The City of the Village of Douglas

Allegan County, Michigan

Comprehensive Annual Financial Report

Fiscal Year Ending June 30, 2012

Comprehensive Annual Financial Report of the City of the Village of Douglas, Michigan

Fiscal Year Ending June 30, 2012

City of the Village of Douglas Officials

Jim Wiley – Mayor

Martha Hoexter	Greg Harvath
Lisa Greenwood	Eric Smith
Diane Bailey	Bill Japinga

Prepared by Robert Drexler
Treasurer/ Finance Director

Comprehensive Annual Financial Report of the City of the Village of Douglas, Michigan

Fiscal Year Ending June 30, 2012

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December 28, 2012

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, 2012 prepared by Treasurer/ Finance Director Robert Drexler.

This report consists of management's representations concerning the finances of the City of Douglas; on page 3 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. Also, city management continues to look ahead financially in this time of diminishing property values and interest rates. The city management has helped create the Kalamazoo Harbor Authority, develop a plan for the Blue Star Corridor and continue to reduce unfunded pension liabilities. 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.

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, PC, 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, 2012 are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Douglas' financial statements for the fiscal year ended June 30, 2012, are fairly presented in conformity with GAAP. An unqualified 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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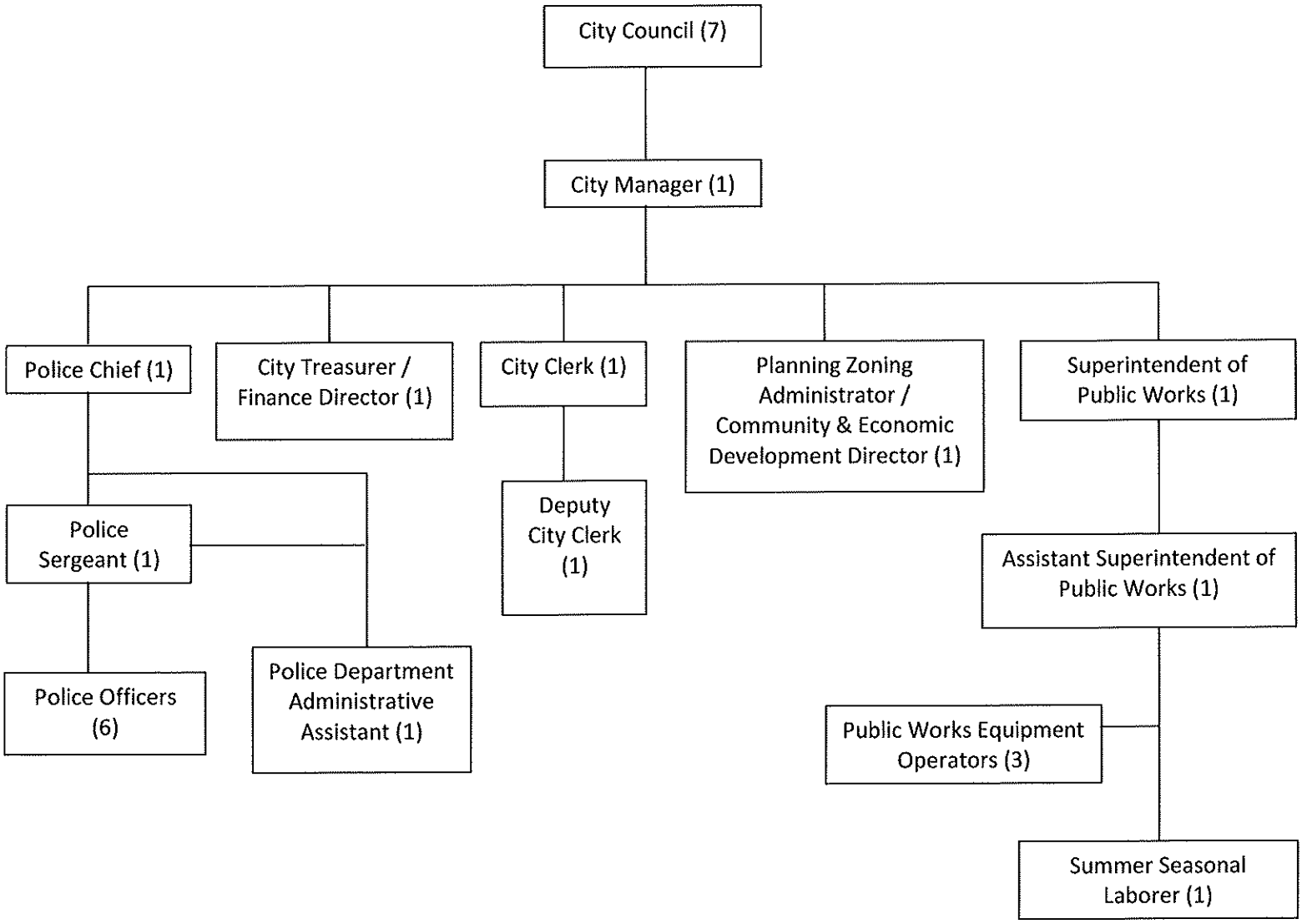
Organizational Chart



Personnel & Council Summary

City Council

Mayor: Jim Wiley	Term Ending: Nov. 2014
Mayor Pro Tem: Martha Hoexter:	Term Ending Nov. 2013
Councilperson: Greg Harvath	Term Ending Nov. 2013
Councilperson: Diane Bailey	Term Ending Nov. 2013
Councilperson: Lisa Greenwood	Term Ending Nov. 2014
Councilperson: Eric Smith	Term Ending Nov. 2014
Councilperson: Bill Japinga	Term ending Nov. 2014

City Hall Staff

City Manager: William LeFevere

City Clerk / Human Resources Director: Jean Neve

City Treasurer/ Finance Director: Robert Drexler

Planning & Zoning Administrator / Community &
Economic Development Director: Ryan Kilpatrick

Police Chief: Ken Giles

Public Works Superintendent: Max Rodgers

City of the Village of Douglas, Michigan

Year Ended
June 30, 2012

Financial
Statements

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Business wisdom delivered.

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

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Rehmann

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INDEPENDENT AUDITORS' REPORT

November 12, 2012

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

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each 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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, each major fund and the aggregate remaining fund information of the City as of June 30, 2012 and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 12, 2012, 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 and should be considered in assessing the results of our audit.

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 to 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.

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

Rehmann Robson

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of the Village of Douglas
MANGAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

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, 2012. 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, 2012:

- Additional emphasis placed on investing in certificate of deposits covered by FDIC Insurance; however interest rates declined due to the Federal Reserve keeping interest rates at historic lows.
- The Major Street and Local Street Funds both receive ACT 51 funding from the State of Michigan. However, the ACT 51 funding only covers about 47% and 27% 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 $35,000 from the prior year and General Fund expenditures increased approximately $360,000, $285,000 of which is attributable to pension payments to reduce the City's unfunded liability.
- Total governmental fund balances decreased by $18,970 including a $97,260 increase in the General Fund.

Using this Annual Report

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

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

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 seven 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 and Blue Star Bridge Fund, each of which are considered to be major funds. 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 major 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 assets as of June 30, 2012 and 2011, respectively.

	Governmental Activities	
	2012	**2011**
Assets		
Current and other assets	$ 4,073,823	$ 3,657,821
Capital assets, net	8,580,081	5,567,057
Total assets	12,653,904	9,224,878
Liabilities		
Current liabilities	198,414	88,437
Long-term liabilities	954,651	981,484
Total liabilities	1,153,065	1,069,921
Net assets		
Invested in capital assets, net of related debt	7,958,138	4,867,939
Restricted	641,846	754,300
Unrestricted	2,900,855	2,532,718
Total net assets	$ 11,500,839	$ 8,154,957

The City's total net assets were $11,500,839 at June 30, 2012, representing an increase of $3,345,882 from the prior year, primarily due to the grant funding for the rehabilitation of Blue Star Highway Bridge. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations) were $2,900,855 at the end of the fiscal year, representing an increase of $368,137 from the prior year.

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

	Governmental Activities	
	2012	2011
Revenue		
Program revenues:		
Charges for services	$ 587,084	$ 626,107
Operating grants and contributions	278,337	152,139
Capital grants and contributions	3,088,349	122,586
General revenues:		
Property taxes	1,788,389	1,823,754
State shared revenue	90,866	83,116
Investment earnings	10,558	15,140
Other	47,639	31,426
Total revenues	5,891,222	2,854,268
Program Expenses:		
General government	599,114	749,854
Public safety	899,738	843,915
Public works	748,865	810,775
Community and economic development	160,923	164,215
Cultural and recreation	106,906	124,156
Interest on long-term debt	29,794	27,236
Total expenses	2,545,340	2,720,151
Increase (decrease) in net assets	3,345,882	134,117
Net assets, beginning of year	8,154,957	8,020,840
Net assets, end of year	$ 11,500,839	$ 8,154,957

Governmental Activities

The City's governmental revenues totaled $5,891,222, which represents an increase of $3,036,954 from the prior year, due to grant funding received for the rehabilitation of the Blue Star Highway Bridge. Excluding that one time grant, the greatest revenue source 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 $2,545,340, which represents an increase of $174,811 from the prior year. The largest area of governmental expense is the public safety function which showed an increase in expenses. The public safety function provides services to both the City of the Village of Douglas and the City of Saugatuck. The second highest area of governmental expense is the public works function which maintains roads and parks including snow removal.

The net assets of the governmental activities increased by $3,345,882, of which, the significant portion of change in net assets is from the grant received for the rehabilitation of the Blue Star Bridge. The project is almost entirely completed at the end of the fiscal year, so next year's change in assets will be significantly lower.

Fund Level Financial Statements of the City's Funds

The General Fund pays for most of the City's governmental services. The most significant services provided during the fiscal year were public safety and general government. General government includes City Hall and grounds and other City services provided. 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 $940,606 and $612,377 respectively, for the fiscal year ending June 30th, 2012.

The other Major Fund is the Blue Star Bridge Fund which records the expenditures incurred related to the rehabilitation of Blue Star Bridge.

General Fund Budgetary Highlights

The city underestimated budgeted revenue by $64,310 and expended $235,054 less than budgeted expenditures for the General Fund for fiscal year ending June 30, 2012. The General Fund's expenditures for general government, public safety, and public works were under budget by $63,913, $54,294 and $60,978 respectively. The City's General Fund, after budget amendments, was budgeted for a decrease in fund balance of $201,180 fund balance actually increased by $97,260. The General Fund had budgeted monies for some projects that were not completed in the fiscal year ending June 30, 2012 creating the large budget variances and the increase to fund balance.

Capital Asset and Debt Administration

At the end of the fiscal year, the City had $8,580,081 invested in a broad range of capital assets, including buildings, land, equipment, and infrastructure. The city incurred depreciation expense of $420,204 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 $77,175 in principal on installment purchase debt. The City has $954,651 of long-term debt outstanding as of June 30, 2012, including $109,197 of accumulated compensated absences. Of the $954,651 of outstanding long-term debt $425,921 is expected to be paid within the next fiscal year. Additional information on the City's long-term debt can be found in the Note 7 of this report.

Current Economic Factors

The State of Michigan is experiencing significant budget problems, and as they look for solutions, revenue sharing continues to be cut for municipalities. The ACT 51 revenue that the City receives from the state for Major and Local Street Funds is insufficient to cover the required costs just to maintain the roads. This requires money from the General Millage 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.

Contacting the City's Management

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

BASIC FINANCIAL STATEMENTS

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Statement of Net Assets

June 30, 2012

	Primary Government	Component Units	
	Governmental Activities	Downtown Development Authority	Water Resource Improvement Authority
Assets			
Cash and cash equivalents	$ 1,782,718	$ 63,498	$ -
Investments	1,552,420	-	-
Receivables	433,459	-	34,683
Prepaids and other assets	20,226	2,088	-
Net pension asset	285,000	-	-
Capital assets:			
Not being depreciated	3,462,848	-	-
Being depreciated, net	5,117,233	-	-
Total assets	12,653,904	65,586	34,683
Liabilities			
Negative equity in pooled cash	-	-	25,803
Payables and accrued liabilities	123,843	949	-
Due to other governments	74,571	1,092	6,527
Unearned revenue	-	3,525	-
Long-term debt:			
Due within one year	425,921	-	-
Due in more than one year	528,730	-	-
Total liabilities	1,153,065	5,566	32,330
Net assets			
Invested in capital assets, net of related debt	7,958,138	-	-
Restricted for:			
Highways and streets	405,585	-	-
Capital improvements	236,261	-	-
Unrestricted	2,900,855	60,020	2,353
Total net assets	$ 11,500,839	$ 60,020	$ 2,353

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

Statement of Activities

For the Year Ended June 30, 2012

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue
Governmental activities					
General government	$ 599,114	$ 42,059	$ 1,425	$ -	$ (555,630)
Public safety	899,738	530,697	7,364	-	(361,677)
Public works	748,865	621	269,548	3,088,349	2,609,653
Community and economic development	160,923	4,250	-	-	(156,673)
Recreation and culture	106,906	9,457	-	-	(97,449)
Interest on long-term debt	29,794	-	-	-	(29,794)
Total governmental activities	$ 2,545,340	$ 587,084	$ 278,337	$ 3,088,349	$ 1,408,430
Component unit					
Downtown Development Authority	$ 40,363	$ -	$ 19,556	$ -	$ (20,807)
Water Resource Improvement Tax Increment Finance Authority	25,803	28,156	-	-	2,353
Total component units	$ 66,166	$ 28,156	$ 19,556	$ -	$ (18,454)

continued...

