



# MEMORANDUM

---

**TO:** Lisa Nocerini, City Manager

**FROM:** Matt Smith, Treasurer

**DATE:** November 27, 2023

**SUBJECT:** Audit Presentation Fiscal Year Ending June 30, 2023

---

Siegfried Crandall, PC of Byron Center, Michigan completed the annual audit which included a complete review of the financial statements of the governmental activities, business-type activities, each major fund, component units, and the collective remaining fund information for the City of Douglas for the fiscal year ending June 30, 2022.

A member of the Siegfried Crandall team will present a summary of the results.

**Presentation – No Action Required**

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

**FINANCIAL STATEMENTS**

*Year ended June 30, 2023*

---

	<i>Page</i>
<b>INDEPENDENT AUDITOR'S REPORT</b>	3 - 5
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	6 - 11
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide financial statements:	
Statement of net position	12
Statement of activities	13
Fund financial statements:	
Balance sheet - governmental funds	14
Statement of revenues, expenditures, and changes in fund balances - governmental funds	15 - 16
Statement of net position - proprietary fund	17
Statement of revenues, expenses, and change in net position - proprietary fund	18
Statement of cash flows - proprietary fund	19
Statement of fiduciary net position - custodial funds	20
Statement of changes in fiduciary net position - custodial funds	21
Notes to financial statements	22 - 36
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary comparison schedules:	
General Fund	37 - 38
Local Street Fund	39
Schedule of changes in the City's net pension liability and related ratios	40
Schedule of City pension contributions	41
<b>SUPPLEMENTARY INFORMATION</b>	
Combining balance sheet - nonmajor governmental funds	42
Combining statement of revenues, expenditures, and changes in fund balances - Nonmajor governmental funds	43
Budgetary comparison schedules:	
Downtown Development Authority	44
Kalamazoo Lake Harbor Authority	45
Brownfield Redevelopment Authority	46

## INDEPENDENT AUDITOR'S REPORT

City Council  
City of the Village of Douglas, Michigan

### **Opinions**

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of the Village of Douglas, Michigan (the City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Change in Accounting Principle**

As discussed in Note 15 to the financial statements, the City adopted GASB Statement No. 101, *Compensated Absences*, during the current fiscal year. Our opinions are not modified with respect to this matter.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension schedules, as listed in the contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Supplementary information**

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

*Siegfried Crandall P.C.*

October 27, 2023

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the City of the Village of Douglas' (the City) financial performance provides a narrative overview of the City's financial activities for the fiscal year ended June 30, 2023. Please read it in conjunction with the City's financial statements.

### **FINANCIAL HIGHLIGHTS**

- The City's total net position increased by \$324,789 (2.44 percent) as a result of this year's operations.
- Total net position at the end of the fiscal year was \$13,627,118. However, \$10,545,796 of this total represents a net investment in capital assets and \$506,559 is restricted for various purposes. Consequently, the City's unrestricted net position is \$2,574,763, which is available to be used at the Council's discretion without constraints established by debt covenants, enabling legislation, or other legal requirements.
- The General Fund's unassigned fund balance at the end of the fiscal year was \$2,217,913, which represents 82 percent of the actual total General Fund expenditures for the fiscal year.

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

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

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

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

A comparative analysis of the government-wide financial statements for 2023 and 2022 is also presented.

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

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

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

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



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

### **Fund financial statements**

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

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

The City has three types of funds:

- *Governmental funds.* The City's basic services are included in its governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flows in and out, and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship between them.
- *Proprietary funds.* Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds statements, like the government-wide statements, provide both long-term and short-term financial information. The City uses an internal service fund to report activities that provide services for the City's other programs and activities. The City's internal service fund is its Equipment Fund that manages the City's fleet of vehicles and equipment. The Equipment Fund has been included within the governmental activities in the government-wide financial statements.
- *Fiduciary funds.* These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the City. The City is responsible for ensuring that the assets reported in the fiduciary funds are used for their intended purposes. The City's fiduciary balances and activities are reported in the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

**Net position**

Total net position at the end of the fiscal year was \$13,627,118. However, \$10,545,796 of this total is invested in capital assets and \$506,559 is restricted for various purposes. Consequently, the City has unrestricted net position of \$2,574,763.

*Condensed financial information  
Net position*

	<u>2023</u>	<u>2022</u>
Current and other assets	\$ 4,407,810	\$ 4,536,395
Capital assets	<u>10,545,796</u>	<u>9,940,204</u>
 Total assets	 <u>14,953,606</u>	 <u>14,476,599</u>
 Deferred outflows of resources	 <u>501,990</u>	 <u>232,410</u>
 Current and other liabilities	 <u>1,728,871</u>	 911,487
 Deferred inflows of resources	 <u>99,607</u>	 <u>495,193</u>
 Net position:		
Investment in capital assets	10,545,796	9,940,204
Restricted	506,559	334,033
Unrestricted	<u>2,574,763</u>	<u>3,028,092</u>
 Total net position	 <u>\$ 13,627,118</u>	 <u>\$ 13,302,329</u>

**Changes in net position**

The City's total revenues for the current fiscal year amounted to \$4,557,974, compared to \$4,333,178 in the prior year. Approximately 57 percent of the City's revenues comes from property taxes. About 15 percent of the City's revenues comes from operating grants and 11 percent comes from charges for services. Capital grants and contributions represented 9 percent of the City's revenue in the current year. State shared revenue represents only 3 percent of the City's total revenues.

*Condensed financial information  
Changes in net position*

	<b>2023</b>	2022
Program revenues:		
Charges for services	\$ 481,767	\$ 367,040
Operating grants and contributions	668,732	655,385
Capital grants and contributions	393,189	645,536
General revenues:		
Property taxes	2,597,229	2,431,834
State shared revenue	153,977	162,971
Local community stabilization revenue	44,374	45,109
Excise tax	104,255	112,907
Investment income	97,031	(104,536)
Other	17,420	16,932
Total revenues	<b>4,557,974</b>	4,333,178
Expenses:		
General government	902,656	804,505
Public safety	810,025	772,593
Public works	1,959,088	1,957,307
Community and economic development	307,052	220,556
Recreation and culture	254,364	372,542
Total expenses	<b>4,233,185</b>	4,127,503
Changes in net position	<b>324,789</b>	205,675
Net position, end of year	<b>\$ 13,627,118</b>	\$ 13,302,329

**Governmental activities**

Governmental activities increased the City's net position by \$324,789 in the current year compared to a \$205,675 increase in the prior year. The increase in net position was higher this year as revenues increased by \$224,796, while expenses increased by \$105,682.

Revenues increased primarily due to increases in property taxes, as taxable values continue to increase, and investment income.

Expenses increased primarily due to inflationary increases.

The total cost of governmental activities this year was \$4,233,185. After subtracting the direct charges to those who directly benefited from the programs (\$481,767), operating grants (\$668,732), and capital grants (\$393,189), the "public benefit" portion covered by property taxes, state shared revenue, and other general revenues was \$2,689,497.

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,022,378, an increase of \$412,294 in comparison to the prior year.

The General Fund is the primary operating fund of the City. At the end of the fiscal year, its fund balance was \$2,267,820, which represents an increase of \$190,257, as revenues (\$3,556,232) were sufficient to cover expenditures (\$2,689,678) and net other financing uses (\$676,297) during the current year.

