt	1,614	-
Total	$ 154,584	$ 7,722

7. INTERFUND TRANSFERS

For the year ended June 30, 2014, interfund transfers consisted of the following:

	Transfers In	Transfers out
General Fund	$ 4,500	$ 330,000
Nonmajor governmental funds	330,000	4,500
Total	$ 334,500	$ 334,500

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.

8. LONG-TERM DEBT

The following is a summary of debt transactions of the City for the year ended June 30, 2014:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Bonds payable	$ 240,000	$ -	$ (45,000)	$ 195,000	$ 45,000
Installment purchase agreements	268,433	-	(54,780)	213,653	57,087
Capital leases	-	20,260	(2,012)	18,248	4,052
Total installment debt	508,433	20,260	(101,792)	426,901	106,139
Litigation settlement	231,968	-	(231,968)	-	-
Compensated absences	96,871	72,798	(72,742)	96,927	72,742
Total	$ 837,272	$ 93,058	$ (406,502)	$ 523,828	$ 178,881

Installment debt

$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.	$ 195,000
$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.	102,336
$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.	111,317
$8,910 Capital lease agreement dated August 8, 2013, due in monthly installments of $149 through July 8, 2018.	7,276
$11,350 Capital lease agreement dated April 28, 2014, due in monthly installments of $189 through April 6, 2019.	10,972
Total	$ 426,901

The annual requirements to amortize all debt outstanding (excluding long-term compensated absences and the litigation settlement) as of June 30, 2014 are as follows:

Year Ended June 30,	Principal	Interest	Total
2015	$ 106,139	$ 12,040	$ 118,179
2016	112,385	9,341	121,726
2017	91,607	6,421	98,028
2018	69,451	3,778	73,229
2019	18,261	2,043	20,304
2020-2021	29,058	1,470	30,528
	$ 426,901	$ 35,093	$ 461,994

Compensated absences are generally expected to be liquidated by the General Fund and the current portion was estimated based on the current year deletions.

9. 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 $115,686. 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, 2014, the City's annual pension cost of $108,388 for MERS was less than the City's required contributions. The required contribution was determined as part of the December 31, 2011 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, 2013, the date of the latest actuarial valuation, was 25 years.

Three-Year Trend Information			
Years Ended June 30,	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Asset
2012	$ 115,927	346%	$ 285,000
2013	99,689	155%	339,752
2014	108,892	106%	346,546

Funded Status and Funding Progress. As of December 31, 2013, the most recent actuarial valuation date, the plan was 85 percent funded. The actuarial accrued liability for benefits was $2,816,774, and the actuarial value of assets was $2,401,407, resulting in an unfunded actuarial accrued liability (UAAL) of $415,367. The covered payroll (annual payroll of active employees covered by the plan) was $870,552, and the ratio of the UAAL to the covered payroll was 48 percent.

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	$ 115,686
Interest on net pension asset	(27,180)
Adjustment to actuarially required contribution	20,386
Annual pension cost	108,892
Contributions made	115,686
Increase in net pension asset	6,794
Net pension asset, beginning of the year	339,752
Net pension asset, end of the year	$ 346,546

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, 2014 totaled $7,359.

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, 2014 totaled $9,000.

10. FUND BALANCES - GOVERNMENTAL FUNDS

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

	General Fund	Nonmajor Governmental Funds	Total
Nonspendable:			
Prepaid items	$ 13,095	$ 1,975	$ 15,070
Restricted:			
Major and local streets	-	433,043	433,043
Capital projects	12,841	-	12,841
Total restricted	12,841	433,043	445,884
Committed:			
Schultz Park launch ramp	-	43,437	43,437
Assigned:			
Capital improvements	-	320,912	320,912
Unassigned	2,630,825	-	2,630,825
Total fund balances	$ 2,656,761	$ 799,367	$ 3,456,128

11. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of June 30, 2014, was as follows:

Capital assets:	
Capital assets not being depreciated	$ 290,559
Capital assets being depreciated, net	8,447,767
	8,738,326
Related debt:	
Total bonds and notes payable	426,901
Net investment in capital assets	$ 8,311,425

Notes to Financial Statements

12. 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.

13. 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.