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Statement of Activities
For the Year Ended June 30, 2012

	Primary Government	Component Units	
	Governmental Activities	Downtown Development Authority	Water Resource Improvement Authority
Changes in net assets			
Net (expense) revenue	$ 1,408,430	$ (20,807)	$ 2,353
General revenues:			
Property taxes	1,788,389	17,508	-
State shared revenues	90,866	-	-
Unrestricted investment income	10,558	250	-
Other general revenue	47,639	-	-
Total general revenues	1,937,452	17,758	-
Change in net assets	3,345,882	(3,049)	2,353
Net assets, beginning of year	8,154,957	63,069	-
Net assets, end of year	$ 11,500,839	$ 60,020	$ 2,353

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, 2012

	General Fund	Blue Star Bridge Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 996,983	$ 132,200	$ 507,105	$ 1,636,288
Investments	1,552,420	-	-	1,552,420
Accounts receivable	5,780	-	-	5,780
Due from other governments	246,134	-	20,070	266,204
Interest receivable	1,015	-	-	1,015
Deposits with others	-	-	160,460	160,460
Prepaids	7,494	-	1,594	9,088
Total assets	$ 2,809,826	$ 132,200	$ 689,229	$ 3,631,255
Liabilities				
Accounts payable	$ 43,115	$ 47,015	$ 3,307	$ 93,437
Due to other governments	1,849	71,504	1,218	74,571
Accrued liabilities	27,530	-	475	28,005
Deferred revenue	90,000	-	-	90,000
Total liabilities	162,494	118,519	5,000	286,013
Fund balances (Note 10)				
Nonspendable	7,494	-	1,594	9,088
Restricted	-	13,681	626,571	640,252
Committed	935,230	-	56,064	991,294
Assigned	472,141	-	-	472,141
Unassigned	1,232,467	-	-	1,232,467
Total fund balances	2,647,332	13,681	684,229	3,345,242
Total liabilities and fund balances	$ 2,809,826	$ 132,200	$ 689,229	$ 3,631,255

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

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Reconciliation

Fund Balances for Governmental Funds
to Net Assets of Governmental Activities
June 30, 2012

Fund balances - total governmental funds	$ 3,345,242
Amounts reported for *governmental activities* in the statement of net assets 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	3,462,848
Capital assets being depreciated, net	5,117,233
Capital assets accounted for in the internal service fund	(106,160)
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	285,000
Deferred receivable	90,000
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 assets of governmental activities accounted for in the internal service fund	252,331
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	(621,943)
Litigation settlement	(223,511)
Unamortized deferred bond issuance costs	11,138
Compensated absences	(109,197)
Accrued interest on long-term debt	(2,142)
Net assets of governmental activities	$ 11,500,839

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, 2012

	General Fund	Blue Star Bridge Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes	$ 1,788,389	$ -	$ -	$ 1,788,389
Licenses and permits	45,544	-	-	45,544
Intergovernmental	709,964	-	171,490	881,454
Charges for services	42,144	-	9,457	51,601
Fines and forfeitures	5,763	-	-	5,763
Interest revenue	9,729	-	829	10,558
Rentals	500	-	-	500
Other revenue	40,077	-	8,487	48,564
Total revenues	2,642,110	-	190,263	2,832,373
Expenditures				
Current:				
General government	612,377	-	-	612,377
Public safety	940,606	-	-	940,606
Public works	191,922	-	308,803	500,725
Community and economic development	209,373	-	-	209,373
Recreation and culture	89,627	-	8,542	98,169
Other functions	25,664	-	-	25,664
Debt service:				
Principal	77,175	-	-	77,175
Interest	30,180	185	-	30,365
Capital outlay	58,854	239,979	58,056	356,889
Total expenditures	2,235,778	240,164	375,401	2,851,343
Revenues over (under) expenditures	406,332	(240,164)	(185,138)	(18,970)
Other financing sources (uses)				
Transfers in	13,428	-	322,500	335,928
Transfers out	(322,500)	-	(13,428)	(335,928)
Total other financing sources (uses)	(309,072)	-	309,072	-
Net changes in fund balances	97,260	(240,164)	123,934	(18,970)
Fund balances, beginning of year	2,550,072	253,845	560,295	3,364,212
Fund balances, end of year	$ 2,647,332	$ 13,681	$ 684,229	$ 3,345,242

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 Assets of Governmental Activities
For the Year Ended June 30, 2012

Net changes in fund balances - total governmental funds	$ (18,970)
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	359,379
Donated capital assets	3,073,849
Depreciation expense	(420,204)
Depreciation expense accounted for in the internal service fund	58,811
Special assessments receivable are long-term in nature and are collectable over several years. However, the current receipts are reflected as revenues on the fund statements.	
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 assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
Principal payments on long-term liabilities	77,175
Some expenses reported in the statement of activities do not require the use of current resources and therefore are not reported as expenditures in governmental funds.	
Net pension asset	285,000
Accrued interest on bonds	1,921
Accrual for compensated absences	(30,769)
Amortization of deferred issuance costs	(1,350)
Accrual for litigation settlement	(19,573)
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 loss from governmental activities in the internal service fund	(5,387)
Interest income from governmental activities in the internal service fund	1,000
Change in net assets of governmental activities	$ 3,345,882

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

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Statement of Revenue, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenue				
Taxes	$ 1,776,100	$ 1,778,100	$ 1,788,389	$ 10,289
Licenses and permits	22,800	31,300	45,544	14,244
Intergovernmental revenue	672,843	672,843	709,964	37,121
Charges for services	42,057	42,057	42,144	87
Fines and forfeitures	5,000	5,000	5,763	763
Interest revenue	12,000	12,000	9,729	(2,271)
Rentals	500	500	500	-
Other revenue	26,000	36,000	40,077	4,077
Total revenues	2,557,300	2,577,800	2,642,110	64,310
Expenditures				
Current:				
General government				
City Council	14,430	14,430	12,153	(2,277)
Attorney	45,000	45,000	20,333	(24,667)
City manager	116,050	116,050	111,562	(4,488)
Assessing	45,700	45,700	44,344	(1,356)
Elections	3,600	3,600	3,564	(36)
Buildings and grounds	73,950	75,510	51,419	(24,091)
Clerk / Treasurer	251,500	365,500	358,502	(6,998)
Other	10,500	10,500	10,500	-
Total general government	560,730	676,290	612,377	(63,913)
Public safety				
Police department	937,900	994,900	940,606	(54,294)
Public works				
Department of public works	227,000	252,900	191,922	(60,978)
Community and economic development				
Planning and zoning	169,850	223,550	209,373	(14,177)
Recreation and culture				
Parks department	126,500	124,340	89,627	(34,713)
Other				
Insurance	27,500	27,500	23,933	(3,567)
Other	2,000	2,000	1,731	(269)
Total other	29,500	29,500	25,664	(3,836)

continued...

Statement of Revenue, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (concluded)				
Debt service				
Principal	$ 85,000	$ 87,000	$ 77,175	$ (9,825)
Interest	25,000	23,000	30,180	7,180
Total debt service	110,000	110,000	107,355	(2,645)
Capital outlay	36,500	59,352	58,854	(498)
Total expenditures	2,197,980	2,470,832	2,235,778	(235,054)
Revenues over (under) expenditures	359,320	106,968	406,332	299,364
Other financing sources (uses)				
Transfers in	4,500	14,352	13,428	(924)
Transfers out	(322,500)	(322,500)	(322,500)	-
Total other financing sources (uses)	(318,000)	(308,148)	(309,072)	(924)
Net change in fund balance	41,320	(201,180)	97,260	298,440
Fund balance, beginning of year	2,550,072	2,550,072	2,550,072	-
Fund balance, end of year	$ 2,591,392	$ 2,348,892	$ 2,647,332	$ 298,440

concluded

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

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Statement of Net Assets

Proprietary Fund
June 30, 2012

	Internal Service Fund
Assets	
Current assets:	
Cash and cash equivalents	$ 146,430
Capital assets:	
Capital assets being depreciated, net	106,160
Total assets	252,590
Liabilities	
Current liabilities:	
Accounts payable	259
Net assets	
Invested in capital assets	106,160
Unrestricted	146,171
Total net assets	$ 252,331

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

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Statement of Revenue, Expenses and Changes in Fund Net Assets

Proprietary Fund
For the Year Ended June 30, 2012

	Internal Service Fund
Operating revenue	
Charges for services	$ 72,500
Operating expenses	
Operating supplies	19,076
Depreciation	58,811
Total operating expenses	77,887
Operating loss	(5,387)
Nonoperating revenue	
Interest income	1,000
Change in net assets	(4,387)
Net assets, beginning of year	256,718
Net assets, end of year	$ 252,331

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, 2012

	Internal Service Fund
Cash flows from operating activities	
Receipts from interfund services provided	$ 72,500
Payments to suppliers	(19,570)
Net cash provided by operating activities	52,930
Cash flows from investing activities	
Interest earned on investments	1,000
Net increase in cash and cash equivalents	53,930
Cash and cash equivalents, beginning of year	92,500
Cash and cash equivalents, end of year	$ 146,430
Cash flows from operating activities	
Operating loss	$ (5,387)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	58,811
Changes in operating assets and liabilities which provided cash:	
Accounts payable	(494)
Net cash provided by operating activities	$ 52,930

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, 2012

	Tax Collection Fund
Assets	
Cash and cash equivalents	$ 1,467
Liabilities	
Undistributed receipts	$ 1,467

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 (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 elections, three councilpersons are elected. The Council holds and organization 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. The accompanying financial statements present the entity for which the government is considered to be financially accountable. Criteria for including a component unit include entities for which the City is considered to be financially accountable.

Discretely Presented Component Units

Downtown Development Authority - The Downtown Development Authority is reported on 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, 2012, the City made no contributions to the District. Complete audited financial statements for the District can be obtained from the Township of Saugatuck's Clerk.

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, 2012, 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, 2012, 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.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets 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, 2012.

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.

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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current 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 funds:

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.

The *Blue Star Bridge Fund* accounts for the construction activities related to the rehabilitation of the Blue Star Bridge.

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 project 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 expenditures, which are used by other departments.

The a*gency funds* account 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, including special assessments. 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 enterprise funds are charges for services. Operating expenses for the enterprise funds 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.

Budgets and Budgetary Accounting

Comparisons to budget are presented for 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, 2012. 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 pooled investment fund 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.

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

Deferred Revenue

The City reports deferred revenue when cash receipts do not meet both the "measurable" and "available" criteria for recognition in the current period.

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, 2012, were vested and the total due to the employees, along with the related payroll taxes, is recorded entirely in the government-wide financial statements.

Long-term Obligations

In the government-wide financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. 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, as well as issuance costs, 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, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Property Taxes

The City of the Village of Douglas bills and collects its own property taxes and also taxes for other governmental units. 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 of the Village of Douglas on July 1 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.

Notes To Financial Statements

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 (Motor Pool) records charges for equipment rental to various City departments and funds as operating revenue. All City funds record these payments as operating expenditures/expense.

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.

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, 2012, 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			
Interest	$ 23,000	$ 30,180	$ 7,180

3. DEPOSITS AND INVESTMENTS

Deposits and investments are recorded in the financial statements at June 30, 2012, as follows:

	Governmental Activities	Agency Fund	Component Units	Total
Cash and cash equivalents	$ 1,782,718	$ 1,467	$ 63,498	$ 1,847,683
Investments	1,552,420	-	-	1,552,420
Negative equity in pooled cash	-	-	(25,803)	(25,803)
Total	$ 3,335,138	$ 1,467	$ 37,695	$ 3,374,300

Deposits and investments consist of the following at June 30, 2012:

Bank deposits	$ 386,637
Certificates of deposit (due within one year)	1,552,948
Investments	1,434,715
Total	$ 3,374,300

Deposits

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

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

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require, and the City does not have, a policy for deposit custodial credit risk. As of year end, $293,665 of the City's bank balance of $1,946,084 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:

	Maturity	Fair Value	Rating
Investment			
MBIA Class Fund	Various	$ 1,080,071	S&P / AAA
Money Market Funds	Various	354,644	Unrated
Total		$ 1,434,715	

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.

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 AND DEFERRED REVENUE

At June 30, 2012, the City's receivables were as follows:

	General Fund	Nonmajor Governmental Funds	Totals
Accounts	$ 5,780	$ -	$ 5,780
Due from other governments	246,134	20,070	266,204
Interest	1,015	-	1,015
Deposits with others	-	160,460	160,460
Total	$ 252,929	$ 180,530	$ 433,459

Of the amounts reported for receivables above, an amount due from other governments of $75,000 is not expected to be collected within one year.

Governmental funds report deferred revenues in connection with revenues that are not yet considered to be available to liquidate liabilities of the current period, which includes a long-term receivable from Saugatuck Township for $90,000.

