



REGULAR MEETING OF THE DOWAGIAC CITY COUNCIL

Municipal Building, 241 S. Front Street, Dowagiac, Michigan

Monday, January 13, 2014, 7:00 p.m.

AGENDA

- CALL TO ORDER -Mayor Donald D. Lyons
- PLEDGE OF ALLEGIANCE TO THE FLAG -Mayor Donald D. Lyons
- ROLL CALL -Mayor Donald D. Lyons
-Mayor Pro-Tem Leon Laylin
-Councilmember Charles Burling
-Councilmember James Dodd
-Councilmember Randall Gross, Sr.
-Councilmember Lori Hunt
-Councilmember Bob Schuur
- APPROVAL OF MINUTES OF PREVIOUS MEETING – December 9, 2013
December 16, 2013 Special Meeting
- QUESTIONS FROM CITY COUNCIL –
- COMMENTS FROM THE AUDIENCE (NON-AGENDA) –
- COMMENTS FROM THE AUDIENCE (AGENDA) –
- COMMUNICATION –
1. Martin Luther King, Jr. Day Celebration, January 19, 2014
- APPOINTMENT –
1. DART – Recommended by Mayor and offered by Mayor Pro-Tem:
Appoint Peggy Hood to fill Donna Korzun’s expired term of May 2016.
- DISCUSSION –
1. Motion to accept the 2012-13 audited Financial Statements and place on file.
- RESOLUTIONS –
1. Resolution to authorize and direct the City Treasurer to pay the following bills and payroll due: (Roll Call)

BILLS
\$1,224,304.74

PAYROLL (6)
\$120,258.35

TOTAL
\$1,344,563.09

<u>BILLS</u>	<u>PAYROLL (7)</u>	<u>TOTAL</u>
\$0.00	\$178,424.72	\$178,424.72

<u>BILLS</u>	<u>PAYROLL (8)</u>	<u>TOTAL</u>
\$123,284.42	\$125,677.79	\$248,962.21

TOTALS: \$1,347,589.16	\$424,360.86	\$1,771,950.02
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ORDINANCES –

1. First reading of an ordinance to amend Chapter 82, Article V, "Electric Provisions and Rates ", Section 82-279, "Electric rates" of the Dowagiac City Code. (Roll Call)
2. First reading of an ordinance to amend Chapter 82, Article IV, "Water and Sewer Rates ", Section 82 -224, "Sewer rates and service fees" of the Dowagiac City Code. (Roll Call)

CITY MANAGER REPORT ON QUESTIONS FROM COUNCIL FROM PREVIOUS MEETINGS –

COMMENTS FROM CITY OFFICIALS –

ADJOURNMENT –

Kevin P. Anderson
City Manager

Attachments

DOWAGIAC CITY COUNCIL MEETING

Monday December 9, 2013

A regular meeting of the Dowagiac City Council was called to order by Mayor Donald D. Lyons at 7:00 p.m.

Mayor Lyons led the Pledge of Allegiance to the flag.

PRESENT: Mayor Donald D. Lyons; Mayor Pro-Tem Leon D. Laylin; Councilmembers Charles K. Burling, James B. Dodd, Randall G. Gross Sr., Lori A. Hunt and Bob B. Schuur.

STAFF: City Manager Kevin P. Anderson and City Clerk James E. Snow.

Councilmember Dodd moved and Councilmember Laylin seconded that the minutes of the November 25, 2013 meeting be approved.

Approved unanimously.

AWARDS-

1. Presentation of Life-Saving Award to Officers and Firefighters of the Dowagiac Police and Fire Departments.

Mayor Lyons asked the Director of Public Safety to introduce the awards and recipients.

Director Steven Grinnwald made comments, then ask the recipients to step forward. Deputy Police Chief Jarrid Bradford presented a medallion and pin to the following Police Officers: 1) James F. Kusa; 2) Matthew J. Behnke. Deputy Fire Chief Guy Evans presented a medallion and a pin to the following Fire Officers: 1) Michael W. Mattix; 2) Robert A. Nelson; 3) Robert L. Smith.

APPOINTMENT-

1. Planning Commission- Recommended by Mayor and offered by Mayor Pro-Tem: Appoint Whitney Behnke for a term expiring April 2016.

Councilmember Schuur moved and Councilmember Burling seconded to approve the Mayor's appointment.

Approved unanimously.

CITY MANAGER REPORT

1. Authorize an architectural agreement with Arkos Design for the Dowagiac Area History Museum.

From the City Manager:

DOWAGIAC CITY COUNCIL MEETING

Monday December 9, 2013

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ARCHITECTURAL AGREEMENT WITH ARKOS DESIGN

The Dowagiac Area History Museum continues to be well received in the community and the Museum Advisory Committee is continuing to look at the start of a capital campaign to raise funds for renovation of the third floor of the museum, as well as considering a future expansion. To date, donations have been received in excess of \$10,000.

The first step in any fundraising project is to define space needs and develop preliminary architectural drawings with probable estimates of cost. With this information in hand, prospective donors can get a clear understanding of the scope of the project and understand the funds that are necessary to make a capital project successful.

The architectural firm of Arkos Design has provided a proposal that ranges from \$5,000-\$6,700 depending on a final scope of work that is agreed upon. A copy of the proposal is attached.

RECOMMENDATION

Authorize the City Manager to enter into an agreement with Arkos Design for architectural services for the third floor of the Dowagiac Area History Museum and a potential expansion.

Councilmember Burling moved and Councilmember Gross seconded that the recommendation of the City Manager be adopted.

ADOPTED unanimously.

RESOLUTIONS-

1. Resolution to authorize an extension of the development agreement due for Jerdon Development Company.

Councilmember Hunt offered and moved the adoption of the following resolution; seconded by Councilmember Schuur.

WHEREAS, the City of Dowagiac entered into a developer agreement with Thomas F. Jerdon for a municipal water system improvement at the Villamere Condominium project in 2003; and

WHEREAS, the developer has been diligent in reimbursing the City pursuant to the agreement as lots are sold; and

WHEREAS, a balance is still due at the 10-year expiration of the agreement; and

DOWAGIAC CITY COUNCIL MEETING

Monday December 9, 2013

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WHEREAS, the developer has requested an extension of six months or until the sale of Unit 29 occurs; and

WHEREAS, there is no dispute in the amount that remains due; and

WHEREAS, the request for an extension is reasonable and will not negatively impair the financial condition of the water utility.

NOW, THEREFORE, BE IT RESOLVED that the City Attorney be directed to draft an extension agreement until June 15, 2014 or until the sale of Unit 29 occurs; and

BE IT FURTHER RESOLVED that the City Manager shall be authorized to execute said agreement.

ADOPTED unanimously.

2. Resolution to approve the issuance of a Special Land Use Permit to Ms. Laura Wade for establishment of a child care center at 307 First Avenue.

Councilmember Laylin offered and moved the adoption of the following resolution; seconded by Councilmember Dodd.

WHEREAS, Ms. Laura Wade has submitted an application for a Special Land Use Permit for establishing a child care center at 307 First Avenue; and

WHEREAS, pursuant to the compiled Dowagiac City Zoning Ordinance, the Planning Commission has held a hearing to solicit public comment on the request; and

WHEREAS, upon review of the facts and circumstances presented, the Planning Commission formally adopted a resolution recommending approval of such request, with no conditions.

NOW, THEREFORE, BE IT RESOLVED, that the City of Dowagiac, by affirmative vote of its City Council, does hereby approve and grant the issuance of a Special Land Use Permit to Ms. Laura Wade for the establishment of a child care center at 307 First Avenue, Dowagiac, Michigan 49047.

ADOPTED unanimously.

DOWAGIAC CITY COUNCIL MEETING

Monday December 9, 2013

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3. Resolution to authorize and direct the City Treasurer to pay the following bills and payroll due:

Councilmember Schuur offered and moved the adoption of the following resolution; seconded by Councilmember Dodd.

WHEREAS, the following information has been reviewed by the City Manager and City Treasurer and is being presented to City Council with a recommendation to approve invoices and payroll #5 for the period ending 12/5/13:

Invoices: 173,783.43
Payroll: 187,253.78
Total: \$361,037.21

BE IT RESOLVED that the City Manager and City Treasurer are hereby authorized and directed to pay the following bills and payroll due:

Invoices	Payroll	Total
\$173,783.43	\$187,253.78	\$361,037.21

ADOPTED on a roll call vote.

Ayes: Six (6) Burling, Dodd, Hunt, Gross, Laylin and Schuur

Nays: None (0)

Absent: None (0)

Abstain: None (0)

Upon motion by Councilmember Laylin and seconded by Councilmember Dodd, the Dowagiac City Council adjourned at 7:22 p.m.

Donald D. Lyons, Mayor

James E. Snow, City Clerk

SPECIAL DOWAGIAC CITY COUNCIL MEETING

Monday December 16, 2013

A special meeting of the Dowagiac City Council was called to order by Mayor Pro-Tem Leon D. Laylin at 12:00 p.m.

PRESENT: Mayor Pro-Tem Leon D. Laylin; Councilmembers Charles K. Burling, James B. Dodd, Randall G. Gross, Sr., Lori A. Hunt and Bob B. Schuur.

ABSENT: Mayor Donald D. Lyons.

STAFF: City Manager Kevin P. Anderson and City Clerk James E. Snow.

RESOLUTIONS

1. Resolution authorizing the purchase of the Borgess Lee Memorial Hospital medical building on South Front Street (14-160-100-109-00).

Councilmember Schuur offered and moved the adoption of the following resolution; seconded by Councilmember Burling.

WHEREAS, the City has actively pursued the ongoing redevelopment and economic vitality of downtown; and

WHEREAS, it is in the long-term best interest of the City and the downtown to acquire properties for future development as they become available and as the City has resources available; and

WHEREAS, the City needs property for the development of a professional office/retail building on Front and Main Street that will be developed in conjunction with the health department; and

WHEREAS, the City Manager has negotiated the purchase price of \$125,000 with the Lee Memorial Foundation and Borgess Lee; and

NOW, THEREFORE, BE IT RESOLVED that the City of Dowagiac, by the affirmative vote of its City Council, does hereby authorize the City Manager to execute all documents necessary to complete the purchase of property on South Front Street (parcel #14-160-100-109-00).

ADOPTED unanimously.

Upon motion by Councilmember Gross and seconded by Councilmember Hunt, the Dowagiac City Council adjourned at 12:01 p.m.

Leon D. Laylin, Mayor Pro-Tem

James E. Snow, City Clerk



January 5, 2014

Dowagiac City Hall,

The members of Second Baptist Church are preparing for the Martin Luther King, Jr. Day Celebration and one of the events for the celebration, we would like to march from City Hall and end the march at Second Baptist Church.

With your permission, we would like to assemble at City Hall at 2:00 pm **Sunday, January 19, 2014**, and march back to the church.

Please contact Pastor Eugene Staples if this is not acceptable or any other requirements are needed.

God Bless,

Eugene C. Staples, Sr.-Pastor/Teacher

Eugene C. Staples Sr. ~ Pastor / Teacher
203 S. Paul St.
P.O. Box # 892
Dowagiac, MI 49047
Church Phone: (269) 782-6197
Church Email: SecondBaptistDowagiac@Yahoo.com

CITY OF DOWAGIAC
EVENT APPROVAL FORM

Name of Event: Martin Luther King, Jr. Day Celebration
Date(s) of Event: January 19, 2014
Sponsoring Organization: Second Baptist Church
Contact Person(s): Rev. Eugene C. Staples, Sr., Pastor
Contact Person's Telephone: 782-6197

CITY MANAGER:

Final Approval Denial

Comments: _____

Signature _____ Date _____

Department Heads:

Please review the attached event/activity request; indicate conditional approval, approval or denial; and provide comments regarding possible concerns. All comments will be taken under consideration and final approval remains with the City Manager.

DEPARTMENT OF PUBLIC SAFETY:

Approval Approval with conditions Denial

Comments: _____

Signature *Steve L. Smith* Date 1/7/14

DEPARTMENT OF PUBLIC SERVICES:

Approval Approval with conditions Denial

Comments: _____

Signature *James Buford* Date 1-7-14

DOWNTOWN DEVELOPMENT AUTHORITY:

Approval Approval with conditions Denial

Comments: _____

Signature *J. Phillips* Date 1-9-14

CITY OF DOWAGIAC

MEMO TO: Mayor Lyons and City Council Members

FROM: Kevin P. Anderson, City Manager

DATE: January 10, 2014

SUBJECT: Appointment to Boards and Commissions

A Mayoral appointment is on Monday's agenda for your consideration. The appointment is recommended by the Mayor and offered by the Mayor Pro-Tem. The proposed appointment is as follows:

DART

- ✓ Appoint Peggy Hood to fill the unexpired term of May 2016 due to Donna Korzun's resignation.

CITY OF DOWAGIAC

MEMO TO: Mayor and Council Members

FROM: Kevin P. Anderson, City Manager

DATE: January 10, 2014

SUBJECT: Financial Statements

The auditors completed their work and presented the final audit for FY 2012-13. A copy is attached for your review. The auditors will be present to review the financial statements with you and address any questions you may have. The auditors have reported that our financial statements and procedures comply with good accounting practices and law.

The audit is an independent review of the City's financial position and recordkeeping. Council's action is to accept the report and make it part of the City's records. The audit report is available for public review in the Clerk's office or on the City's website.

ADOPTED/REJECTED

Moved by:

Seconded by:

Ayes:

Nays:

Absent:

Abstain:

James E. Snow, City Clerk



January 9, 2014

Management and the City Council
City of Dowagiac
241 South Front Street
Dowagiac, MI 49047

We have completed our audit of the financial statements of City of Dowagiac as of and for the year ended September 30, 2013 and have issued our report dated January 9, 2014. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The appendices to this letter set forth those communications as follows:

- I. Auditors' Communication of Significant Matters with Those Charged with Governance
- II. Other Comments

We discussed these matters with various personnel in the organization during the audit and we would also be pleased to meet with you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, the City Council, and others within the City, and are not intended to be and should not be used by anyone other than those specified parties.

Yeo & Yeo, P.C.
Kalamazoo, Michigan

Appendix I

Auditors' Communication of Significant Matters with Those Charged with Governance

Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated September 1, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

significant accounting policies are described in Note 1 of the financial statements. The Government has adopted Government Accounting Standards *Statements 63 and 65, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position and Items Previously Reported as Assets and Liabilities*, which the government adopted effective October 1, 2012. The new standards provide guidance for reporting deferred outflows of resources, deferred inflows of resources and net position in a statement of financial position and related disclosures. We noted no transactions entered into by the organization during the year where there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. The most sensitive estimates affecting the City of Dowagiac's financial statements were:

Management's estimate of the useful lives of fixed assets, which is based on the length of time management believes those assets will provide some economic benefit in the future.

Management's estimates of other post-employment benefits, which is derived from a calculation including factors such as: life expectancy, historical insurance costs, probability of retirement, and the applicable federal interest rates in effect at the time of the calculation.

Management's estimate of an allowance for doubtful accounts, which is based on their judgment of collectability and aging of the accounts receivable balance.

Disclosures in the financial statements are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial. The adjustments identified during the audit have been communicated to management and management has posted all adjustments.

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

There were no uncorrected misstatements that were more than trivial.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management's Consultations with Other Accountants

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

Other Audit Findings or Issues

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

Other Reports

Other information that is required to be reported to you is included in the: Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Please read all information included in that report to ensure you are aware of relevant information.

Report on Supplementary Information

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Appendix II Other Comments

In planning and performing our audit of the financial statements of City of Dowagiac as of and for the year ended September 30, 2013, we considered City of Dowagiac's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

However, during our audit we became aware of a matter that is an opportunity for strengthening internal controls. This letter does not affect our report dated January 9, 2014, on the financial statements of City of Dowagiac. Our comment and recommendation regarding that matter is:

Significant Deposits Uncollateralized and Uninsured

During our audit, we noted that a significant amount of deposits were considered uncollateralized and uninsured due to multiple accounts held at one financial institution. Effective January 1, 2013, deposits are only insured up to \$250,000 for each depositor.

We recommend diversifying accounts over different financial institutions in order to provide additional protection over the City's deposits.

**City of Dowagiac
Dowagiac, Michigan**

**Annual Financial Statements
and
Independent Auditors' Report
September 30, 2013**

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City of Dowagiac
List of Elected and Appointed Officials
September 30, 2013

City Council

Donald D. Lyons – Mayor

Lori Hunt – Council Member

Randall Gross, Sr. – Council Member

James Dodd – Council Member

Bob Schuur – Council Member

Charles Burling – Council Member

Leon Laylin – Council Member

Other Officers and Officials

Kevin Anderson – City Manager



710 E. Milham
Kalamazoo, MI 49002
(269) 329.7007 / (800) 375.3968
Fax (269) 329.0626

Independent Auditors' Report

To the Honorable Mayor and City Council
City of Dowagiac, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dowagiac, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dowagiac, as of September 30, 2013, 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.

Adoption of New Accounting Standards:

As described in Note 1 to the financial statements, during the year ended September 30, 2013, the City adopted new accounting guidance: GASB Statements No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*; GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*; and No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinions are not modified with respect to this matter.

Other Matters:

Required Supplemental Information

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

Other Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dowagiac's basic financial statements. The list of elected and appointed officials and other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplemental information, as identified in the table of contents, 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 other supplemental 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 other supplemental information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The list of elected and appointed officials, which is the responsibility of management, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2014 on our consideration of the City of Dowagiac's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Dowagiac's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Kalamazoo, MI
January 9, 2014

City of Dowagiac
Management's Discussion and Analysis
September 30, 2013

Our discussion and analysis of the City of Dowagiac's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2013. Please read it in conjunction with the City's financial statements.

Overview of the Financial Statements

This discussion and analysis is an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements, and 3) notes to the financial statements. The basic financial statement's focus is on both the City as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow users to address relevant questions, broaden a basis for comparison (interperiod or intergovernmental) and enhance the City's accountability. This report also contains supplemental information in addition to the basic financial statements which further explains and supports the information presented in these statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances. The Statement of Net Position and the Statement of Activities are designed to be corporate-like in that all the governmental and business-type activities are consolidated into columns which add to a total for the Primary Government. These statements should help the reader to answer the question: Is the City, as a whole, better or worse off as a result of this year's activities. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting. The current year's revenues and expenses are recognized regardless of when cash is received or paid.

The focus of the Statement of Net Position is designed to be similar to the bottom line results for the City and its governmental and business-type activities. This statement combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations (total economic resources). This statement presents all of the City's assets and liabilities, with the difference between the two reported as "net position." Over time, increases and decreases in net position may indicate whether the City's financial position is improving or deteriorating. However, in order to assess the overall health of the City, non-financial factors such as the City's property tax base and condition of the City's infrastructure may also need to be considered.