REQUIRED SUPPLEMENTARY INFORMATION

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)
12/31/2008	$ 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%
12/31/2013	2,401,407	2,816,774	415,367	85%	870,552	48%

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contributions	Percentage Contributed
2009	$ 96,663	100%
2010	112,786	100%
2011	123,669	100%
2012	115,927	346%
2013	105,811	155%
2014	115,686	100%

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Combining Balance Sheet

Nonmajor Governmental Funds
June 30, 2014

	Special Revenue		
	Major Streets	Local Streets	Schultz Park Launch Ramp
Assets			
Cash and cash equivalents	$ 316,166	$ 185,231	$ 43,194
Accounts receivable	-	-	243
Due from other governments	14,583	6,212	-
Deposits with others	-	-	-
Prepaids	1,083	892	-
Total assets	$ 331,832	$ 192,335	$ 43,437
Liabilities			
Accounts payable	$ 42,891	$ 43,763	$ -
Accrued liabilities	1,400	1,095	-
Total liabilities	44,291	44,858	-
Fund balances			
Nonspendable	1,083	892	-
Restricted	286,458	146,585	-
Committed	-	-	43,437
Assigned	-	-	-
Total fund balances	287,541	147,477	43,437
Total liabilities and fund balances	$ 331,832	$ 192,335	$ 43,437

Capital Projects	
Water and Sewer Revolving	Total
$ 60,900	$ 605,491
-	243
-	20,795
260,012	260,012
-	1,975
$ 320,912	$ 888,516
$ -	$ 86,654
-	2,495
-	89,149
-	1,975
-	433,043
-	43,437
320,912	320,912
320,912	799,367
$ 320,912	$ 888,516

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, 2014

	Special Revenue		
	Major Streets	Local Streets	Schultz Park Launch Ramp
Revenues			
Intergovernmental	$ 105,512	$ 50,599	$ -
Charges for services	-	-	6,795
Interest	-	-	250
Total revenues	105,512	50,599	7,045
Expenditures			
Current:			
Public works	198,893	148,185	-
Recreation and culture	-	-	16,162
Capital outlay	47,426	44,263	-
Total expenditures	246,319	192,448	16,162
Revenues over (under) expenditures	(140,807)	(141,849)	(9,117)
Other financing sources (uses)			
Transfers in	155,000	175,000	-
Transfers out	-	-	(4,500)
Total other financing sources (uses)	155,000	175,000	(4,500)
Net change in fund balances	14,193	33,151	(13,617)
Fund balances, beginning of year	273,348	114,326	57,054
Fund balances, end of year	$ 287,541	$ 147,477	$ 43,437

Capital Projects	
Water and Sewer Revolving	Total
$ -	$ 156,111
49,500	56,295
312	562
49,812	212,968
1,221	348,299
-	16,162
-	91,689
1,221	456,150
48,591	(243,182)
-	330,000
-	(4,500)
-	325,500
48,591	82,318
272,321	717,049
$ 320,912	$ 799,367

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, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	$ 90,000	$ 97,500	$ 105,512	$ 8,012
Expenditures				
Current:				
Public works	194,825	223,425	198,893	(24,532)
Capital outlay	50,000	50,000	47,426	(2,574)
Total expenditures	244,825	273,425	246,319	(27,106)
Revenues over (under) expenditures	(154,825)	(175,925)	(140,807)	35,118
Other financing sources (uses)				
Transfers in	155,000	155,000	155,000	-
Net change in fund balances	175	(20,925)	14,193	35,118
Fund balances, beginning of year	273,348	273,348	273,348	-
Fund balances, end of year	$ 273,523	$ 252,423	$ 287,541	$ 35,118

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, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	$ 38,100	$ 38,100	$ 50,599	$ 12,499
Expenditures				
Current:				
Public works	157,300	172,550	148,185	(24,365)
Capital outlay	55,000	55,000	44,263	(10,737)
Total expenditures	212,300	227,550	192,448	(35,102)
Revenues over (under) expenditures	(174,200)	(189,450)	(141,849)	47,601
Other financing sources (uses)				
Transfers in	175,000	175,000	175,000	-
Net change in fund balances	800	(14,450)	33,151	47,601
Fund balances, beginning of year	114,326	114,326	114,326	-
Fund balances, end of year	$ 115,126	$ 99,876	$ 147,477	$ 47,601

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, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Charges for services	$ 10,000	$ 10,000	$ 6,795	$ (3,205)
Interest	250	250	250	-
Total revenues	10,250	10,250	7,045	(3,205)
Expenditures				
Current:				
Recreation and culture	13,325	17,675	16,162	(1,513)
Revenues over (under) expenditures	(3,075)	(7,425)	(9,117)	(1,692)
Other financing sources (uses)				
Transfers out	(4,500)	(4,500)	(4,500)	-
Net change in fund balances	(7,575)	(11,925)	(13,617)	(1,692)
Fund balances, beginning of year	57,054	57,054	57,054	-
Fund balances, end of year	$ 49,479	$ 45,129	$ 43,437	$ (1,692)

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, 2014

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Assets				
Cash and cash equivalents	$ 4,355	$ 6,031,958	$ 6,036,313	$ -
Due from other governments	42,771	20,309	42,771	20,374
Total assets	$ 47,126	$ 6,052,267	$ 6,079,084	$ 20,374
Liabilities				
Negative equity in pooled cash	$ -	$ -	$ 20,374	$ 20,374
Undistributed receipts	4,355	6,031,893	6,015,939	-
Due to other funds	42,771	-	42,771	-
Total liabilities	$ 47,126	$ 6,031,893	$ 6,079,084	$ 20,374

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

STATISTICAL SECTION

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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.