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	$ 93,800	$ -	$ -	$ 93,800
Construction in progress	73,556	3,295,492	-	3,369,048
	167,356	3,295,492	-	3,462,848
Capital assets, being depreciated:				
Buildings	804,362	-	-	804,362
Improvements	538,617	41,182	-	579,799
Machinery and equipment	737,913	27,773	(24,520)	741,166
Infrastructure	7,601,590	68,781	-	7,670,371
	9,682,482	137,736	(24,520)	9,795,698
Less accumulated depreciation for:				
Buildings	(392,224)	(36,619)	-	(428,843)
Improvements	(208,344)	(27,599)	-	(235,943)
Machinery and equipment	(502,611)	(83,274)	24,520	(561,365)
Infrastructure	(3,179,602)	(272,712)	-	(3,452,314)
	(4,282,781)	(420,204)	24,520	(4,678,465)
Total capital assets being depreciated, net	5,399,701	(282,468)	-	5,117,233
Governmental activities capital assets, net	$ 5,567,057	$ 3,013,024	$ -	$ 8,580,081

Depreciation expense was charged to functions/programs as follows:

Depreciation of governmental activities by function	
General government	$ 34,767
Public safety	16,218
Public works	297,110
Recreation and culture	13,298
Internal service fund	58,811
	$ 420,204

At June 30, 2012, the City had construction commitments in governmental activities to complete the rehabilitation of Blue Star Highway Bridge. The total outstanding construction commitments for the project totaled $33,377.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

At June 30, 2012, the City's payables and accrued liabilities were as follows:

	General Fund	Blue Star Bridge Fund	Nonmajor Governmental Funds	Internal Service Fund	Totals
Accounts	$ 43,115	$ 47,015	$ 3,307	$ 259	$ 93,696
Accrued liabilities	27,530	-	475	-	28,005
Subtotal	$ 70,645	$ 47,015	$ 3,782	$ 259	121,701
Accrued interest on long-term debt					2,142
Total					$ 123,843

Notes To Financial Statements

7. LONG-TERM DEBT

The following is a summary of debt transactions of the City for the year ended June 30, 2012:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
$190,000 Loan agreement dated March 17, 2006 due in installments ranging from monthly $689 to $1,509 through March 1, 2021 with interest of 5.14%	$ 138,390	$ -	$ (10,380)	$ 128,010	$ 11,874
$448,403 Loan agreement dated July 10, 2004 due in monthly installments ranging from $560 to $3,549 through August 10, 2017 with interest of 1.24%	235,728	-	(26,795)	208,933	36,339
$325,000 2010 Capital Improvement Bonds dated October 1, 2010 due in annual installments ranging from $25,000 to $40,000 through October 1, 2020 with interest paid semi-annually at 3.15%	325,000	-	(40,000)	285,000	45,000
Subtotal installment debt	699,118	-	(77,175)	621,943	93,213
Litigation settlement	203,938	19,573	-	223,511	223,511
Compensated absences	78,428	138,468	(107,699)	109,197	109,197
Total	$ 981,484	$ 158,041	$ (184,874)	$ 954,651	$ 425,921

The annual requirements to amortize all debt outstanding (excluding long-term compensated absences and litigation settlements) as of June 30, 2012 are as follows:

Year Ended June 30,	Principal	Interest	Total
2013	$ 93,213	$ 20,858	$ 114,071
2014	95,139	17,874	113,013
2015	97,144	15,654	112,798
2016	104,223	12,123	116,346
2017	106,409	7,275	113,684
2018-2021	125,815	7,305	133,120
	$ 621,943	$ 81,089	$ 703,032

8. PENSION PLAN

Defined Benefit Plan

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

The City is required to contribute at an actuarially determined amount, which for the current year was $115,927. 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, 2012, the City's annual pension cost of $115,927 for MERS was equal to the City's required contributions. The City voluntarily contributed an additional $285,000 during the year. The required contribution was determined as part of the December 31, 2009 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; and (b) projected salary increases of four and one-half (4.5) percent per year, compounded annually based on inflation, plus a percentage based on an age-related scale to reflect merit, longevity and promotional salary increases. 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, 2010, the date of the latest actuarial valuation, was 28 years.

Three-Year Trend Information			
Years Ended June 30,	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Obligation
2010	$ 112,786	100%	$ -
2011	123,669	100%	-
2012	115,927	100%	-

Funded Status and Funding Progress. As of December 31, 2010, the most recent actuarial valuation date, the plan was 76 percent funded. The actuarial accrued liability for benefits was $2,216,487, and the actuarial value of assets was $1,691,096, resulting in an unfunded actuarial accrued liability (UAAL) of $525,391. The covered payroll (annual payroll of active employees covered by the plan) was $781,445, and the ratio of the UAAL to the covered payroll was 67 percent.

The schedule of funding progress, presented as 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.

Defined Contribution Plan

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, or 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 deferred compensation is not available to the individual until termination, retirement, or death, or unforeseeable emergency.

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, 2012 totaled $7,168.

9. TRANSFERS

For the year ended June 30, 2012, interfund transfers consisted of the following:

	Transfers In	Transfers out
General Fund	$ 13,428	$ 322,500
Nonmajor governmental funds	322,500	13,428
Total	$ 335,928	$ 335,928

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.

10. FUND BALANCES - GOVERNMENTAL FUNDS

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

	General Fund	Blue Star Bridge Fund	Nonmajor Governmental Funds	Total
Nonspendable:				
Prepaid items	$ 7,494	$ -	$ 1,594	$ 9,088
Restricted:				
Highways	-	-	403,991	403,991
Capital improvements	-	13,681	222,580	236,261
Total restricted	-	13,681	626,571	640,252
Committed:				
Highways and streets	935,230	-	-	935,230
Recreation and culture	-	-	56,064	56,064
Total committed	935,230	-	56,064	991,294
Assigned :				
Litigation settlement	223,511	-	-	223,511
Land acquisition	200,000	-	-	200,000
Pension contribution	48,630	-	-	48,630
Total assigned	472,141	-	-	472,141
Unassigned	1,232,467	-	-	1,232,467
Total fund balances	$ 2,647,332	$ 13,681	$ 684,229	$ 3,345,242

11. INVESTED IN CAPITAL ASSETS NET OF RELATED DEBT

The composition of net assets invested in capital assets, net of related debt as of June 30, 2012, was as follows:

Capital assets:	
Capital assets not being depreciated	$ 3,462,848
Capital assets being depreciated, net	5,117,233
	8,580,081
Related debt:	
Total bonds and notes payable	621,943
Invested in capital assets, net of capital - related debt	$ 7,958,138

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.

A settlement did occur during the prior fiscal year that resulted in an expected liability of $223,511 as of June 30, 2012. This liability had not been paid as of year and therefore has been recorded in the governmental-wide financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information

Employee's 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)
12/31/2005	$ 1,113,392	$ 1,407,308	$ 293,916	79%	$ 682,016	43%
12/31/2006	1,280,631	1,663,832	383,201	77%	738,339	52%
12/31/2007	1,404,289	1,799,344	395,055	78%	630,356	63%
12/31/2008	1,476,585	1,975,079	498,494	75%	653,935	76%
12/31/2009	1,571,699	2,278,110	706,411	69%	911,052	78%
12/31/2010	1,691,096	2,216,487	525,391	76%	781,445	67%

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contributions	Percentage Contributed
2007	$ 109,044	100%
2008	94,007	100%
2009	96,663	100%
2010	112,786	100%
2011	123,669	100%
2012	115,927	100%

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF THE VILLAGE OF DOUGLAS, MICHIGAN

Combining Balance Sheet

Nonmajor Governmental Funds
June 30, 2012

	Special Revenue		
	Major Streets	Local Streets	Special Events
Assets			
Cash and cash equivalents	$ 266,254	$ 122,556	$ -
Due from other governments	14,086	5,984	-
Deposits with others	-	-	-
Prepaids	884	710	-
Total assets	$ 281,224	$ 129,250	$ -
Liabilities			
Accounts payable	$ 1,571	$ 1,671	$ -
Due to other governments	618	600	-
Accrued liabilities	188	241	-
Total liabilities	2,377	2,512	-
Fund balances			
Nonspendable	884	710	-
Restricted	277,963	126,028	-
Committed	-	-	-
Total fund balances	278,847	126,738	-
Total liabilities and fund balances	$ 281,224	$ 129,250	$ -

Special Revenue	Capital Projects	
Schultz Park Launch Ramp	Water and Sewer Revolving	Total
$ 56,175	$ 62,120	$ 507,105
-	-	20,070
-	160,460	160,460
-	-	1,594
$ 56,175	$ 222,580	$ 689,229
$ 65	$ -	$ 3,307
-	-	1,218
46	-	475
111	-	5,000
-	-	1,594
-	222,580	626,571
56,064	-	56,064
56,064	222,580	684,229
$ 56,175	$ 222,580	$ 689,229

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, 2012

	Special Revenue		
	Major Streets	Local Streets	Special Events
Revenues			
Intergovernmental	$ 98,312	$ 43,678	$ -
Charges for services	-	-	-
Interest revenue	-	-	-
Other revenue	-	-	8,487
Total revenues	98,312	43,678	8,487
Expenditures			
Current:			
Public works	170,794	138,009	-
Recreation and culture	-	-	6,986
Debt service:			
Interest expense	-	-	-
Capital outlay	35,495	22,561	-
Total expenditures	206,289	160,570	6,986
Revenue over (under) expenditures	(107,977)	(116,892)	1,501
Other financing sources (uses)			
Transfers in	157,500	165,000	-
Transfers out	-	-	(8,928)
Total other financing sources (uses)	157,500	165,000	(8,928)
Net change in fund balances	49,523	48,108	(7,427)
Fund balances, beginning of year	229,324	78,630	7,427
Fund balances, end of year	$ 278,847	$ 126,738	$ -

Special Revenue	Capital Projects	
Schultz Park Launch Ramp	Water and Sewer Revolving	Total
$ -	$ 29,500	$ 171,490
9,457	-	9,457
250	579	829
-	-	8,487
9,707	30,079	190,263
-	-	308,803
1,556	-	8,542
		-
-	-	-
-	-	58,056
1,556	-	375,401
8,151	30,079	(185,138)
-	-	322,500
(4,500)	-	(13,428)
(4,500)	-	309,072
3,651	30,079	123,934
52,413	192,501	560,295
$ 56,064	$ 222,580	$ 684,229

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Rehmann

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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*

November 12, 2012

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

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each 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, 2012, which collectively comprise the City's financial statements, and have issued our report thereon dated November 12, 2012. 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.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described below as 2012-FS-1 to be a significant deficiency.

2012-FS-1 - Segregation of Incompatible Duties

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

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

Condition. The City has several transaction cycles that are performed by the same individual or are not subject to independent review and approval, including: (1) responsibilities for payroll accounting are not separated from the general ledger function, (2) after payroll is processed, there is no comparison of approved timesheets to the payroll register for accuracy, (3) cash deposit are made by an individual who is also responsible for posting receipts and preparing deposit slips, (4) bank accounts are not reconciled by individuals independent of cash receipts and disbursements functions, or consistently reviewed by an independent employee, (5) maintenance of the receivable subsidiary ledger is not independent of general ledger maintenance, and (6) there is no independent review of general journal entries posted to the general ledger.

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of the Village of Douglas, Michigan's financial statements are free of 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*.

We noted certain other matters that we reported to management of the City of the Village of Douglas, Michigan in a separate letter dated November 12, 2012.

The City of the Village of Douglas, Michigan's response to the finding identified in our audit is described above. We did not audit the City of the Village of Douglas, Michigan's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the City Council, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Rehmann Lohan

REVENUE & EXPENDITURE REPORT FOR CITY OF THE VILLAGE OF DOUGLAS
Month Ended 06/30/2012

* NOTE: Available Balance / Pct Budget Used does not reflect amounts encumbered.

DEPT DESCRIPTION	2011-12 AMENDED BUDGET	YEAR-TO-DATE THRU 06/30/12	ACTIVITY FOR MONTH ENDED 06/30/2012	AVAILABLE BALANCE	% OF BUDGET USED
Fund 101 - GENERAL FUND					
Revenues					
000.000	2,592,152.00	2,905,846.95	220,600.22	(313,694.95)	112.10
Total Revenues	2,592,152.00	2,905,846.95	220,600.22	(313,694.95)	112.10
Expenditures					
101.000 - LEGISLATIVE	14,430.00	12,153.67	1,959.43	2,276.33	84.23
170.000 - MANAGER	116,050.00	111,562.06	11,049.63	4,487.94	96.13
180.000 - ASSESSING	45,700.00	44,343.68	3,832.32	1,356.32	97.03
191.000 - ELECTION	3,600.00	3,563.76	(603.14)	36.24	98.99
210.000 - ATTORNEY	45,000.00	20,332.94	2,855.00	24,667.06	45.18
214.000 - AUDITOR	10,500.00	10,500.00	0.00	0.00	100.00
260.000 - CLERK/TREASURER	365,500.00	358,501.82	21,683.16	6,998.18	98.09
265.000 - BUILDING & GROUNDS	75,510.00	51,420.04	5,093.83	24,089.96	68.10
301.000 - POLICE	1,042,900.00	988,581.86	124,594.59	54,318.14	94.79
401.000 - PLANNING & ZONING	224,050.00	209,721.55	18,864.06	14,328.45	93.60
463.000 - GENERAL STREETS & ROW	252,900.00	191,920.36	9,541.81	60,979.64	75.89
751.000 - PARKS & RECREATION	135,192.00	100,155.06	11,062.74	35,036.94	74.08
850.000 - INSURANCE & BONDS	27,500.00	23,932.50	0.00	3,567.50	87.03
880.000 - COMMUNITY PROMOTIONS	2,000.00	1,731.07	500.00	268.93	86.55
915.000 - DEBT SERVICE	110,000.00	107,355.00	10,554.00	2,645.00	97.60
966.000 - TRANSFERS OUT	322,500.00	322,500.00	0.00	0.00	100.00
Total Expenditures	2,793,332.00	2,558,275.37	220,987.43	235,056.63	91.59
NET OF REVENUES AND EXPENDITURES	(201,180.00)	347,571.58	(387.21)	(548,751.58)	

REVENUE & EXPENDITURE REPORT FOR CITY OF THE VILLAGE OF DOUGLAS
Month Ended 06/30/2012

* NOTE: Available Balance / Pct Budget Used does not reflect amounts encumbered.