The Local Street Fund experienced an increase in fund balance of \$58,923, as the fund's revenues (\$123,257) and transfers in (\$445,797) were sufficient to cover expenditures (\$510,131) during the current year. The fund balance at the end of the fiscal year was \$172,688 and is restricted for future street preservation costs of the City's local streets.

The Blue Star Corridor Improvement Fund experienced a decrease in fund balance of \$10,586, as the fund's expenditures of \$119,213 exceeded revenues of \$108,627. Expenditures included sidewalk costs during the current year. The fund balance at the end of the fiscal year was \$130,322 and is assigned for future capital costs of the City's Blue Star Corridor.

**General Fund budgetary highlights**

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

The City amended its revenue budget to increase total revenues by \$99,142 to reflect changes that occurred over the course of the year. The largest change related to charges for services which were increased by \$60,327 for planning and zoning services. The City also amended its appropriations during the current year so that total budgeted expenditures were increased by \$78,307. Public works expenditures were reduced by \$73,846, as costs were lower than expected, while capital outlay expenditures were increased by \$143,579 to account for capital improvements that were not anticipated in the original budget.

Total actual revenues were \$120,067 more than budgeted, primarily due to investment returns. Total expenditures were \$79,934 less than the amounts appropriated. These variances, along with a \$76,120 positive variance associated with transfers out, resulted in a \$276,121 positive budget variance, due to a \$190,257 increase in fund balance compared to a budgeted decrease of \$85,864.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital assets**

The City's investment in capital assets as of June 30, 2023, amounts to \$10,545,796 (net of accumulated depreciation). This investment includes a broad range of assets, including land, buildings, equipment, and infrastructure. This amount represents a net increase of \$605,592, comprised of \$1,590,052 in additions offset by \$984,460 in provisions for depreciation.

This year's major capital asset additions included:

- Street improvements were made at a cost of \$369,474
- Pride Garden donation was made at an appraised cost of \$286,000
- Non-motorized trail improvements were made at a cost of \$146,520
- Playground equipment was acquired for \$84,023

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

**Debt**

At year end, the City had no outstanding long-term debt.

Other noncurrent liabilities of the City include accrued compensated absences, in the amount of \$142,559, and a net pension liability, associated with its defined benefit pension plan, in the amount of \$762,753.

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

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

The City's 2023-2024 fiscal year budget does not anticipate significant changes in the amounts or composition of its major revenue sources. The City has budgeted expenditures for the upcoming year at amounts sufficient to support its ongoing programs and activities, while maintaining the current levels of its resources.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

City of the Village of Douglas  
Matt Smith, City Treasurer  
86 West Center Street  
Douglas, MI 49406

Phone: (269) 857-1438

**BASIC FINANCIAL STATEMENTS**

## STATEMENT OF NET POSITION

June 30, 2023

	<i>Primary government</i>	<i>Component units</i>		
	<i>Governmental activities</i>	<i>Downtown Development Authority</i>	<i>Kalamazoo Lake Harbor Authority</i>	<i>Brownfield Redevelopment Authority</i>
<b>ASSETS</b>				
Current assets:				
Cash	\$ 1,412,070	\$ 98,297	\$ 4,145	\$ 40,527
Investments	2,692,944	-	-	-
Receivables	179,047	-	-	-
Prepays	4,903	-	-	-
Total current assets	<u>4,288,964</u>	<u>98,297</u>	<u>4,145</u>	<u>40,527</u>
Noncurrent assets:				
Receivables	118,846	-	-	-
Capital assets not being depreciated	869,349	-	-	-
Capital assets, net of accumulated depreciation	<u>9,676,447</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>10,664,642</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>14,953,606</u>	<u>98,297</u>	<u>4,145</u>	<u>40,527</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred pension amounts	<u>501,990</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>				
Current liabilities:				
Payables	421,437	3,043	-	5,656
Escrows	<u>402,122</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>823,559</u>	<u>3,043</u>	<u>-</u>	<u>5,656</u>
Noncurrent liabilities:				
Compensated absences	142,559	-	-	-
Net pension liability	<u>762,753</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total noncurrent liabilities	<u>905,312</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,728,871</u>	<u>3,043</u>	<u>-</u>	<u>5,656</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred pension amounts	75,607	-	-	-
Unavailable lease revenue	<u>24,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>99,607</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>				
Investment in capital assets	10,545,796	-	-	-
Restricted for:				
Public works	384,112	-	-	-
Recreation and culture	6,196	-	-	-
Capital improvements	116,251	-	-	-
Unrestricted	<u>2,574,763</u>	<u>95,254</u>	<u>4,145</u>	<u>34,871</u>
Total net position	<u>\$ 13,627,118</u>	<u>\$ 95,254</u>	<u>\$ 4,145</u>	<u>\$ 34,871</u>

See notes to financial statements

**City of the Village of Douglas**  
**STATEMENT OF ACTIVITIES**  
Year ended June 30, 2023

Functions/Programs	<u>Program revenues</u>				<u>Net (expenses) revenues and changes in net position</u>		
	<u>Expenses</u>	<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>	<u>Primary government</u>	<u>Component units</u>	
					<u>Totals</u>	<u>Downtown Development Authority</u>	<u>Kalamazoo Lake Harbor Authority</u>
<b>Primary government</b>							
Governmental activities:							
General government	\$ 902,656	\$ 180,713	\$ 22,489	\$ -	\$ (699,454)		
Public safety	810,025	63,752	9,227	-	(737,046)		
Public works	1,959,088	60,948	637,016	1,308	(1,259,816)		
Community and economic development	307,052	84,810	-	-	(222,242)		
Recreation and culture	254,364	91,544	-	391,881	229,061		
Total governmental activities	<u>4,233,185</u>	<u>481,767</u>	<u>668,732</u>	<u>393,189</u>	<u>(2,689,497)</u>		
<b>Component units</b>							
Downtown Development Authority	39,545	-	9,000	-	\$ (30,545)	\$ -	\$ -
Kalamazoo Lake Harbor Authority	1,276	-	-	-	-	(1,276)	-
Brownfield Redevelopment	49,571	-	75,000	-	-	-	25,429
Total component units	<u>\$ 90,392</u>	<u>\$ -</u>	<u>\$ 84,000</u>	<u>\$ -</u>	<u>(30,545)</u>	<u>(1,276)</u>	<u>25,429</u>
General revenues:							
Property taxes					2,597,229	40,424	-
State shared revenue					153,977	-	-
Excise taxes					104,255	-	-
Local community stabilization revenue					44,374	-	-
Franchise fees					17,420	-	-
Unrestricted investment return					97,031	2,235	113
Totals					<u>3,014,286</u>	<u>42,659</u>	<u>113</u>
Changes in net position					324,789	12,114	(1,163)
Net position - beginning					<u>13,302,329</u>	<u>83,140</u>	<u>5,308</u>
Net position - ending					<u>\$ 13,627,118</u>	<u>\$ 95,254</u>	<u>\$ 4,145</u>