		Page
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.	78
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.	88
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.	102
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.	106
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.	110

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)

	2005	2006	2007	2008
Governmental Activities				
Net investment in capital assets	$ 974,954	$ 2,346,275	$ 2,531,774	$ 5,599,009
Restricted	808,596	529,356	532,364	696,907
Unrestricted	778,218	1,084,894	1,476,252	1,432,499
Total Primary Government Net Position	$ 2,561,768	$ 3,960,525	$ 4,540,390	$ 7,728,415

*The City does NOT have any business-type activities

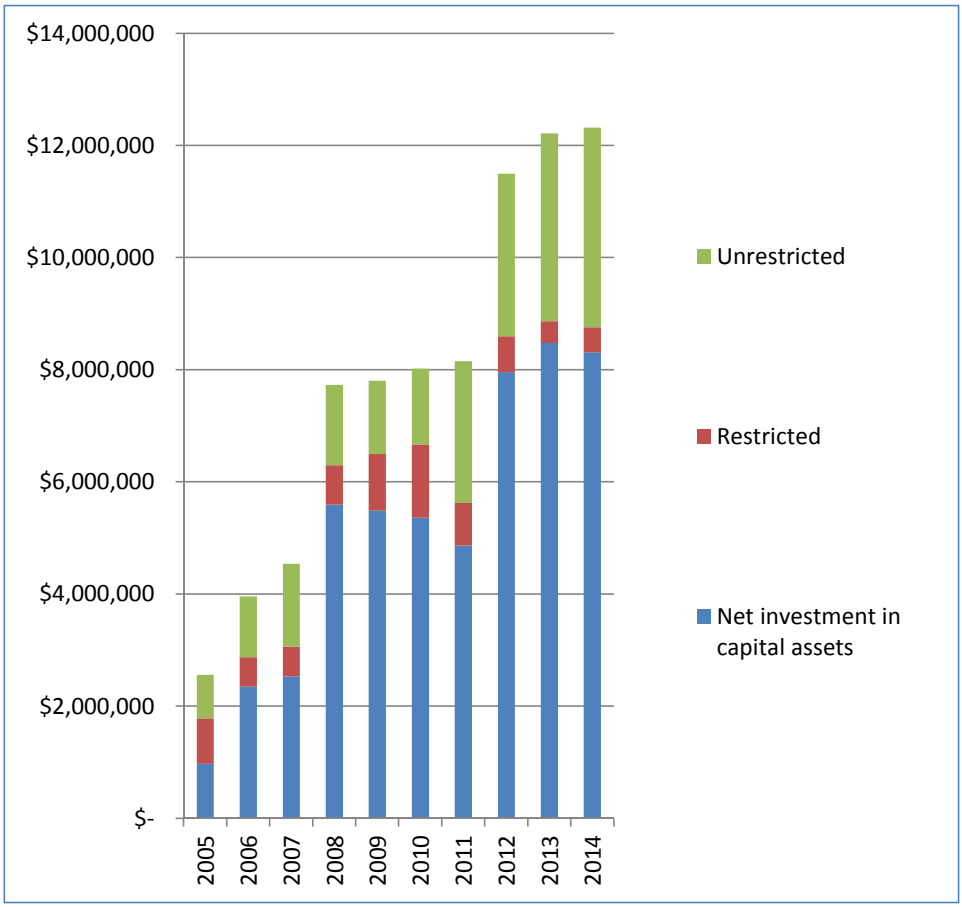

Table 1

2009	2010	2011	2012	2013	2014
$ 5,489,314	$ 5,360,358	$ 4,867,939	$ 7,958,138	$ 8,480,354	$ 8,311,425
1,010,944	1,308,795	754,300	641,846	387,674	447,859
1,306,673	1,351,687	2,532,718	2,900,855	3,351,433	3,561,860
$ 7,806,931	$ 8,020,840	$ 8,154,957	$ 11,500,839	$ 12,219,461	$ 12,321,144