DEPT DESCRIPTION	2011-12 AMENDED BUDGET	YEAR-TO-DATE THRU 06/30/12	ACTIVITY FOR MONTH ENDED 06/30/2012	AVAILABLE BALANCE	% OF BUDGET USED
Fund 202 - MAJOR STREET FUND					
Revenues					
000.000	225,000.00	274,621.44	21,258.69	(49,621.44)	122.05
Total Revenues	225,000.00	274,621.44	21,258.69	(49,621.44)	122.05
Expenditures					
463.000 - GENERAL STREETS & ROW	203,585.00	177,249.74	20,158.89	26,335.26	87.06
464.000 - GENERAL STREETS WINTER & ROW	40,700.00	29,039.27	1,163.32	11,660.73	71.35
Total Expenditures	244,285.00	206,289.01	21,322.21	37,995.99	84.45
NET OF REVENUES AND EXPENDITURES	(19,285.00)	68,332.43	(63.52)	(87,617.43)	

REVENUE & EXPENDITURE REPORT FOR CITY OF THE VILLAGE OF DOUGLAS
Month Ended 06/30/2012

* NOTE: Available Balance / Pct Budget Used does not reflect amounts encumbered.

DEPT DESCRIPTION	2011-12 AMENDED BUDGET	YEAR-TO-DATE THRU 06/30/12	ACTIVITY FOR MONTH ENDED 06/30/2012	AVAILABLE BALANCE	% OF BUDGET USED
Fund 203 - LOCAL STREETS FUND					
Revenues					
000.000	195,000.00	224,068.02	9,030.55	(29,068.02)	114.91
Total Revenues	195,000.00	224,068.02	9,030.55	(29,068.02)	114.91
Expenditures					
463.000 - GENERAL STREETS & ROW	173,840.00	141,160.30	10,360.50	32,679.70	81.20
464.000 - GENERAL STREETS WINTER & ROW	30,250.00	19,410.47	968.19	10,839.53	64.17
Total Expenditures	204,090.00	160,570.77	11,328.69	43,519.23	78.68
NET OF REVENUES AND EXPENDITURES	(9,090.00)	63,497.25	(2,298.14)	(72,587.25)	

REVENUE & EXPENDITURE REPORT FOR CITY OF THE VILLAGE OF DOUGLAS
Month Ended 06/30/2012

* NOTE: Available Balance / Pct Budget Used does not reflect amounts encumbered.

DEPT DESCRIPTION	2011-12 AMENDED BUDGET	YEAR-TO-DATE THRU 06/30/12	ACTIVITY FOR MONTH ENDED 06/30/2012	AVAILABLE BALANCE	% OF BUDGET USED
Fund 208 - SPECIAL EVENTS FUN					
Revenues					
000.000	10,000.00	8,486.70	0.00	1,513.30	84.87
Total Revenues	10,000.00	8,486.70	0.00	1,513.30	84.87
Expenditures					
691.000 - OKTOBERFEST	8,650.00	6,985.69	0.00	1,664.31	80.76
966.000 - TRANSFERS OUT	9,852.00	8,927.81	(924.19)	924.19	90.62
Total Expenditures	18,502.00	15,913.50	(924.19)	2,588.50	86.01
NET OF REVENUES AND EXPENDITURES	(8,502.00)	(7,426.80)	924.19	(1,075.20)	

REVENUE & EXPENDITURE REPORT FOR CITY OF THE VILLAGE OF DOUGLAS
Month Ended 06/30/2012

* NOTE: Available Balance / Pct Budget Used does not reflect amounts encumbered.

DEPT DESCRIPTION	2011-12 AMENDED BUDGET	YEAR-TO-DATE THRU 06/30/12	ACTIVITY FOR MONTH ENDED 06/30/2012	AVAILABLE BALANCE	% OF BUDGET USED
Fund 225 - DDA FUND					
Revenues					
000.000	32,950.00	36,814.15	1,036.67	(3,864.15)	111.73
Total Revenues	32,950.00	36,814.15	1,036.67	(3,864.15)	111.73
Expenditures					
728.000 - DOWNTOWN DEVELOPMENT AUTHORITY	44,295.00	36,622.71	2,193.80	7,672.29	82.68
966.000 - TRANSFERS OUT	3,740.00	3,740.00	0.00	0.00	100.00
Total Expenditures	48,035.00	40,362.71	2,193.80	7,672.29	84.03
NET OF REVENUES AND EXPENDITURES	(15,085.00)	(3,548.56)	(1,157.13)	(11,536.44)	

REVENUE & EXPENDITURE REPORT FOR CITY OF THE VILLAGE OF DOUGLAS
Month Ended 06/30/2012

* NOTE: Available Balance / Pct Budget Used does not reflect amounts encumbered.

DEPT DESCRIPTION	2011-12 AMENDED BUDGET	YEAR-TO-DATE THRU 06/30/12	ACTIVITY FOR MONTH ENDED 06/30/2012	AVAILABLE BALANCE	% OF BUDGET USED
Fund 244 - HARBOR AUTHORITY					
Revenues					
000.000	0.00	28,156.00	28,156.00	(28,156.00)	100.00
Total Revenues	0.00	28,156.00	28,156.00	(28,156.00)	100.00
Expenditures					
790.000 - HARBOR	18,300.00	25,803.12	0.00	(7,503.12)	141.00
Total Expenditures	18,300.00	25,803.12	0.00	(7,503.12)	141.00
NET OF REVENUES AND EXPENDITURES	(18,300.00)	2,352.88	28,156.00	(20,652.88)	

REVENUE & EXPENDITURE REPORT FOR CITY OF THE VILLAGE OF DOUGLAS
Month Ended 06/30/2012

* NOTE: Available Balance / Pct Budget Used does not reflect amounts encumbered.

DEPT DESCRIPTION	2011-12 AMENDED BUDGET	YEAR-TO-DATE THRU 06/30/12	ACTIVITY FOR MONTH ENDED 06/30/2012	AVAILABLE BALANCE	% OF BUDGET USED
Fund 410 - BLUE STAR BRIDGE CAPITAL PROJECT					
Expenditures					
916.000 - BLUE STAR BRIDGE	255,000.00	240,163.26	101,688.78	14,836.74	94.18
Total Expenditures	255,000.00	240,163.26	101,688.78	14,836.74	94.18
NET OF REVENUES AND EXPENDITURES	(255,000.00)	(240,163.26)	(101,688.78)	(14,836.74)	

REVENUE & EXPENDITURE REPORT FOR CITY OF THE VILLAGE OF DOUGLAS
Month Ended 06/30/2012

* NOTE: Available Balance / Pct Budget Used does not reflect amounts encumbered.

DEPT DESCRIPTION	2011-12 AMENDED BUDGET	YEAR-TO-DATE THRU 06/30/12	ACTIVITY FOR MONTH ENDED 06/30/2012	AVAILABLE BALANCE	% OF BUDGET USED
Fund 509 - SCHULTZ PARK LAUNCH RAMP					
Revenues					
000.000	10,250.00	9,707.07	2,336.38	542.93	94.70
Total Revenues	10,250.00	9,707.07	2,336.38	542.93	94.70
Expenditures					
750.000 - LAUNCH RAMPS	3,950.00	1,556.59	305.12	2,393.41	39.41
966.000 - TRANSFERS OUT	4,500.00	4,500.00	0.00	0.00	100.00
Total Expenditures	8,450.00	6,056.59	305.12	2,393.41	71.68
NET OF REVENUES AND EXPENDITURES	1,800.00	3,650.48	2,031.26	(1,850.48)	

REVENUE & EXPENDITURE REPORT FOR CITY OF THE VILLAGE OF DOUGLAS
Month Ended 06/30/2012

* NOTE: Available Balance / Pct Budget Used does not reflect amounts encumbered.

DEPT DESCRIPTION	2011-12 AMENDED BUDGET	YEAR-TO-DATE THRU 06/30/12	ACTIVITY FOR MONTH ENDED 06/30/2012	AVAILABLE BALANCE	% OF BUDGET USED
Fund 650 - WATER & SEWER FUND					
Revenues					
000.000	500.00	30,079.21	25,192.32	(29,579.21)	6,015.84
Total Revenues	500.00	30,079.21	25,192.32	(29,579.21)	6,015.84
Expenditures					
000.000	7,500.00	0.00	0.00	7,500.00	0.00
Total Expenditures	7,500.00	0.00	0.00	7,500.00	0.00
NET OF REVENUES AND EXPENDITURES	(7,000.00)	30,079.21	25,192.32	(37,079.21)	

REVENUE & EXPENDITURE REPORT FOR CITY OF THE VILLAGE OF DOUGLAS
Month Ended 06/30/2012

* NOTE: Available Balance / Pct Budget Used does not reflect amounts encumbered.

DEPT DESCRIPTION	2011-12 AMENDED BUDGET	YEAR-TO-DATE THRU 06/30/12	ACTIVITY FOR MONTH ENDED 06/30/2012	AVAILABLE BALANCE	% OF BUDGET USED
Fund 660 - EQUIPMENT RENTAL FUND					
Revenues					
000.000	73,500.00	73,500.00	0.00	0.00	100.00
Total Revenues	73,500.00	73,500.00	0.00	0.00	100.00
Expenditures					
902.000 - DPW EQUIPMENT PURCHASES	65,000.00	58,811.00	58,811.00	6,189.00	90.48
903.000 - EQUIP. REPAIRS & MAINTENANCE	26,750.00	19,075.68	518.86	7,674.32	71.31
Total Expenditures	91,750.00	77,886.68	59,329.86	13,863.32	84.89
NET OF REVENUES AND EXPENDITURES	(18,250.00)	(4,386.68)	(59,329.86)	(13,863.32)	
TOTAL REVENUES - ALL FUNDS	3,139,352.00	3,591,279.54	307,610.83	(451,927.54)	114.40
TOTAL EXPENDITURES - ALL FUNDS	3,689,244.00	3,331,321.01	416,231.70	357,922.99	90.30
NET OF REVENUES AND EXPENDITURES	(549,892.00)	259,958.53	(108,620.87)	(809,850.53)	

Comprehensive Annual Financial Report of the City of the Village of Douglas, Michigan

Fiscal Year Ending June 30, 2012

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STATISTICAL SECTION

This part of the City of the Village of Douglas's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.

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Financial Trends 66-73

These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.

Revenue Capacity 74-83

These schedules contain information to help the reader assess the factors affecting the city's ability to generate its property taxes.

Debt Capacity 84-85

These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's financial activities take place and to help make comparisons over time and with other governments.

Demographic and Economic Information 86-88

These schedules offer demographic and economic indicators to help the reader understand the environment within the city's financial activities take place and help make comparisons over time and with other governments.