See notes to financial statements



	<u>General</u>	<u>Local Streets</u>	<u>Blue Star Corridor Improvement</u>	<u>Nonmajor funds</u>	<u>Total governmental funds</u>
<b>ASSETS</b>					
Cash	\$ 6,324	\$ 221,693	\$ 224,843	\$ 513,294	\$ 966,154
Investments	2,692,944	-	-	-	2,692,944
Receivables	200,122	13,209	-	84,562	297,893
Prepays	3,354	730	-	819	4,903
Total assets	<u>\$ 2,902,744</u>	<u>\$ 235,632</u>	<u>\$ 224,843</u>	<u>\$ 598,675</u>	<u>\$ 3,961,894</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Payables	\$ 94,001	\$ 62,944	\$ 94,521	\$ 147,127	\$ 398,593
Escrows	402,122	-	-	-	402,122
Total liabilities	<u>496,123</u>	<u>62,944</u>	<u>94,521</u>	<u>147,127</u>	<u>800,715</u>
Deferred inflows of resources:					
Unavailable special assessments	114,801	-	-	-	114,801
Unavailable lease revenue	24,000	-	-	-	24,000
Total deferred inflows of resources	<u>138,801</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>138,801</u>
Fund balances:					
Nonspendable - prepaids	3,354	730	-	819	4,903
Restricted for:					
Public works	-	171,958	-	210,605	382,563
Recreation and culture	6,196	-	-	-	6,196
Capital improvements	-	-	-	116,251	116,251
Committed for recreation and culture	-	-	-	123,873	123,873
Assigned for:					
Public works	40,357	-	-	-	40,357
Capital improvements	-	-	130,322	-	130,322
Unassigned	2,217,913	-	-	-	2,217,913
Total fund balances	<u>2,267,820</u>	<u>172,688</u>	<u>130,322</u>	<u>451,548</u>	<u>3,022,378</u>
Total liabilities and fund balances	<u>\$ 2,902,744</u>	<u>\$ 235,632</u>	<u>\$ 224,843</u>	<u>\$ 598,675</u>	<u>\$ 3,961,894</u>

## Reconciliation of the balance sheet to the statement of net position:

Total fund balance - total governmental funds \$ 3,022,378

Amounts reported for *governmental activities* in the statement of net position (page 11) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds. 9,889,254

Other long-term assets, consisting of special assessments, are not available to pay for current-period expenditures and, therefore, are presented as deferred inflows of resources in the funds. 114,801

Long-term liabilities, consisting of compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds. (142,559)

Pension-related amounts are not due and payable in the current period or do not represent current financial resources and, therefore, are not reported in the funds:

Net pension liability (762,753)

Deferred outflows related to the pension liability 501,990

Deferred inflows related to the pension liability (75,607)

The assets and liabilities of the internal service fund are included in the *governmental activities* in the statement of net position. 1,079,614

Net position of *governmental activities* \$ 13,627,118

City of the Village of Douglas

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

**BALANCES - governmental funds**

Year ended June 30, 2023

	<u>General</u>	<u>Local Streets</u>	<u>Blue Star Corridor Improvement</u>	<u>Nonmajor funds</u>	<u>Total governmental funds</u>
<b>REVENUES</b>					
Property taxes	\$ 2,697,735	\$ -	\$ -	\$ -	\$ 2,697,735
Licenses and permits	93,187	-	-	-	93,187
Federal grants	21,029	-	-	72,932	93,961
State grants	217,859	117,405	104,255	251,962	691,481
Contributions from local units	189,617	-	-	-	189,617
Charges for services	139,977	-	-	90,835	230,812
Fines and forfeitures	2,955	-	-	-	2,955
Investment return and rentals	81,055	5,852	4,372	10,423	101,702
Other	112,818	-	-	-	112,818
	<u>3,556,232</u>	<u>123,257</u>	<u>108,627</u>	<u>426,152</u>	<u>4,214,268</u>
Total revenues					
<b>EXPENDITURES</b>					
Current:					
General government	840,547	-	-	-	840,547
Public safety	767,169	-	-	-	767,169
Public works	383,396	510,131	-	395,853	1,289,380
Community and economic development	291,372	-	-	-	291,372
Recreation and culture	134,446	-	-	8,857	143,303
Capital outlay	272,748	-	119,213	78,242	470,203
	<u>2,689,678</u>	<u>510,131</u>	<u>119,213</u>	<u>482,952</u>	<u>3,801,974</u>
Total expenditures					
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>					
	<u>866,554</u>	<u>(386,874)</u>	<u>(10,586)</u>	<u>(56,800)</u>	<u>412,294</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	4,500	445,797	-	235,000	685,297
Transfers out	(680,797)	-	-	(4,500)	(685,297)
	<u>(676,297)</u>	<u>445,797</u>	<u>-</u>	<u>230,500</u>	<u>-</u>
Net other financing sources (uses)					
<b>NET CHANGES IN FUND BALANCES</b>					
	190,257	58,923	(10,586)	173,700	412,294
<b>FUND BALANCES - BEGINNING</b>					
	<u>2,077,563</u>	<u>113,765</u>	<u>140,908</u>	<u>277,848</u>	<u>2,610,084</u>
<b>FUND BALANCES - ENDING</b>					
	<u>\$ 2,267,820</u>	<u>\$ 172,688</u>	<u>\$ 130,322</u>	<u>\$ 451,548</u>	<u>\$ 3,022,378</u>

See notes to financial statements

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

Year ended June 30, 2023

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

Net change in fund balance - total governmental funds (page 14) \$ 412,294

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

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

Add - asset acquisitions 1,080,830  
Deduct - depreciation provision (824,967)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Net increase in compensated absences (34,328)  
Net increase in net pension liability (752,250)

Changes in deferred outflows and deferred inflows:

Decrease in deferred inflows of resources related to unavailable revenue (16,898)  
Net increase in deferred outflows of resources related to pension 269,580  
Net increase in deferred inflows of resources related to pension 381,186

The net activity of the internal service fund are reported with *governmental activities*. (190,658)

Change in net position of *governmental activities* \$ 324,789

**STATEMENT OF NET POSITION - Proprietary Fund**

June 30, 2023

	<u>Governmental activities</u>
	<u>Internal service</u>
<b>ASSETS</b>	
Current assets - cash	\$ 445,916
Noncurrent assets - capital assets, net of depreciation	<u>656,542</u>
Total assets	<u>1,102,458</u>
<b>LIABILITIES</b>	
Current liabilities - payables	<u>22,844</u>
<b>NET POSITION</b>	
Investment in capital assets	656,542
Unrestricted	<u>423,072</u>
Total net position	<u>\$ 1,079,614</u>

See notes to financial statements

*City of the Village of Douglas*

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

***Proprietary Fund***

*Year ended June 30, 2023*

	<u><b>Governmental activities</b></u>
	<u><b>Internal service</b></u>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 30,360
<b>OPERATING EXPENSES</b>	
Costs of interfund services	78,404
Depreciation	<u>159,493</u>
Total operating expenses	<u>237,897</u>
<b>OPERATING INCOME (LOSS)</b>	(207,537)
<b>NONOPERATING REVENUE</b>	
Interest revenue	<u>16,879</u>
<b>CHANGE IN NET POSITION</b>	(190,658)
<b>NET POSITION - BEGINNING</b>	<u>1,270,272</u>
<b>NET POSITION - ENDING</b>	<u>\$ 1,079,614</u>