The Statement of Activities is focused on both the gross and net cost of the various activities (governmental, business-type, and component units) which are supported by the City's general tax and other revenues. This presentation is intended to summarize and simplify the user's analysis of the cost of the various governmental services and/or the subsidy to various business-type activities and/or component units. This statement shows how the City's net position changed during the fiscal year. All changes in net position are reported when the underlying events occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

City of Dowagiac
Management's Discussion and Analysis
September 30, 2013

Both statements report three activities:

1. *Governmental Activities*: Most of the City's basic services (i.e., police, fire, streets, parks, etc.) are reported under this category. Taxes and intergovernmental revenues generally fund these services. The City's governmental activities include general government, public safety, highways and streets, transportation, sanitation and sewers, culture and recreation, conservation, and community development.
2. *Business-type Activities*: The City charges fees to customers to help cover all or most of the cost of certain services it provides. The City operates two business-type activities that reflect private sector type operations: The Dowagiac Utilities Department (Electric, Water, and Sewer services) and DART.
3. *Discretely Presented Component Units*: Component units are legally separate organizations over which the City (the City Council acting as a group) can exercise influence and/or for which the City is financially accountable. The Downtown Development Authority, Local Development Finance Authority and Brownfield Redevelopment Authority are component units for which the City provides financial reports.

Using this Annual Report

This annual report consists of a series of financial statements. The full accrual statements include the statement of net position and the statement of activities, which provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

City of Dowagiac
Management's Discussion and Analysis
September 30, 2013

The City as a Whole

The following table shows, in a condensed format, the net position as of the current date compared to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets						
Current and other assets	\$ 5,794,657	\$ 5,557,273	\$ 4,122,906	\$ 4,063,730	\$ 9,917,563	\$ 9,621,003
Restricted investments	-	-	489,349	496,519	489,349	496,519
Notes receivable	31,141	22,852	298,601	373,155	329,742	396,007
Capital assets not being depreciated	3,144,138	3,143,288	92,451	92,451	3,236,589	3,235,739
Capital assets, net of depreciation	6,129,987	5,433,648	7,999,034	8,138,374	14,129,021	13,572,022
Total assets	<u>\$ 15,099,923</u>	<u>\$ 14,157,061</u>	<u>\$ 13,002,341</u>	<u>\$ 13,164,229</u>	<u>\$ 28,102,264</u>	<u>\$ 27,321,290</u>
Liabilities						
Current and other liabilities	\$ 1,829,744	\$ 1,810,442	\$ 1,176,371	\$ 1,121,614	\$ 3,006,115	\$ 2,932,056
Long-term liabilities	1,746,501	1,922,635	1,276,935	1,335,617	3,023,436	3,258,252
Total liabilities	<u>3,576,245</u>	<u>3,733,077</u>	<u>2,453,306</u>	<u>2,457,231</u>	<u>6,029,551</u>	<u>6,190,308</u>
Net assets						
Net investment in capital assets	8,018,198	7,147,505	7,142,380	7,185,056	15,160,578	14,332,561
Restricted	1,171,465	1,144,231	489,349	496,519	1,660,814	1,640,750
Unrestricted	2,334,015	2,132,248	2,917,306	3,025,423	5,251,321	5,157,671
Total net assets	<u>\$ 11,523,678</u>	<u>\$ 10,423,984</u>	<u>\$ 10,549,035</u>	<u>\$ 10,706,998</u>	<u>\$ 22,072,713</u>	<u>\$ 21,130,982</u>

As of September 30, 2013, the City's combined net position increased 4.5 percent from a year ago, from \$21,130,982 to \$22,072,713. As we look at the governmental activities and the business-type activities, we can see that net position increased for the governmental activities and decreased for the business-type activities. This will be discussed further in the Statement of Activities section.

Unrestricted net position of the governmental activities, the part of the net position that can be used to finance day-to-day operations, increased from \$2,132,248 on September 30, 2012 to \$2,334,015. The unrestricted net asset balance on September 30, 2013 represents 58.0 percent of the annual governmental activities expenses.

City of Dowagiac
Management's Discussion and Analysis
September 30, 2013

The following table shows the changes in net position during the current year compared to the prior year:

	Governmental		Business-type		Total	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues						
Charges for services	\$ 1,009,417	\$ 880,486	\$ 9,522,188	\$ 9,332,276	\$10,531,605	\$10,212,762
Operating grants	662,352	916,935	111,952	114,644	774,304	1,031,579
Capital grants	50,000	94,315	-	48,600	50,000	142,915
Property taxes	1,833,709	1,794,921	46,492	46,370	1,880,201	1,841,291
State revenue sharing	629,986	638,390	-	-	629,986	638,390
Investment earnings	29,322	61,842	-	92,598	29,322	154,440
Miscellaneous income	161,840	158,805	82,581	89,639	244,421	248,444
Total revenues	<u>4,376,626</u>	<u>4,545,694</u>	<u>9,763,213</u>	<u>9,724,127</u>	<u>14,139,839</u>	<u>14,269,821</u>
Program Expenses						
General government	680,440	679,655	-	-	680,440	679,655
Public safety	2,053,321	2,142,958	-	-	2,053,321	2,142,958
Public works	1,057,117	787,764	-	-	1,057,117	787,764
Community and economic development	60,501	21,604	-	-	60,501	21,604
Recreation and culture	101,454	27,424	-	-	101,454	27,424
Interest on long-term debt	70,159	77,995	-	-	70,159	77,995
Electric	-	-	6,737,911	6,350,967	6,737,911	6,350,967
Sewer	-	-	1,489,840	1,424,565	1,489,840	1,424,565
Water	-	-	737,126	725,972	737,126	725,972
D.A.R.T.	-	-	210,335	230,889	210,335	230,889
Total program expenses	<u>4,022,992</u>	<u>3,737,400</u>	<u>9,175,212</u>	<u>8,732,393</u>	<u>13,198,204</u>	<u>12,469,793</u>
Change in net assets before other items	<u>353,634</u>	<u>808,294</u>	<u>588,001</u>	<u>991,734</u>	<u>941,635</u>	<u>1,800,028</u>
Other items						
Transfers	746,060	169,955	(745,964)	(169,955)	96	-
Change in net assets	1,099,694	978,249	(157,963)	821,779	941,731	1,800,028
Net assets, beginning	10,423,984	9,445,735	10,706,998	9,885,219	21,130,982	19,330,954
Net assets, ending	<u>\$11,523,678</u>	<u>\$10,423,984</u>	<u>\$10,549,035</u>	<u>\$10,706,998</u>	<u>\$22,072,713</u>	<u>\$21,130,982</u>

City of Dowagiac
Management's Discussion and Analysis
September 30, 2013

The City's Funds

Our analysis of the City's major fund begins on page 4-4, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City administration creates funds to help manage money for specific purposes, as well as to show accountability for certain activities, such as special property tax millages.

The City's General Fund is the major source of government activities each year. The most significant General Fund expenditures are for public safety operations, with expenses of \$1,941,452 in the governmental activities General Fund in fiscal year 2013. This is equal to nearly 48.5% of all General Fund operational expenses.

General Fund Budgetary Highlights

The City has been proactive in reducing operational expenditures with staffing level reductions and other cost control measures in order to better navigate through uncertain State Revenue Sharing and reductions in property tax bases that the future may bring. Administration will continue to closely monitor to assure that operational expenditures do not exceed revenues. Additionally, the City has been working diligently to promote economic development activities and has completed redevelopment of old industrial facilities as well as increased commercial activities downtown and in commercial districts. Renovations have been complete on the Dowagiac Area History Museum.

Solid Waste Budgetary Highlights

The Michigan Department of Natural Resources and Environment (MDNRE) have asserted a claim with respect to property owned by the City formerly used as a landfill. The landfill was closed in 1992 pursuant to an MDNRE approved Landfill Closure Plan that was prepared by the City. The City of Dowagiac is cooperating to take over the monitoring activities from the MDEQ. A small tax increase was implemented to address the increased costs that will be present for the foreseeable future.

Proprietary Fund Highlights

The 2008-2009 financial statements reflected interfund loans to the Electric Fund for early buyout of a wholesale electric supply contract. The 2012-2013 financial statements show that the Electric Fund has fulfilled and continues to meet its repayment obligations with payoff expected in the 2014-2015 financial statements.

The D.A.R.T Fund continues to experience an operational deficit. Additional funding and/or operational reductions must be made for this fund to break even.

City of Dowagiac
Management's Discussion and Analysis
September 30, 2013

Fiduciary Fund Highlights

The City has a trust agreement with the Michigan Municipal Employees Retirement System (MERS) for the investment of surplus funds on our Retiree Health Insurance Fund. To date, it has transferred \$200,000 to the MERS trust so that it can be invested by MERS. This principal amount has grown to \$320,632 in slightly less than nine years. This trust was established in connection with the City's decision to start advance funding its obligation for postemployment health insurance benefits (OPEB) for its current and future retired employees.

Capital Assets and Debt Administration

At the end of fiscal year 2013, the City has \$17,365,610 invested, after depreciation, in a wide range of capital assets:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Land	\$ 3,143,288	\$ 850	\$ -	\$ 3,144,138
Infrastructure	1,157,712	205,447	-	1,363,159
Land Improvements	1,496,664	357,141	-	1,853,805
Building and Improvements	2,714,043	377,714	8,312	3,083,445
Machinery & Equipment	1,440,648	34,518	54,499	1,420,667
Vehicles	2,349,324	89,062	38,903	2,399,483
Furniture and Equipment	161,245	-	-	161,245
Less: Accumulated depreciation	(3,885,988)	(356,999)	(91,170)	(4,151,817)
Governmental activities capital assets, net	<u>\$ 8,576,936</u>	<u>\$ 707,733</u>	<u>\$ 10,544</u>	<u>\$ 9,274,125</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Land	\$ 92,451	\$ -	\$ -	\$ 92,451
Buildings and Improvements	5,846,540	129,361	52,869	5,923,032
Utility System	12,359,030	281,579	325,024	12,315,585
Machinery & Equipment	107,597	19,771	9,628	117,740
Vehicles	165,002	-	-	\$ 165,002
Less: Accumulated depreciation	(10,339,795)	(432,245)	(249,715)	(10,522,325)
Business-type capital assets, net	<u>\$ 8,230,825</u>	<u>\$ (1,534)</u>	<u>\$ 137,806</u>	<u>\$ 8,091,485</u>

**City of Dowagiac
Management's Discussion and Analysis
September 30, 2013**

Debt of \$1,746,501 is reported as a liability in the governmental activities in the statement of net position and \$1,276,935 of debt related to the sewer and water systems is recorded as a liability in the business-type activities in the statement of net position.

A summary of all long term debt, including the component units is shown in the chart below:

	<u>Balance 9/30/2013</u>	<u>Balance 9/30/2012</u>	<u>Amount due In one year</u>
1997 GOLTB -Building Authority Bond	\$ 480,000	\$ 585,000	\$ 110,000
2000 Installment Purchase-Land	52,475	76,167	25,350
2001 Promissory Note-Land Contract	672,685	692,113	21,041
2001 Michigan Strategic Grant/Loan	50,767	76,151	25,383
Compensated absences	339,540	367,316	-
Other postemployment benefits	151,034	125,888	-
Total Governmental Activities	<u>\$ 1,746,501</u>	<u>\$ 1,922,635</u>	
2010 Water Supply & Sewage Disposal	\$ 895,000	\$ 990,000	\$ 95,000
2010 Unamortized Bond Premium	54,105	55,769	-
Compensated absences	233,565	214,768	-
Other postemployment benefits	94,265	75,080	-
Total Business-Type Activities	<u>\$ 1,276,935</u>	<u>\$ 1,335,617</u>	
2007 Brownfield Development Authority	\$ 665,000	\$ 695,000	\$ 35,000
Compensated absences	1,412	1,639	-
Total Component Units	<u>\$ 666,412</u>	<u>\$ 696,639</u>	

Economic Factors

Like nearly every municipality in Michigan, the City continues to face the pressure of declining tax base and reduced shared revenues from the State of Michigan. The financial reports confirm the City's diligent efforts to reduce operation costs to match the revenue stream.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the City Manager, 241 S. Front Street, Dowagiac, Michigan, 49047.

City of Dowagiac
Statement of Net Position
September 30, 2013

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 4,008,665	\$ 1,021,033	\$ 5,029,698	\$ 17,994
Investments	223,421	1,886,871	2,110,292	-
Receivables				
Taxes	211,888	-	211,888	-
Customers	134,795	1,386,797	1,521,592	-
Accrued interest and other	36,181	13,679	49,860	1
Due from other units of government	285,406	6,188	291,594	-
Due from primary government	-	-	-	58,705
Internal balances	566,184	(566,184)	-	-
Inventories	46,379	199,547	245,926	-
Prepaid items	281,738	52,210	333,948	479
Advance to component unit	-	122,765	122,765	-
Land held for sale	-	-	-	458,382
Restricted assets				
Investments	-	489,349	489,349	-
Notes receivable	31,141	298,601	329,742	-
Capital assets not being depreciated	3,144,138	92,451	3,236,589	-
Capital assets, net of accumulated depreciation	6,129,987	7,999,034	14,129,021	-
Total assets	15,099,923	13,002,341	28,102,264	535,561

See Accompanying Notes to Financial Statements

City of Dowagiac
Statement of Net Position
September 30, 2013

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Liabilities				
Accounts payable	\$ 224,225	\$ 573,076	\$ 797,301	\$ 2,290
Accrued and other liabilities	96,935	63,760	160,695	11,794
Deposits payable	1,285	196,183	197,468	-
Advance from primary government	-	-	-	122,765
Advance from fiduciary fund	-	137,892	137,892	-
Due to component unit	58,705	-	58,705	-
Unearned revenue	1,448,594	205,460	1,654,054	58,705
Noncurrent liabilities				
Other postemployment benefits	151,034	94,265	245,299	-
Due within one year	181,774	95,000	276,774	35,000
Due in more than one year	1,413,693	1,087,670	2,501,363	631,412
 Total liabilities	 <u>3,576,245</u>	 <u>2,453,306</u>	 <u>6,029,551</u>	 <u>861,966</u>
 Net Position				
Net investment in capital assets	8,018,198	7,142,380	15,160,578	-
Restricted for:				
Other special revenue funds	225,314	-	225,314	-
Permanent funds	946,151	-	946,151	-
Debt service	-	152,713	152,713	-
Replacement of capital assets	-	336,636	336,636	-
Unrestricted (deficit)	<u>2,334,015</u>	<u>2,917,306</u>	<u>5,251,321</u>	<u>(326,405)</u>
 Total net position	 <u>\$ 11,523,678</u>	 <u>10,549,035</u>	 <u>22,072,713</u>	 <u>\$ (326,405)</u>

See Accompanying Notes to Financial Statements

City of Dowagiac
Statement of Activities
For the Year Ended September 30, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Functions/Programs								
Primary government								
Governmental activities								
General government	\$ 680,440	\$ 262,030	\$ -	\$ -	\$ (418,410)	\$ -	\$ (418,410)	\$ -
Public safety	2,053,321	535,590	13,037	-	(1,504,694)	-	(1,504,694)	-
Public works	1,057,117	42,404	454,376	-	(560,337)	-	(560,337)	-
Community and economic development	60,501	1,420	168,689	-	109,608	-	109,608	-
Recreation and culture	101,454	167,973	26,250	50,000	142,769	-	142,769	-
Interest on long-term debt	70,159	-	-	-	(70,159)	-	(70,159)	-
Total governmental activities	<u>4,022,992</u>	<u>1,009,417</u>	<u>662,352</u>	<u>50,000</u>	<u>(2,301,223)</u>	<u>-</u>	<u>(2,301,223)</u>	<u>-</u>
Business-type activities								
Electric	6,737,911	7,202,769	-	-	-	464,858	464,858	-
Sewer	1,489,840	1,448,301	-	-	-	(41,539)	(41,539)	-
Water	737,126	838,733	-	-	-	101,607	101,607	-
D.A.R.T. Transportation	210,335	32,385	111,952	-	-	(65,998)	(65,998)	-
Total business-type activities	<u>9,175,212</u>	<u>9,522,188</u>	<u>111,952</u>	<u>-</u>	<u>-</u>	<u>458,928</u>	<u>458,928</u>	<u>-</u>
Total primary government	<u>\$ 13,198,204</u>	<u>\$ 10,531,605</u>	<u>\$ 774,304</u>	<u>\$ 50,000</u>	<u>(2,301,223)</u>	<u>458,928</u>	<u>(1,842,295)</u>	<u>-</u>
Component unit								
Local Development Authority	\$ 35,006	\$ -	\$ -	\$ -				(35,006)
Downtown Development Authority	94,504	22,000	50,192	-				(22,312)
Total component units	<u>\$ 129,510</u>	<u>\$ 22,000</u>	<u>\$ 50,192</u>	<u>\$ -</u>				<u>(57,318)</u>
General revenues								
Property taxes					1,833,709	46,492	1,880,201	114,290
State shared revenue					629,986	-	629,986	-
Unrestricted investment earnings					29,322	-	29,322	-
Miscellaneous					161,840	82,581	244,421	662
Transfers					746,060	(745,964)	96	(96)
Total general revenues					<u>3,400,917</u>	<u>(616,891)</u>	<u>2,784,026</u>	<u>114,856</u>
Change in net position					1,099,694	(157,963)	941,731	57,538
Net position - beginning of year					<u>10,423,984</u>	<u>10,706,998</u>	<u>21,130,982</u>	<u>(383,943)</u>
Net position - end of year					<u>\$ 11,523,678</u>	<u>\$ 10,549,035</u>	<u>\$ 22,072,713</u>	<u>\$ (326,405)</u>

See Accompanying Notes to Financial Statements

**City of Dowagiac
Governmental Funds
Balance Sheet
September 30, 2013**

	General	Permanent Fund		Special Revenue and Debt Service	Total Governmental Funds
		Cemetery Perpetual Care Fund	Public Arts Fund	Nonmajor Governmental Funds	
Assets					
Cash and cash equivalents	\$ 2,039,878	\$ 511,876	\$ 1,250	\$ 321,386	\$ 2,874,390
Investments	-	-	-	37,237	37,237
Receivables					
Taxes	211,888	-	-	-	211,888
Customers	129,056	-	-	4,176	133,232
Accrued interest and other	-	-	-	35,679	35,679
Due from other units of government	198,718	-	-	86,688	285,406
Inventories	46,379	-	-	-	46,379
Prepaid items	65,052	-	-	10,195	75,247
Notes receivable	-	-	-	29,563	29,563
Advances to other funds	-	433,025	-	-	433,025
Total assets	<u>\$ 2,690,971</u>	<u>\$ 944,901</u>	<u>\$ 1,250</u>	<u>\$ 524,924</u>	<u>\$ 4,162,046</u>

See Accompanying Notes to Financial Statements

**City of Dowagiac
Governmental Funds
Balance Sheet
September 30, 2013**

	General	Permanent Fund		Special Revenue and Debt Service	Total Governmental Funds
		Cemetery Perpetual Care Fund	Public Arts Fund	Nonmajor Governmental Funds	
Liabilities					
Accounts payable	\$ 122,408	\$ -	\$ -	\$ 70,850	\$ 193,258
Accrued and other liabilities	69,237	-	-	12,512	81,749
Deposits payable	935	-	-	350	1,285
Due to component unit	58,705	-	-	-	58,705
Unearned revenue	1,448,594	-	-	-	1,448,594
Total liabilities	1,699,879	-	-	83,712	1,783,591
Deferred inflows of resources					
Grants	81,958	-	-	12,500	94,458
Fund Balances					
Non-spendable					
Inventories	46,379	-	-	-	46,379
Prepaid items	65,052	-	-	10,195	75,247
Restricted for					
Special revenue funds	-	-	-	215,598	215,598
Permanent fund	-	944,901	1,250	-	946,151
Assigned	-	-	-	202,919	202,919
Unassigned	797,703	-	-	-	797,703
Total fund balances	909,134	944,901	1,250	428,712	2,283,997
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,690,971	\$ 944,901	\$ 1,250	\$ 524,924	\$ 4,162,046