Operating Information 89-92

These schedules contain information about the city's operations and resources to help the reader understand how the city's financial information relates to the services the city provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

City of the Village of Douglas
NET ASSETS BY COMPONENT
2003 Through 2012
(Accrual Basis of Accounting)

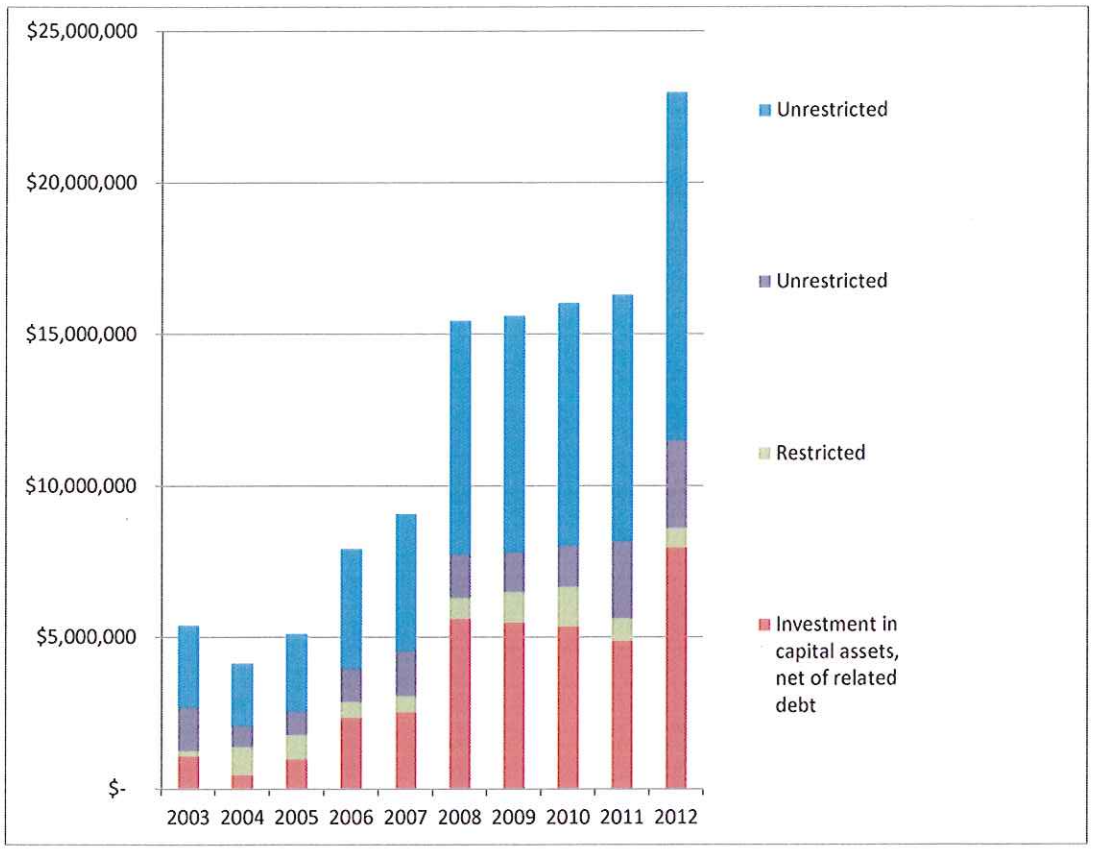
	2003	2004	2005	2006
Governmental Activities				
Investment in capital assets, net of related debt	$ 1,079,756	$ 454,390	$ 974,954	$ 2,346,275
Restricted	$ 174,072	$ 931,037	$ 808,596	$ 529,356
Unrestricted	$ 1,445,316	$ 693,723	$ 778,218	$ 1,084,894
Total Governmental Activities Net Assets	$ 2,699,144	$ 2,079,150	$ 2,561,768	$ 3,960,525
Business-type Activities				
Investment in capital assets, net of related debt	$ -	$ -	$ -	$ -
Restricted	$ -	$ -	$ -	$ -
Unrestricted	$ -	$ -	$ -	$ -
Total Business-type Activities Net Assets	$ -	$ -	$ -	$ -
Primary government				
Investment in capital assets, net of related debt	$ 1,079,756	$ 454,390	$ 974,954	$ 2,346,275
Restricted	$ 174,072	$ 931,037	$ 808,596	$ 529,356
Unrestricted	$ 1,445,316	$ 693,723	$ 778,218	$ 1,084,894
Total Primary Government Net Assets	$ 2,699,144	$ 2,079,150	$ 2,561,768	$ 3,960,525

*The City does NOT have any Business-type activities

Table 1

2007	2008	2009	2010	2011	2012
$ 2,531,774	$ 5,599,009	$ 5,489,314	$ 5,360,358	$ 4,867,939	$ 7,958,138
$ 532,364	$ 696,907	$ 1,010,944	$ 1,308,795	$ 754,300	$ 641,846
$ 1,476,252	$ 1,432,499	$ 1,306,673	$ 1,351,687	$ 2,532,718	$ 2,900,855
$ 4,540,390	$ 7,728,415	$ 7,806,931	$ 8,020,840	$ 8,154,957	$ 11,500,839
$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -
$ 2,531,774	$ 5,599,009	$ 5,489,314	$ 5,360,358	$ 4,867,939	$ 7,958,138
$ 532,364	$ 696,907	$ 1,010,944	$ 1,308,795	$ 754,300	$ 641,846
$ 1,476,252	$ 1,432,499	$ 1,306,673	$ 1,351,687	$ 2,532,718	$ 2,900,855
$ 4,540,390	$ 7,728,415	$ 7,806,931	$ 8,020,840	$ 8,154,957	$ 11,500,839

NET ASSETS BY COMPONENT



City of the Village of Douglas
CHANGES IN NET ASSETS-GOVERNMENTAL FUNDS
2004 Through 2012
(Accrual Basis of Accounting)

Table2

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses									
General Government	$457,318	$385,619	$469,839	$664,188	$630,302	$650,855	$606,299	$749,854	$599,114
Public Safety	$818,166	$893,020	$1,001,950	$982,598	$822,513	$831,754	$985,780	$843,915	$899,738
Public Works	$235,809	$344,804	$473,202	$521,540	$778,104	$905,668	$777,822	$810,775	$748,865
Community & Economic Development	$0	$0	$0	$0	$324,413	$278,432	$162,451	$164,215	$160,923
Recreation & Culture	$96,426	$73,301	$143,294	$123,347	$121,550	$122,661	$117,786	$124,156	$106,906
Interest on Long-term Debt	$24,614	$19,302	$18,274	$23,066	$24,079	$19,619	$17,975	$27,236	$29,794
Total expenses	$1,632,333	$1,716,046	$2,106,559	$2,314,739	$2,700,961	$2,808,989	$2,668,113	$2,720,151	$2,545,340
Program Revenues									
Charges for Services:									
General Government	$13,375	$11,468	$14,962	$12,650	$65,081	$35,550	$88,906	$32,503	$42,059
Public Safety	$363,872	$432,479	$426,911	$450,481	$461,529	$518,010	$518,615	$569,372	$530,697
Public Works	$251,217	$241,741	$314,753	$117,547	$0	$0	$1,065	$816	$621
Community & Economic Development	$0	$0	$0	$0	$0	$0	$13,500	$14,450	$4,250
Recreation & Culture	$17,297	$16,462	$14,655	$17,814	$11,002	$24,246	$10,227	$8,966	$9,457
Total Charges for Services	$645,761	$702,150	$771,281	$598,492	$537,612	$577,806	$632,313	$626,107	$587,084
Operating Grants & Contributions	$149,310	$165,584	$150,437	$148,090	$226,242	$205,434	$159,069	$152,139	$278,337
Capital Grants & Contributions	$28,925	$0	$871,894	$44,925	$137,594	$115,100	$128,805	$122,586	$3,088,349
Total Program Revenue	$823,996	$867,734	$1,793,612	$791,507	$901,448	$898,340	$920,187	$900,832	$3,953,770
Net Expense	-$808,337	-$848,312	-$312,947	-$1,523,232	-$1,799,513	-$1,910,649	-$1,747,926	-$1,819,319	$1,408,430
General Revenue									
Taxes	$1,056,294	$1,174,377	$1,458,846	$1,650,647	$1,757,485	$1,829,377	$1,815,691	$1,823,754	$1,788,389
State-shared Revenue	$107,975	$106,974	$105,903	$102,864	$97,336	$92,528	$82,294	$83,116	$90,866
Investment Income	$10,273	$31,312	$86,579	$112,523	$83,815	$37,908	$27,078	$15,140	$10,558
Miscellaneous	$84,522	$18,267	$60,376	$237,063	$15,280	$52,926	$36,772	$31,426	$47,639
Total General Revenue	$1,259,064	$1,330,930	$1,711,704	$2,103,097	$1,953,916	$2,012,739	$1,961,835	$1,953,436	$1,937,452
Transfers	$0	$0	$0	$0	$0	$0	$0	$0	$0
Change in Net Assets	$450,727	$482,618	$1,398,757	$579,865	$154,403	$102,090	$213,909	$134,117	$3,345,882

*The City does NOT have any Business-type activities
**2004 first year this information is available

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
2003	$589,979	$227,239	$212,270
2004	$555,373	$459,766	$41,155
2005	$608,774	$519,021	$46,582
2006*	$1,166,885	$291,961	$0
2007	$1,316,803	$333,844	$0
2008	$1,757,485	$0	$0
2009	$1,829,377	$0	$0
2010	$1,815,691	$0	$0
2011	$1,823,754	$0	$0
2012	$1,788,389	$0	$0

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

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

General Fund	2003	2004	2005	2006
Reserved	$25,744	$0	$0	$0
Unreserved	$98,465	$60,854	$414,774	$736,820
Nonspendable				
Restricted				
Committed				
Assigned				
Unassigned				
Total General Fund	$124,209	$60,854	$414,774	$736,820
All Other Governmental Funds				
Reserved	$148,328	$72,170	$0	$0
Unreserved, reported in:				
Special Revenue Funds	$1,031,481	$880,912	$1,171,400	$725,596
Debt Service Funds	$315,370	$358,311	$0	$0
Capital Project Funds	$0	$359,545	$69,462	($58,627)
Nonspendable				
Restricted: Special Revenue				
Committed: Special Revenue				
Restricted: Capital Project				
	$1,619,388	$1,731,792	$1,655,636	$1,403,789

*Refer to Page 32 for description of fund balance classifications

Table 4

2007	2008	2009	2010	2011	2012
$3,500	$8,788	$3,852	$9,462		
$827,415	$894,103	$1,048,920	$1,159,871		
				$9,732	$ 7,494
				$935,230	$ 935,230
				$688,938	$ 472,141
				$916,172	$ 1,232,467
$830,915	$902,891	$1,052,772	$1,169,333	$2,550,072	$2,647,332
$0	$794	$2,062	$1,356		
$828,246	$929,151	$841,452	$1,149,520		
$0	$0	$0	$0		
$115,039	$2,357	$214,406	$211,076		
				$1,472	$1,594
				$306,482	$403,991
				$59,840	$56,064
				$446,346	$236,261
$1,774,200	$1,835,193	$2,110,692	$2,531,285	$3,364,212	$3,345,242

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

Table 5

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Property Taxes	$1,029,488	$1,056,294	$1,174,377	$1,458,846	$1,650,647	$1,757,485	$1,829,377	$1,881,517	$1,823,754	$1,788,389
Licenses & Permits	$77,540	$89,094	$83,077	$123,742	$71,699	$61,735	$40,711	$24,581	$33,423	$45,544
State Shared Revenue	$322,450	$235,727	$234,403	$238,053	$235,941	$277,319	$288,052	$246,863	$201,632	$ 239,316
Contributions from Local Units	$338,876	$366,748	$428,846	$421,494	$439,512	$636,069	$634,982	$613,361	$691,173	$ 642,138
Grant Revenue	$0	$27,999	$34,534	$628,439	$209,824	$0	$0	$0	$0	$0
Charges for Services	$143,452	$235,194	$224,322	$248,506	$171,821	$26,002	$57,246	$56,577	$63,312	$51,601
Fines	$7,570	$5,764	$4,759	$5,637	$8,982	$13,992	$10,379	$7,274	$6,344	$5,763
Interest & Rentals	$65,677	$10,274	$31,311	$86,164	$109,783	$84,145	$38,409	$27,578	$15,640	$ 11,058
Other	$113,920	$20,336	$15,563	$52,588	$15,871	$17,797	$58,973	$40,336	$33,990	$48,564
Total Revenue	$2,098,973	$2,047,430	$2,231,192	$3,263,469	$2,914,080	$2,874,544	$2,958,129	$2,898,087	$2,869,268	$2,832,373
Expenditures										
Legislative	$13,969	$7,678	$13,053	$19,760	$24,081	$0	$0	$0	$0	$0
General government	$451,108	$419,312	$335,702	$418,868	$576,283	$622,497	$605,603	$558,535	$481,546	$612,377
Public Safety	$739,219	$789,221	$874,118	$973,264	$974,455	$801,090	$831,080	$881,254	$827,039	$940,606
Public Works	$474,574	$222,012	$327,374	$445,729	$516,728	$659,995	$726,418	$689,779	$483,023	$500,725
Community & Economic Dvlp.	$0	$0	$0	$0	$0	$324,413	$278,432	$159,300	$164,215	$209,373
Recreation & Culture	$108,182	$85,349	$64,042	$134,167	$130,609	$110,684	$144,721	$101,602	$95,850	$98,169
Capital Outlay	$175,859	$350,029	$558,658	$1,430,665	$244,071	$191,556	$11,806	$0	$205,538	$356,889
Other Functions	$0	$0	$0	$0	$0	$0	$0	$26,028	$25,254	$25,664
Debt Service:										
Principal	$1,193,181	$97,061	$114,189	$48,885	$53,791	$42,132	$41,276	$43,460	$41,791	$77,175
Interest	$83,659	$24,364	$20,212	$18,113	$23,651	$23,946	$19,720	$17,536	$23,585	$30,365
Bond Issuance Costs	$0	$0	$0	$0	$0	$0	$0	$0	$13,500	$0
Total Expenditures	$3,239,751	$1,995,026	$2,307,348	$3,489,451	$2,543,669	$2,776,313	$2,659,056	$2,477,494	$2,361,341	$2,851,343
Excess (Deficiency) of revenue over expenditures	($1,140,778)	$52,404	($76,156)	($225,982)	$370,411	$98,231	$299,073	$420,593	$507,927	($18,970)
Other Financing Sources										
Loan Proceeds	$475,506	$0	$0	$0	$0	$0	$0	$0	$325,000	$0
Proceeds of Sale-Land	$0	$60,000	$0	$0	$0	$0	$0	$0	$0	$0
Transfers In	$38,933	$267,666	$689,626	$465,173	$245,000	$333,208	$417,000	$757,857	$269,500	$335,928
Transfers Out	($38,933)	($267,666)	($689,626)	($491,038)	($245,000)	($333,208)	($417,000)	($757,857)	($269,500)	($335,928)
Total other financing sources	$475,506	$60,000	$0	($25,865)	$0	$0	$0	$0	$325,000	$0
Net Change in Fund Balances	($665,272)	$112,404	($76,156)	($251,847)	$370,411	$98,231	$299,073	$420,593	$832,927	($18,970)
Fund Balance-Beginning of Year	$2,284,660	$1,619,388	$1,731,792	$1,655,636	$1,403,789	$1,736,962	$1,835,193	$2,110,692	$2,531,285	$3,364,212
Prior Period Adjustment							($23,574)			
Fund Balance (Deficit)- End of Year	$1,619,388	$1,731,792	$1,655,636	$1,403,789	$1,774,200	$1,835,193	$2,110,692	$2,531,285	$3,364,212	$3,345,242
Debt Service as a percentage of noncapital expenditures	42%	7%	8%	3%	3%	3%	2%	2%	3%	4%