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

	2005	2006	2007	2008
Expenses				
General Government	$ 385,619	$ 469,839	$ 664,188	$ 630,302
Public Safety	893,020	1,001,950	982,598	822,513
Public Works	344,804	473,202	521,540	778,104
Community & Economic Development	-	-	-	324,413
Recreation & Culture	73,301	143,294	123,347	121,550
Interest on Long-term Debt	19,302	18,274	23,066	24,079
Total expenses	1,716,046	2,106,559	2,314,739	2,700,961
Program Revenues				
Charges for Services:				
General Government	11,468	14,962	12,650	65,081
Public Safety	432,479	426,911	450,481	461,529
Public Works	241,741	314,753	117,547	-
Community & Economic Development	-	-	-	-
Recreation & Culture	16,462	14,655	17,814	11,002
Total Charges for Services	702,150	771,281	598,492	537,612
Operating Grants & Contributions	165,584	150,437	148,090	226,242
Capital Grants & Contributions	-	871,894	44,925	137,594
Total Program Revenues	867,734	1,793,612	791,507	901,448
Net Expense	(848,312)	(312,947)	(1,523,232)	(1,799,513)
General Revenues				
Taxes	1,174,377	1,458,846	1,650,647	1,757,485
State-shared Revenue	106,974	105,903	102,864	97,336
Investment Income	31,312	86,579	112,523	83,815
Miscellaneous	18,267	60,376	237,063	15,280
Total General Revenues	1,330,930	1,711,704	2,103,097	1,953,916
Change in Net Position	$482,618	$1,398,757	$579,865	$154,403

*The City does NOT have any business-type activities

Table2

2009	2010	2011	2012	2013	2014
$ 650,855	$ 606,299	$ 749,854	$ 599,114	$ 538,175	$ 533,418
831,754	985,780	843,915	899,738	881,247	941,602
905,668	777,822	810,775	748,865	784,961	974,187
278,432	162,451	164,215	160,923	188,873	181,170
122,661	117,786	124,156	106,906	104,311	126,468
19,619	17,975	27,236	29,794	2,829	14,135
2,808,989	2,668,113	2,720,151	2,545,340	2,500,396	2,770,980
35,550	88,906	32,503	42,059	54,339	67,826
518,010	518,615	569,372	530,697	509,795	606,926
-	1,065	816	621	49,619	36,265
-	13,500	14,450	4,250	-	-
24,246	10,227	8,966	9,457	7,736	6,795
577,806	632,313	626,107	587,084	621,489	717,812
205,434	159,069	152,139	278,337	256,812	298,490
115,100	128,805	122,586	3,088,349	485,532	-
898,340	920,187	900,832	3,953,770	1,363,833	1,016,302
(1,910,649)	(1,747,926)	(1,819,319)	1,408,430	(1,136,563)	(1,754,678)
1,829,377	1,815,691	1,823,754	1,788,389	1,728,241	1,717,563
92,528	82,294	83,116	90,866	92,607	94,496
37,908	27,078	15,140	10,558	8,276	7,992
52,926	36,772	31,426	47,639	37,199	36,310
2,012,739	1,961,835	1,953,436	1,937,452	1,866,323	1,856,361
$102,090	$213,909	$134,117	$3,345,882	$729,760	$101,683

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

Table 3

Fiscal Year Ended June 30	General Property Tax	Road Millage	Debt Service
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	-	-
2014	1,717,563	-	-

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

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

General Fund	**2005**	**2006**	**2007**	**2008**
Reserved	$ -	$ -	$ 3,500	$ 8,788
Unreserved	414,774	736,820	827,415	894,103
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	$ 414,774	$ 736,820	$ 830,915	$ 902,891
All Other Governmental Funds				
Reserved	-	-	-	794
Unreserved, reported in:				
Special Revenue Funds	1,171,400	725,596	828,246	929,151
Debt Service Funds	-	-	-	-
Capital Project Funds	69,462	(58,627)	115,039	2,357
Nonspendable	-	-	-	-
Restricted: Special Revenue	-	-	-	-
Committed: Special Revenue	-	-	-	-
Assigned: Capital Project	-	-	-	-
Total All Other Governmental Funds	$ 1,655,636	$ 1,403,789	$ 1,774,200	$ 1,835,193

*Refer to Page 53 for description of fund balance classifications

Table 4

2009	2010	2011	2012	2013	2014
$ 3,852	$ 9,462	$ -	$ -	$ -	$ -
1,048,920	1,159,871	-	-	-	-
-	-	9,732	7,494	9,075	13,095
-	-	-	-	-	12,841
-	-	935,230	935,230	-	-
-	-	688,938	472,141	415,000	-
-	-	916,172	1,232,467	2,346,504	2,630,825
$ 1,052,772	$ 1,169,333	$ 2,550,072	$ 2,647,332	$ 2,770,579	$ 2,656,761
2,062	1,356	-	-	-	-
841,452	1,149,520	-	-	-	-
-	-	-	-	-	-
214,406	211,076	-	-	-	-
-	-	1,472	1,594	1,906	1,975
-	-	306,482	403,991	385,768	433,043
-	-	59,840	56,064	57,054	43,437
-	-	446,346	236,261	272,321	320,912
$ 2,110,692	$ 2,531,285	$ 3,364,212	$ 3,345,242	$ 3,487,628	$ 3,456,128