See Accompanying Notes to Financial Statements

City of Dowagiac
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Position of Governmental Activities
September 30, 2013

Total fund balances for governmental funds	\$ 2,283,997
Total net position for governmental activities in the statement of net position is different because:	
Capital assets net of accumulated depreciation used in governmental activities are not financial resources and therefore are not reported in the funds.	5,076,786
Capital assets not being depreciated used in governmental activities are not financial resources and therefore are not reported in the funds.	3,144,138
Certain receivables are not available to pay for current period expenditures and, therefore are unearned in the funds.	94,458
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(11,343)
Compensated absences	(324,111)
Net other postemployment obligation	(132,682)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	(1,255,927)
Internal service funds are included as part of governmental activities.	<u>2,648,362</u>
Net position of governmental activities	<u><u>\$ 11,523,678</u></u>

City of Dowagiac
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2013

	General	Permanent Fund		Nonmajor Governmental Funds	Total Governmental Funds
		Cemetery Perpetual Care Fund	Public Arts Fund		
Revenues					
Taxes	\$ 1,688,432	\$ -	\$ -	\$ 153,810	\$ 1,842,242
Licenses and permits	93,876	-	-	-	93,876
Federal grants	10,402	-	-	75,000	85,402
State revenue sharing	629,986	-	-	-	629,986
Other state grants	76,866	-	-	454,376	531,242
Local contributions	388,712	-	1,250	20,968	410,930
Charges for services	423,003	14,668	-	7,450	445,121
Fines and forfeitures	51,655	-	-	552	52,207
Interest income	3,778	17,317	-	8,227	29,322
Rental income	86,732	-	-	33,350	120,082
Other revenue	24,057	-	-	21,788	45,845
Total revenues	3,477,499	31,985	1,250	775,521	4,286,255

See Accompanying Notes to Financial Statements

City of Dowagiac
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2013

	General	Permanent Fund		Nonmajor Governmental Funds	Total Governmental Funds
		Cemetery Perpetual Care Fund	Public Arts Fund		
Expenditures					
Current					
General government	\$ 629,266	\$ 1,372	\$ -	\$ 16,014	\$ 646,652
Public safety	1,941,452	-	-	5,227	1,946,679
Public works	154,227	-	-	850,555	1,004,782
Community and economic development	5,541	-	-	54,425	59,966
Recreation and culture	100,557	-	-	-	100,557
Other functions	33,433	-	-	-	33,433
Capital outlay	893,714	-	-	54,718	948,432
Debt service					
Principal retirement	173,504	-	-	-	173,504
Interest and fiscal charges	72,615	-	-	-	72,615
Total expenditures	<u>4,004,309</u>	<u>1,372</u>	<u>-</u>	<u>980,939</u>	<u>4,986,620</u>
Excess (deficiency) of revenues over expenditures	<u>(526,810)</u>	<u>30,613</u>	<u>1,250</u>	<u>(205,418)</u>	<u>(700,365)</u>
Other financing sources (uses)					
Transfers in	536,717	-	-	359,478	896,195
Transfers out	<u>(34,725)</u>	<u>-</u>	<u>-</u>	<u>(130,719)</u>	<u>(165,444)</u>
Total other financing sources and uses	<u>501,992</u>	<u>-</u>	<u>-</u>	<u>228,759</u>	<u>730,751</u>
Net change in fund balance	(24,818)	30,613	1,250	23,341	30,386
Fund balance - beginning of year	<u>933,952</u>	<u>914,288</u>	<u>-</u>	<u>405,371</u>	<u>2,253,611</u>
Fund balance - end of year	<u>\$ 909,134</u>	<u>\$ 944,901</u>	<u>\$ 1,250</u>	<u>\$ 428,712</u>	<u>\$ 2,283,997</u>

See Accompanying Notes to Financial Statements

**City of Dowagiac
Governmental Funds**

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2013**

Net change in fund balances - Total governmental funds	\$ 30,386
Total change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(187,462)
Capital outlay	941,152
Sale of capital assets (net book value)	(4,087)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Grants	94,458
Expenses are recorded when incurred in the statement of activities	
Accrued interest	2,456
Compensated absences	19,750
Other postemployment benefits	(19,863)
Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.	
Repayments of long-term debt	173,504
Internal service funds are also included as governmental activities	<u>49,400</u>
Change in net position of governmental activities	<u><u>\$ 1,099,694</u></u>

See Accompanying Notes to Financial Statements

**City of Dowagiac
Proprietary Funds
Statement of Net Position
September 30, 2013**

	Enterprise Funds					Governmental Activities
	Electric	Sewer	Water	Nonmajor Enterprise Fund D.A.R.T.	Total	Internal Service Funds
Assets						
Current assets						
Cash and cash equivalents	\$ 48,573	\$ 394,468	\$ 561,451	\$ 16,541	\$ 1,021,033	\$ 1,134,275
Investments	1,173,821	405,029	203,201	104,820	1,886,871	186,184
Receivables						
Customers	1,022,656	228,627	135,514	-	1,386,797	1,563
Accrued interest and other	7,895	3,901	1,690	193	13,679	502
Due from other units of government	-	-	-	6,188	6,188	-
Inventories	111,557	13,244	74,746	-	199,547	-
Prepaid items	18,200	18,454	10,488	5,068	52,210	206,491
Advance to component unit	-	122,765	-	-	122,765	-
Advance to other funds	-	-	-	-	-	133,159
Total current assets	<u>2,382,702</u>	<u>1,186,488</u>	<u>987,090</u>	<u>132,810</u>	<u>4,689,090</u>	<u>1,662,174</u>
Noncurrent assets						
Restricted assets						
Investments	336,636	152,713	-	-	489,349	-
Notes receivable	298,601	-	-	-	298,601	1,578
Capital assets not being depreciated	16,775	73,710	1,966	-	92,451	-
Capital assets, net of accumulated depreciation	<u>2,224,748</u>	<u>3,793,020</u>	<u>1,976,347</u>	<u>4,919</u>	<u>7,999,034</u>	<u>1,053,201</u>
Total noncurrent assets	<u>2,876,760</u>	<u>4,019,443</u>	<u>1,978,313</u>	<u>4,919</u>	<u>8,879,435</u>	<u>1,054,779</u>
Total assets	<u>5,259,462</u>	<u>5,205,931</u>	<u>2,965,403</u>	<u>137,729</u>	<u>13,568,525</u>	<u>2,716,953</u>

See Accompanying Notes to Financial Statements

**City of Dowagiac
Proprietary Funds
Statement of Net Position
September 30, 2013**

	Enterprise Funds					Governmental Activities
	Electric	Sewer	Water	Nonmajor Enterprise Fund D.A.R.T.	Total	Internal Service Funds
Liabilities						
Current liabilities						
Accounts payable	\$ 540,217	\$ 16,242	\$ 10,919	\$ 5,698	\$ 573,076	\$ 30,967
Accrued and other liabilities	20,655	25,706	13,962	3,437	63,760	3,843
Deposits payable	144,748	-	51,435	-	196,183	-
Unearned revenue	-	-	205,460	-	205,460	-
Current portion of noncurrent liabilities	-	63,324	31,676	-	95,000	-
Total current liabilities	<u>705,620</u>	<u>105,272</u>	<u>313,452</u>	<u>9,135</u>	<u>1,133,479</u>	<u>34,810</u>
Noncurrent liabilities						
Advance from other funds	566,184	-	-	-	566,184	-
Advance from fiduciary fund	137,892	-	-	-	137,892	-
Accrued compensated absences	107,357	62,331	44,739	19,138	233,565	15,429
Other postemployment benefits	44,732	30,280	14,612	4,641	94,265	18,352
Long-term debt net of current portion	-	569,328	284,777	-	854,105	-
Total noncurrent liabilities	<u>856,165</u>	<u>661,939</u>	<u>344,128</u>	<u>23,779</u>	<u>1,886,011</u>	<u>33,781</u>
Total liabilities	<u>1,561,785</u>	<u>767,211</u>	<u>657,580</u>	<u>32,914</u>	<u>3,019,490</u>	<u>68,591</u>
Net Position						
Net investment in capital assets	2,241,523	3,234,078	1,661,860	4,919	7,142,380	1,053,201
Restricted for:						
Debt service	-	152,713	-	-	152,713	-
Replacement of capital assets	336,636	-	-	-	336,636	-
Unrestricted	1,119,518	1,051,929	645,963	99,896	2,917,306	1,595,161
Total net position	<u>\$ 3,697,677</u>	<u>\$ 4,438,720</u>	<u>\$ 2,307,823</u>	<u>\$ 104,815</u>	<u>\$ 10,549,035</u>	<u>\$ 2,648,362</u>
Net assets of business-type activities					<u>\$ 10,549,035</u>	

See Accompanying Notes to Financial Statements

City of Dowagiac
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended September 30, 2013

	Enterprise Funds					Governmental
	Electric	Sewer	Water	Nonmajor	Total	Activities
				Enterprise Fund D.A.R.T.		Internal Service Funds
Operating revenue						
Charges for service	\$ 7,139,889	\$ 1,433,640	\$ 819,814	\$ 32,385	\$ 9,425,728	\$ 170,145
Penalties	62,880	14,661	12,271	-	89,812	-
Licenses and permits	-	-	6,648	-	6,648	-
Equipment rental	-	-	-	-	-	479,179
Other revenue	48,880	3,102	30,381	218	82,581	18,636
Total operating revenue	<u>7,251,649</u>	<u>1,451,403</u>	<u>869,114</u>	<u>32,603</u>	<u>9,604,769</u>	<u>667,960</u>
Operating expenses						
Personnel services	669,595	596,384	322,502	136,818	1,725,299	142,224
Supplies	25,347	73,100	88,302	22,326	209,075	77,733
Property tax equivalents	466,235	-	-	-	466,235	-
Contractual services	272,929	150,580	69,679	9,445	502,633	80,512
Purchase of power	4,559,513	-	-	-	4,559,513	-
Administrative expense	43,790	10,029	4,564	1,615	59,998	8,391
Telephone	3,456	3,557	3,151	367	10,531	722
Dues and membership fees	17,507	66	750	-	18,323	-
Education and training	3,515	2,579	1,608	-	7,702	-
Printing and publishing	478	-	-	59	537	-
Insurance	29,464	12,175	9,488	3,036	54,163	37,234
Utilities	80,162	225,863	70,965	-	376,990	2,750
Repairs and maintenance	143,237	56,015	30,253	7,201	236,706	94,150
Equipment rental	92,483	82,906	30,526	785	206,700	7,365
Building rent	-	-	-	10,542	10,542	-
Bad debt expense	4,226	1,057	273	-	5,556	-
Other services and supplies	16,130	37,081	-	124	53,335	20,259
Depreciation	176,559	166,645	75,013	14,029	432,246	169,537
Total operating expenses	<u>6,604,626</u>	<u>1,418,037</u>	<u>707,074</u>	<u>206,347</u>	<u>8,936,084</u>	<u>640,877</u>
Operating income (loss)	<u>647,023</u>	<u>33,366</u>	<u>162,040</u>	<u>(173,744)</u>	<u>668,685</u>	<u>27,083</u>

See Accompanying Notes to Financial Statements

City of Dowagiac
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended September 30, 2013

	Enterprise Funds					Governmental Activities
	Electric	Sewer	Water	Nonmajor	Total	Internal Service Funds
				Enterprise Fund D.A.R.T.		
Nonoperating revenue (expenses)						
Property taxes	\$ -	\$ -	\$ -	\$ 46,492	\$ 46,492	\$ -
Federal grant	-	-	-	32,900	32,900	-
State grant	-	-	-	79,052	79,052	-
Investment loss	(44,872)	(33,976)	(13,525)	(3,988)	(96,361)	7,008
Interest expense	(88,413)	(37,827)	(16,527)	-	(142,767)	-
Total nonoperating revenues (expenses)	<u>(133,285)</u>	<u>(71,803)</u>	<u>(30,052)</u>	<u>154,456</u>	<u>(80,684)</u>	<u>7,008</u>
Income (loss) before transfers	513,738	(38,437)	131,988	(19,288)	588,001	34,091
Transfers in	-	45,515	-	-	45,515	20,000
Transfers out	<u>(703,336)</u>	<u>(81,493)</u>	<u>(5,097)</u>	<u>(1,553)</u>	<u>(791,479)</u>	<u>(4,691)</u>
Change in net position	(189,598)	(74,415)	126,891	(20,841)	(157,963)	49,400
Net position - beginning of year	<u>3,887,275</u>	<u>4,513,135</u>	<u>2,180,932</u>	<u>125,656</u>	<u>10,706,998</u>	<u>2,598,962</u>
Net position - end of year	<u>\$ 3,697,677</u>	<u>\$ 4,438,720</u>	<u>\$ 2,307,823</u>	<u>\$ 104,815</u>	<u>\$ 10,549,035</u>	<u>\$ 2,648,362</u>

See Accompanying Notes to Financial Statements

City of Dowagiac
Proprietary Funds
Statement of Cash Flows
For the Year Ended September 30, 2013

	Business-type Activities - Enterprise Funds				
	Electric	Sewer	Water	Nonmajor	Total
				Enterprise Fund D.A.R.T.	
Cash flows from operating activities					
Receipts from customers	\$ 7,326,886	\$ 1,469,863	\$ 1,065,619	\$ 32,009	\$ 9,894,377
Payments to suppliers	(5,862,564)	(869,186)	(428,407)	(97,132)	(7,257,289)
Payments to employees	(425,957)	(370,532)	(204,667)	(99,003)	(1,100,159)
Net cash provided (used) by operating activities	<u>1,038,365</u>	<u>230,145</u>	<u>432,545</u>	<u>(164,126)</u>	<u>1,536,929</u>
Cash flows from noncapital financing activities					
Transfer from other funds	-	45,515	-	-	45,515
Transfers to other funds	(703,336)	(81,493)	(5,097)	(1,553)	(791,479)
Property taxes	-	-	-	46,492	46,492
Federal grant	-	-	-	32,900	32,900
State grant	-	-	-	79,052	79,052
Net cash provided (used) by noncapital financing activities	<u>(703,336)</u>	<u>(35,978)</u>	<u>(5,097)</u>	<u>156,891</u>	<u>(587,520)</u>
Cash flows from capital and related financing activities					
Advances from (to) other funds	(505,459)	21,460	-	-	(483,999)
Purchases/construction of capital assets	(260,690)	(26,898)	(138,122)	(5,002)	(430,712)
Principal and interest paid on long-term debt	(88,413)	(109,975)	(52,626)	-	(251,014)
Proceeds from sale of capital assets	51,709	36,461	49,636	-	137,806
Net cash used by capital and related financing activities	<u>(802,853)</u>	<u>(78,952)</u>	<u>(141,112)</u>	<u>(5,002)</u>	<u>(1,027,919)</u>
Cash flows from investing activities					
Proceeds from sales and maturities of investments	113,889	45,524	17,619	5,281	182,313
Interest received	(46,960)	(36,579)	(14,157)	(3,956)	(101,652)
Net cash provided by investing activities	<u>66,929</u>	<u>8,945</u>	<u>3,462</u>	<u>1,325</u>	<u>80,661</u>
Net increase (decrease) in cash and cash equivalents	(400,895)	124,160	289,798	(10,912)	2,151
Cash and cash equivalents - beginning of year	<u>449,468</u>	<u>270,308</u>	<u>271,653</u>	<u>27,453</u>	<u>1,018,882</u>
Cash and cash equivalents - end of year	<u>\$ 48,573</u>	<u>\$ 394,468</u>	<u>\$ 561,451</u>	<u>\$ 16,541</u>	<u>\$ 1,021,033</u>

See Accompanying Notes to Financial Statements

City of Dowagiac
Proprietary Funds
Statement of Cash Flows
For the Year Ended September 30, 2013

	Business-type Activities - Enterprise Funds				
	Electric	Sewer	Water	Nonmajor	Total
				Enterprise Fund D.A.R.T.	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ 647,023	\$ 33,366	\$ 162,040	\$ (173,744)	\$ 668,685
Adjustments to reconcile operating income to net cash from operating activities					
Depreciation and amortization expense	176,559	166,645	75,013	14,029	432,246
Changes in assets and liabilities					
Receivables (net)	63,319	18,460	191,625	685	274,089
Due from other units of government	-	-	-	(1,279)	(1,279)
Inventories	6,259	823	(3,718)	-	3,364
Prepaid items	14,527	5,006	4,555	1,029	25,117
Accounts payable	98,974	(18,775)	(9,586)	1,144	71,757
Accrued and other liabilities	(1,336)	9,783	550	(827)	8,170
Other postemployment benefits	11,531	5,904	1,690	60	19,185
Customer deposits payable	11,918	-	4,880	-	16,798
Compensated absences	9,591	8,933	5,496	(5,223)	18,797
Net cash provided (used) by operating activities	<u>\$ 1,038,365</u>	<u>\$ 230,145</u>	<u>\$ 432,545</u>	<u>\$ (164,126)</u>	<u>\$ 1,536,929</u>

See Accompanying Notes to Financial Statements

City of Dowagiac
Fiduciary Funds
Statement of Fiduciary Net Position
September 30, 2013

	<u>Retiree Health Insurance</u>		<u>Total Retiree</u>	<u>Agency</u> <u>Funds</u>
	<u>Fiduciary</u> <u>Fund</u>	<u>OPEB Trust</u> <u>Fund</u>	<u>Health Insurance</u> <u>Fund</u>	
Assets				
Cash and cash equivalents	\$ 37,612	\$ -	\$ 37,612	\$ 663,710
Investments	-	320,632	320,632	-
Prepaid expenses	8,989	-	8,989	-
Advance to other funds	137,892	-	137,892	-
	<u>184,493</u>	<u>320,632</u>	<u>505,125</u>	<u>\$ 663,710</u>
Liabilities				
Accounts payable and accrued expenses	3,931	-	3,931	\$ 1,000
Undistributed tax collections	-	-	-	662,710
	<u>3,931</u>	<u>-</u>	<u>3,931</u>	<u>\$ 663,710</u>
Net Position				
Held in trust for retiree health insurance	-	320,632	320,632	
Unrestricted	180,562	-	180,562	
Total net position	<u>\$ 180,562</u>	<u>\$ 320,632</u>	<u>\$ 501,194</u>	

See Accompanying Notes to Financial Statements

City of Dowagiac
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended September 30, 2013

	<u>Retiree Health Insurance Fund</u>
Additions	
Contributions	
Employee contributions	\$ 111,338
Interest	<u>35,370</u>
Total additions	146,708
Deductions	
Benefits	<u>115,049</u>
Change in net position	31,659
Net position - beginning of year	<u>469,535</u>
Net position - end of year	<u><u>\$ 501,194</u></u>

See Accompanying Notes to Financial Statements

City of Dowagiac
Notes to Financial Statements
September 30, 2013

Note 1 - Summary of Significant Accounting Policies

Reporting entity

City of Dowagiac (the "City") is governed by a City Manager and City Council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

Discretely Presented Component Units – The component unit column in the entity wide financial statements includes the financial data of the following:

Downtown Development Authority – The Downtown Development Authority (DDA) is a separate legal entity. The budgets and expenditures of the DDA are approved by the City Council. The City has the ability to significantly influence operations of the Local Development Finance Authority. The City has backed the DDA's long-term debt.