*FY 2008 a restated of Net Assets was necessary
**FY 2008 Legislative expenditure rolled in General government expenditures

City of the Village of Douglas
STATE EQUALIZED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
2006 Through 2012
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

Source: City of Douglas
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%

City of the Village of Douglas
STATE EQUALIZED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
2006 through 2012
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

Source: City of Douglas
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%

City of the Village of Douglas
TAXABLE VALUE COMPONENTS BY CLASS
2006 through 2012
Ad Valorem Roll

Fiscal Year Ended June 30	Real Property - Ad Valorem Roll				
	Agriculture	Commercial	Industrial	Residential	Real Property Total
2006	0	18,481,215	2,273,743	78,907,754	99,662,712
2007	0	19,909,868	1,987,056	91,164,550	113,061,474
2008	0	19,591,617	1,902,419	102,990,701	124,484,737
2009	0	21,310,667	1,878,494	106,842,594	130,031,755
2010	0	22,094,210	1,779,423	112,286,485	136,160,118
2011	0	20,816,779	1,530,203	108,224,159	130,571,141
2012	0	18,903,184	1,438,838	106,561,539	126,903,561

Source: City of Douglas
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
0	1,360,600	1,889,000	0	587,200	3,836,800
0	1,412,000	1,739,100	0	639,000	3,790,100
0	1,416,400	1,748,900	0	693,500	3,858,800
0	1,682,900	2,020,300	0	720,700	4,423,900
0	1,646,000	1,909,100	0	763,100	4,318,200
0	1,613,400	1,735,800	0	759,000	4,108,200
0	1,707,700	1,601,800	0	767,000	4,076,500

City of the Village of Douglas
TAXABLE VALUE COMPONENTS BY CLASS
2006 through 2012
Industrial Facilities Tax Roll

Table 9

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

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

City of the Village of Douglas
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
2006 Through 2012

Table10

Fiscal Year Ended June 30		City			Schools						
		Operating	Roads	Total	Operating	Supplemental	Bldg./ Site	Debt	Recreation	State Education Tax	Total
2006	H	11.2004	1.8814	13.0818	0	1.4871	0.971	2.6	0.25	6	11.3081
2006	NH	11.2004	1.8814	13.0818	15.3911	1.4871	0.971	2.6	0.25	6	26.6992
2007	H	11.2004	1.8814	13.0818	0	1.4074	0.9506	2.6	0.244	6	11.202
2007	NH	11.2004	1.8814	13.0818	16.5926	1.4074	0.9506	2.6	0.244	6	27.7946
2008	H	11.2004	1.8814	13.0818	0	1.3174	0.9061	2.6	0.2325	6	11.056
2008	NH	11.2004	1.8814	13.0818	16.6826	1.3174	0.9061	2.6	0.2325	6	27.7386
2009	H	11.2004	1.8814	13.0818	0	1.1842	0.8985	2.6	0.2305	6	10.9132
2009	NH	11.2004	1.8814	13.0818	16.8158	1.1842	0.8985	2.6	0.2305	6	27.729
2010	H	13.0818	0	13.0818	0	1.0416	0	2.6	0.2305	6	9.8721
2010	NH	13.0818	0	13.0818	16.9584	1.0416	0	2.6	0.2305	6	26.8305
2011	H	13.0818	0	13.0818	0	1.1408	0	2.6	0.25	6	9.9908
2011	NH	13.0818	0	13.0818	16.8592	1.1408	0	2.6	0.25	6	26.85
2012	H	13.0818	0	13.0818	0	1.1458	0	2.9	0.25	6	10.2958
2012	NH	13.0818	0	13.0818	16.8542	1.1458	0	2.9	0.25	6	27.15

Fiscal Year Ended June 30		Allegan County								
		Operating	Roads	Senior	Total	OAISD	Library	Fire District	Transit	Grand Total
2006	H	5.6592	0	0	5.6592	4.2109	0.4226	1.2932	0.4601	36.4359
2006	NH	5.6592	0	0	5.6592	4.2109	0.4226	1.2932	0.4601	51.827
2007	H	4.6587	0.9699	0.24	5.8686	4.2093	0.5136	1.2932	0.4517	36.6202
2007	NH	4.6587	0.9699	0.24	5.8686	4.2093	0.5136	1.2932	0.4517	53.2128
2008	H	4.6577	0.9998	0.2399	5.8974	5.5234	0.4882	1.2932	0.5	37.84
2008	NH	4.6577	0.9998	0.2399	5.8974	5.5234	0.4882	1.2932	0.5	54.5226
2009	H	4.6577	0.9998	0.2399	5.8974	5.5234	0.4841	1.2932	0.4861	37.6792
2009	NH	4.6577	0.9998	0.2399	5.8974	5.5234	0.4841	1.2932	0.4861	54.495
2010	H	4.6577	0.9998	0.2399	5.8974	5.5234	0.4841	1.1	0.4861	36.4449
2010	NH	4.6577	0.9998	0.2399	5.8974	5.5234	0.4841	1.1	0.4861	53.4033
2011	H	4.6577	0.9998	0.24	5.8975	5.5234	0.4841	1.16	0.4861	36.6237
2011	NH	4.6577	0.9998	0.24	5.8975	5.5234	0.4841	1.16	0.4861	53.4829
2012	H	4.6093	0.9998	0.24	5.8491	5.5234	0.5173	1.16	0.4861	36.9135
2012	NH	4.6093	0.9998	0.24	5.8491	5.5234	0.5173	1.16	0.4861	53.7677

City of the Village of Douglas
PROFILE OF TEN LARGEST PROPERTY TAXPAYERS
2006 Through 2012

Table11

	2012			2006		
Taxpayer	Taxable Value	Rank	% of Total Taxable Value	Taxable Value	Rank	% of Total Taxable Value
Haworth Inc.	$ 2,420,149	1	1.79%	$ 3,123,494	1	1.28%
Charles Higgins	$ 1,062,448	2	0.79%	$ 915,929	3	0.38%
Dunes Realty LLC	$ 969,944	3	0.79%	$ 836,140	4	0.34%
Kalamazoo Ferry Co.	$ 905,453	4	0.72%	$ 817,460	5	0.34%
Douglas Property Investment LLC	$ 879,300	5	0.65%	$ 1,097,054	2	0.45%
Douglas Development Partners LLC	$ 808,983	6	0.60%	$ 602,500	12	0.25%
204 Lakeshore LLC	$ 795,700	7	0.59%			
David Leader Mgmt Co.	$ 729,480	8	0.54%	$ 628,849	10	0.26%
Coastal Real Estate Holdings	$ 724,936	9	0.54%			
Maria Burnatowska-Hledin	$ 667,089	10	0.49%	$ 898,959	6	0.37%
The Harbours				$ 758,733	7	0.31%
Group West Michigan LLC				$ 676,598	8	0.28%
Singapore Harbor LLC				$ 667,148	9	0.002736683

Source: City of Douglas

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

City of the Village of Douglas
PROPERTY TAX LEVIES AND COLLECTIONS
2006 Through 2012

Table 12

			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%	$ 1,709,003	99.62%

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

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

Table13

Fiscal Year Ended June 30	General Obligation Bonds	Installment Purchase Agreements	Capital Improvement Bonds	Total Primary Government Debt	Per Capita	Percentage of Personal Income
2003	$ 136,362	$ 475,506		$ 611,868	$ 505.68	$ 0.01
2004	$ 68,181	$ 453,825		$ 522,006	$ 435.73	$ 0.01
2005		$ 454,841		$ 454,841	$ 382.86	$ 0.01
2006		$ 595,956		$ 595,956	$ 504.62	$ 0.01
2007		$ 542,166		$ 542,166	$ 460.24	$ 0.01
2008		$ 500,034		$ 500,034	$ 423.04	$ 0.01
2009		$ 458,790		$ 458,790	$ 372.39	$ 0.01
2010		$ 415,909		$ 415,909	$ 337.59	$ 0.01
2011		$ 374,118	$ 325,000	$ 699,118	$ 567.47	$ 0.01
2012		$ 336,943	$ 285,000	$ 621,943	$ 504.82	$ 0.01

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
As of June 30, 2012

Table 14

Jurisdiction	Bonds Outstanding	Percentage Applicable to City	City's Share of Debt
Direct Debt: City of Douglas			
Loan Agreement 3/17/2006	$ 128,010	100%	$ 128,010
Loan Agreement 7/10/2004	$ 208,933	100%	$ 208,933
Capital Improvement Bonds	$ 285,000	100%	$ 285,000
Subtotal Direct Debt	$ 621,943		$ 621,943
Overlapping Debt			
Allegan County	$ 65,000	3.17%	$ 2,062
Ottawa Intermediate School District	$ 5,170,052	1.22%	$ 63,045
Saugatuck Public Schools	$ 19,708,000	25.21%	$ 4,968,781
Subtotal Overlapping Debt	$ 24,943,052		$ 5,033,888
Grand Total of Direct & Overlapping Debt	$ 25,564,995		$ 5,655,831

City of the Village of Douglas
STATE REVENUE SHARING
2003 through 2012

	2003	2004	2005	2006
State Sales Tax: PA 140 of 1971				
Total	$ 113,215	$ 102,561	$ 102,387	$ 100,314
Michigan Transportation Fund: PA 51 of 1951				
Major Streets	$ 73,741	$ 79,556	$ 79,162	$ 78,150
Local Streets	$ 36,108	$ 39,077	$ 36,483	$ 38,407
Winter Maintenance (Snow)	$ 11,494		$ 3,489	$ 10,267
Total	$ 121,343	$ 118,633	$ 119,134	$ 126,824
Metro Authority: PA 48 of 2002				
Public Right of Way	$ -	$ 5,237	$ -	$ 5,327

Table 15

2007	2008	2009	2010	2011	2012
$ 125,107	$ 97,336	$ 92,528	$ 82,294	$ 83,116	$ 90,866
$ 86,111	$ 84,651	$ 81,364	$ 79,918	$ 81,049	$ 84,994
$ 37,016	$ 36,393	$ 35,023	$ 34,427	$ 34,937	$ 36,195
$ 4,298	$ 23,619	$ 69,209	$ 28,652	$ 12,393	$ 20,800
$ 127,425	$ 144,663	$ 185,596	$ 142,997	$ 128,379	$ 141,989
$ 5,653	$ 5,719	$ 5,752	$ 5,888	$ 5,415	$ 5,843

City of the Village of Douglas
DEMOGRAPHIC STATISTICS
2003 through 2012

Table 16

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***
2003	1210	$ 7,135,000,000	$ 43,948,397	$ 36,321	5.9%	6.9%
2004	1198	$ 7,539,000,000	$ 46,436,856	$ 38,762	5.5%	6.4%
2005	1188	$ 7,845,000,000	$ 48,321,678	$ 40,675	5.0%	7.0%
2006	1181	$ 8,162,000,000	$ 50,274,256	$ 42,569	4.9%	6.5%
2007	1178	$ 8,499,000,000	$ 52,350,025	$ 44,440	5.1%	7.1%
2008	1182	$ 8,569,000,000	$ 52,781,193	$ 44,654	7.2%	8.0%
2009	1232	$ 8,470,000,000	$ 52,171,398	$ 42,347	12.3%	14.1%
2010	1232	$ 8,732,000,000	$ 53,785,200	$ 43,657	12.1%	13.6%
2011	1232	$ 8,994,921,000	$ 55,404,675	$ 44,971	7.0%	10.6%
2012	1232	N/A	N/A	N/A	5.5%	8.6%

* Source: U.S. Census Bureau
**U.S. Department of Commerce, Bureau of Economic Analysis, Holland-Grand Haven Statistical Area
***U.S. department of Labor, Bureau of Labor Statistics, Holland-Grand Haven Statistical Area

City of the Village of Douglas
FULL TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
Last Five Fiscal Years

Table 17

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

Source: City of Douglas
Full-time equivalents for prior years are not available

City of the Village of Douglas
LABOR CONTRACTS
Current Fiscal Year

Table 18

The City has 19 full-time employees, of which 58% 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
AFSCME #25	4	June 30th, 2013
Police Officers Labor Council	7	June 30th, 2013
Non-Affiliated Employees	8	N/A
	19	

Source: City of Douglas

City of the Village of Douglas
OPERATING INDICATORS BY FUNCTION
2009 Through 2012

Table 19

Function	2009	2010	2011	2012
General Government				
Area- Square Miles	1.8	1.8	1.8	1.8
Population	1232	1232	1232	1232
Registered Voters	1009	1009	1009	1012
Number of Tax Bills	1564	1567	1563	1568
Public Safety				
Police*				
Violent Crimes	25	40	14	N/A
Property Crimes	22	28	8	N/A
Traffic Injuries	3	3	3	N/A
Streets and Highways				
Miles of Roads	16.17	16.17	16.17	16.17
Miles of sidewalks & pathways	2.2	2.3	2.3	
Recreation & Culture				
Acres of Parks	20.94	20.94	20.94	20.94

Source: City of Douglas

*Public Safety Statistics are calendar year

Information only available back to 2009

City of the Village of Douglas
CAPITAL ASSETS STATISTICS BY FUNCTION
2009 Through 2012

Table 20

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

Source: City of Douglas

Information only available back to 2009

Community Profile

About Douglas

A very warm welcome is extended to everyone on behalf of the City Council and staff of the City of the Village of Douglas. The "Village," that became a City in 2004, is the home of 1,200 year-round residents who exemplify the motto "The Village of Friendliness since 1870."