*See notes to financial statements*

**STATEMENT OF CASH FLOWS - Proprietary Fund**

Year ended June 30, 2023

	<b>Governmental activities</b>
	<b>Internal service</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from interfund services provided	\$ 30,360
Payments to suppliers	<u>(58,257)</u>
Net cash provided by (used in) operating activities	(27,897)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of capital assets	(509,222)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received	<u>16,879</u>
<b>NET CHANGE IN CASH</b>	(520,240)
<b>CASH - BEGINNING</b>	<u>966,156</u>
<b>CASH - ENDING</b>	<u><u>\$ 445,916</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>	
Operating income (loss)	\$ (207,537)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	159,493
Change in assets and liabilities - decrease in payables	<u>20,147</u>
Net cash provided by (used in) operating activities	<u><u>\$ (27,897)</u></u>

See notes to financial statements

**STATEMENT OF FIDUCIARY NET POSITION - *custodial funds***

June 30, 2023

	<u>Tax Collection</u>	<u>General Custodial</u>
<b>ASSETS</b>		
Cash	\$ -	\$ -
<b>LIABILITIES</b>		
Due to others	-	-
<b>NET POSITION</b>		
Due to other entities	<u>\$ -</u>	<u>\$ -</u>

See notes to financial statements

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - *custodial funds***

Year ended June 30, 2023

	<u>Tax Collection</u>	<u>General Custodial</u>
<b>ADDITIONS</b>		
Property taxes collected for other governments	\$ 7,234,469	\$ -
Donations collected for other entities	<u>-</u>	<u>28,543</u>
Total additions	<u>7,234,469</u>	<u>28,543</u>
<b>DEDUCTIONS</b>		
Property taxes distributed to other governments	7,234,469	-
Payments to others	<u>-</u>	<u>73,204</u>
Total deductions	<u>7,234,469</u>	<u>73,204</u>
<b>NET CHANGE IN FIDUCIARY NET POSITION</b>	-	(44,661)
<b>NET POSITION - BEGINNING</b>	<u>-</u>	<u>44,661</u>
<b>NET POSITION - ENDING</b>	<u>\$ -</u>	<u>\$ -</u>

See notes to financial statements



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

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

*Reporting entity:*

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

*Discretely presented component units:*

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

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

*Douglas Brownfield Redevelopment Authority:*

The Authority was established in 2019 pursuant to Public Act 381 of 1996, as amended, to promote the revitalization of environmentally distressed areas within the City. The Authority is fiscally dependent on the City because the City Council appoints the Authority's governing body and approves its budget. Fiscal dependence makes the City financially accountable for the Authority and requires the City to report the Authority in the City's financial statements.

*Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The City has no business-type activities.

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

The Blue Star Corridor fund, a capital project fund, accounts for state use tax from marijuana sales, that are used for infrastructure along the blue star corridor.

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

The City also reports custodial funds which account for assets held by the City in a fiduciary capacity for other governments and entities.

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

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

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

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

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

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

*Prepays* - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaids in both the government-wide and fund financial statements.

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

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

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

*Deferred outflows of resources* - The statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element reflects a decrease in net position that applies to a future period. The related expense will not be recognized until a future event occurs. The City reports deferred amounts relating to the defined benefit pension plan, associated with changes in expected and actual investment returns, assumptions, and benefits, which are discussed in Note 9. No deferred outflows of resources affect the governmental funds financial statements.

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

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

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

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

*Deferred inflows of resources* - The statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in equity that applies to a future period. The related revenues will not be recognized until a future event occurs. The City has two items, which arise under the modified accrual basis of accounting, that qualify for reporting in this category. The items represent unavailable revenue, which is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from special assessments and a lease. These amounts are deferred and recognized as inflows of resources in the period that the revenues become available. The City also reports deferred amounts relating to the defined benefit pension plan, associated with changes in expected and actual investment returns, assumptions, and benefits, which are discussed in Note 9.

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

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

*Fund equity* - Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are not in spendable form (prepaids). Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws and regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council. A formal resolution of the City Council is required to establish, modify, or rescind a fund balance commitment. The City reports assigned fund balance for amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. The City Council has delegated the authority to assign fund balance to management, per the City's fund balance resolution. Unassigned fund balance is the residual classification for all other amounts. When the City incurs an expenditure for purposes for which various fund balance classifications can be used, it is the City's policy to use the restricted fund balance first, then committed, assigned, and, finally, unassigned fund balance. The City Council has adopted a minimum fund balance policy in which the total fund balance of the General Fund (excluding any restricted balances) will be equal to at least 25 percent of the current year General Fund expenditures. If the General Fund balance falls below the minimum range, the City will replenish shortages or deficiencies using budget strategies and timeframes as detailed in the policy.

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

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

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

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

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

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

<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
General	Public safety	Code inspections	\$ 48,903	\$ 51,997	\$ 3,094
General	Community and Economic Development	Planning and Zoning	286,563	291,372	4,809

**NOTE 3 - CASH AND INVESTMENTS**

At June 30, 2023, cash and investments are classified in the accompanying financial statements as follows:

	<u>Primary government</u>			<u>Totals</u>
	<u>Governmental activities</u>	<u>Custodial funds</u>	<u>Component units</u>	
Statement of net position:				
Cash	\$ 1,412,070	\$ -	\$ 142,969	\$ 1,555,039
Investments	2,692,944	-	-	2,692,944
Totals	<u>\$ 4,105,014</u>	<u>\$ -</u>	<u>\$ 142,969</u>	<u>\$ 4,247,983</u>

At June 30, 2023, cash and investments consist of the following:

Cash on hand	\$ 275
Deposits with financial institutions	1,554,764
Investments	2,692,944
Total	<u>\$ 4,247,983</u>

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

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

Custodial credit risk for deposits is the risk that, in the event of the failure of a financial institution, the City will not be able to recover its deposits. The City’s investment policy does not specifically address custodial credit risk for deposits. As of June 30, 2023, \$248,649 of the City’s bank balances of \$1,316,553 was exposed to custodial credit risk because it was uninsured and uncollateralized. The City maintains individual and pooled bank accounts for all of its funds and its component units. Due to the use of pooled deposits, it is not practicable to allocate insured and uninsured portions of certain bank balances between the primary government and the component units.

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

<u>Investment</u>	<u>Fair value</u>	<u>Maturity</u>	<u>Rating</u>	<u>Source</u>
Michigan CLASS	\$ 713,828	N/A	AAAm	S&P
U.S. government agency securities:				
Federal Home Loan Bank bonds	910,404	2023-2026	AAA	Moody
Federal Farm Credit Bank bonds	529,578	2023-2029	AAA	Moody
Federal Home Loan Mortgage Corp bonds	451,976	2025	AAA	Moody
Pickney Michigan Community Schools bonds	<u>87,158</u>	2028	Aa1	Moody
	<u>\$ 2,692,944</u>			

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

*Investments in entities that calculate net asset value per share* - The City holds shares in an investment pool where the fair value of the investment is measured on a recurring basis using net asset value per share of the investment pool as a practical expedient. At June 30, 2023, the fair value, unfunded commitments, and redemption rules of that investment are as follows:

	<u>Michigan CLASS</u>
Fair value at June 30, 2023	\$ 713,828
Unfunded commitments	none
Redemption frequency	n/a
Notice period	none

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

The Michigan CLASS investment pool invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated 'A-1' or better), collateralized bank deposits, repurchase agreements (collateralized at 102% by treasury agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. The pool purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

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

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

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

*Concentration of credit risk* - Concentration of credit risk is the risk of loss attributed to the magnitude of the City’s investment in a single issuer. State law and the City’s investment policy place no limitations on the amount that can be invested in any one issuer. The City minimizes concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security of issuer will be minimized. All investments held at year end are reported above.