Local Development Finance Authority – The Local Development Finance Authority (LDFA) is a separate legal entity. The budgets and expenditures of the LDFA are approved by the City Council. The City has the ability to significantly influence operations of the Local Development Finance Authority.

Blended Component Units – transactions of the Dowagiac Municipal Building Authority are included in the funds of the primary government. The purpose of the Building Authority was to finance the construction of the new City Hall in 1997. The Dowagiac Housing Commission is not a component unit of the City.

Jointly Governed Organizations – The City participates in the following activity which is considered to be a jointly governed organization in relation to the City, due to there being no ongoing financial interest or responsibility:

The Cass-Van Buren Emergency Services Authority – The City of Dowagiac, Townships of Keeler, LaGrange, Pokagon, Silver Creek, Volinia and Wayne, and the Pokagon Band of Potawatami Indians jointly established the Cass-Van Buren Emergency Services Authority. Each member appoints a representative to serve on the administrative board of the Authority.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government and its component units. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

City of Dowagiac
Notes to Financial Statements
September 30, 2013

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

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary 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 revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be

susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund – The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Cemetery Perpetual Care Fund – The Cemetery Perpetual Care Fund is a Permanent Fund used to account for the maintenance and improvements of the cemetery.

Public Arts Fund – The Public Arts Fund is a Permanent Fund used to account for long-term maintenance and care of the public art collection.

The government reports the following major proprietary funds:

The Electric Fund – The Electric Fund is used to account for the operations required to provide electric services to the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

The Sewer Fund – The Sewer Fund is used to account for the operations required to provide sewer services to the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

The Water Fund – The Water Fund is used to account for the operations required to provide water services to the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

City of Dowagiac
Notes to Financial Statements
September 30, 2013

Additionally, the government reports the following:

Internal Service Funds – Internal Service Funds are used to account for and allocate computer and motor pool services and costs provided to other funds/departments on a cost-reimbursement basis.

Agency Fund – An Agency Fund is used to account for tax monies collected and held by the City in a trustee capacity or as an agent for other governmental units.

Fiduciary and Trust Funds – A Fiduciary Fund and an OPEB Trust Fund is used to account for the activities and assets of the retiree health insurance funds.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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, including special assessments. 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 electric, sewer, water and the

internal service funds are charges to customers for sales and services. The government also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for electric, sewer, water and the internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, liabilities, and net position or equity

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value based on quoted market price. Certificate of deposits are stated at cost which approximates fair value.

Receivables and payables – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Property taxes attach as an enforceable lien on property as of December 31. City taxes are levied on the following July 1 and are due without penalty on or before September 15 with the final collection date of February 28 before they are added to the County tax rolls. Property taxes billed during the month of July will be used to finance the following year's operations. As such, these taxes are recorded as unearned revenue in each respective fund at September 30.

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The 2012 taxable valuation of the City totaled \$88,060,787 (exclusive of any Michigan Tax Tribunal or Board of Review adjustments), on which ad valorem taxes levied consisted of 14.1521 mills for the City's operating purposes, .5500 for D.A.R.T, and 1.8000 for solid waste disposal.

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Allowances for uncollectible accounts netted with accounts receivable were \$189,000 for the Electric Fund, \$35,000 for the Sewer Fund and \$14,500 for the Water Fund.

Inventories and prepaid items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the City follows the consumption method, and they therefore are capitalized as prepaid items in both entity-wide and fund financial statements.

Restricted assets – Certain resources set aside for equipment replacement, repayment of bonds and to meet bond covenants, are classified as restricted assets on the statement of net position because their use is limited by City Charter and applicable bond covenants.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are capitalized. Buildings and improvements, infrastructure, vehicles, machinery and other equipment, and furniture and equipment are depreciated using the straight-line method over the following useful lives:

Land improvements	20 to 50 years
Buildings and improvements	20 to 50 years
Utility systems	20 to 50 years
Infrastructure	20 to 50 years
Vehicles	5 to 25 years
Machinery and equipment	5 to 33 years
Furniture and equipment	5 to 25 years

Deferred outflows of resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period.

Deferred inflows of resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period.

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Compensated absences – It is the City’s policy to permit employees to accumulate earned but unused sick and vacation days. Employees working the equivalent of a 40-hour work week shall have a maximum cash surrender value of accumulated sick leave based on their date of hire, either up to 80% of 960 hours for those hired before April 30, 1998 or 50% of 480 or 240 hours for those hired thereafter. Fire department employees working the equivalent of five 24-hour days in a bi-weekly period shall have a maximum cash surrender value of accumulated sick leave of up to 36.9231% of 2,756 hours. The maximum accumulated amount of sick hours is dependent upon hire date. There is no maximum cash surrender value of accumulated vacation leave. A liability is recorded when incurred in the government-wide financial statements and the proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only when they have matured or come due for payment – generally when an individual’s employment has terminated as of year-end.

Unearned revenue – Unearned revenue recorded in the General Fund and component units consists of amounts related to property taxes and service agreement revenue received but not yet earned.

Long-term obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Other Postemployment Benefit Costs – The City offers qualified retirees a partial payment of insurance premiums to be used for postemployment healthcare benefits. The City used the alternative measurement method to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, OPEB costs are recognized as the stipend is paid. For the government-wide statements and proprietary funds, the City reports the full accrual cost equal to the current year annual required contribution (ARC) less any current year paid benefits, adjusted for interest and “adjustment to the ARC” on the beginning of the year underpaid amount, if any.

Fund Equity – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable - assets that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts constrained on use imposed by the government’s highest level of decision-making, it’s City Council. A fund balance commitment may be established, modified, or rescinded by a resolution of the City Council.

City of Dowagiac
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Assigned – amounts intended to be used for specific purposes, as determined City Council. Residual amounts in governmental funds other than the general fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the government's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the government's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

Comparative data

Comparative data is not included in the government's financial statements.

Adoption of New Accounting Standard

The Government Accounting Standards Board issued Statements 63 and 65, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position and Items Previously Reported as Assets and Liabilities*, which the government adopted effective October 1, 2012. The new standards provide guidance for reporting deferred outflows of resources, deferred inflows of resources and net position in a statement of financial position and related disclosures.

Upcoming Accounting and Reporting Changes

The Government Accounting Standards Board has issued Statements 67, *Financial Reporting for Pension Plans* and 68 *Accounting and Financial Reporting for Pensions*. Statement 67 changes how public employee pension plans calculate and report their total pension liability. Statement 68 requires governments participating in public employee pension plans to recognize their portion of the long-term obligation for the pension benefits as a liability and to measure the annual costs of the pension benefits. The effect of these changes has not been determined. Statement 67 is effective for the year ending September 30, 2014 and Statement 68 is effective for the year ending September 30, 2015.

The Government Accounting Standards Board has also issued *Statement 69, Government Combinations and Disposals of Government Operations* and *Statement 70, Nonexchange Financial Guarantees*.

Statement 69 provides detailed requirements for the accounting and disclosure of various types of government combinations, such as mergers, acquisitions, and transfers of operations. The guidance available previously was limited to nongovernmental entities, and therefore did not provide practical examples for situations common in government-specific combinations and disposals. The accounting and disclosure requirements for these events vary based on whether a significant payment is made, the continuation or termination of services, and the legal structure of the new or continuing entity. Statement 69 is effective for the year ending September 30, 2015

Statement 70, addresses the accounting and disclosure of situations in which one government offers a financial guarantee on behalf of another government, not-for-profit organization, private entity, or individual without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). A government that extends a nonexchange financial guarantee will be required to recognize a liability when qualitative factors and/or historical data

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indicate that it is “more likely than not” that the government will be required to make a payment on the guarantee. It further requires governments to disclose any outstanding financial guarantees in the notes to the financial statements. Statement 70 is effective for the year ending September 30, 2014.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary information

The government is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year-end.

Prior to the first Council meeting in April, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them, for the General Fund and Special Revenue Funds. A public hearing is conducted to obtain taxpayer comments.

Prior to October 1, the budget is legally enacted through passage of a resolution. Formal budgetary integration is employed as a management control device during the year for all funds except Trust and Agency. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the City Council is included in the required supplemental information.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The City Manager is authorized to transfer budgeted amounts between line items within

an activity; however, any revisions that alter the total expenditures of an activity must be approved by the City Council.

The City does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at September 30 are not carried forward to the following fiscal year.

Note 3 - Deposits and Investments

At year-end, the government’s deposits and investments were reported in the financial statements in the following categories:

	Cash and Cash Equivalents	Investments	Restricted Investments	Total
Governmental activities	\$ 4,008,665	\$ 223,421	\$ -	\$ 4,232,086
Business-type activities	1,021,033	1,886,871	489,349	3,397,253
Total primary government	5,029,698	2,110,292	489,349	7,629,339
Fiduciary funds	701,322	320,632	-	1,021,954
Component units	17,994	-	-	17,994
Total	\$ 5,749,014	\$ 2,430,924	\$ 489,349	\$ 8,669,287

The breakdown between deposits and investments is as follows:

	Primary Government	Fiduciary Funds	Component Unit	Total
Bank deposits (checking and savings accounts, money markets and certificates of deposit)	\$ 5,027,368	\$ 701,322	\$ 17,994	\$ 5,746,684
Investments in securities, mutual funds and similar vehicles	2,599,641	320,632	-	2,920,273
Petty cash and cash on hand	2,330	-	-	2,330
	\$ 7,629,339	\$ 1,021,954	\$ 17,994	\$ 8,669,287

City of Dowagiac
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As of year-end, the government had the following investments:

Investment	Fair Value	Weighted Average Maturities	Rating	Rating Organization
U.S. governmental and agency securities:				
Federal Home Loan Bank	\$ 669,627	7.13	AAA	Moody's
Federal Home Loan Mortg	1,183,702	9.24	AAA	Moody's
Federal National Mortgage Association	746,312	9.71	AAA	Moody's
	<u>2,599,641</u>			
Mutual Funds - MERS total market fund	320,632		N/A	N/A
	<u>\$ 2,920,273</u>			

Interest rate risk – The government does not have a formal investment policy to manage its exposure to fair value losses from changes in interest rates

Credit risk – State statutes and the government's investment policy authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Concentration of credit risk – The government has no policy that would limit the amount that may be issued in any one issuer.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The government does not have a policy for custodial credit risk. As of year-end, \$5,256,958 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of year-end, none of the district's investments were exposed to custodial credit risk. The government does not have a policy for custodial credit risk.

Note 4 - Restricted Investments

The City's restricted investments are determined by the following:

Electric Fund Reserves

The City Charter requires the establishment of an Electric Fund reserve in an amount equal to 20% of the replacement cost of the City's Electric Utility Fund's property and equipment. No appraisal of replacement cost for property and equipment was performed for the year ended September 30, 2013. The Electric Fund reserve account balance for improvements and replacements, as of September 30, 2013, is stated at \$336,636. This balance represents 20% of the estimated replacement cost for property and equipment, which was determined by utilizing the April 17, 2003 appraisal as adjusted for the increase or decrease in the annual Consumer Price Index.

City of Dowagiac
Notes to Financial Statements
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Sewer Fund Reserves

The authorizing ordinance for the 2010 Water Supply and Sewage Disposal System Revenue Refunding Bonds required the establishment and maintenance of various reserve accounts as follows:

Receiving Account – All receipts are initially deposited into this account.

Operation and Maintenance Account – Quarterly transfers are to be made to cover upcoming operating expenses.

Bond and Interest Redemption Account – Quarterly transfers are to be made equal to ½ of the next interest payment due plus ¼ of the next principal payment due. The Sewer Fund reserve account balance for bond and interest redemption, as of September 30, 2013, is stated at \$63,213.

Bond Reserve Account – From the proceeds of the Series 2010 Bonds there shall be an amount set aside which is the lesser of: (1) maximum debt service due in any year; (2) 125% of the average annual debt service; or (3) 10% of the principal amount of the bonds. The Sewer Fund reserve account balance for the bond reserve, as of September 30, 2013, is stated at \$89,500.

Note 5 - Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, unearned revenue are as follows:

	Unearned
Primary government	
Property taxes	\$ 1,402,506
Service agreement	251,548
	\$ 1,654,054
Component unit	
Property taxes	\$ 58,705

	Requirement			Amount Funded
	October 1, 2012	Additions (Reductions)	September 30, 2013	Restricted Investments
<u>Electric Fund:</u>				
Relacement of capital assets	\$ 332,644	\$ 3,992	\$ 336,636	\$ 336,636
<u>Sewer Fund:</u>				
Bond reserve	\$ 99,000	\$ (9,500)	\$ 89,500	\$ 89,500
Bond & interest redemption	64,875	(1,662)	63,213	63,213
	\$ 163,875	\$ (11,162)	\$ 152,713	\$ 152,713

City of Dowagiac
Notes to Financial Statements
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Note 6 - Capital Assets

Capital assets activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 3,143,288	\$ 850	\$ -	\$ 3,144,138
Capital assets being depreciated				
Infrastructure	1,157,712	205,447	-	1,363,159
Land Improvements	1,496,664	357,141	-	1,853,805
Building and Improvements	2,714,043	377,714	8,312	3,083,445
Machinery & Equipment	1,440,648	34,518	54,499	1,420,667
Vehicles	2,349,324	89,062	38,903	2,399,483
Furniture and Equipment	161,245	-	-	161,245
Total capital assets being depreciated	9,319,636	1,063,882	101,714	10,281,804
Less accumulated depreciation for				
Infrastructure	54,154	48,584	-	102,738
Land Improvements	396,551	64,112	-	460,663
Building and Improvements	771,277	59,604	5,804	825,077
Machinery & Equipment	1,639,328	60,031	39,994	1,659,365
Vehicles	872,845	122,817	45,372	950,290
Furniture and Equipment	151,833	1,851	-	153,684
Total accumulated depreciation	3,885,988	356,999	91,170	4,151,817
Net capital assets being depreciated	5,433,648	706,883	10,544	6,129,987
Governmental activities capital assets, net	\$ 8,576,936	\$ 707,733	\$ 10,544	\$ 9,274,125

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 92,451	\$ -	\$ -	\$ 92,451
Capital assets being depreciated				
Buildings and Improvements	5,846,540	129,361	52,869	5,923,032
Utility System	12,359,030	281,579	325,024	12,315,585
Machinery & Equipment	107,597	19,771	9,628	117,740
Vehicles	165,002	-	-	165,002
Total capital assets being depreciated	18,478,169	430,711	387,521	18,521,359
Less accumulated depreciation for				
Business-type funds	10,339,795	432,245	249,715	10,522,325
Net capital assets being depreciated	8,138,374	(1,534)	137,806	7,999,034
Business-type capital assets, net	\$ 8,230,825	\$ (1,534)	\$ 137,806	\$ 8,091,485

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities	
General government	\$ 34,494
Public safety	103,831
Public works	49,137
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	169,537
Total governmental activities	356,999
Business-type activities	
Electric	176,559
Sewer	166,645
Water	75,013
D.A.R.T.	14,029
Total business-type activities	432,246
Total primary government	\$ 789,245

City of Dowagiac
Notes to Financial Statements
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Note 7 - Interfund Receivables, Payables, and Transfers

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

Due to/from primary government and component units:

Due from/to primary government and component units

Receivable Fund	Payable Fund	Amount
L DFA Project	General Fund	\$ 25,761
DDA TIF Project	General Fund	32,944
		<u>\$ 58,705</u>

Advances at year-end are as follows:

Advances due to/from other funds

Receivable Fund	Payable Fund	Amount
Motor Pool	Electric	\$ 133,159
Cemetery Trust	Electric	433,025
Retiree Health Insurance	Electric	137,892
		<u>\$ 704,076</u>

Advances due to/from primary government and component units

Receivable Fund	Payable Fund	Amount
Sewer	L DFA Project	\$ 122,765

City of Dowagiac
Notes to Financial Statements
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The details for interfund transfers are as follows:

Funds Transferred From	Funds Transferred To	Amount
General Fund	Local Street	\$ 10,000
General Fund	Solid Waste	11,999
General Fund	Retention Fund	5,726
Local Street	Solid Waste	611
Local Street	Retention Fund	261
Solid Waste	Retention Fund	85
Rehab Rental	General Fund	1,717
Municipal Facilities & Improvements	Solid Waste	48
Municipal Facilities & Improvements	Retention Fund	22
DDA	Retention Fund	96
DART	Solid Waste	1,047
DART	Retention Fund	506
Depot	Municipal Facilities & Improvements	4,500
Electric	General Fund	460,000
Electric	Local Street	68,000
Electric	Solid Waste	170,499
Electric	Retention Fund	4,839
General Fund	Municipal Facilities & Improvements	7,000
Sewer	General Fund	75,000
Sewer	Solid Waste	4,508
Sewer	Retention Fund	1,983
Water	Solid Waste	3,601
Water	Retention Fund	1,496
Motor Pool	Retention Fund	4,594
Computer Replacement Equipment Fund	Retention Fund	97
Major Street	Solid Waste	665
Major Street	Local Street	77,000
Major Street	Retention Fund	295
Major Street	Sewer	45,515
		<u>\$ 961,710</u>

Note 8 - Interfund Agreements

In 2000, the City issued water and sewage system revenue bonds for which a portion of the bonds was used for the City's northwest storm sewer project, which was 35.297% of the total bond. The City received approval to use Major Street Fund monies to support this portion of the debt service. Therefore, the Major Street Fund has since made an annual transfer to the Sewer Fund which equals 35.297% of the annual debt service payment made from the Sewer Fund. The amount of the transfer from the Major Street Fund to the Sewer Fund during the current fiscal year was \$45,515.

In 2001, the Local Development Finance Authority received a transfer of \$190,000 from the City's Electric Fund which was used for a development project. At that time, there was no repayment agreement. The current agreement indicates that the \$190,000 will be repaid by the LDFA with an annual payment to the Electric Fund of \$34,599 including interest at 3.75% through year 2015. During the current year, there was \$34,599 paid by the LDFA to the Electric Fund on this agreement. The remaining balance on the agreement, as of September 30, 2013, is \$61,754.

Note 9 - Environmental Remediation Loss Contingency

In an August 18, 2009 Demand Letter, the Michigan Department of Natural Resource Environment (DNRE) has indicated that ground water around the site of the former Dowagiac City Landfill contains certain hazardous substances. In the 2009 Demand Letter, the DNRE was demanding that the City undertake certain response activities necessary to protect the public health, safety welfare and the environment. During the current year, the State agreed to allow the City to take over monitoring of well sites and has imposed no additional requirements at this time.

City of Dowagiac
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Note 10 - Purchased Power Agreement

The City entered into an agreement for the period of May 1, 2009 through May 31, 2026, with Indiana Michigan Power Company to purchase electric power for its Electric Fund, on a cost-based formula rate. The contract includes various cancellation clauses for either party based on advance notification dates or specific circumstances arising. The City receives a monthly invoice which includes a demand charge, energy charge and a fuel charge. The fuel charge is adjusted monthly from an estimated fuel rate factor to an actual. The contract also includes a formula rate true-up clause that requires a calendar year computation based on actual generation demand and generation energy charges. As of September 30, 2013, the amount of the true-up adjustment (rebate or additional cost), for the current calendar year, is not currently determinable and has not been recognized.