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

	2005	2006	2007	2008
Revenues				
Property Taxes	$ 1,174,377	$ 1,458,846	$ 1,650,647	$ 1,757,485
Licenses & Permits	83,077	123,742	71,699	61,735
State Shared Revenue	221,521	232,465	258,185	247,718
Contributions from Local Units	441,728	427,082	417,268	665,670
Grant Revenue	34,534	628,439	209,824	-
Charges for Services	224,322	248,506	171,821	26,002
Fines	4,759	5,637	8,982	13,992
Interest & Rentals	31,311	86,164	109,783	84,145
Other	15,563	52,588	15,871	17,797
Total Revenues	2,231,192	3,263,469	2,914,080	2,874,544
Expenditures				
Legislative	13,053	19,760	24,081	-
General government	335,702	418,868	576,283	622,497
Public Safety	874,118	973,264	974,455	801,090
Public Works	327,374	445,729	516,728	659,995
Community & Economic Development	-	-	-	324,413
Recreation & Culture	64,042	134,167	130,609	110,684
Capital Outlay	558,658	1,430,665	244,071	191,556
Other Functions	-	-	-	-
Debt Service:				
Principal	114,189	48,885	53,791	42,132
Interest	20,212	18,113	23,651	23,946
Bond Issuance Costs	-	-	-	-
Total Expenditures	2,307,348	3,489,451	2,543,669	2,776,313
Excess (Deficiency) of revenue over expenditures	(76,156)	(225,982)	370,411	98,231
Other Financing Sources				
Loan Proceeds	-	-	-	-
Transfers In	689,626	465,173	245,000	333,208
Transfers Out	(689,626)	(491,038)	(245,000)	(333,208)
Total other financing sources (uses)	-	(25,865)	-	-
Net Change in Fund Balances	(76,156)	(251,847)	370,411	98,231
Fund Balance-Beginning of Year	1,731,792	1,655,636	1,403,789	1,736,962
Prior Period Adjustment	-	-	-	-
Fund Balance - End of Year	$ 1,655,636	$ 1,403,789	$ 1,774,200	$ 1,835,193
Debt Service as a percentage of noncapital expenditures	8%	3%	3%	3%

*FY 2009 a restatment of Fund Balance was necessary
**FY 2008 Legislative expenditure rolled in General government expenditures

Table 5

2009	2010	2011	2012	2013	2014
$ 1,829,377	$ 1,881,517	$ 1,823,754	$ 1,788,389	$ 1,728,241	$ 1,717,563
40,711	24,581	33,423	45,544	53,439	66,746
283,876	231,179	216,910	238,698	228,818	256,241
639,158	629,045	675,895	642,756	586,602	720,508
-	-	-	-	-	-
57,246	56,577	63,312	51,601	96,060	59,140
10,379	7,274	6,344	5,763	3,777	9,470
38,409	27,578	15,640	11,058	9,268	9,052
58,973	40,336	33,990	48,564	38,419	48,943
2,958,129	2,898,087	2,869,268	2,832,373	2,744,624	2,887,663
-	-	-	-	-	16,545
605,603	558,535	481,546	612,377	570,391	695,053
831,080	881,254	827,039	940,606	897,339	916,468
726,418	689,779	483,023	500,725	521,287	515,799
278,432	159,300	164,215	209,373	195,234	181,388
144,721	101,602	95,850	98,169	95,798	119,998
11,806	-	205,538	356,889	177,303	348,578
-	26,028	25,254	25,664	28,300	29,386
41,276	43,460	41,791	77,175	113,510	101,792
19,720	17,536	23,585	30,365	3,076	14,416
-	-	13,500	-	-	-
2,659,056	2,477,494	2,361,341	2,851,343	2,602,238	2,939,423
299,073	420,593	507,927	(18,970)	142,386	(51,760)
-	-	325,000	-	-	20,260
417,000	757,857	269,500	335,928	304,755	334,500
(417,000)	(757,857)	(269,500)	(335,928)	(304,755)	(334,500)
-	-	325,000	-	-	20,260
299,073	420,593	832,927	(18,970)	142,386	(31,500)
1,835,193	2,110,692	2,531,285	3,364,212	3,345,242	3,487,628
(23,574)	-	-	-	-	-
$ 2,110,692	$ 2,531,285	$ 3,364,212	$ 3,345,242	$ 3,487,628	$ 3,456,128
2%	2%	3%	4%	5%	4%

City of the Village of Douglas
STATE EQUALIZED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY (UNAUDITED)
2006 Through 2014
Ad Valorem Roll

	Real Property			Personal Property		
Fiscal Year Ended June30	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
2014	124,398,003	152,240,600	304,481,200	4,048,900	4,048,900	8,097,800

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 Percentage 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%
128,446,903	156,289,500	312,579,000	13.0818	41.1%

City of the Village of Douglas
STATE EQUALIZED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY (UNAUDITED)
2006 through 2014
Industrial Facilities Tax Roll

	Real Property			Personal Property		
Fiscal Year Ended June30	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
2014	-	-	-	190,500	190,500	381,000

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 2011.