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

**NOTE 4 - RECEIVABLES**

Receivables as of June 30, 2023, for the City’s individual major funds and nonmajor funds, in the aggregate, all of which are due within one year and are considered fully collectible, were as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Assessments</u>	<u>Lease</u>	<u>Intergovern- mental</u>	<u>Totals</u>
Primary government:					
Governmental:					
General	\$ 15,961	\$ 114,801	\$ 24,000	\$ 45,360	\$ 200,122
Local Streets	-	-	-	13,209	13,209
Nonmajor	<u>53,120</u>	<u>-</u>	<u>-</u>	<u>31,442</u>	<u>84,562</u>
Total governmental	<u>\$ 69,081</u>	<u>\$ 114,801</u>	<u>\$ 24,000</u>	<u>\$ 90,011</u>	<u>\$ 297,893</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ 109,246</u>	<u>\$ 9,600</u>	<u>\$ -</u>	<u>\$ 118,846</u>

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2023, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 442,796	\$ 286,000	\$ -	\$ 728,796
Construction in progress	377,567	121,523	(358,537)	140,553
Subtotal	<u>820,363</u>	<u>407,523</u>	<u>(358,537)</u>	<u>869,349</u>
Capital assets being depreciated:				
Buildings	1,777,556	39,184	(10,935)	1,805,805
Improvements	2,372,996	337,875	-	2,710,871
Machinery and equipment	1,625,391	635,128	(100,169)	2,160,350
Infrastructure	<u>13,975,419</u>	<u>528,879</u>	<u>-</u>	<u>14,504,298</u>
Subtotal	<u>19,751,362</u>	<u>1,541,066</u>	<u>(111,104)</u>	<u>21,181,324</u>
Less accumulated depreciation for:				
Buildings	(660,069)	(45,142)	10,935	(694,276)
Improvements	(769,130)	(157,018)	-	(926,148)
Machinery and equipment	(991,834)	(208,824)	100,169	(1,100,489)
Infrastructure	<u>(8,210,488)</u>	<u>(573,476)</u>	<u>-</u>	<u>(8,783,964)</u>
Subtotal	<u>(10,631,521)</u>	<u>(984,460)</u>	<u>111,104</u>	<u>(11,504,877)</u>
Total capital assets being depreciated	<u>9,119,841</u>	<u>556,606</u>	<u>-</u>	<u>9,676,447</u>
Governmental activities capital assets, net	<u>\$ 9,940,204</u>	<u>\$ 964,129</u>	<u>\$ (358,537)</u>	<u>\$10,545,796</u>

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

Governmental activities:	
General government	\$ 24,272
Public safety	4,528
Public works	699,741
Recreation and culture	96,426
Depreciation on internal service fund assets	<u>159,493</u>
Total governmental activities	<u>\$ 984,460</u>



**NOTE 6 - PAYABLES**

Payables as of June 30, 2023, for the City’s individual major funds, nonmajor funds, and component units were as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Payroll</u>	<u>Totals</u>
Primary government:			
Governmental:			
General	\$ 65,858	\$ 28,143	\$ 94,001
Local Streets	61,383	1,561	62,944
Water and Sewer Revolving	94,521	-	94,521
Nonmajor	<u>145,356</u>	<u>1,771</u>	<u>147,127</u>
Total governmental	<u>\$ 367,118</u>	<u>\$ 31,475</u>	<u>\$ 398,593</u>
Internal Service - equipment	<u>\$ 22,844</u>	<u>\$ -</u>	<u>\$ 22,844</u>
Component units:			
Downtown Development Authority			
	<u>\$ 3,043</u>	<u>\$ -</u>	<u>\$ 3,043</u>
Brownfield Redevelopment Authority			
	<u>\$ 5,656</u>	<u>\$ -</u>	<u>\$ 5,656</u>

**NOTE 7 - LONG-TERM LIABILITIES**

At June 30, 2023, long-term liabilities consist of compensated absences in the amount of \$142,559.

Long-term liability activity for the year ended June 30, 2023, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Compensated absences	\$ 108,231	\$ 34,328	\$ -	\$ 142,559	\$ -

**NOTE 8 - LEASE**

The City is the lessor of the property at 137 W. Center. The lease was entered into on December 7, 2021, with a commencement date of March 1, 2022, for a term of 3 years. At the end of that term the lessee shall have the option to purchase the property. During the year ended June 30, 2023, the City received lease revenues of \$14,400.

**NOTE 9 - DEFINED BENEFIT PENSION PLAN**

*Plan description:*

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

*Benefits provided:*

The City’s defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries and covers all full-time employees at the City. Retirement benefits for eligible employees vary by division/bargaining unit and are calculated as 2.0% to 2.25% of the employee’s five-year final average compensation times the employee’s years of service, with a maximum of 80% of final average compensation. Normal retirement age is 60, with early retirement at a reduced benefit at age 50, with 25 years of service, or age 55, with 15 years of service. Deferred retirement benefits vest after six years of credited service but are not paid until the date retirement would have occurred had the member remained an employee. Employees in the police/fire division of the plan are required to contribute 1.8% of their compensation to the plan. An employee who leaves service may withdraw their contributions, plus any accumulated interest. Benefit terms, within the parameters of MERS, are established and amended by the authority of the City Council.

*Employees covered by benefit terms:*

At the December 31, 2022, measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	19
Inactive employees entitled to but not yet receiving benefits	15
Active employees	<u>14</u>
 Total	 <u><u>48</u></u>

*Contributions:*

The City is required to contribute amounts at least equal to an actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the fiscal year ended June 30, 2023, City contributions ranged from 10.23% to 22.65% of covered payroll. Currently, employee contributions range from 0% to 1.8% of payroll. For the fiscal year ended June 30, 2023, the City contributed \$136,788 to the plan, and employees contributed \$4,656.

*Net pension liability:*

The City’s net pension liability reported at June 30, 2023, was determined using a measurement of the total pension liability and the pension net position as of December 31, 2022. The total pension liability was determined by an actuarial valuation as of that date.

*Actuarial assumptions:*

The total pension liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%	
Salary increases	3.00%	in the long term
Investment rate of return	7.00%	net of investment expense, including inflation

**NOTE 9 - DEFINED BENEFIT PENSION PLAN (Continued)**

Mortality rates were based on a 50 percent male, 50 percent female blend of the Pub-2010 fully generational MP-2019 scale.

The actuarial assumptions used in the December 31, 2022, valuation were based on the results of the actuarial experience studies from 2014 to 2018, and dated 2020, which is the most recent actuarial experience study.