Note 11 - Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

City of Dowagiac
Notes to Financial Statements
September 30, 2013

Note 12 - Long-Term Debt

The government issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Installment purchase agreements are also general obligations of the government. Other long-term obligations include compensated absences. Compensated absences are typically liquidated with various funds.

Long-term obligation activity is summarized as follows:

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities									
General Obligation Limited Tax Bond									
1997 Building Authority Bonds	\$ 1,600,000	8/1/2017	5.30% - 5.40%	\$110,000 - \$130,000	\$ 585,000	\$ -	\$ 105,000	\$ 480,000	\$ 110,000
2000 Installment Purchase - Land	500,000	12/1/2015	7.00%	25,350 - 27,125	76,167	-	23,692	52,475	25,350
2001 Promissory Note - Land Contract	800,000	12/1/2029	8.00%	21,041 - 69,580	692,113	-	19,428	672,685	21,041
2001 Michigan Strategic Grant/Loan	400,000	8/1/2015	0.00%	25,383 - 25,384	76,151	-	25,384	50,767	25,383
Compensated absences					367,316	-	27,776	339,540	-
Other postemployment benefits					125,888	32,323	7,177	151,034	-
Total governmental activities					<u>\$ 1,922,635</u>	<u>\$ 32,323</u>	<u>\$ 208,457</u>	<u>\$ 1,746,501</u>	<u>\$ 181,774</u>
Business-type activities									
2010 Water Supply & Sewage Disposal System Revenue Refunding Bonds (33.3487% Water & 66.6513% Sewer)	\$ 1,080,000	12/1/2020	3.00% - 4.00%	\$95,000 - \$135,000	\$ 990,000	\$ -	\$ 95,000	\$ 895,000	\$ 95,000
2010 Unamortized Bond Premium on 2010 Water Supply & Sewage Disposal System Revenue Refunding Bonds				1,023 - 9,201	55,769	-	1,664	54,105	-
Compensated absences					214,768	18,797	-	233,565	-
Other postemployment benefits					75,080	23,466	4,281	94,265	-
Total business-type activities					<u>\$ 1,335,617</u>	<u>\$ 42,263</u>	<u>\$ 100,945</u>	<u>\$ 1,276,935</u>	<u>\$ 95,000</u>
Component units									
2007 Brownfield Development Authority Limited Tax General Obligation Bonds	\$ 810,000	5/1/2028	4.000% - 4.375%	\$35,000 - \$60,000	\$ 695,000	\$ -	\$ 30,000	\$ 665,000	\$ 35,000
Compensated absences					1,639	-	227	1,412	-
Total component units					<u>\$ 696,639</u>	<u>\$ -</u>	<u>\$ 30,227</u>	<u>\$ 666,412</u>	<u>\$ 35,000</u>

City of Dowagiac
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Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 110,000	\$ 22,780	\$ 95,000	\$ 31,425
2015	115,000	16,817	95,000	28,575
2016	125,000	10,395	105,000	25,575
2017	130,000	3,509	105,000	21,900
2018	-	-	115,000	17,500
2019 - 2021	-	-	380,000	23,400
	<u>\$ 480,000</u>	<u>\$ 53,501</u>	<u>\$ 895,000</u>	<u>\$ 148,375</u>

Year Ending September 30,	Component Unit	
	Principal	Interest
2014	\$ 35,000	\$ 28,306
2015	35,000	26,906
2016	35,000	25,507
2017	35,000	24,106
2018	40,000	22,706
2019 - 2023	215,000	87,394
2024 - 2028	270,000	36,532
	<u>\$ 665,000</u>	<u>\$ 251,457</u>

Note 13 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City manages its general liability, property, and auto risk/insurance by participating in Michigan Municipal Risk Management Authority, a public entity risk pool providing insurance coverage to its participating members. The City pays premiums to the Authority for its insurance coverage. The Michigan Municipal Risk Management Authority is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based coverage for each incident to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

	Beginning Claims Liability	Current Year Claims and Changes in Reserves	Claims Paid	Ending Claims Liability
9/30/2012	\$ -	\$ 42,787	\$ (42,787)	\$ -
9/30/2013	\$ -	\$ 37,234	\$ (37,234)	\$ -

The City manages its workers' compensation risk/insurance by participating in the Michigan Municipal League (MML), a public entity pool providing insurance coverage to its participating members. The City pays premiums to MML for the insurance coverage. The MML is self-sustaining through member premiums. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

City of Dowagiac
Notes to Financial Statements
September 30, 2013

The City manages its health and dental insurance by purchasing high deductible insurance from Blue Cross/Blue Shield and self-insuring the higher deductibles and prescription costs. The City obtains its other insurance coverage through a commercial insurance company.

	Beginning Claims <u>Liability</u>	Current Year Claims and Changes in <u>Reserves</u>	Claims <u>Paid</u>	Ending Claims <u>Liability</u>
9/30/2012	\$ -	\$ 115,892	\$ (97,592)	\$ 18,300
9/30/2013	\$ 18,300	\$ 29,599	\$ (39,299)	\$ 8,600

Note 14 - Employee Retirement and Benefit Systems

Defined benefit pension plan

Plan description – The government participates in the Michigan Municipal Employees’ Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the government. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917 or on the web at <http://www.mersofmich.com>.

Funding policy – The obligation to contribute to and maintain the system for these employees was established by negotiation with the City’s management and personnel policy. Under the plan, eligible employees are required to contribute 6.50 – 9.2% of earned wages.

Annual pension costs – For the year ending September 30, 2013, the government’s annual pension cost of \$663,361 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2011, using the entry age normal cost method. Significant actuarial assumptions used include: 1) an 8.00 %

investment rate of return; 2) projected salary increases of 4.5 % per year; and 3) additional salary increases ranging from 0% to 4.2% per year depending on age, seniority and merit, and 4) assumption benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 27 years.

Three-year trend information as of December 31 follows:

	2012	2011	2010
Actuarial valuation date			
Annual pension costs	\$ 663,361	\$ 523,478	\$ 542,521
Percentage of APC contributed	100%	100%	100%
Actuarial value of assets	\$ 9,334,296	\$ 9,334,296	\$ 9,107,259
Actuarial accrued liabilities	\$ 17,358,756	\$ 17,358,756	\$ 16,536,496
Unfunded AAL	\$ 8,024,460	\$ 8,024,460	\$ 7,429,237
Funded ratio	54%	54%	55%
Covered payroll	\$ 2,374,859	\$ 2,557,941	\$ 2,409,626
UAAL as a percentage of covered payroll	338%	314%	308%

Other postemployment health care benefits

The City has established a postemployment hospitalization insurance plan for employees retiring after October 1, 1984 who receive benefits under the City Retirement Plan. The plan currently covers fifty-one (51) active employees and eleven (11) retired employees. The obligation to pay postemployment hospitalization insurance premium was established by the City Council. The obligation requires that the City reimburse any eligible employee retiring prior to April 30, 2002 an amount equal to 50% of any premium attributable to the employee only. For employees retiring after May 1, 2002, the maximum amount reimbursed is \$200 per month for all employees except police and public service retirees who are reimbursed a maximum of \$275 per month until age 65 and then \$200 thereafter. At the fund level, the expense is recognized by the City as payments to the retirees are made. During the year, this amounted to \$33,733. The plan does not issue a separate stand-alone financial statement.

City of Dowagiac
Notes to Financial Statements
September 30, 2013

Funding Policy – The City's annual other postemployment benefit (OPEB) cost is calculated based on the *annual required contribution of the employer* (ARC). The City has elected to calculate the ARC and related information using the alternative measurement method for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The City has no obligation to make contributions in advance of when the premiums are due for payment (i.e., may be financed on a "pay-as-you-go" basis). The only current contributions being made are to pay the actual current premiums of the retirees. That amount was less than the annual required contribution and is reflected in the schedule that follows. Administrative costs of the plan are paid for by the City.

Funding Progress – For the year ended September 30, 2013, the City has determined an estimated cost of providing postemployment benefits through the alternative measurement method of calculation as of September 30, 2013. The calculation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to cover the amortization of any unfunded actuarial liabilities from the past, over a period not to exceed 30 years.

	<u>2013</u>
Annual required contribution (recommended)	\$ 75,454
Interest on the prior year's net OPEB obligation	<u>14,068</u>
Less adjustment to the annual required contribution	<u>(11,458)</u>
 Annual OPEB costs	 78,064
Amounts contributed:	
Payments of current premiums	<u>(33,733)</u>
 Increase in net OPEB obligation	 44,331
 OPEB obligation, beginning of year	 <u>200,968</u>
 OPEB obligation, end of year	 <u><u>\$ 245,299</u></u>
 The net OPEB obligation is recorded as follows:	
Governmental activities	\$ 151,034
Business-type activities	<u>94,265</u>
Total	<u><u>\$ 245,299</u></u>

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the fiscal year ended September 30, were as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Annual OPEB cost	\$ 78,064	\$ 103,021	\$ 98,792
Percentage contributed	45%	32%	41%
Net OPEB obligation	245,299	200,968	127,667

City of Dowagiac
Notes to Financial Statements
September 30, 2013

The current funding progress of the plan as of September 30, 2013, the most recent valuation date, is as follows:

Actuarial accrued liabilities (AAL)	\$ 998,944
Actuarial value of plan assets	308,236
Unfunded actuarial accrued liability (UAAL)	<u>\$ 690,708</u>
Funded ratio	30.86%

Information related to funding progress with multi-year trend information indicating whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits is not presented.

Actuarial methods and assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of potential occurrences of certain events in the future. Examples include assumption about future employment, mortality, healthcare costs trends, inflation, etc. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to constant changes and modifications as actual results are compared with past expectations and new estimates and assumptions are made about the future.

Projections of retiree benefits for financial reporting purposes are based on current plan activities as it is handled by the City and the benefits are received by the eligible plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and plan members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the September 30, 2013 OPEB alternative measurement method calculation, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized

as a level percentage of projected payroll on an open basis. Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 7.0 percent was used. The actuarial assumptions include a 7.0 percent a year rate of investment return, compounded annually net after investment expense, which is the expected long-term investment returns on plan assets, a base payroll growth rate of 3.0 percent, and a 7.0 percent interest rate on the beginning of the year OPEB obligation. The remaining amortization period at September 30, 2013 was twenty-seven years.

Deferred compensation plan

The government Board offers all government employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans are held in trust by the ICMA Retirement Corporation and the MERS defined contribution plan. The plan balances and activities are reflected in the government's financial statements.

Note 15 - Subsequent Event

Subsequent to year end, the City paid \$175,000 for a litigation settlement claim.

City of Dowagiac
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended September 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	Actual
	<u>Original</u>	<u>Final</u>		Over (Under)
				<u>Final Budget</u>
Revenues				
Taxes				
Property taxes	\$ 1,673,967	\$ 1,707,500	\$ 1,679,899	\$ (27,601)
Penalties and interest	12,000	10,000	8,533	(1,467)
Licenses and permits	78,725	97,375	93,876	(3,499)
Federal grants	10,350	10,410	10,402	(8)
State revenue sharing	550,000	625,000	629,986	4,986
State grants	102,700	102,700	76,866	(25,834)
Local contributions	251,857	400,860	388,712	(12,148)
Charges for services	362,662	448,505	423,003	(25,502)
Fines and forfeitures	29,500	72,300	51,655	(20,645)
Interest income	25,000	4,500	3,778	(722)
Rental income	87,355	92,280	86,732	(5,548)
Other revenue	10,900	39,170	24,057	(15,113)
Transfers in	184,475	561,750	536,717	(25,033)
Total revenues	<u>3,379,491</u>	<u>4,172,350</u>	<u>4,014,216</u>	<u>(158,134)</u>
Expenditures				
General government				
Township board	15,172	23,170	23,519	349
Manager	99,614	115,225	100,532	(14,693)
Accounting	51,510	66,300	58,247	(8,053)
Clerk	55,537	59,475	50,434	(9,041)
Assessor	33,787	30,460	29,726	(734)
Elections	3,200	8,675	7,007	(1,668)
Buildings and grounds	350,318	401,465	353,469	(47,996)
Attorney	12,000	12,000	6,332	(5,668)
Total general government	<u>621,138</u>	<u>716,770</u>	<u>629,266</u>	<u>(87,504)</u>

City of Dowagiac
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended September 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	Actual
	<u>Original</u>	<u>Final</u>		Over (Under)
				<u>Final Budget</u>
Public safety				
Police	\$ 1,347,551	\$ 1,483,715	\$ 1,375,075	\$ (108,640)
Fire department	411,189	503,985	479,193	(24,792)
Building inspection department	120,938	132,350	87,184	(45,166)
Total public safety	<u>1,879,678</u>	<u>2,120,050</u>	<u>1,941,452</u>	<u>(178,598)</u>
Public works				
Department of public works	80,559	80,575	76,170	(4,405)
Sidewalks	11,161	14,175	7,760	(6,415)
Airport	59,498	83,260	70,297	(12,963)
Total public works	<u>151,218</u>	<u>178,010</u>	<u>154,227</u>	<u>(23,783)</u>
Community and economic development				
Planning	544	8,675	5,541	(3,134)
Recreation and culture				
Parks and recreation	6,500	114,625	100,557	(14,068)
Other functions				
Insurance and bonds	49,000	33,500	31,435	(2,065)
Contingency	60,000	60,000	1,998	(58,002)
Total other functions	<u>109,000</u>	<u>93,500</u>	<u>33,433</u>	<u>(60,067)</u>
Capital outlay	<u>327,000</u>	<u>1,035,775</u>	<u>893,714</u>	<u>(142,061)</u>

City of Dowagiac
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended September 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	Actual
	<u>Original</u>	<u>Final</u>		Over (Under)
				<u>Final Budget</u>
Debt service				
Principal retirement	\$ 259,360	\$ 169,203	\$ 173,504	\$ 4,301
Interest and fiscal charges	-	77,947	72,615	(5,332)
Total debt service	<u>259,360</u>	<u>247,150</u>	<u>246,119</u>	<u>(1,031)</u>
Transfers out	<u>3,000</u>	<u>32,500</u>	<u>34,725</u>	<u>2,225</u>
Total expenditures	<u>3,357,438</u>	<u>4,547,055</u>	<u>4,039,034</u>	<u>(508,021)</u>
Excess (deficiency) of revenues over expenditures	22,053	(374,705)	(24,818)	349,887
Fund balance - beginning of year	<u>933,952</u>	<u>933,952</u>	<u>933,952</u>	<u>-</u>
Fund balance - end of year	<u>\$ 956,005</u>	<u>\$ 559,247</u>	<u>\$ 909,134</u>	<u>\$ 349,887</u>

City of Dowagiac
Required Supplemental Information
Other Postemployment Benefits

Year Ended September 30	Annual Required Contribution	Actual Contribution	Percentage of ARC Contributed
2011	\$ 94,084	\$ 38,360	41%
2012	94,084	29,720	32%
2013	75,454	33,733	45%

Funded Status - The funded status of the plan as of September 30, 2013, the date of the latest actuarial valuation, was as follows:

Actuarial accrued liabilities (AAL)	\$ 998,944
Actuarial value of plan assets	<u>308,236</u>
Unfunded actuarial accrued liability	<u>\$ 690,708</u>
Funded ratio	30.86%
Covered payroll (active plan members)	\$ 2,554,921
UAAL as a percentage of covered payroll	27.03%

City of Dowagiac
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2013

	Special Revenue Funds									Total Nonmajor Governmental Funds
	Major Street	Local Street	Solid Waste	Rehab Loan Payments	Municipal Facilities & Improvements	City Drug Forfeiture	Federal Drug Forfeiture	Depot	Economic Development	
Assets										
Cash and cash equivalents	\$ 48,003	\$ 3,517	\$ 44,255	\$ -	\$ 126,256	\$ 21,782	\$ 255	\$ 37,318	\$ 40,000	\$ 321,386
Investments	37,237	-	-	-	-	-	-	-	-	37,237
Receivables										
Customers	-	-	-	-	4,176	-	-	-	-	4,176
Accrued interest and other	95	-	-	-	35,584	-	-	-	-	35,679
Due from other units of government	54,494	19,694	-	-	-	-	-	-	12,500	86,688
Prepaid items	3,645	3,337	2,734	-	34	-	-	445	-	10,195
Notes and loans receivable	-	-	-	17,063	-	-	-	-	12,500	29,563
Total assets	<u>\$ 143,474</u>	<u>\$ 26,548</u>	<u>\$ 46,989</u>	<u>\$ 17,063</u>	<u>\$ 166,050</u>	<u>\$ 21,782</u>	<u>\$ 255</u>	<u>\$ 37,763</u>	<u>\$ 65,000</u>	<u>\$ 524,924</u>
Liabilities										
Accounts payable	\$ 28,915	\$ 496	\$ 19,994	\$ 6,380	\$ 47	\$ -	\$ -	\$ 18	\$ 15,000	\$ 70,850
Accrued and other liabilities	4,792	5,015	2,705	-	-	-	-	-	-	12,512
Deposits payable	-	-	-	-	350	-	-	-	-	350
Total liabilities	<u>33,707</u>	<u>5,511</u>	<u>22,699</u>	<u>6,380</u>	<u>397</u>	<u>-</u>	<u>-</u>	<u>18</u>	<u>15,000</u>	<u>83,712</u>
Deferred inflows of resources										
Grants	-	-	-	-	-	-	-	-	12,500	12,500
Fund Balances										
Non-spendable										
Prepaid items	3,645	3,337	2,734	-	34	-	-	445	-	10,195
Restricted for										
Special revenue funds	106,122	17,700	21,556	10,683	-	21,782	255	-	37,500	215,598
Assigned	-	-	-	-	165,619	-	-	37,300	-	202,919
Total fund balances	<u>109,767</u>	<u>21,037</u>	<u>24,290</u>	<u>10,683</u>	<u>165,653</u>	<u>21,782</u>	<u>255</u>	<u>37,745</u>	<u>37,500</u>	<u>428,712</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 143,474</u>	<u>\$ 26,548</u>	<u>\$ 46,989</u>	<u>\$ 17,063</u>	<u>\$ 166,050</u>	<u>\$ 21,782</u>	<u>\$ 255</u>	<u>\$ 37,763</u>	<u>\$ 65,000</u>	<u>\$ 524,924</u>

City of Dowagiac
Other Supplemental Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2013