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 Percentage 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%
190,500	190,500	381,000	5.6002	50.0%

City of the Village of Douglas
TAXABLE VALUE COMPONENTS BY CLASS (UNAUDITED)
2006 through 2014
Ad Valorem Roll

Fiscal Year Ended June 30	Real Property - Ad Valorem Roll				
	Agriculture	Commercial	Industrial	Residential	Real Property Total
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
2014	-	19,044,678	1,545,300	103,808,025	124,398,003

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
-	1,776,800	1,443,500	-	828,600	4,048,900

City of the Village of Douglas
TAXABLE VALUE COMPONENTS BY CLASS (UNAUDITED)
2006 through 2014
Industrial Facilities Tax Roll

Table 9

Fiscal Year Ended June 30	Industrial Facility Tax Roll: Real Property Industrial	Industrial Facility Tax Roll: Personal Property Industrial	Industrial Facility Tax Roll: 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
2014	-	190,500	190,500

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

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City of the Village of Douglas
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS (UNAUDITED)
2006 Through 2014

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
2014	H	13.0818	0	13.0818
2014	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
2014	H	4.6377	1	0.24	5.8777
2014	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

Table10

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
0	1.2218	0.5	3.59	0.25	6	11.5618
16.7782	1.2218	0.5	3.59	0.25	6	28.34

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
5.5234	0.5173	1.3	0.5	38.362
5.5234	0.5173	1.3	0.5	55.1402

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

	2014		
Taxpayer	**Taxable Value**	**Rank**	**% of Total Taxable Value**
Haworth Inc.	$ 2,632,600	1	2.05%
Dunes Realty LLC	1,045,331	2	0.81%
Kalamazoo Ferry Co.	928,514	3	0.72%
Douglas Property Investment LLC	918,835	4	0.72%
Charles Higgins	885,349	5	0.69%
Burnatowska-Hledin	880,300	6	0.69%
Steven & Stacy Gursten	820,600	7	0.64%
Douglas Lakefront Properties	805,413	8	0.63%
David Leader Mgmt Co.	767,154	9	0.60%
R and R International LLC	736,800	10	0.57%
204 Lakeshore LLC			
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

Note: Information for 2005 is not available.

Table11

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%
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 (UNAUDITED)
2014

Table 12

2014

Employer	Full-time Employees	Part-time Employees
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
Dellavecchia Dental	5	5
Enterprise Hinge	8	0

2013

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

Note: Information for 2013 is the oldest historical data available

Source: City of the Village of Douglas Business License records

City of the Village of Douglas
PROPERTY TAX LEVIES AND COLLECTIONS (UNAUDITED)
2006 Through 2014

Table 13

			Collected within the Fiscal Year		Total Collection to Date	
Tax Year	**Fiscal Year Ended June 30**	**Tax Levy**	**Amount**	**% of Levy**	**Amount**	**% of Levy**
2005	2006	$ 1,358,109	$ 1,318,238	97.06%	$ 1,357,331	99.94%
2006	2007	1,537,699	1,528,939	99.43%	1,537,402	99.98%
2007	2008	1,684,106	1,680,474	99.78%	1,683,853	99.98%
2008	2009	1,762,580	1,736,448	98.52%	1,756,031	99.63%
2009	2010	1,840,610	1,804,680	98.05%	1,839,496	99.94%
2010	2011	1,762,639	1,753,858	99.50%	1,761,474	99.93%
2011	2012	1,715,539	1,709,003	99.62%	1,713,741	99.90%
2012	2013	1,700,644	1,699,378	99.93%	1,699,378	99.93%
2013	2014	1,700,500	1,696,760	99.78%	1,696,760	99.78%

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

Table14

Fiscal Year Ended June 30	Installment Purchase Agreements	Capital Improvement Bonds	Total Primary Government Debt	Per Capita	Percentage of Personal Income	Ratio of Bonded Debt to Taxable Value
2005	$ 454,841	$ -	$ 454,841	$ 383	0.85%	0.43%
2006	595,956	-	595,956	505	1.11%	0.57%
2007	542,166	-	542,166	460	1.01%	0.46%
2008	500,034	-	500,034	423	0.93%	0.39%
2009	458,790	-	458,790	372	0.85%	0.34%
2010	415,909	-	415,909	338	0.77%	0.29%
2011	374,118	325,000	699,118	567	1.30%	0.52%
2012	336,943	285,000	621,943	505	1.16%	0.47%
2013	268,433	240,000	508,433	413	0.95%	0.40%
2014	231,901	195,000	426,901	347	0.79%	0.33%