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

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>	<u>Expected money-weighted rate of return</u>
Global equity	60.00%	4.50%	2.70%
Global fixed income	20.00%	2.00%	0.40%
Private investments	<u>20.00%</u>	7.00%	1.40%
	<u>100.00%</u>		
Inflation			2.50%
Administrative expenses			<u>0.25%</u>
Investment rate of return			<u>7.25%</u>

*Discount rate:*

The discount rate used to measure the total pension liability is 7.25% for 2022. The projection of cash flows used to determine the discount rate assumes that employer contributions will be made at the actuarially determined rates for employers. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**NOTE 9 - DEFINED BENEFIT PENSION PLAN (Continued)**

*Changes in the net pension liability:*

	<i>Increase (decrease)</i>		
	<i>Total pension liability</i>	<i>Plan fiduciary net position</i>	<i>Net pension liability</i>
	<i>(a)</i>	<i>(b)</i>	<i>(a) - (b)</i>
Balances at December 31, 2021	\$ 4,662,387	\$ 4,651,884	\$ 10,503
Changes for the year:			
Service cost	93,888	-	93,888
Interest	335,137	-	335,137
Differences between expected actual experience	(24,748)	-	(24,748)
Changes in assumptions	-	-	-
Employer contributions	-	139,315	(139,315)
Employee contributions	-	4,711	(4,711)
Net investment income	-	(483,371)	483,371
Benefit payments, including refunds	(173,536)	(173,536)	-
Administrative expenses	-	(8,628)	8,628
Net changes	230,741	(521,509)	752,250
Balances at December 31, 2022	\$ 4,893,128	\$ 4,130,375	\$ 762,753

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

The following presents the net pension liability of the City, calculated using the discount rate of 7.25%, as well as what the City's net pension liability would be using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate.

	<i>1% Decrease (6.25%)</i>	<i>Current rate (7.25%)</i>	<i>1% Increase (8.25%)</i>
City's net pension (asset) liability	\$ 1,385,561	\$ 762,753	\$ 246,335

*Pension plan fiduciary net position:*

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

**NOTE 9 - DEFINED BENEFIT PENSION PLAN (Continued)**

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

For the fiscal year ended June 30, 2023, the City recognized pension expense of \$238,271. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources, related to the pension plan, from the following sources:

<u>Source</u>	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Difference between projected and actual earnings	\$ 374,300	\$ -
Difference between expected and actual experience	-	75,607
Difference in assumptions	<u>62,204</u>	<u>-</u>
	436,504	75,607
Contributions made subsequent to the measurement date	<u>65,486</u>	<u>-</u>
Total	<u>\$ 501,990</u>	<u>\$ 75,607</u>

The amount reported as deferred outflows of resources resulting from contributions made subsequent to the measurement date, in the amount of \$65,486, will be recognized as a reduction in the net pension liability in fiscal year 2024.

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

<u>Year ended June 30,</u>	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
2024	\$ 92,191	\$ 67,357
2025	70,668	8,250
2026	109,795	-
2027	<u>163,850</u>	<u>-</u>
Totals	<u>\$ 436,504</u>	<u>\$ 75,607</u>

**NOTE 10 - PROPERTY TAX REVENUE**

The 2022 taxable valuation of the City amounted to \$199,922,707, on which ad valorem taxes levied consisted of 13.0818 mills for operating purposes raising \$2,614,986 which is recognized in the fund financial statements as property tax revenue.

**NOTE 11 - INTERFUND TRANSFERS**

For the year ended June 30, 2023, interfund transfers consisted of the following:

<u>Fund</u>	<u>Transfers in</u>	<u>Fund</u>	<u>Transfers out</u>
General	\$ 4,500	Nonmajor governmental	\$ 4,500
Nonmajor governmental	235,000	General	235,000
Local Street	<u>445,797</u>	General	<u>445,797</u>
Total	<u>\$ 685,297</u>	Total	<u>\$ 685,297</u>

The transfer out of the nonmajor governmental fund to the General Fund represents support for operational costs.

The transfers out of the General Fund to nonmajor governmental funds, represent unrestricted revenues, collected in the General Fund, that were used to support costs accounted for in those funds.

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

**NOTE 12 - JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATION**

*Kalamazoo Lake Sewer and Water Authority:*

The Kalamazoo Lake Sewer and Water Authority is a joint venture of the City, the City of Saugatuck, and the Township of Saugatuck. The Authority’s administrative board consists of five members appointed by each of the three participating units. The Authority was formed to operate, maintain, administer and manage the water and sewerage systems located within the constituent units of government. The City did not provide support to the Authority in fiscal year 2023. Any infrastructure constructed for the City, by the Authority, is recorded as infrastructure on the City’s records. Complete audited financial statements for the Authority can be obtained from their offices. The City has pledged its full faith and credit for its obligation to pay its portion (55.38 percent) of the Authority’s debt service in the event that the Authority is unable to meet its debt service requirements. The Authority’s loan balance at February 28, 2023, was \$2,860,090.

*Saugatuck Township Fire District:*

The Saugatuck Township Fire District is a joint venture of the City, the City of Saugatuck, and the Township of Saugatuck. The District’s administrative board consists of seven members, one at-large member and two members from each of the three participating units. The budget of the District is approved at a joint meeting of the participating units. The City of the Village of Douglas did not provide support to the District in fiscal year 2023. The City does not retain an ongoing financial interest or responsibility in the District and is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

*Interurban Transit Authority:*

The City, in conjunction with the City of Saugatuck and the Township of Saugatuck, created the Interurban Transit Authority, which is considered a jointly governed organization. The Authority’s administrative board consists of six members, two members appointed by each of the three participating units. The City of the Village of Douglas did not provide support to the Authority in fiscal year 2023. The City does not retain an ongoing financial interest or responsibility in the Authority and is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

**NOTE 13 - RISK MANAGEMENT**

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

**NOTE 14 - RESTRICTED NET POSITION**

In the government-wide statement of net position, the governmental activities report restricted net position, in the amount of \$506,559. Of this amount, \$384,112 is restricted for public works, \$6,196 is restricted for recreation and culture, and \$116,251 is restricted for utility system improvements. Net position is restricted by enabling legislation related to the amounts restricted for public works.

**NOTE 15 - CHANGE IN ACCOUNTING PRINCIPLE**

For the year ended June 30, 2023, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. GASB Statement No. 101 replaces GASB 16, *Accounting for Compensated Absences*. The goal of the standard is to create a more consistent model for accounting for compensated absences that can be applied to all types of compensated absence arrangements. These changes were incorporated in the City's 2023 statements and had no effect on the beginning fund balance or net position in any fund.

**NOTE 16 - SUBSEQUENT EVENT**

Subsequent to year end the City entered into an agreement for the purchase of a building for \$1,500,000 plus closing costs.

**REQUIRED SUPPLEMENTARY INFORMATION**



**BUDGETARY COMPARISON SCHEDULE - General Fund**

Year ended June 30, 2023

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
<b>REVENUES</b>				
Property taxes	\$ 2,694,718	\$ 2,697,759	\$ 2,697,735	\$ (24)
Licenses and permits	102,500	87,108	93,187	6,079
Federal grants	-	-	21,029	21,029
State grants	207,960	220,123	217,859	(2,264)
Contributions from local units	182,200	186,331	189,617	3,286
Charges for services	56,950	117,277	139,977	22,700
Fines and forfeitures	4,000	2,907	2,955	48
Investment return and rentals	18,500	21,550	81,055	59,505
Other	70,195	103,110	112,818	9,708
Total revenues	<u>3,337,023</u>	<u>3,436,165</u>	<u>3,556,232</u>	<u>120,067</u>
<b>EXPENDITURES</b>				
General government:				
City Council	22,366	17,047	16,076	971
Manager	185,515	180,090	178,583	1,507
Elections	10,328	8,031	8,031	-
Assessor	63,997	62,664	62,465	199
Treasurer and Clerk	349,752	340,178	335,494	4,684
Building and grounds	128,147	117,236	115,048	2,188
Other	66,900	129,863	124,850	5,013
Total general government	<u>827,005</u>	<u>855,109</u>	<u>840,547</u>	<u>14,562</u>
Public safety:				
Police department	740,370	720,898	715,172	5,726
Code inspections	65,000	48,903	51,997	(3,094)
Total public safety	<u>805,370</u>	<u>769,801</u>	<u>767,169</u>	<u>2,632</u>
Public works:				
Department of public works	309,519	238,724	218,831	19,893
Marina	75,000	75,000	75,000	-
Brownfield redevelopment	124,500	121,449	89,565	31,884
Total public works	<u>509,019</u>	<u>435,173</u>	<u>383,396</u>	<u>51,777</u>