Douglas is a vibrant and growing community reflecting a distinctive balance between established neighborhoods, schools, churches, and new and exciting businesses and residential developments. Our downtown is an eclectic, "pedestrian friendly" area where you will find an unparalleled mix of exceptional shopping, coffee, tea and homemade delicacy shops, and nationally award winning fine dining establishments. Douglas retailers are known for their high end quality home decor and gifts, clothing and accessories, antiques, fine art and handcrafted jewelry.

You are invited and encouraged to stroll and explore the unique shops and fine dining establishments, or simply take a relaxing walk along our beautiful Lake Michigan shoreline. Whether a summer Thursday evening "social," early autumn home tour or a storybook snowy street gleaming with festive holiday lights, there is always something to see and do in Douglas.

History

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.

Cityhood

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.

Community Profile

U. S. Representative	2nd District Bill Huizenga
State Senator	24th District Rick Jones
State Representative	88th District Bob Genetski
Allegan County Commissioner	Terry Burns
Allegan County Sheriff	Blaine Koops
Area in Square Miles	1.8 Sq. Miles
Miles of Street	15.57 Miles
Population	1,232
Total 2012 SEV	$168,532,500
Number of Homes	1,075
Average Home Value	$308,177
2012 City Millage	13.0818
School District	Saugatuck Public Schools
Registered Voters	1,012
Full-time Employees	19

General Demographic Statistics

People QuickFacts	Allegan County		Michigan	
Population, 2010	111,408		9,883,640	
Population, percent change, 2000 to 2010	5.4%		-0.6%	
Population, 2000	105,665		9,938,444	
Persons under 5 years, percent, 2010	6.7%		6.0%	
Persons under 18 years, percent, 2010	26.2%		23.7%	
Persons 65 years and over, percent, 2010	13.0%		13.8%	
Female persons, percent, 2010	50.2%		50.9%	
White persons, percent, 2010 (a)	92.9%		78.9%	
Black persons, percent, 2010 (a)	1.2%		14.2%	
American Indian and Alaska Native persons, percent, 2010 (a)	0.6%		0.6%	
Asian persons, percent, 2010 (a)	0.6%		2.4%	
Native Hawaiian and Other Pacific Islander, percent, 2010 (a)	Z		Z	
Persons reporting two or more races, percent, 2010	1.9%		2.3%	
Persons of Hispanic or Latino origin, percent, 2010 (b)	6.7%		4.4%	
White persons not Hispanic, percent, 2010	89.7%		76.6%	
Living in same house 1 year & over, 2005-2009	90.0%		85.4%	
Foreign born persons, percent, 2005-2009	3.2%		6.0%	
Language other than English spoken at home, pct age 5+, 2005-2009	6.3%		9.0%	
High school graduates, percent of persons age 25+, 2005-2009	87.4%		87.4%	
Bachelor's degree or higher, pct of persons age 25+, 2005-2009	19.7%		24.5%	
Veterans, 2005-2009	8,972		751,248	
Mean travel time to work (minutes), workers age 16+, 2005-2009		23.6		23.7
Housing units, 2010	49,426		4,532,233	
Homeownership rate, 2005-2009	83.6%		74.6%	
Housing units in multi-unit structures, percent, 2005-2009	8.9%		17.8%	
Median value of owner-occupied housing units, 2005-2009	$149,600		$147,500	
Households, 2005-2009	41,943		3,860,160	
Persons per household, 2005-2009		2.65		2.53
Per capita money income in past 12 months (2009 dollars) 2005-2009	$23,270		$25,172	
Median household income, 2009	$50,487		$45,254	
Persons below poverty level, percent, 2009	11.5%		16.1%	
Business QuickFacts	Allegan County		Michigan	
Private nonfarm establishments, 2009	2,342		221,682	

Private nonfarm employment, 2009	32,415	3,383,615
Private nonfarm employment, percent change 2000-2009	-10.4%	-16.9%
Nonemployer establishments, 2009	7,199	632,618
Total number of firms, 2007	10,312	816,972
Black-owned firms, percent, 2007	S	8.9%
American Indian- and Alaska Native-owned firms, percent, 2007	S	0.7%
Asian-owned firms, percent, 2007	0.3%	2.6%
Native Hawaiian and Other Pacific Islander-owned firms, percent, 2007	F	0.1%
Hispanic-owned firms, percent, 2007	1.4%	1.3%
Women-owned firms, percent, 2007	25.6%	30.4%
Manufacturers shipments, 2007 ($1000)	4,240,717	234,455,768
Merchant wholesaler sales, 2007 ($1000)	506,692	107,109,349
Retail sales, 2007 ($1000)	881,344	109,102,594
Retail sales per capita, 2007	$7,805	$10,855
Accommodation and food services sales, 2007 ($1000)	118,800	14,536,648
Building permits, 2010	152	9,075
Federal spending, 2009	542,898	91,316,137
Geography QuickFacts	Allegan County	Michigan
Land area in square miles, 2010	825.23	56,538.90
Persons per square mile, 2010	135	174.8
FIPS Code	5	26
Metropolitan or Micropolitan Statistical Area	Allegan, MI Micro Area	

(a) Includes persons reporting only one race.
(b) Hispanics may be of any race, so also are included in applicable race categories.
FN: Footnote on this item for this area in place of data
NA: Not available
D: Suppressed to avoid disclosure of confidential information
X: Not applicable
S: Suppressed; does not meet publication standards
Z: Value greater than zero but less than half unit of measure shown
F: Fewer than 100 firms

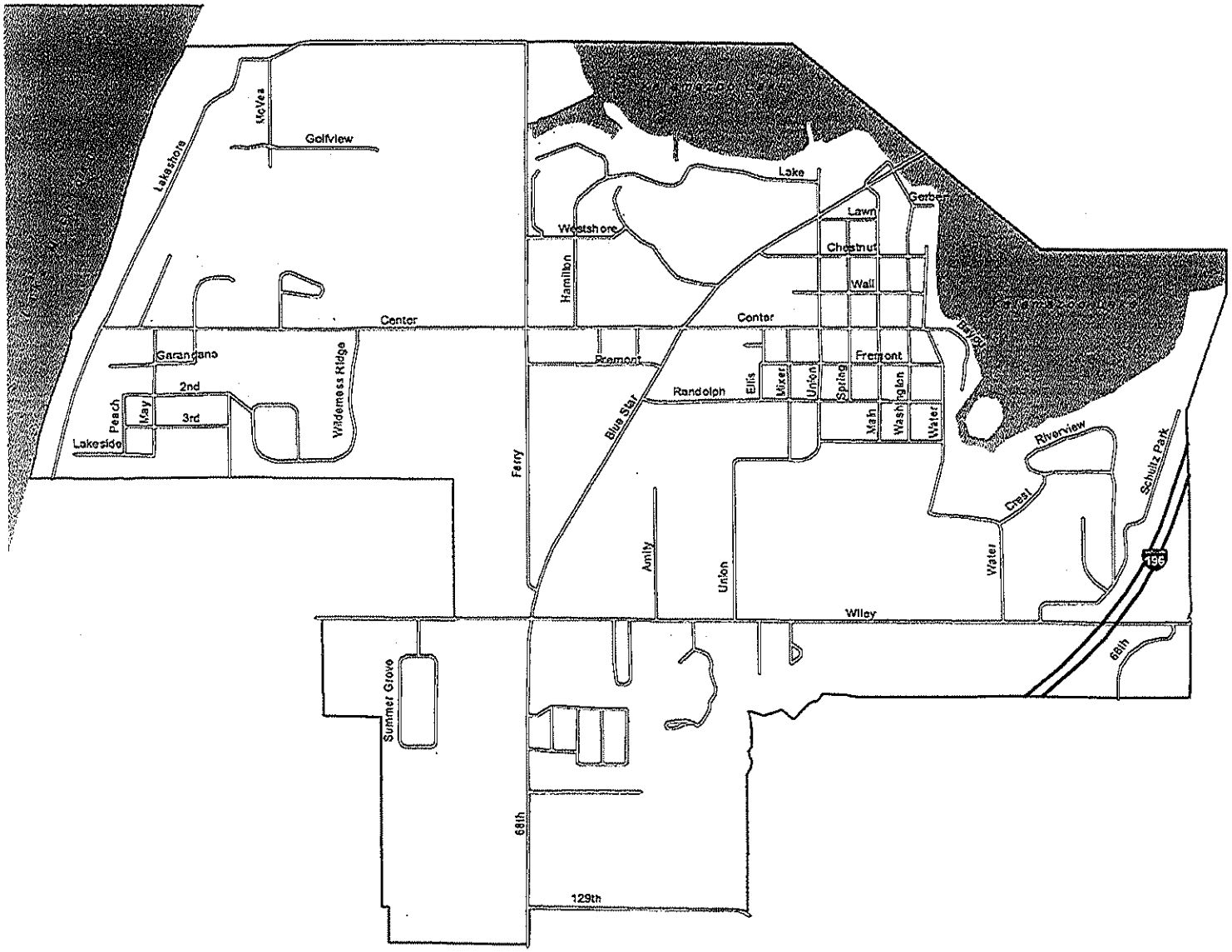
Source: US Census Bureau State & County QuickFacts