	Special Revenue Funds										Total Nonmajor Governmental Funds
	Major Street	Local Street	Solid Waste	Rehab Loan Payments	Rehab Rental	Municipal Facilities & Improvements	City Drug Forfeiture	Federal Drug Forfeiture	Depot	Economic Development	
Revenues											
Taxes	\$ -	\$ -	\$153,810	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 153,810
Federal grants	-	-	-	-	25,000	-	-	-	-	50,000	75,000
Other state grants	315,605	138,771	-	-	-	-	-	-	-	-	454,376
Local contributions	20,968	-	-	-	-	-	-	-	-	-	20,968
Charges for services	-	-	-	-	7,450	-	-	-	-	-	7,450
Fines and forfeitures	-	-	-	-	-	-	552	-	-	-	552
Interest income	-	-	-	-	-	7,826	-	-	401	-	8,227
Rental income	-	-	-	-	-	18,800	-	-	14,550	-	33,350
Other revenue	18	17	9,230	-	-	12,523	-	-	-	-	21,788
Total revenues	336,591	138,788	163,040	-	32,450	39,149	552	-	14,951	50,000	775,521
Expenditures											
Current											
General government	-	-	-	-	-	16,014	-	-	-	-	16,014
Public safety	-	-	-	-	-	-	5,227	-	-	-	5,227
Public works	231,839	276,958	333,212	-	-	-	-	-	8,546	-	850,555
Community and economic development	-	-	-	11,192	30,733	-	-	-	-	12,500	54,425
Capital outlay	45,489	-	-	-	-	8,500	-	729	-	-	54,718
Total expenditures	277,328	276,958	333,212	11,192	30,733	24,514	5,227	729	8,546	12,500	980,939
Excess (deficiency) of revenues over expenditures	59,263	(138,170)	(170,172)	(11,192)	1,717	14,635	(4,675)	(729)	6,405	37,500	(205,418)
Other financing sources (uses)											
Transfers in	-	155,000	192,978	-	-	11,500	-	-	-	-	359,478
Transfers out	(123,475)	(872)	(85)	-	(1,717)	(70)	-	-	(4,500)	-	(130,719)
Total other financing sources and uses	(123,475)	154,128	192,893	-	(1,717)	11,430	-	-	(4,500)	-	228,759
Net change in fund balance	(64,212)	15,958	22,721	(11,192)	-	26,065	(4,675)	(729)	1,905	37,500	23,341
Fund balance - beginning of year	173,979	5,079	1,569	21,875	-	139,588	26,457	984	35,840	-	405,371
Fund balance - end of year	<u>\$ 109,767</u>	<u>\$ 21,037</u>	<u>\$ 24,290</u>	<u>\$ 10,683</u>	<u>\$ -</u>	<u>\$ 165,653</u>	<u>\$ 21,782</u>	<u>\$ 255</u>	<u>\$37,745</u>	<u>\$ 37,500</u>	<u>\$ 428,712</u>

City of Dowagiac
Other Supplemental Information
Internal Service Funds
Combining Balance Sheet - Internal Service Funds
September 30, 2013

	Motor Pool Equipment Fund	Computer Replacement Equipment Fund	Health/Dental Insurance Fund	Retention Fund	Total
Assets					
Cash and cash equivalents	\$ 834,311	\$ 81,161	\$ 218,803	\$ -	\$ 1,134,275
Investments	186,184	-	-	-	186,184
Receivables					
Customers	1,563	-	-	-	1,563
Accrued interest and other	502	-	-	-	502
Due from other funds					
Prepaid items	23,121	9,441	-	173,929	206,491
Total current assets	<u>1,045,681</u>	<u>90,602</u>	<u>218,803</u>	<u>173,929</u>	<u>1,529,015</u>
Noncurrent assets					
Notes receivable	1,578	-	-	-	1,578
Advance to other funds	133,159	-	-	-	133,159
Capital assets, net of accumulated depreciation	1,011,374	41,827	-	-	1,053,201
Total noncurrent assets	<u>1,146,111</u>	<u>41,827</u>	<u>-</u>	<u>-</u>	<u>1,187,938</u>
Total assets	<u>2,191,792</u>	<u>132,429</u>	<u>218,803</u>	<u>173,929</u>	<u>2,716,953</u>

City of Dowagiac
Other Supplemental Information
Internal Service Funds
Combining Balance Sheet - Internal Service Funds
September 30, 2013

	Motor Pool Equipment Fund	Computer Replacement Equipment Fund	Health/Dental Insurance Fund	Retention Fund	Total
Liabilities					
Accounts payable	\$ 21,200	\$ 1,167	\$ 8,600	\$ -	\$ 30,967
Accrued and other liabilities	<u>2,850</u>	<u>993</u>	<u>-</u>	<u>-</u>	<u>3,843</u>
Total liabilities	<u>24,050</u>	<u>2,160</u>	<u>8,600</u>	<u>-</u>	<u>34,810</u>
Noncurrent liabilities					
Accrued compensated absences	9,990	5,439	-	-	15,429
Other postemployment benefits	<u>15,880</u>	<u>2,472</u>	<u>-</u>	<u>-</u>	<u>18,352</u>
Total noncurrent liabilities	<u>25,870</u>	<u>7,911</u>	<u>-</u>	<u>-</u>	<u>33,781</u>
Total liabilities	<u>49,920</u>	<u>10,071</u>	<u>8,600</u>	<u>-</u>	<u>68,591</u>
Net Position					
Net investment in capital assets	1,011,374	41,827	-	-	1,053,201
Unrestricted	<u>1,130,498</u>	<u>80,531</u>	<u>210,203</u>	<u>173,929</u>	<u>1,595,161</u>
Total net position	<u>\$ 2,141,872</u>	<u>\$ 122,358</u>	<u>\$ 210,203</u>	<u>\$ 173,929</u>	<u>\$ 2,648,362</u>

City of Dowagiac
Other Supplemental Information
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended September 30, 2013

	Motor Pool Equipment Fund	Computer Replacement Equipment Fund	Health/Dental Insurance Fund	Retention Fund	Total
Operating revenue					
Charges for service	\$ 95,497	\$ -	\$ 74,648	\$ -	\$ 170,145
Equipment rental	344,807	134,372	-	-	479,179
Other revenue	8,986	13	-	9,637	18,636
Total operating revenue	<u>449,290</u>	<u>134,385</u>	<u>74,648</u>	<u>9,637</u>	<u>667,960</u>
Operating expenses					
Personnel services	85,002	17,923	39,299	-	142,224
Supplies	72,704	5,029	-	-	77,733
Contractual services	47,968	32,544	-	-	80,512
Administrative expense	5,879	1,650	-	862	8,391
Telephone	-	722	-	-	722
Insurance	-	-	-	37,234	37,234
Utilities	2,750	-	-	-	2,750
Repairs and maintenance	71,019	-	-	-	71,019
Equipment rental	7,365	-	-	-	7,365
Other services and supplies	17,227	3,032	-	-	20,259
Depreciation	155,966	13,571	-	-	169,537
Capital outlay	2,759	20,372	-	-	23,131
Total operating expenses	<u>468,639</u>	<u>94,843</u>	<u>39,299</u>	<u>38,096</u>	<u>640,877</u>
Operating income (loss)	<u>(19,349)</u>	<u>39,542</u>	<u>35,349</u>	<u>(28,459)</u>	<u>27,083</u>
Nonoperating revenue					
Interest income	939	-	104	5,965	7,008
Income (loss) before transfers	(18,410)	39,542	35,453	(22,494)	34,091
Transfers in	-	-	-	20,000	20,000
Transfers out	(4,594)	(97)	-	-	(4,691)
Change in net position	<u>(23,004)</u>	<u>39,445</u>	<u>35,453</u>	<u>(2,494)</u>	<u>49,400</u>
Net position - beginning of year	<u>2,164,876</u>	<u>82,913</u>	<u>174,750</u>	<u>176,423</u>	<u>2,598,962</u>
Net position - end of year	<u>\$ 2,141,872</u>	<u>\$ 122,358</u>	<u>\$ 210,203</u>	<u>\$ 173,929</u>	<u>\$ 2,648,362</u>

City of Dowagiac
Other Supplemental Information
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended September 30, 2013

	Motor Pool Equipment Fund	Computer Replacement Equipment Fund	Health/Dental Insurance Fund	Retention Fund	Total
Cash flows from operating activities					
Receipts from customers	\$ 108,660	\$ -	\$ 74,648	\$ -	\$ 183,308
Receipts from other funds	344,807	134,385	-	9,637	488,829
Payments to suppliers	(210,860)	(12,465)	(48,999)	(35,602)	(307,926)
Payments to employees	(83,704)	(72,673)	-	-	(156,377)
Net cash provided (used) by operating activities	<u>158,903</u>	<u>49,247</u>	<u>25,649</u>	<u>(25,965)</u>	<u>207,834</u>
Cash flows from noncapital financing activities					
Transfer from other funds	-	-	-	20,000	20,000
Transfers to other funds	(4,594)	(97)	-	-	(4,691)
Net cash provided (used) by noncapital financing activities	<u>(4,594)</u>	<u>(97)</u>	<u>-</u>	<u>20,000</u>	<u>15,309</u>
Cash flows from capital and related financing activities					
Advances to/from other funds	293,805	-	-	-	293,805
Purchases/construction of capital assets	(92,108)	(25,015)	-	-	(117,123)
Net cash provided (used) by capital and related financing activities	<u>201,697</u>	<u>(25,015)</u>	<u>-</u>	<u>-</u>	<u>176,682</u>
Cash flows from investing activities					
Proceeds from sales and maturities of investments	14,892	-	-	-	14,892
Interest received	939	-	104	5,965	7,008
Net cash provided by investing activities	<u>15,831</u>	<u>-</u>	<u>104</u>	<u>5,965</u>	<u>21,900</u>
Net increase in cash and cash equivalents	371,837	24,135	25,753	-	421,725
Cash and cash equivalents - beginning of year	<u>462,474</u>	<u>57,026</u>	<u>193,050</u>	<u>-</u>	<u>712,550</u>
Cash and cash equivalents - end of year	<u>\$ 834,311</u>	<u>\$ 81,161</u>	<u>\$ 218,803</u>	<u>\$ -</u>	<u>\$ 1,134,275</u>

City of Dowagiac
Other Supplemental Information
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended September 30, 2013

	Motor Pool Equipment Fund	Computer Replacement Equipment Fund	Health/Dental Insurance Fund	Retention Fund	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ (19,349)	\$ 39,542	\$ 35,349	\$ (28,459)	\$ 27,083
Adjustments to reconcile operating income to net cash from operating activities					
Depreciation and amortization expense	155,966	13,571	-	-	169,537
Changes in assets and liabilities					
Receivables (net)	4,177	-	-	-	4,177
Prepaid items	9,430	5,943	-	2,494	17,867
Accounts payable	1,496	(672)	(9,700)	-	(8,876)
Accrued and other liabilities	634	155	-	-	789
Other postemployment benefits	5,251	32	-	-	5,283
Compensated absences	1,298	(9,324)	-	-	(8,026)
Net cash provided (used) by operating activities	<u>\$ 158,903</u>	<u>\$ 49,247</u>	<u>\$ 25,649</u>	<u>\$ (25,965)</u>	<u>\$ 207,834</u>

City of Dowagiac
Other Supplemental Information
Component Units
Combining Balance Sheet - Component Units
September 30, 2013

	Local Development Finance Authority	Downtown Development Authority	Total
Assets			
Cash and cash equivalents	\$ 15,726	\$ 2,268	\$ 17,994
Receivables			-
Accrued interest and other	1	-	1
Due to primary government	25,761	32,944	58,705
Prepaid expenses	-	479	479
Land held for sale	458,382	-	458,382
	<u>499,870</u>	<u>35,691</u>	<u>535,561</u>
Total assets	<u>\$ 499,870</u>	<u>\$ 35,691</u>	<u>\$ 535,561</u>
Liabilities			
Accounts payable and accrued expenses	\$ -	\$ 2,290	\$ 2,290
Advance from primary government	122,765	-	122,765
Unearned revenue	25,761	32,944	58,705
	<u>148,526</u>	<u>35,234</u>	<u>183,760</u>
Total liabilities	<u>148,526</u>	<u>35,234</u>	<u>183,760</u>
Fund Balance			
Unrestricted	<u>351,344</u>	<u>457</u>	<u>351,801</u>
Total liabilities and fund balance	<u>\$ 499,870</u>	<u>\$ 35,691</u>	<u>\$ 535,561</u>

City of Dowagiac
Other Supplemental Information
Component Units
Reconciliation of the Combining Fund Balances of Component Units
to Net Position of Component Units
September 30, 2013

Total fund balances for component units	\$ 351,801
Total net position for component units in the statement of net position is different because:	
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(11,794)
Compensated absences	(1,412)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Bonds payable	<u>(665,000)</u>
Net position (deficit) of component units	<u><u>\$ (326,405)</u></u>

City of Dowagiac
Other Supplemental Information
Component Units
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2013

	Local Development Finance Authority	Downtown Development Authority	Total
Revenues			
Taxes	\$ 60,978	\$ 53,312	\$ 114,290
Charges for services	-	45,000	45,000
Local contribution	-	27,192	27,192
Other revenue	-	662	662
	<u>60,978</u>	<u>126,166</u>	<u>187,144</u>
Expenditures			
Current			
Community and economic development	407	114,585	114,992
Principal retirement	34,599	11,276	45,875
Transfers out	-	96	96
	<u>35,006</u>	<u>125,957</u>	<u>160,963</u>
Excess of revenues over expenditures	25,972	209	26,181
Fund balance- beginning of year	<u>325,372</u>	<u>248</u>	<u>325,620</u>
Fund balance (deficit) - beginning of year (restated)	<u>325,372</u>	<u>248</u>	<u>325,620</u>
Fund balance - end of year	<u><u>\$ 351,344</u></u>	<u><u>\$ 457</u></u>	<u><u>\$ 351,801</u></u>

**City of Dowagiac
Other Supplemental Information
Component Units**

**Reconciliation of the Combining Statement of Revenues, Expenditures and Changes in Fund Balances
of Component Units to the Statement of Activities
For the Year Ended September 30, 2013**

Net change in fund balances - Total Component Units	\$ 26,181
Total change in net position reported for component units in the statement of activities is different because:	
Expenses are recorded when incurred in the statement of activities	
Accrued interest	1,130
Compensated absences	227
Bond proceeds are reported as financing sources in the component unit funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the component unit funds but reduces the liability in the statement of net assets.	
Repayments of long-term debt	<u>30,000</u>
Change in net position of component units	<u>\$ 57,538</u>

City of Dowagiac
Other Supplemental Information
Schedule of Indebtedness
September 30, 2013

Year Ending June 30,	1997 GOLTB Building	2000 Installment	2001 Promissory	2001 Mi Strategic	Total Governmental Activities	Total Business Activities 2010 Water & Sewer	Total Component Units 2007 Brownfield
2014	\$ 110,000	\$ 25,350	\$ 21,041	\$ 25,383	\$ 181,774	\$ 95,000	\$ 35,000
2015	115,000	27,125	22,787	25,384	190,296	95,000	35,000
2016	125,000	-	24,678	-	149,678	105,000	35,000
2017	130,000	-	26,727	-	156,727	105,000	35,000
2018	-	-	28,945	-	28,945	115,000	40,000
2019-2023	-	-	185,007	-	185,007	380,000	215,000
2024-2028	-	-	275,631	-	275,631	-	270,000
2029-2030	-	-	87,869	-	87,869	-	-
Total	<u>\$ 480,000</u>	<u>\$ 52,475</u>	<u>\$ 672,685</u>	<u>\$ 50,767</u>	<u>\$ 1,255,927</u>	<u>\$ 895,000</u>	<u>\$ 665,000</u>
Principal payments due	February	December	Monthly	Quarterly		December	May
Interest payments due	February and August	December	Monthly	None		June and December	May and November
Interest rate	5.30% - 5.40%	7.00%	8.00%	0.00%		3.00% - 4.00%	4.000% - 4.375%
Original issue	<u>\$ 1,600,000</u>	<u>\$ 500,000</u>	<u>\$ 800,000</u>	<u>\$ 72,660</u>		<u>\$ 1,080,000</u>	<u>\$ 810,000</u>



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To the Honorable Mayor and City Council
City of Dowagiac

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Dowagiac as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise City of Dowagiac's basic financial statements, and have issued our report thereon dated January 9, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Yeo & Yeo, P.C.

Kalamazoo, MI
January 9, 2014

Councilmember _____ offered and moved the adoption of the following resolution;
seconded by Councilmember _____.

WHEREAS, the following information has been reviewed by the City Manager and City Treasurer and is being presented to City Council with a recommendation to approve invoices and payrolls #6, #7 and #8 for the period ending 1/9/14:

Invoices:	\$1,347,589.16
Payroll #6:	120,258.35
Payroll #7:	178,424.72
Payroll #8:	125,677.79
Total:	<u>\$1,771,950.02</u>

BE IT RESOLVED that the City Manager and City Treasurer are hereby authorized and directed to pay the following bills and payroll due:

Invoices	Payroll	Total
\$1,347,589.16	\$424,360.86	\$1,771,950.02

ADOPTED/REJECTED

Ayes:

Nays:

Absent:

Abstain:

James E. Snow, City Clerk

Vendor	Invoice #	Description	Amount
ABSOPURE WATER COMPANY	83014210	BOTTLED WATER/DEPOSIT	28.75
ABSOPURE WATER COMPANY	54352106	H&C COOLER RENTAL	8.00
ABSOPURE WATER COMPANY	83014224	BOTTLED WATER-26461 NUBOUR	49.50
ABSOPURE WATER COMPANY	54354913	C&C COOLER RENTAL-25830 NUBOUR	6.00
ABSOPURE WATER COMPANY	83014218	BOTTLED WATER/DEPOSIT-25830 NUBOUR	17.25
ACCOUNTING CONSULTANTS, PC	11/30/13	CONSULTING SVC THROUGH 11/30/13	3,735.00
AIRGAS GREAT LAKES	9914636324	WELDING SUPPLIES	42.26
AMERICAN ELECTRIC POWER	CDOW_201311_01	11/13 ENERGY	330,298.79
AMERICAN ELECTRIC POWER	04819785702	MARCELLUS HWY ST LIGHTS	8.78
AMERIGAS - HARTFORD 5254	3023821150	PROPANE	579.70
ATTORNEY'S TITLE AGENCY	12/11/13	TAX BILL OVERPAYMENT 14-160-300-171-00	71.12
AUSRA, JOANN	12/11/13	DEC 2013 BOARD OF REVIEW	25.00
BACK ROADS SERVICES	3457	#FD220 PRIMER VALVE SWITCH	155.82
BEST WAY DISPOSAL	022269	WWTP-SLUDGE DISPOSAL	3,115.00
C WIMBERLY AUTOMOTIVE GROUP	171790	#PD132 OIL/FILTER	36.90
C WIMBERLY AUTOMOTIVE GROUP	12/11/13	2013 FEED THE HUNGRY DECAL ADVERTISING	150.00
C WIMBERLY AUTOMOTIVE GROUP	216243	#PD131 OIL CHANGE	63.83
CARLILE, GARY	7/15-12/4	MILEAGE REIMBURSEMENT-445 MILES	254.43
CASS COUNTY REGISTER OF DEEDS	12/17/13	TRANSFER TAX	1,075.00
CASS COUNTY REGISTER OF DEEDS	12/17/13	RECORDING FEES	14.00
CASS COUNTY REGISTER OF DEEDS	12/18/13	11-5-13 SPECIAL ELECTION	1,730.21
CATTES, JANET	12/16/2013	UB refund for account: 04-0864-9	10.81
CHRISTMAS FOR RENT.COM	12/18/13	LIGHTING OF CITY HALL	402.00
CHRISTMAS FOR RENT.COM	12/18/13	LIGHTING OF GAZEBO	350.00
CINTAS LOCATION #336	336-01904	MATS & UNIFORMS	490.88
CINTAS LOCATION #336	336-07833	MATS & UNIFORMS	343.64
CINTAS LOCATION #336	336-05625	MATS	90.69
CITY SERVICES, INC	S100937629.001	INSTALL 4" WATER VALVE	3,600.00
CLABORN MECHANICAL	11/10/13	#220 SIDE WINDOW ASSY	965.00
CLINE, JEAN	12/11/13	DEC 2013 BOARD OF REVIEW	25.00
COMCAST	8771402380126332	INTERNET SERVICE-FD	69.90
COMMUNITY ANSWERING SERVICE	262812092013	DISPATCHING SERVICES	281.25
DIVISION TIRE AND BATTERY, INC	718721	#330 TIRE PATCH	18.00
DOUBLEDAY OFFICE PRODUCTS, INC	147149I	OFFICE SUPPLIES	250.99
DOWAGIAC UNION SCHOOLS	201314-38	FUEL EXPENSES-NOV 2013	9,538.49
DRAIN COMMISSIONER	12/1/13	2013 SPECIAL DRAIN ASSESSMENTS	2,928.86
DUST BUSTERS	1/14	CLEANING SERVICES 1/14	1,725.00
DYKEMA	12/17/13	FRONT AND MAIN BUILDING PROJECT	12,000.00
ELM TRAINING, LLC	1205-13	BI-MONTHLY SAFETY MTG	180.00
ENJOYMENT & IMAGE PUBLICATIONS	18009	CHRISTMAS CARDS	265.50
ERICKSON, ANDREW	12/3/13	TRAVEL REIMBURSEMENT-LANSING	20.00
FIA CARD SERVICES	0252	LUNCH MTG	26.47
FIA CARD SERVICES	0252	LUNCH MTG	25.20
FIA CARD SERVICES	0252	LUNCH MTG	22.34
FIA CARD SERVICES	0252	SERVER BACKUP SUBSCRIPTION	56.99
FIA CARD SERVICES	0252	LS ALARMS	24.99
FIA CARD SERVICES	0252	TABLET KEYBOARD	49.99
FIA CARD SERVICES	252	LS REPORTS	24.99
FIA CARD SERVICES	0252	PIPE RENTAL	588.30
FIDLAR TECHNOLOGIES	R219989-IN	CITATION TICKETS	384.40
FIRST ADVANTAGE LNS OCC HEALTH	168726	CDL RANDOM DRUG TESTING	49.50
FLAMETAMER FIRE PROTECTION	15237	HYDRO-TEST CASCADE SYSTEMS	300.00
FLEETMatics USA, LLC	IN93510	VEHICLE TRACKING SERVICE	40.00
FLINT'S AUTO REPAIR	12/5/13	#102 VEHICLE MTCE	812.50
FONSECA, JANICE	12/16/2013	UB refund for account: 10-2500-3	104.89