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

Year ended June 30, 2023

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
<b>EXPENDITURES (Continued)</b>				
Community and economic development:				
Planning and zoning	\$ 263,560	\$ 286,563	\$ 291,372	\$ (4,809)
Recreation and culture - parks and recreation	154,898	147,934	134,446	13,488
Capital outlay	131,453	275,032	272,748	2,284
Total expenditures	<u>2,691,305</u>	<u>2,769,612</u>	<u>2,689,678</u>	<u>79,934</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>645,718</u>	<u>666,553</u>	<u>866,554</u>	<u>200,001</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	4,500	4,500	4,500	-
Transfers out	<u>(812,797)</u>	<u>(756,917)</u>	<u>(680,797)</u>	<u>76,120</u>
Total other financing uses	<u>(808,297)</u>	<u>(752,417)</u>	<u>(676,297)</u>	<u>76,120</u>
<b>NET CHANGES IN FUND BALANCES</b>	(162,579)	(85,864)	190,257	276,121
<b>FUND BALANCES - BEGINNING</b>	<u>2,077,563</u>	<u>2,077,563</u>	<u>2,077,563</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 1,914,984</u>	<u>\$ 1,991,699</u>	<u>\$ 2,267,820</u>	<u>\$ 276,121</u>

**BUDGETARY COMPARISON SCHEDULE - Local Street Fund**

Year ended June 30, 2023

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
<b>REVENUES</b>				
State grants	\$ 90,330	\$ 110,094	\$ 117,405	\$ 7,311
Interest	-	-	5,852	5,852
Total revenues	90,330	110,094	123,257	13,163
<b>EXPENDITURES</b>				
Public works	284,852	519,328	510,131	9,197
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	(194,522)	(409,234)	(386,874)	22,360
<b>OTHER FINANCING SOURCES</b>				
Transfers in	260,398	320,398	445,797	125,399
<b>NET CHANGES IN FUND BALANCES</b>				
	65,876	(88,836)	58,923	147,759
<b>FUND BALANCES - BEGINNING</b>				
	113,765	113,765	113,765	-
<b>FUND BALANCES - ENDING</b>				
	\$ 179,641	\$ 24,929	\$ 172,688	\$ 147,759

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

Year ended June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability:									
Service cost	\$ 93,888	\$ 100,529	\$ 102,655	\$ 90,568	\$ 86,011	\$ 95,463	\$ 99,347	\$ 97,912	\$ 89,824
Interest	335,137	331,365	306,336	287,550	273,493	281,803	260,000	242,044	225,872
Differences between expected and actual experience	(24,748)	(177,322)	(22,535)	82,303	(31,671)	(335,248)	51,044	(55,441)	-
Changes in assumptions	-	186,612	119,962	141,406	-	-	-	158,592	-
Benefit payments, including refunds	<u>(173,536)</u>	<u>(177,181)</u>	<u>(174,886)</u>	<u>(168,120)</u>	<u>(140,686)</u>	<u>(141,647)</u>	<u>(130,190)</u>	<u>(125,185)</u>	<u>(122,245)</u>
Net change in total pension liability	230,741	264,003	331,532	433,707	187,147	(99,629)	280,201	317,922	193,451
Total pension liability, beginning of year	<u>4,662,387</u>	<u>4,398,384</u>	<u>4,066,852</u>	<u>3,633,145</u>	<u>3,445,998</u>	<u>3,545,627</u>	<u>3,265,426</u>	<u>2,947,504</u>	<u>2,754,053</u>
Total pension liability, end of year	<u>\$4,893,128</u>	<u>\$4,662,387</u>	<u>\$4,398,384</u>	<u>\$4,066,852</u>	<u>\$3,633,145</u>	<u>\$3,445,998</u>	<u>\$3,545,627</u>	<u>\$3,265,426</u>	<u>\$2,947,504</u>
Plan fiduciary net position:									
Contributions - employer	\$ 139,315	\$ 131,784	\$ 88,722	\$ 96,330	\$ 125,508	\$ 400,500	\$ 332,655	\$ 112,267	\$ 109,204
Contributions - employee	4,711	4,200	4,336	4,138	5,912	7,122	7,538	7,093	7,240
Net investment income (loss)	(483,371)	581,455	475,846	455,292	(139,523)	412,837	284,499	(36,439)	143,484
Benefit payments, including refunds	(173,536)	(177,181)	(174,886)	(168,120)	(140,686)	(141,647)	(130,190)	(125,185)	(122,245)
Administrative expenses	<u>(8,628)</u>	<u>(6,669)</u>	<u>(7,510)</u>	<u>(7,847)</u>	<u>(6,860)</u>	<u>(6,514)</u>	<u>(5,570)</u>	<u>(5,280)</u>	<u>(5,280)</u>
Net change in plan fiduciary net position	(521,509)	533,589	386,508	379,793	(155,649)	672,298	488,932	(47,544)	132,403
Plan fiduciary net position, beginning of year	<u>4,651,884</u>	<u>4,118,295</u>	<u>3,731,787</u>	<u>3,351,994</u>	<u>3,507,643</u>	<u>2,835,345</u>	<u>2,346,413</u>	<u>2,393,957</u>	<u>2,261,554</u>
Plan fiduciary net position, end of year	<u>\$4,130,375</u>	<u>\$4,651,884</u>	<u>\$4,118,295</u>	<u>\$3,731,787</u>	<u>\$3,351,994</u>	<u>\$3,507,643</u>	<u>\$2,835,345</u>	<u>\$2,346,413</u>	<u>\$2,393,957</u>
City's net pension (asset) liability, end of year	<u>\$ 762,753</u>	<u>\$ 10,503</u>	<u>\$ 280,089</u>	<u>\$ 335,065</u>	<u>\$ 281,151</u>	<u>\$ (61,645)</u>	<u>\$ 710,282</u>	<u>\$ 919,013</u>	<u>\$ 553,547</u>
Plan fiduciary net position as a percent of total pension liability	84.41%	99.77%	93.63%	91.76%	92.26%	101.79%	79.97%	71.86%	81.22%
Covered payroll	\$ 830,422	\$ 948,054	\$ 945,471	\$ 813,602	\$ 762,993	\$ 884,507	\$ 883,260	\$ 906,913	\$ 853,200
City's net pension (asset) liability as a percentage of covered payroll	91.85%	1.11%	29.62%	41.18%	36.85%	-6.97%	80.42%	101.33%	64.88%

Note: This schedule is being built prospectively after the implementation of GASB 68 in fiscal year 2015. Ultimately, ten years of data will be presented.