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, 2014

Table 15

Jurisdiction	Bonds Outstanding	Percentage Applicable to City	City's Share of Debt
Direct Debt: City of Douglas			
Capital Leases	$ 18,248	100%	$ 18,248
Loan Agreement 3/17/2006	102,336	100%	102,336
Loan Agreement 7/10/2004	111,317	100%	111,317
Capital Improvement Bonds	195,000	100%	195,000
Subtotal Direct Debt	426,901		426,901
Overlapping Debt			
Kalamazoo Lake Sewer and Water Authority*	5,949,592	55.38%	3,294,884
Ottawa Intermediate School District**	4,040,000	1.22%	49,265
Saugatuck Public Schools***	19,326,937	25.21%	4,872,707
Subtotal Overlapping Debt	29,316,529		8,216,856
Grand Total of Direct & Overlapping Debt	$ 29,743,430		$ 8,643,757

* Source: Kalamazoo Lake Sewer and Water Authority Financial Statements year ending Feb. 28th, 2014. Percentage applicable to the City of Douglas based on ownership capacity.

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

***Source: Saugatuck Public Schools Financial Statements year ending June 30th, 2014. Percentage applicable is based on percentage of taxable value.

City of the Village of Douglas
LEGAL DEBT MARGIN (UNAUDITED)
2006 - 2014

	2006	2007	2008	2009
Assessed Value	$ 141,210,000	$ 175,270,500	$ 195,834,000	$ 204,838,900
Debt Limit (10% assessed value)	14,121,000	17,527,050	19,583,400	20,483,890
Total net debt applicable to limit	595,956	542,166	500,034	458,790
Legal Debt Margin	13,525,044	16,984,884	19,083,366	20,025,100
Total net debt applicable to limit as a percentage of debt limit	4.22%	3.09%	2.55%	2.24%

Source: City of the Village of Douglas Treasurer

Table 16

2010	2011	2012	2013	2014
$ 202,193,600	$ 182,963,600	$ 169,070,700	$ 156,266,200	$ 156,480,000
20,219,360	18,296,360	16,907,070	15,626,620	15,648,000
415,909	699,118	621,943	508,433	426,901
19,803,451	17,597,242	16,285,127	15,118,187	15,221,099
2.06%	3.82%	3.68%	3.25%	2.73%

City of the Village of Douglas
STATE REVENUE SHARING (UNAUDITED)
2004 through 2014

	2006	2007	2008	2009
State Sales Tax: PA 140 of 1971				
Total	$ 100,314	$ 125,107	$ 97,336	$ 92,528
Michigan Transportation Fund: PA 51 of 1951				
Major Streets	78,150	86,111	84,651	81,364
Local Streets	38,407	37,016	36,393	35,023
Winter Maintenance (Snow)	10,267	4,298	23,619	69,209
Total	126,824	127,425	144,663	185,596
Metro Authority: PA 48 of 2002				
Public Right of Way	5,327	5,653	5,719	5,752
Total State Shared Revenue	$ 232,465	$ 258,185	$ 247,718	$ 283,876

Source: City of the Village of Douglas Treasurer

Table 17

2010	2011	2012	2013	2014
$ 82,294	$ 83,116	$ 90,866	$ 92,607	$ 94,496
79,918	81,049	84,994	79,298	92,770
34,427	34,937	36,195	33,695	41,847
28,652	12,393	20,800	7,531	21,493
142,997	128,379	141,989	120,524	156,110
5,888	5,415	5,843	5,959	5,635
$ 231,179	$ 216,910	$ 238,698	$ 219,090	$ 256,241

City of the Village of Douglas
DEMOGRAPHIC STATISTICS (UNAUDITED)
2005 through 2014

Table 18

Fiscal Year Ended June 30	City of Douglas Population*	Personal Income**	City of Douglas Estimated Personal Income	Per Capita Personal Income **	Unemployment Rate***	State of Michigan Unemployment Rate***
2005	1188	$ 7,845,000,000	$ 48,325,200	$ 40,678	5.0%	7.0%
2006	1181	8,162,000,000	50,277,920	42,572	4.9%	6.5%
2007	1178	8,499,000,000	52,353,840	44,443	5.1%	7.1%
2008	1182	8,569,000,000	52,785,040	44,657	7.2%	8.0%
2009	1232	8,470,000,000	52,175,200	42,350	12.3%	14.1%
2010	1232	8,732,000,000	53,789,120	43,660	12.1%	13.6%
2011	1233	8,994,921,000	55,408,713	44,938	7.0%	10.6%
2012	1238	8,994,921,000	55,408,713	44,757	5.5%	9.3%
2013	1248	8,994,921,000	55,408,713	44,398	6.5%	8.7%
2014	1248	8,994,921,000	55,408,713	44,398	6.4%	7.7%

* 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; July 2014

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

Table 19

Function	2008	2009	2010	2011	2012	2013	2014
General Government							
Administration	1	1	1	1	1	1	1
Clerk	2	1.5	2	2	2	2	2
Treasurer	1	1	1	1	1	1	1
Economic Development	0	0	0	1	1	1	0
Public Safety							
Police	8	8	8	9	9	9	9
Public Works							
Streets	4	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

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

Table 20

The City has 18 full-time employees, of which 39% are represented by labor organizations. Following is a list of the organizations, number of members, and contract extension dates.