Vendor	Invoice #	Description	Amount
FORREST FIN, LLC	5	REIMBURSEMENT-GRANT ELIGIBLE EXPENSES	12,150.00
FREIGHTLINER OF KALAMAZOO	R002040581:01	#240 A/C LADDER	272.59
FRONTIER	51700117650520115	CCWS DATA LINE 12/10/13-1/9/13	107.38
GLOBAL TELEMATIC SOLUTIONS, LLC	2956	VEHICLE TRACKING SERVICE	186.45
GLOCK, INC	SLS/794855	GUN ACCESSORIES	183.00
GRAMES TIRE & BATTERY, INC	2658	#PD091 TIRES	587.72
GRANT, WILLIAM DAVID	12/5/13	MUSEUM CLEANING SERVICE-NOV	272.00
GREATER DOWAGIACCHAMBER OF COMMERCE	12/11/13	2014 MEMBERSHIP DUES	265.00
HACH COMPANY	8597230	SAMPLER MOTOR/LAB SUPPLIES	670.27
HALE'S HARDWARE, INC	C47251	CABLE TIES	11.63
HALE'S HARDWARE, INC	D33344	MAGNET HOOKS	12.76
HALE'S HARDWARE, INC	C47658	UTILITY HEATER	27.15
HALE'S HARDWARE, INC	10087492	HIGH POWER OUTLETS	136.92
HALE'S HARDWARE, INC	D33949	SHIPPING CHG/BRASS FTGS/BROOM/DUST PAN	44.17
HALE'S HARDWARE, INC	C48115	LOCKSET	11.63
HALL, DONALD	12/11/13	DEC 2013 BOARD OF REVIEW	25.00
HANSON BEVERAGE SERVICE	778249	DISTILLED WATER	40.50
HARDING'S MARKET, INC	337012	OPERATING SUPPLIES	48.76
HARTLINE, BOBBIE JO	12/9/3	CONSULTATION WORK-NOV	1,776.00
HARVEST ASSEMBLIES OF GOD	12/16/2013	UB refund for account: 11-0001-3	78.77
HI-TECH SMR COMMUNICATIONS	16745	SEAL CABLE OPENINGS-RUDOLPHI TOWER	248.00
IBEX INSURANCE AGENCY	1/14	HEALTH INSURANCE PREMIUM-1/14	47,706.16
J DOHENY SUPPLIES INC	H01378	RENTAL CONTRACT-AMERICAN ROAD LOADER	3,500.00
JOHN & CURT'S BRAKE & ALIGNMENT	11/8/13	#PD121 BRAKES	83.00
JOHN & CURT'S BRAKE & ALIGNMENT	12/9/13	#PD091 ALIGN FRONT END	40.00
JUDD LUMBER COMPANY, INC	2528336	REDI-MIX GRAVEL	14.97
JUDD LUMBER COMPANY, INC	2528458	KEYS	3.98
JUDD LUMBER COMPANY, INC	2528637	KEY	1.99
KIESLER'S POLICE SUPPLY, INC	0708249C	AMMUNITION	389.91
KLUG, PATRICIA	12/9/13	TRAVEL REIMBURSEMENT-LANSING	306.90
KUSA, JAMES	60-2249-13	MILEAGE REIMBURSEMENT-16 MILES	9.04
LAGROW, CINDY	1/14	ECONOMIC DEVELOPMENT SERVICES 1/14	2,060.00
LAKE MICHIGAN MAILERS, INC	293043	POSTAGE	5,000.00
LAWSON PRODUCTS, INC	9302092206	CONTACT ADHESIVE	37.23
LEE MEMORIAL FOUNDATION	12/17/13	PURCHASE OF 302 S FRONT ST	123,925.00
LITTLE, JACKSON	12/16/2013	UB refund for account: 05-1898-11	69.40
M&R ELECTRIC S W, INC	11/19/13	REPAIR GROUNDING ISSUES-TWISTEES	145.00
MATHEWS LAW OFFICE PLLC	8	LEGAL SERVICES	731.75
MATTHEWS, DOUGLAS	12/10/13	HOUSING INCENTIVE AWARD-711 N FRONT	200.00
MATTIX, MICHAEL	12/13/13	REISSUE DD8786 AND DD8845	2,564.46
MERRILL EXCAVATING	2181	WWTP-CLEAR INLET	500.00
METRO BUILDING INSPECTORS ASSOC	12/18/13	2014 RENEWAL MEMBERSHIP-BRADFORD	100.00
MI ASSOCIATION CHIEFS OF POLICE	12/3/13	2014 MEMBERSHIP DUES-GRINNEWALD	100.00
MI ASSOCIATION OF MUNICIPAL CLERKS	12/13/13	2014 MAMC MEMBERSHIP-SNOW	60.00
MOORE, CRAIG	12/12/13	BUILDING PERMIT FEE ERROR	2,027.25
NYE UNIFORM COMPANY, INC	443925	UNIFORMS-STEWART	147.87
NYE UNIFORM COMPANY, INC	444487	UNIFORMS-MCGOWAN	78.50
NYE UNIFORM COMPANY, INC	444513	UNIFORMS-BUNDY	126.49
NYE UNIFORM COMPANY, INC	444516	UNIFORMS-SMITH	54.99
PETTY CASH	12/12/13	OPERATING SUPPLIES	148.89
PETTY CASH	12/9/13	STRAW	30.00
PETTY CASH	12/9/13	POSTAGE	1.72
PETTY CASH	12/9/13	DART OFFICE KEYS	6.33
PETTY CASH	12/9/13	STRAW	30.00
PETTY CASH	12/9/13	DART OPERATING SUPPLIES	30.74

Vendor	Invoice #	Description	Amount
PETTY CASH	12/9/13	ELECTION OPERATING SUPPLIES	11.77
PETTY CASH	12/9/13	CHRISTMAS TREE-CH	80.00
PETTY CASH	12/9/13	DART OPERATING SUPPLIES	7.00
PHILLIPS, JERAD	12/3/13	TRAVEL REIMBURSEMENT-LANSING	153.14
PHILLIPSON, VICKIE	12/9/13	REIMBURSEMENT-OFFICE SUPPLIES	31.76
PLUMMER'S ENVIRONMENTAL SERVICES	89205	DEWEY ST-TELEVISED/JETTED/CUT ROOTS	1,380.00
PNC BANK NATIONAL ASSOCIATION	12/17/13	FRONT AND MAIN BUILDING PROJECT	528,375.00
POWER LINE SUPPLY, INC	5786389	150W HPS LAMPS	221.06
POWERNET GLOBAL COMMUNICATIONS	30797003	LONG DISTANCE SERVICE 11/12-12/12	119.21
PRECISION DATA PRODUCTS	I0000396800	ADAPTER CABLE	72.08
QUILL CORPORATION	7859064	OFFICE SUPPLIES	18.62
QUILL CORPORATION	7800416	OFFICE SUPPLIES	102.35
RANKIN, BRETT	12/16/2013	UB refund for account: 11-1819-14	56.91
REAL PRO SOLUTIONS, LLC	SP187	CCWS-SNOW PLOWING-VANDALIA TOWER	55.00
REAL PRO SOLUTIONS, LLC	SP188	CCWS-SNOW PLOWING-PENN PUMP HOUSES	65.00
REAL PRO SOLUTIONS, LLC	SP189	CCWS-SNOW PLOWING-PENN PUMP HOUSS	65.00
REAL PRO SOLUTIONS, LLC	SP190	CCWS-SNOW PLOWING-VANDALIA TOWER	55.00
RHOADES MCKEE	237949	RCRA-LANDFILL	630.00
RHOADES MCKEE	237948	ENVIRONMENTAL-LANDFILL	250.00
ROHDY'S HEATING & COOLING, LLC	PRO1950	INSTALL NEW GAS HEATER-MTCE GARAGE	3,600.00
SCHERER, JOE DBA LONELY PI	1/14	1/14 INT PMT ACCT 7508450033	6,174.53
SEMCO ENERGY GAS COMPANY	0149080.500	GAS SERVICE 10/31/13-12/3/13	451.19
SEMCO ENERGY GAS COMPANY	0148902.500	GAS SERVICE 10/31/13-12/3/13	324.51
SEMCO ENERGY GAS COMPANY	0149089.500	GAS SERVICE 10/31/13-12/3/13	195.23
SEMCO ENERGY GAS COMPANY	0149077.500	GAS SERVICE 10/31/13-12/3/13	497.54
SEMCO ENERGY GAS COMPANY	0146763.501	GAS SERVICE 10/30/13-12/2/13	605.68
SEMCO ENERGY GAS COMPANY	0148809.501	GAS SERVICE 10/31/13-12/3/13	436.17
SEMCO ENERGY GAS COMPANY	0346992.502	GAS SERVICE 10/29/13-11/27/13	18.28
SEMCO ENERGY GAS COMPANY	0147944.500	GAS SERVICE 10/30/13-12/2/13	71.82
SEMCO ENERGY GAS COMPANY	0149138.502	GAS SERVICE 10/31/13-12/3/13	188.96
SHELL OIL COMPANY	65260523312	NOV FUEL CHARGES	200.81
SIRCHIE FINGER PRINT LABORATORIES	0146839-IN	EVIDENCE SUPPLIES	172.17
SLC METER SERVICE, INC	27031	CCWS-METER FREEZE PLATES	114.35
SOIL AND MATERIALS ENGINEERS, INC	47253	068907.00 PROF SVC RENDERED 11/25-12/18	12,357.90
SOIL AND MATERIALS ENGINEERS, INC	47254	068908.00 PROF SVC RENDERED 11/25-12/18	10,959.58
SOIL AND MATERIALS ENGINEERS, INC	47125	068908.00 PROF SVC RENDERED 10/28-11/24	2,001.81
SOIL AND MATERIALS ENGINEERS, INC	47130	068907.00 PROF SVC RENDERED 10/28-11/24	1,090.51
SOUTH BEND UNIFORM	6456	UNIFORMS-EVANS	144.95
STALEY, DREW T	12/16/2013	UB refund for account: 06-1515-7	89.95
STATE OF MICHIGAN	ME-0200312	SALES & TAX-NOVEMBER 2013	13,458.47
STATE OF MICHIGAN-BUR OF CONST CODE	BLR351857	WWTP-BOILER INSPECTION	130.00
STATE OF MICHIGAN-MDEQ	848915	BIOSOLIDS LAND APPLICATION FEE	1,570.00
STATE OF MICHIGAN-MDEQ	12/5/13	DRINKING WATER TREAT CERT RENEWAL-COX	95.00
STATE OF MICHIGAN-MGT & BUDGET	MIDEAL-144	2014 MIDEAL MEMBERSHIP	180.00
STUTZMAN, WHITNEY	12/16/2013	UB refund for account: 04-0980-00	32.45
THE AMERICAN ROAD MACHINERY COMPANY	39316	#132LT 1" DRILLED HEX BOLT	138.24
THE RIDGE COMPANY	541647	SCREWDRIVER SET	62.98
THE RIDGE COMPANY	540596	SHOP TOWELS	93.98
THE RIDGE COMPANY	541055	#106 HYD HOSE/FITTINGS	246.70
TOURTELLOTTE WELDING	783247	#106 FRONT PUMP	750.00
TOURTELLOTTE WELDING	783248	#106 REMOVE 1"HOUSE/ADD 1-1/4" HOUSE	320.00
UNDERGROUND PIPE & VALVE, INC	706566	CASS AVE LS-CONTROL PANEL LOCKING LATCH	29.00
US BUSINESS SYSTEMS, INC	IN23665	UTILITIES/CITY MGR PRINTER MTCE	556.81
US BUSINESS SYSTEMS, INC	IN23663	UTILITIES PRINTER MTCE	1,132.63
US BUSINESS SYSTEMS, INC	IN23664	POLICE PRINTER MTCE	1,443.92

Vendor	Invoice #	Description	Amount
VAN BUREN CASS COMMUNITY	12/17/13	FRONT AND MAIN BUILDING PROJECT	16,575.00
VANDERVRIES, EDWARD	1/14	ASSESSING SERVICES 1/14	1,775.00
VARNUM	12/17/13	FRONT AND MAIN BUILDING PROJECT	3,500.00
VERIZON WIRELESS	9715530636	MIFI CARD-ELEC DIV-PERIOD ENDING	38.01
VERIZON WIRELESS	9715540032	AMERIWOOD MODEMS-PERIOD ENDING 11/23/13	19.40
VERIZON WIRELESS	9715540011	DPS/CCDET TABLET-PERIOD ENDING 11/23/13	(38.82)
VERIZON WIRELESS	9715339136	CELL PHONES-PERIOD ENDING 11/21/13	3,164.48
VFW POST 1855	12/6/13	SHOP WITH A COP-ANDERSON FAMILY DONATION	300.00
WEST SHORE FIRE REPAIR, INC	6724	RESPIRATOR FIT TEST-WALDSCHMIDT	35.00
WEST SHORE FIRE REPAIR, INC	6914	HYDROTEST/CYLINDER FILL	749.15
WIGGINS, DANIEL	188028025202	CELL PHONE REIMBURSEMENT 10/24-11/23	60.00
WIGHTMAN & ASSOCIATES, INC	45980	WASTEWATER ASSET MGT PLAN	5,000.00
WILLIAMS-A-1 EXPERT TREE SERVICE	6254	TUB GRINDING BRUSH PILE-COMPOST SITE	4,000.00
WILLMING, KRISTLE	12/16/2013	UB refund for account: 16-4596-7	53.37
WILSON, DONALD	12/16/2013	UB refund for account: 11-1581-23	69.95
YEO & YEO PC	325854	PROFESSIONAL SVC RENDERED THROUGH	12,400.00
Total:			1,224,304.74

Vendor	Invoice #	Description	Amount
ACCOUNTING CONSULTANTS, PC	12/15/13	CONSULTING SVC THROUGH 12/15/13	1,080.00
ALEXANDER CHEMICAL A CARUS COMPANY	SLS10013263	WTP CHLORINE/FLUORIDE	1,067.00
ALL PRO SERVICES	108327	BOILER TESTING/INSPECTION	199.00
AMERAPLAN	1/14	AMERAPLAN ADMIN FEE	690.00
AMERICAN ELECTRIC POWER	04950133613	CCWS-VANDALIA TOWER	37.86
AMERICAN ELECTRIC POWER	04461935407	M-62 W LIFT STATION	34.88
AMERICAN ELECTRIC POWER	04005021003	VINEYARD PL LIFT STATION	40.50
APX, INC	2351	MIRECS-LOAD BASED FEE	57.36
AUTOMATED ENERGY, INC	18614	AMERIWOOD METER SUBSCRIPTION	105.00
AUTOZONE	2141122213	#6 OIL/AIR FILTERS	11.54
AUTOZONE	2141122201	#120 DOOR EDGE GUARD	3.79
AUTOZONE	2141130820	#PD091 WIPER BLADES	8.36
BARRETT, ROBERT ET AL	1/7/14	HOUSING INCENTIVE AWARD-206 W TELEGRAPH	100.00
BENDER ELECTRIC, INC	16217	SERVICE CALL-LIGHTS AT WWTP	70.00
BOATRIGHT, EDDIE	12/12/13	DEC 2013 BOR REFUND 14-160-100-178-00	266.09
BSN SPORTS, INC	95761723	TETHERBALL-HUSTON PARK	34.99
C WIMBERLY AUTOMOTIVE GROUP	216749	#PD091 REPLACE BLOWER MOTOR	267.04
C WIMBERLY AUTOMOTIVE GROUP	12/23/13	2014 FORD ESCAPE-VIN 1FMCU9G96EUB97259	20,630.52
C WIMBERLY AUTOMOTIVE GROUP	216878	#PD091 BATTERY	202.36
C WIMBERLY AUTOMOTIVE GROUP	215315	#PD040 BATTERY	152.93
CANTRELL, TRACY	12/30/2013	UB refund for account: 15-0842-20	115.50
CASS CNTY TRANSPORTATION AUTHORITY	1771	DISPATCHING SERVICES-DEC	3,444.42
CASS COUNTY TREASURER	2014-15	POSTAGE-PERSONAL PROPERTY STMTS	109.02
CASS OUTDOOR POWER EQUIPMENT, INC	100085	FILLER CAPS/SCABBARD-CHAINSaws	17.43
CHET NICHOLS, INC	416748	WINDSHIELD SOLVENT	23.88
CINTAS LOCATION #336	5000811114	FIRST AID KIT-WWTP	43.17
CINTAS LOCATION #336	5000811115	FIRST AID KIT-DPS GARAGE	96.63
CINTAS LOCATION #336	5000811116	FIRST AID KIT-CH	58.43
CITIMORTGAGE	1/6/14	REMOVED AT DEC BOR 14-160-100-178-00	157.13
CIVIC SYSTEMS, LLC	CVC11250	SEMI-ANNUL SUPPORT FEE	287.00
CLEARY, APRIL	12/30/2013	UB refund for account: 08-2444-14	107.36
COMCAST	8771402380021236	INTERNET SERVICE-CH	119.11
COMCAST	8771402380126332	INTERNET SERVICE-FD	69.90
CSC	12/12/13	DEC 2013 BOR REFUND 14-160-507-010-00	1.67
DALE'S AUTO SALES & SERVICE	5947	#80 CUTTING EDGE PLATE	169.00
DOUBLEDAY OFFICE PRODUCTS, INC	147494I	COPY PAPER	525.00
DOUBLEDAY OFFICE PRODUCTS, INC	147689I	WALL CALENDAR	16.89
FED EX	2-499-73868	SHIPPING CHARGES	43.36
FIFTH THIRD BANK	1/6/14	TAX OVERPAYMENT 14-160-300-271-00	281.79
FIRST ADVANTAGE LNS OCC HEALTH	199283	PRE-EMPLOYMENT CDL DRUG TEST-DUSSEL	39.50
FLEETMatics USA, LLC	IN49197	VEHICLE TRACKING SERVICE	40.00
FRONTIER	23118907970401035	PHONE SERVICE 11/20-12/19	1,777.08
GRAMES TIRE & BATTERY, INC	2612	#127 TIRE EXCHANGE	32.00
GRANT, WILLIAM DAVID	1/3/14	MUSEUM CLEANING SERVICE-DEC	280.50
GREENWOOD, GREGG	12/12/13	DEC 2013 BOR REFUND 14-160-300-382-00	564.39
GUNTLE, THOMAS MARK	01/07/2014	UB refund for account: 03-1263-3	200.00
HACH COMPANY	8619270	WWTP LAB SUPPLIES	613.97
HALE'S HARDWARE, INC	C48913	LIGHT BULBS/DRINKING WATER	31.01
HALE'S HARDWARE, INC	C49150	WINDSHIELD FLUID	3.98
HALE'S HARDWARE, INC	D34677	PAPER TOWELS	7.75
HALE'S HARDWARE, INC	C48001	KEYS/KEY TAGS	6.55
HALE'S HARDWARE, INC	C49399	#120 ALUM ANGLES	9.21
HALE'S HARDWARE, INC	C49651	BULB/SCREWDRIVER & SET	75.61
HALE'S HARDWARE, INC	D35384	TOTE/COAT HOOKS/P-STRAPS	45.51
HALE'S HARDWARE, INC	D35821	FASTENERS	1.04