**SCHEDULE OF CITY PENSION CONTRIBUTIONS**

Last Ten Fiscal Years Ended June 30

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contributions	\$ 136,788	\$ 137,680	\$ 108,241	\$ 87,938	\$ 108,041	\$ 139,563	\$ 132,427	\$ 119,838	\$ 110,541	\$ 115,686
Contributions in relation to the actuarially determined contributions	<u>136,788</u>	<u>137,680</u>	<u>108,241</u>	<u>87,938</u>	<u>108,041</u>	<u>139,563</u>	<u>395,427</u>	<u>323,088</u>	<u>110,541</u>	<u>115,686</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (263,000)</u>	<u>\$ (203,250)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 830,422	\$ 948,054	\$ 945,471	\$ 813,602	\$ 762,993	\$ 884,507	\$ 883,260	\$ 903,709	\$ 862,446	\$ 870,552
Contributions as a percentage of covered payroll	16.47%	14.52%	11.45%	10.81%	14.16%	15.78%	44.77%	35.75%	12.82%	13.29%

Actuarial valuation information relative to the determination of contributions:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal cost
Amortization method	Level percentage of payroll, open
Remaining amortization period	16 years
Asset valuation method	5-year smoothed fair value
Inflation	2.50%
Salary increases	3.75%
Investment rate of return	7.00%, net of investment and administrative expenses, including inflation
Retirement age	Normal retirement age is 60 years
Mortality	50% Female/50% Male blend of the Pub-2010 fully generational mortality table with scale MP-2019

**SUPPLEMENTARY INFORMATION**

**COMBINING BALANCE SHEET - nonmajor governmental funds**

June 30, 2023

	<u>Major Streets</u>	<u>Schultz Park Launch Ramp</u>	<u>Water and Sewer Revolving</u>	<u>Totals</u>
<b>ASSETS</b>				
Cash	\$ 256,422	\$ 123,917	\$ 132,955	\$ 513,294
Receivables	31,442	-	53,120	84,562
Prepays	<u>819</u>	<u>-</u>	<u>-</u>	<u>819</u>
Total assets	<u>\$ 288,683</u>	<u>\$ 123,917</u>	<u>\$ 186,075</u>	<u>\$ 598,675</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities - payables	<u>\$ 77,259</u>	<u>\$ 44</u>	<u>\$ 69,824</u>	<u>\$ 147,127</u>
Fund balances:				
Nonspendable - prepaids	819	-	-	819
Restricted for capital improvements	-	-	116,251	116,251
Restricted for public works	210,605	-	-	210,605
Committed for recreation and culture	<u>-</u>	<u>123,873</u>	<u>-</u>	<u>123,873</u>
Total fund balances	<u>211,424</u>	<u>123,873</u>	<u>116,251</u>	<u>451,548</u>
Total liabilities and fund balances	<u>\$ 288,683</u>	<u>\$ 123,917</u>	<u>\$ 186,075</u>	<u>\$ 598,675</u>

*City of the Village of Douglas*

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - nonmajor governmental funds**

*Year ended June 30, 2023*

	<u>Major Streets</u>	<u>Schultz Park Launch Ramp</u>	<u>Water and Sewer Revolving</u>	<u>Totals</u>
<b>REVENUES</b>				
Federal grant	\$ -	\$ -	\$ 72,932	\$ 72,932
State grants	251,962	-	-	251,962
Charges for services	-	32,787	58,048	90,835
Interest	5,686	2,699	2,038	10,423
	<u>257,648</u>	<u>35,486</u>	<u>133,018</u>	<u>426,152</u>
Total revenues				
<b>EXPENDITURES</b>				
Current:				
Public works	295,816	-	100,037	395,853
Recreation and culture	-	8,857	-	8,857
Capital outlay	-	-	78,242	78,242
	<u>295,816</u>	<u>8,857</u>	<u>178,279</u>	<u>482,952</u>
Total expenditures				
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>(38,168)</u>	<u>26,629</u>	<u>(45,261)</u>	<u>(56,800)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	110,000	-	125,000	235,000
Transfers out	-	(4,500)	-	(4,500)
	<u>110,000</u>	<u>(4,500)</u>	<u>125,000</u>	<u>230,500</u>
Total other financing sources (uses)				
<b>NET CHANGES IN FUND BALANCES</b>				
	71,832	22,129	79,739	173,700
<b>FUND BALANCES - BEGINNING</b>				
	<u>139,592</u>	<u>101,744</u>	<u>36,512</u>	<u>277,848</u>
<b>FUND BALANCES - ENDING</b>				
	<u>\$ 211,424</u>	<u>\$ 123,873</u>	<u>\$ 116,251</u>	<u>\$ 451,548</u>



City of the Village of Douglas

**BUDGETARY COMPARISON SCHEDULE - Downtown Development Authority**

Year ended June 30, 2023

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
<b>REVENUES</b>				
Property taxes	\$ 39,188	\$ 40,424	\$ 40,424	\$ -
Interest	-	-	2,235	2,235
Other - donations	-	9,000	9,000	-
Total revenues	<u>39,188</u>	<u>49,424</u>	<u>51,659</u>	<u>2,235</u>
<b>EXPENDITURES</b>				
Community and economic development	33,600	47,451	39,545	7,906
Capital contribution to City	-	34,000	-	34,000
Total expenditures	<u>33,600</u>	<u>81,451</u>	<u>39,545</u>	<u>41,906</u>
<b>NET CHANGES IN FUND BALANCES</b>	5,588	(32,027)	12,114	44,141
<b>FUND BALANCES - BEGINNING</b>	<u>83,140</u>	<u>83,140</u>	<u>83,140</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 88,728</u>	<u>\$ 51,113</u>	<u>\$ 95,254</u>	<u>\$ 44,141</u>

*City of the Village of Douglas*

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

*Year ended June 30, 2023*

	<i><b>Original budget</b></i>	<i><b>Final budget</b></i>	<i><b>Actual</b></i>	<i><b>Variance with final budget positive (negative)</b></i>
<b>REVENUES</b>				
Intergovernmental	\$ 14,000	\$ 2,240	\$ -	\$ (2,240)
Interest	-	-	113	113
Total revenues	<u>14,000</u>	<u>2,240</u>	<u>113</u>	<u>(2,127)</u>
<b>EXPENDITURES</b>				
Public works	<u>15,000</u>	<u>1,392</u>	<u>1,276</u>	<u>116</u>
<b>NET CHANGES IN FUND BALANCES</b>	(1,000)	848	(1,163)	(2,011)
<b>FUND BALANCES - BEGINNING</b>	<u>5,308</u>	<u>5,308</u>	<u>5,308</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 4,308</u>	<u>\$ 6,156</u>	<u>\$ 4,145</u>	<u>\$ (2,011)</u>

City of the Village of Douglas

**BUDGETARY COMPARISON SCHEDULE - Brownfield Redevelopment Authority**

Year ended June 30, 2023

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
<b>REVENUES</b>				
Federal grants	\$ 25,000	\$ -	\$ -	\$ -
Intergovernmental	75,000	75,000	75,000	-
Interest	<u>-</u>	<u>-</u>	<u>617</u>	<u>617</u>
Total revenues	100,000	75,000	75,617	617
<b>EXPENDITURES</b>				
Public works	<u>83,000</u>	<u>50,916</u>	<u>49,571</u>	<u>1,345</u>
<b>NET CHANGES IN FUND BALANCES</b>	17,000	24,084	26,046	1,962
<b>FUND BALANCES - BEGINNING</b>	<u>8,825</u>	<u>8,825</u>	<u>8,825</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 25,825</u>	<u>\$ 32,909</u>	<u>\$ 34,871</u>	<u>\$ 1,962</u>