The City of the Village of

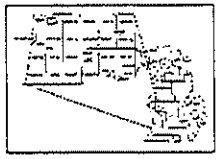
DOUGLAS

Allegan County, Michigan

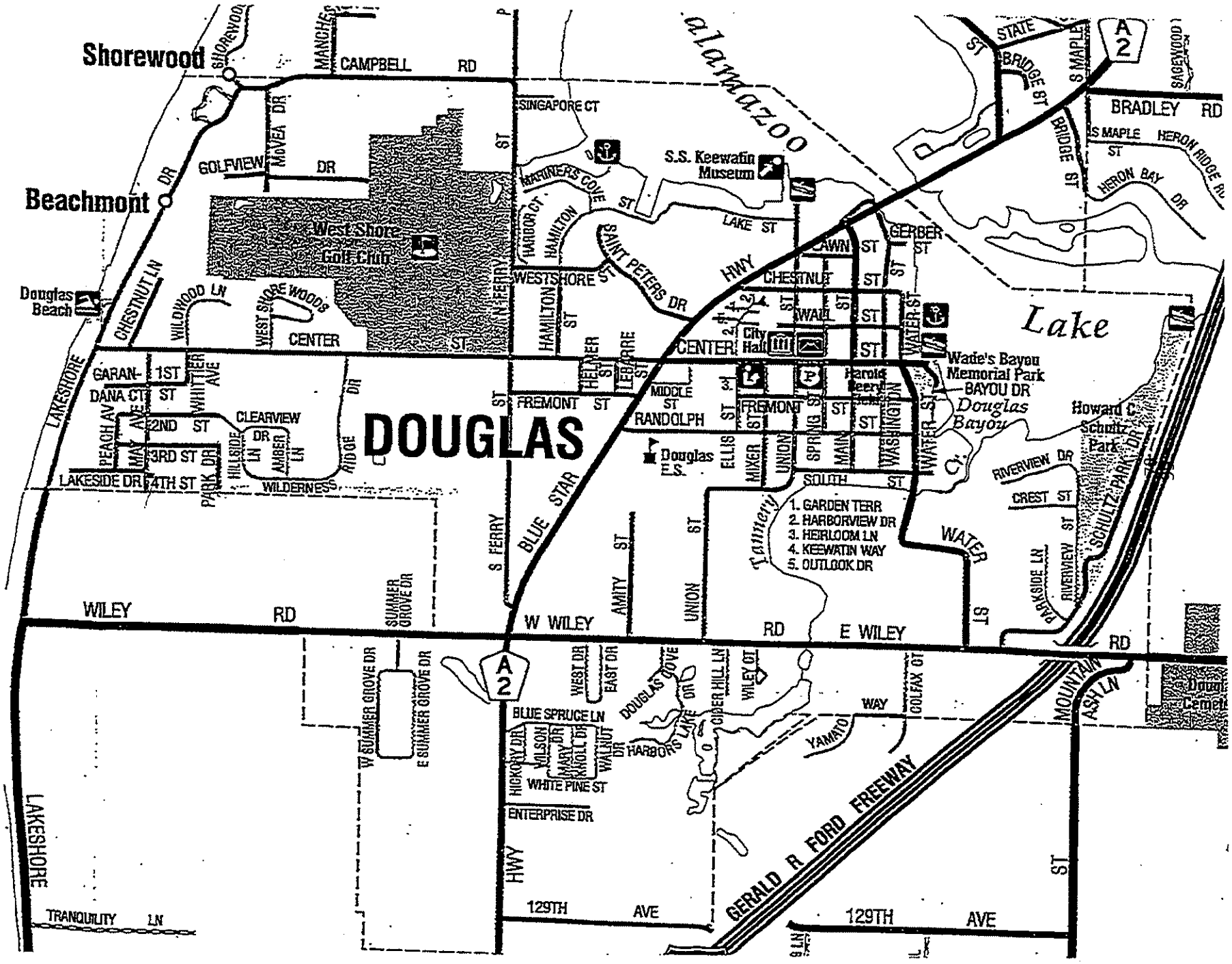
Base Map



Williams & Works



Data Source: Allegan County


Shorewood
Beachmont
Douglas Beach
DOUGLAS
Lake
Kalamazoo
West Shore Golf Club
S.S. Keewatin Museum
City Hall
Harold Leerg Park
Wade's Bayou Memorial Park
Douglas Bayou
Howard C. Schultz Park
Douglas E.S.
Tannery
1. GARDEN TERR
2. HARBORVIEW DR
3. HEIRLOOM LN
4. KEEWATIN WAY
5. OUTLOOK DR
CAMPBELL RD
GOLFVIEW DR
SINGAPORE CT
MARINERS COVE ST
LAKE ST
SAINT PETERS DR
WESTSHORE ST
CENTER ST
FREMONT ST
RANDOLPH
MIDDLE ST
SOUTH ST
CHESTNUT ST
MAIN ST
WATER ST
BRADLEY RD
HERON RIDGE RD
HERON BAY DR
RIVERVIEW DR
CREST ST
SCHULTZ PARK DR
WILEY RD
W WILEY RD
E WILEY RD
SUMMER GROVE DR
W SUMMER GROVE DR
E SUMMER GROVE DR
BLUE SPRUCE LN
WHITE PINE ST
ENTERPRISE DR
DOUGLAS GROVE DR
HARBORS LANE
YAMATO WAY
MOUNTAIN ASH LN
GERALD R FORD FREEWAY
129TH AVE
LAKESHORE
TRANQUILITY LN
LAKESIDE DR
WILDERNESS
CLEARVIEW DR
BLUE STAR HWY
S FERRY ST
A 2

Rehmann

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www.rehmann.com

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE UNDER SAS NO. 114

November 12, 2012

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

We have audited 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") for the year ended June 30, 2012, and have issued our report thereon dated November 12, 2012. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and *Government Auditing Standards*

As stated in our engagement letter dated July 17, 2012, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the City. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of City's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. We made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and our meeting about planning matters on September 6, 2012.

Significant Results of the Audit

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- The assumptions used in the actuarial valuations of the pension plans are based on historical trends and industry standards.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Attachment B to this letter summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to each opinion unit's financial statements taken as a whole.

In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Upcoming Changes in Accounting Standards

Generally accepted accounting principles (GAAP) are continually changing in order to promote the usability and enhance the applicability of information included in external financial reporting. While it would not be practical to include an in-depth discussion of every upcoming change in professional standards, Attachment C to this letter contains a brief overview of recent pronouncements of the Governmental Accounting Standards Board (GASB) and their related effective dates. Management is responsible for reviewing these standards, determining their applicability, and implementing them in future accounting periods.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the attached management representation letter dated November 12, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the governing body and management of the City of the Village of Douglas, Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Rehmann Lohan

City of the Village of Douglas, Michigan

Attachment A - Consideration of Internal Control Over Financial Reporting
For the June 30, 2012 Audit

We have audited 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") for the year ended June 30, 2012, and have issued our report thereon dated November 12, 2012.

In planning and performing our audit in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. The deficiency we noted that we consider to be a significant deficiency is described in our report on internal control over financial reporting issued in accordance with *Government Auditing Standards*.

Other Matters

Downtown Development Authority Receipt Collections

Cash collections are routinely made at events held by the Downtown Development Authority for sales of food and beverages. We noted that cash is typically collected by one individual and is not always deposited promptly. We recommend improving controls around these collections by having more than one individual collect cash and by depositing receipts promptly in a drop box. Additionally, the City should consider reconciling cash collected with the amount of food or number of tickets sold in order to ensure all receipts are turned in to the City after each event.

City of the Village of Douglas, Michigan

Attachment A - Consideration of Internal Control Over Financial Reporting
For the June 30, 2012 Audit

Bank Reconciliations

The State of Michigan has set a requirement that bank reconciliations should be completed within six weeks of each month and year end. While the reconciliation process begins within a few days of receiving the bank statement, the process of reconciling the general pooled checking account (which includes substantially all disbursements of the City, across all funds), does not appear to consistently identify and clear all reconciling items each month. In order to ensure that all related accounting transactions are recorded on a timely basis and that all reconciling items are properly identified and resolved, we recommend that the City fully complete its bank reconciliations within six weeks of the bank statement date, as required by the State.

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City of the Village of Douglas

Attachment B - Schedule of Adjustments Passed (SOAP)

For the June 30, 2012 Audit

In accordance with the provisions of SAS 107, *Audit Risk and Materiality*, we have prepared the following schedule of proposed audit adjustments, which we believe are immaterial both individually and in the aggregate. Also in accordance with SAS 107, we are providing this schedule to both management and those charged with governance to receive their assurance that they agree that the amounts listed below are not material to the financial statements, either individually or in the aggregate, and do not need to be recorded.

	Effect of Passed Adjustment - Over(Under)Statement				
	Assets	Liabilities	Beginning Equity	Revenue	Expenses/ Expenditures
General fund					
Unreconciled cash variance	$ (660)	$ -	$ -	$ -	$ 660
Prior year variance in accounts payable (corrected in 2012)	-	-	1,067	-	1,067
Total general fund	$ (660)	$ -	$ 1,067	$ -	$ 1,727
Misstatement as a percentage of total assets	-0.02%	0.00%	0.04%	0.00%	0.06%
Governmental activities					
Cumulative effect of items noted above	$ (660)	$ -	$ 1,067	$ -	$ 1,727
Misstatement as a percentage of total assets	-0.01%	0.00%	0.01%	0.00%	0.02%

CITY OF THE VILLAGE OF DOUGLAS

Attachment C - Upcoming Changes in Accounting Standards
For the June 30, 2012 Audit

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the City in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the City. For the complete text of these and other GASB standards, visit www.gasb.org and click on the "pronouncements" tab. If you have questions regarding the applicability, timing, or implementation approach for any of these standards, please contact your audit team.

GASB 63 ■ Deferred Inflows, Outflows, and Net Position
Effective 12/15/2012 (your FY 2013)

This standard will introduce new terminology to the balance sheet by creating a category of quasi-assets called "deferred outflows", and a category of quasi-liabilities called "deferred inflows". As a result, the term "net assets" will no longer be used, and is replaced by the more generic term "net position". Essentially, deferred inflows and outflows will be used to report transactions that occurred prior to year end that relate to revenues and expenses (inflows and outflows) of future periods. The format of the new "statement of net position" will be presented as *assets + deferred outflows - liabilities - deferred inflows = net position*. Net position will be further categorized into *net investment in capital assets*, *restricted*, and *unrestricted* amounts. Fund balance of governmental funds will be unaffected, and governmental funds will continue to report a traditional balance sheet (*assets = liabilities + fund balance)*.

GASB 64 ■ Derivative Instruments (an Amendment of GASB 53)
Effective 06/15/2011 (your FY 2011)

Under certain circumstances, a government is permitted to enter into swap agreements to "hedge" or protect against the risk of loss. The government is required to recognize the income statement impact of a hedge upon its termination. This standard addresses whether amending an existing swap agreement or entering into a new swap agreement qualifies as a termination for accounting purposes.

Statement No. 64 is already in effect. However, since the City does not hold any derivative instruments, this standard had no impact on its financial reporting.

GASB 65 ■ Items Previously Reported as Assets and Liabilities
Effective 12/15/2013 (your FY 2014)

This standard builds on the new terminology introduced in GASB 63. Certain items previously reported as assets and liabilities will now be classified as deferred inflows and outflows, while other items will no longer be carried on the balance sheet. As such, a restatement of beginning equity may be required to write off balances from previous years that no longer meet the definition for presentation on the balance sheet. The term "deferred revenue" will no longer be used by governments for any purpose. While GASB 65 is not required to be implemented until one year after GASB 63, we recommend that they be adopted together, as the standards complement one another.

CITY OF THE VILLAGE OF DOUGLAS

Attachment C - Upcoming Changes in Accounting Standards
For the June 30, 2012 Audit

The following table provides examples of balances affected by this standard:

Item	Pre-GASB 65	Post-GASB 65
Loss/gain on refunding of bonds payable	Liability/asset ("deferred loss/gain on refunding")	Deferred outflow/inflow
Property taxes levied prior to the year they are intended to finance	Liability ("deferred revenue")	Deferred inflow
Grant funds received but all grant requirements not met	Provider: asset ("advance to...") Recipient: liability ("advance from...")	No change
Grant funds received and all grant requirements met, but advance is for the following program year	Provider: asset ("advance to...") Recipient: liability ("advance from...")	Provider: deferred outflow Recipient: deferred inflow
Bond issuance costs	Asset ("deferred bond issuance costs" or "deferred bond charges")	Expense in year incurred
Initial direct costs of operating leases	Asset ("prepaid")	Expense in year incurred
Unexpended proceeds of expenditure-driven grants; charges for services collected in advance	Liability ("deferred revenue")	Liability ("unearned revenue")
Revenues not "available" in governmental funds because they are not collected soon enough after year-end	Liability ("deferred revenue")	Deferred inflow

GASB 66 ■ 2012 Technical Corrections (an Amendment to GASB 10 and GASB 62)
Effective 12/15/2013 (your FY 2014)

This standard was issued to eliminate conflicting guidance that resulted from the issuance of GASB 54 and GASB 62, which are both already effective. GASB 10 was amended to allow for risk financing activities to be accounted for in whichever fund type is most applicable (no longer limited to the general fund or an internal service fund). GASB 62 was amended to modify specific guidance related to (1) operating leases with scheduled rent increases, (2) purchase of loans at an amount other than the principal amount, and (3) service fees related to mortgages that are sold when the service rate varies significantly from the current (normal) service fees.

We do not expect GASB 66 to have any significant impact on the City at this time.

GASB 67 ■ Financial Reporting for Pension Plans
Effective 06/15/2014 (your FY 2014)

This standard establishes the requirements for pension plans administered by trusts to report on their operations, including setting new uniform requirements for actuarial valuations of the total pension liability, and reporting various 10-year trend data as required supplementary information. The financial statements of pension plans will not change substantially as a result of GASB 67, though the additional note disclosures and required supplementary information will be significant. Additionally, actuarial valuations conducted in accordance with GASB 67 will have to match the government's fiscal year, or be rolled forward to that date by the actuary.

Because the City does not maintain its own pension trust fund, we do not expect GASB 67 to have any significant impact on the City at this time.

CITY OF THE VILLAGE OF DOUGLAS

Attachment C - Upcoming Changes in Accounting Standards
For the June 30, 2012 Audit

GASB 68 ■ Accounting and Financial Reporting for Pensions
Effective 06/15/2015 (your FY 2015)

This standard establishes new requirements for governments to report a "net pension liability" for the unfunded portion of its pension plan. Governments that maintain their own pension plans (either single employer or agent multiple-employer) will report a liability for the difference between the total pension liability calculated in accordance with GASB 67 and the amount held in the pension trust fund. Governments that participate in a cost sharing plan will report a liability for their "proportionate share" of the net pension liability of the entire system.

Historically, governments have only been required to report a net pension obligation to the extent that they have not met the annual required contribution (ARC) in any given year. Upon implementation of this standard, governments will be required to report a net pension liability based on the current funded status of their pension plans. Changes in this liability from year to year will largely be reflected on the income statement, though certain amounts will be deferred and amortized over varying periods.

GASB 68 also requires more extensive note disclosures and required supplementary information, including 10 years of historical information. The methods used to determine the discount rate (the assumed rate of return on plan assets held in trust) are mandated and must be disclosed, along with what the impact would be on the net pension liability if that rate changed by 1% in either direction. Other new disclosure requirements include details of the changes in the components of the net pension liability, comparisons of actual employer contributions to actuarially determined contributions, and ratios to put the net pension liability in context. For single-employer and agent multiple-employer plans, the information for these statements will come from the annual actuarial valuation. For cost sharing plans, this information will be derived from the financial reports of the plan itself, multiplied by the government's proportionate share of plan.

GASB 67 and 68 are only applicable to pension plans. However, the GASB has announced its intent to issue similar standards for other postemployment benefits (e.g., retiree healthcare) on a two year delay from these standards.

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