Name of Organization	Number of Members	Contract Expiration Date
Police Officers Labor Council	7	June 30, 2016
Non-Affiliated Employees	11	N/A
	18	

Source: City of the Village of Douglas Treasurer
The ASCFME #25 Union disbanded during the fiscal year ending June 30th, 2013

City of the Village of Douglas
OPERATING INDICATORS BY FUNCTION (UNAUDITED)
2009 Through 2014

Table 21

Function	2009	2010	2011	2012	2013	2014
General Government						
Area- Square Miles	1.8	1.8	1.8	1.8	1.8	1.8
Population	1,232	1,232	1,232	1,232	1,238	1,248
Registered Voters	1,009	1,009	1,009	1,012	1,012	1,081
Number of Tax Bills	1,564	1,567	1,563	1,568	1,562	1,442
Public Safety						
Police*						
Violent Crimes	25	40	14	6	17	N/A
Property Crimes	22	28	8	10	35	N/A
Traffic Injuries	3	3	3	5	3	N/A
Streets and Highways						
Miles of Roads	16.17	16.17	16.17	16.17	16.17	16.17
Miles of Sidewalks & Pathways	4.2	4.3	4.3	4.3	4.4	5.3
Recreation & Culture						
Acres of Parks	20.94	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 2014

Table 22

Function	2009	2010	2011	2012	2013	2014
Public Safety						
Police						
Number of Police Stations	1	1	1	1	1	1
Number of Patrol Vehicles	5	5	5	5	5	5
Culture and Recreation						
Number of Parks	9	9	9	9	9	9
Acres of Parks	20.94	20.94	20.94	20.94	20.94	20.94
Park Pavilions	1	1	1	1	1	1
Playgrounds	2	2	2	2	2	2
Streets						
Miles of Major Streets	5.6	5.6	5.6	5.6	5.6	5.6
Miles of Local Streets	10.57	10.57	10.57	10.57	10.57	10.57
Miles of Sidewalks	4.2	4.3	4.3	4.3	4.4	5.3
Traffic Signals	1	1	1	1	1	1
Street Light Accounts	1	1	1	1	1	1
Street Garage Buildings	3	3	3	3	3	3

Source: City of the Village of Douglas Treasurer

Information only available back to 2009

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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 3, 2014

Honorable Mayor and Members of
the City Council
City of the Village of Douglas, Michigan
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, 2014, 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 3, 2014.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2014-FS-01 and -02 to be material weaknesses.

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.

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.

Rehmann Robson LLC

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Schedule of Findings and Responses

For the Year Ended June 30, 2014

2014-FS-1 – Material Audit Adjustments

Finding Type. Material Weakness in Internal Control over Financial Reporting.

Criteria. Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).

Condition. During our audit, we identified and proposed material adjustments (which were approved and posted by management) to adjust the City's general ledger to the appropriate balances. These adjustments were to record capital outlay expense and accounts payable in the major and local streets funds for projects performed in June 2014, but not paid until after year-end.

Cause. This condition is the result of management oversight, due to the staffing constraints typical of smaller governmental units.

Effect. As a result of this condition, the City's accounting records were initially misstated by amounts material to the nonmajor governmental funds.

Recommendation. We recommend that the City management review disbursements made subsequent to year-end in order to properly accrue expenditures incurred but not yet paid at year-end.

View of Responsible Officials. Management has carefully reviewed and approved the proposed journal entries.

Schedule of Findings and Responses

For the Year Ended June 30, 2014

2014-FS-2 – Segregation of Incompatible Duties

Finding Type. Material Weakness 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. This is not in compliance with the City's policy, which requires the reconciliations to be reviewed by the City Manager.
- Cash deposits are made by an individual who is also responsible for preparing deposit slips and posting receipts. Additionally, the individual responsible for initially receiving monies does not maintain a receipt log which can later be compared to the receipt posting and deposit slip.
- Downtown Development Authority cash receipts are not tracked using a log by the individuals responsible for initially receiving the monies, to later be compared to the receipts posting and deposit slip.
- 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.
- Cash disbursements made via electronic funds transfer (EFT) are recorded via manual journal entry by the same employee responsible for making the transfer and reconciling the bank statements. There is no independent review performed over the transfer confirmation, journal entry report, or bank reconciliation.
- 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.

Schedule of Findings and Responses

For the Year Ended June 30, 2014

2014-FS-2 – Segregation of Incompatible Duties (Concluded)

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.

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