Vendor	Invoice #	Description	Amount
HALE'S HARDWARE, INC	C48867	#120 ACRYLIC SHEETS	48.49
HALE'S HARDWARE, INC	C50147	SHIPPING CHARGES	13.00
HALE'S HARDWARE, INC	I1445	FLUORESCENT BULBS	108.25
HARDING'S MARKET, INC	337017	OPERATING SUPPLIES	58.85
HARTLINE, BOBBIE JO	1/6/14	CONSULTATION WORK-DEC	1,755.00
HERTZ RENTAL-GR	12/12/13	DEC 2013 BOR REFUND 14-160-510-030-00	1,559.41
HI-TECH SMR COMMUNICATIONS	17559	RADIO BATTERIES/ANTENNAS	339.00
HI-TECH SMR COMMUNICATIONS	17534	PAGER BATTERIES	72.00
HI-TECH SMR COMMUNICATIONS	17545	#PD53 REPLACE SIREN/LIGHT	185.00
HOLMES, ALTHEA	1/7/14	HOUSING INCENTIVE AWARD-515 W RAILROAD	75.00
INTERNET BUSINESS SOLUTIONS	13792	MONTHLY WEBSITE MTCE	39.95
J & H OIL COMPANY	9978601	CEMETERY GAS	490.50
J DOHENY SUPPLIES INC	A69253	#11 LIGHT SOCKETS/BLADES	42.85
J DOHENY SUPPLIES INC	C53169	#11 CONTROL BOX	125.00
J DOHENY SUPPLIES INC	A69570	#11 ARROW STICK	436.71
JUDD LUMBER COMPANY, INC	2528906	#155 HANDLE TAMPER	29.99
JUDD LUMBER COMPANY, INC	2528967	TUBE EXTENSION	4.49
JUDD LUMBER COMPANY, INC	2529115	CAULK	4.79
JUDD LUMBER COMPANY, INC	2529137	LAUNDRY TUB	69.99
LAKELAND HEALTHCARE	12/23/13	PRE-EMPLOYMENT CDL PHYSICAL-DUSSEL	69.74
LEADER PUBLICATIONS, INC	100119	MISC PUBLICATIONS	73.34
MARTINS PAWMART	12/9/13	K9 FOOD	45.69
MATHER, BRUCE & PAT	1/7/14	HOUSING INCENTIVE AWARD-207 W TELEGRAPH	200.00
MIDWEST ENERGY	3503301	CCWS-VANDALIA TOWER	1,311.44
MURRAY, RYAN	12/30/13	MILEAGE REIMBURSEMENT-16 MILES	9.04
NATE WINES, INC	12/12/13	DEC 2013 BOR REFUND 14-160-500-629-00	213.56
NRPC-AMTRAK	029505	GRADE CROSSING MTCE FEE-HIGH/PARK/PR	6,912.00
PARAGON LABORATORIES, INC	42078-78293	INDUSTRIAL PRETREATMENT TESTING	268.00
PETTY CASH	1/8/14	OPERATING SUPPLIES	64.55
POMPEY, CAROL ANN	12/23/13	UB REFUND 01-0444-14/REPLACES CK 20522	75.00
POWER LINE SUPPLY, INC	5791220	GLOVES	72.50
POWER LINE SUPPLY, INC	5756869	BITS	52.53
POWER LINE SUPPLY, INC	5790250	TAPE	339.01
POWER LINE SUPPLY, INC	5788490	TERMINATION BRACKETS	544.20
PRECISION DATA PRODUCTS	I0000397645	PRINTER TONER	110.95
PRECISION DATA PRODUCTS	I0000397803	PRINTER TONER	79.89
PRECISION DATA PRODUCTS	I0000397532	PRINTER CARTRIDGES	117.45
PRECISION DATA PRODUCTS	I0000398407	PRINTER CARTRIDGES	81.15
PREFERRED PRINTING, INC	26468	101301743	137.82
PRIORITY COMPUTER SERVICES, INC	200829	ANTI-VIRUS SUBSCRIPTION-SERVERS	426.00
PRIORITY COMPUTER SERVICES, INC	201134	2 NEW COMPUTERS-MUSEUM	2,498.00
PVS TECHNOLOGIES, INC	181674	WWTP FERROUS CHLORIDE	1,497.50
QUILL CORPORATION	8236709	CALENDARS	87.22
QUILL CORPORATION	8021116	OFFICE SUPPLIES	12.59
REAL PRO SOLUTIONS, LLC	PC1629	BLIGHT CLEANUP-402 N FRONT	60.00
REAL PRO SOLUTIONS, LLC	SP191	CCWS-SNOW PLOWING-PENN TWP PUMP HOUSES	65.00
REAL PRO SOLUTIONS, LLC	SP192	CCWS-SNOW PLOWING-VANDALIA TOWER	55.00
REAL PRO SOLUTIONS, LLC	SP193	CCWS-SNOW PLOWING-VANDALIA TOWER	55.00
REAL PRO SOLUTIONS, LLC	SP194	CCWS-SNOW PLOWING-VANDALIA TOWER	55.00
REAL PRO SOLUTIONS, LLC	SP195	CCWS-SNOW PLOWING-PENN TWP PUMP HOUSES	65.00
REAL PRO SOLUTIONS, LLC	SP196	CCWS-SNOW PLOWING-PENN TWP PUMP HOUSES	65.00
REAL PRO SOLUTIONS, LLC	HB1384	BOARDING-101 CASS	100.00
RELIABLE DISPOSAL, INC #646	0646-000828115	DUMPSTERS/TRASH CART 1/14	544.53
RELIABLE DISPOSAL, INC #646	0646-000820295	DUMPSTER-WAREHOUSE	254.76
ROHDY'S HEATING & COOLING, LLC	3586	HEATING REPAIR-CH COUNCIL CHAMBERS	68.00

Vendor	Invoice #	Description	Amount
RUTKOWSKE, JASON	2911323858	CELL PHONE REIMBURSEMENT 11/10-12/9	60.00
SCHOETZOW, BETTY	12/19/13	SEWER RODDING REIMBURSEMENT	300.00
SEMCO ENERGY GAS COMPANY	0161871.500	GAS SERVICE 11/12/13-12/12/13	18.28
SIMPSON, KEN	140112	ELECTRICAL INSPECTIONS	678.80
SMITH, MARQUIRA	12//20/13	UB REFUND FOR ACCT: 05-0140-9-REPLACES	73.55
SOUTH BEND UNIFORM	6442	UNIFORMS-BEHNKE	249.34
SOUTH BEND UNIFORM	6550	UNIFORM-DAVIS	123.78
SOUTH BEND UNIFORM	6595	UNIFORM-ROMAN	123.78
SOUTH BEND UNIFORM	6606	UNIFORMS-PHILLIPS	230.00
SOUTH BEND UNIFORM	6449	UNIFORMS-ERICKSON	246.90
SOUTH BEND UNIFORM	6515	UNIFORMS-COLGROVE	246.90
SOUTH BEND UNIFORM	6753	UNIFORMS-BRADFORD	230.66
SOUTH BEND UNIFORM	6755	UNIFORMS-LAYLIN	123.45
SOUTH BEND UNIFORM	6756	UNIFORMS-MURRAY	247.56
STATE OF MICHIGAN-ECONOMIC DEV	1/8/14	CDBG IND PK GRANT REPAYMENT	6,345.88
STELMASIAK, TIM	12/28/13	SEWER RODDING REIMBURSEMENT	250.00
SYNAGRO CENTRAL LLC	20-115817	LAGOON CLEANING/LIQUID LAND APPLICATION	12,760.50
SYNAGRO CENTRAL LLC	20-115818	WWTP LAGOON CLEANING	38,625.00
THE RIDGE COMPANY	543547	PHILLIPS BITS	2.90
THE RIDGE COMPANY	543756	#103 20 AMP FUSE	3.60
THE RIDGE COMPANY	543112	CLEANING SUPPLIES	25.36
THE RIDGE COMPANY	542202	ANTIFREEZE	3.17
THE RIDGE COMPANY	543498	#4 WIPER BLADES/#80 BLADE GUIDES	45.00
THE RIDGE COMPANY	541908	#102 WIPER BLADES	15.98
THE RIDGE COMPANY	542283	#128 WIPER BLADES	13.98
THE RIDGE COMPANY	542326	#9 BATTERY/CORE DEPOSIT	91.54
THE RIDGE COMPANY	541298	GAS TREATMENT	22.75
THE RIDGE COMPANY	544876	#FD280 PRESTO PIN/HITCH PIN	12.50
TOXOPEUS, DAVID	287248782175	CELL PHONE REIMBURSEMENT 11/19-12/18	60.00
UNDERGROUND PIPE & VALVE, INC	706602	LIFT STATION CONTROLLER	1,035.71
VAN BUREN/CASS CO HEALTH DEPT	12/17/13	FLU SHOTS	219.00
VEOLIA ES TECHNICAL SOLUTIONS LLC	EW602623	BATTERY RECYCLEPAK	62.65
VERIZON WIRELESS	9717241334	MIFI CARD-ELEC DIV-PERIOD ENDING	38.01
VERIZON WIRELESS	9717250963	AMERIWOOD MODEMS-PERIOD ENDING 12/23/13	20.04
W MI CRIMINAL JUSTICE TRAINING	1694	CONSORTIUM FEE	463.21
WIGGINS, DANIEL	188028025202	CELL PHONE REIMBURSEMENT 11/24-12/23	60.00
WIGHTMAN & ASSOCIATES, INC	46132	ENG SVC-CMAQ-MIDDLE CROSSING	1,122.40
WIGHTMAN & ASSOCIATES, INC	46101	120594 SEWER USE ORD/IND PRETREATMT PROG	2,343.50
WIGHTMAN & ASSOCIATES, INC	46153	CCWS-TRIPAC INC WATER TAP	70.00
Total:			123,284.42

CITY OF DOWAGIAC

MEMO TO: Mayor Lyons and City Council Members

FROM: Kevin P. Anderson, City Manager

DATE: January 10, 2014

SUBJECT: Electric Rate Ordinance Amendment – First Reading

In 2009 the City entered into a long-term power purchase agreement, which helped stabilize the cost of wholesale power and eliminate the massive market fluctuations of power costs that can occur. This long-term power agreement allowed for City Council to reduce electric rates twice in the last five years. Electric rates were last adjusted July 2012. Over the last two years power use has remained relatively constant and the cost of power has increased modestly. A small rate increase is needed to maintain the current level of service.

The 2012-13 budget adopted by Council last May was based on a 2.5% increase. However, after reviewing the audit, the City's financial position and utility usage, a rate increase of 1.75% in the electric utility will be sufficient to offset the increased cost of power and allow the electric utility to remain in a fiscally stable position.

RECOMMENDATION

Approve the first reading of the amended Electric Rate Ordinance at the January 13th Council meeting and schedule the second reading for the January 27th Council meeting.

Support Documents:
Cover Memo-City Mgr.
Ordinance

ORDINANCE NO. _____, 2014

ORDINANCE-----

AN ORDINANCE TO AMEND CHAPTER 82 UTILITIES ARTICLE V "ELECTRIC PROVISIONS AND RATES" SECTION 82-279 OF THE DOWAGIAC CITY CODE BE AND IS HEREBY AMENDED BY ITS REPEAL OF THE DOWAGIAC CITY CODE.

THE CITY OF DOWAGIAC ORDAINS:

Section 1: That Chapter 82, Utilities; Article V, "Electric Provisions and Rates", Section 82-279 of the Dowagiac City Code be and hereby is amended to read as follows:

ARTICLE V. ELECTRIC PROVISIONS AND RATES.

Sec. 82-279. Electric rates.

(a) *Residential Electric Service*. Available to customers desiring service for all usual domestic purposes through one meter to a single occupancy or individual dwelling unit. This rate is not available for commercial or industrial use.

(1) Nature of Service: Alternating current, single-phase, three wire, 60 Hertz, at approximately 120/240 volts.

(2) Monthly Rate:

Monthly Service Charge (Minimum Monthly Charge)	\$11.45
Energy Charge per kWh	\$ 0.09961

This rate is subject to the transmission cost adjustment charge.

(b) *General Service*. Available to general service customers not specified in other City rate schedules, with normal monthly maximum demands less than 35 Kw, desiring service for general lighting and/or power purposes. Customers may continue to qualify for this service under this rate until their 12-month average demand is greater than or equal to 35 Kw.

(1) Nature of Service: Alternating current, single-phase, three wire, 60 Hertz, at approximately 120/240 volts. The particular nature of the voltage in each case will be determined by the Department of Public Services (DPS).

(2) Monthly Rate:

Monthly Service Charge (Minimum Monthly Charge)	\$17.76
Energy Charge per kWh	\$ 0.12597

This rate is subject to the transmission cost adjustment charge.

(c) *PUBLIC SERVICE*. Available to all Federal, State, and Local Governmental authorities for the supply of electric energy to public buildings, public schools, or other facilities that are supported by public tax levies.

(1) Nature of Service: Alternating current, 60 Hertz, single-phase or three-phase. The particular nature of the voltage in each case will be determined by the DPS.

(2) Monthly Rate:

Monthly Service Charge (Minimum Monthly Charge)	\$14.09
Energy Charge per kWh	\$ 0.11895

This rate is subject to the transmission cost adjustment charge.

* Public School System customers at a single location with loads in excess of an average of 300 kW demands over a 12-month period can be provided service under the Large General Service Rate. (The 12-month period can be excluded for new public school facilities with expected demands in excess of 300 kW)

(d) *MUNICIPAL WATER SERVICE*. Available to all municipally owned and operated waterworks systems and sewage disposal systems, including booster pumps and lift stations.

(1) Nature of Service: Alternating current, 60 Hertz, single-phase or three-phase. The particular nature of the voltage in each case will be determined by the DPS.

(2) Monthly Rate:

Monthly Service Charge (Minimum Monthly Charge)	\$15.27
Energy Charge per kWh ..	\$ 0.10114

This rate is subject to the transmission cost adjustment charge.

(e) *LARGE GENERAL SERVICE*. Available to any general service customer having a demand of 35 KW or more for general lighting and power purposes. Customers may continue to qualify for this rate until their 12-month average demand drops below 35 kW. This rate is available to public school system customers at a single location with demands in excess of 300 kW over a 12-month period.

(1) Nature of Service: Alternating current, 60 Hertz, single-phase or three-phase for both primary and secondary services. The particular nature of the voltage in each case will be determined by the DPS.

(2) Monthly rate:

	per kwh	700,000	550,000	400,000	250,000	100,000
<u>LGS</u>						
Monthly Service Charge		\$ 119.80				
Demand Charge per KW		\$ 14.30	\$ 13.98	\$ 13.65	\$ 12.99	\$ 12.66
Energy Charge per kWh		\$0.06064	\$0.05932	\$0.05790	\$0.05515	\$0.05372
<u>LGS Discount (Eq supplied by Customer)</u>						
Monthly Service Charge		\$ 146.82				
Demand Charge per KW		\$ 13.29	\$ 12.98	\$ 12.67	\$ 12.07	\$ 11.76
Energy Charge per kWh		\$0.06003	\$0.05861	\$0.05718	\$0.05444	\$0.05311

*LGS Discount Rate (Equipment supplied by Customer):

Available to customers who furnish and maintain complete substation equipment, including any and all transformers, and/or switches, and/or other apparatus necessary to take entire service at primary distribution voltage.

(3) Monthly Billing Demand:

Energy supplied hereunder will be delivered through not more than one (1) single-phase and/or one (1) poly-phase meter. Customers demand shall be taken monthly to be the highest registration of a fifteen (15) minute integrating demand meter or indicator, or the highest registration of a thermal-type meter.

(4) Power Factor Adjustment (PFA):

Customers with a monthly maximum demand of 100 kW or more will be subject to a power factor adjustment. The PFA is based on the maintenance by the customer of an average monthly power factor of 85%. If the average monthly power factor, as registered by the City's metering devices, is other than 85%, the monthly demand charge will be multiplied by a constant as determined by the following formula:

$$\text{Constant} = .9510 + ((.1275) \times (\text{RKVAH/kWh})^2)$$

Customers with a PFA will have their demand charge accordingly debited or credited and shall continue with the PFA until their 12-month average demand drops below 100 kW.

(f) *SECURITY LIGHTS*. Available to all customers desiring security light (yard light) service providing application is made and a "Protective or Yard Light Agreement" is signed by the customer.

Monthly Rate:

175 Mercury Vapor.....	\$12.66
250 Mercury Vapor.....	\$15.60
400 Mercury Vapor.....	\$23.56
1000 Mercury Vapor.....	\$48.55
150 High Pressure Sodium	\$12.66
400 High Pressure Sodium	\$35.98

(g) *TRANSMISSION COST ADJUSTMENT CHARGE (TCA)*. The current electric rate charged to customers includes a base amount for transmission services. With the formation of the Independent System Operator additional ancillary service charges are billed to the City of Dowagiac. Ancillary service charges can vary each month and can be difficult to predict with certainty. To ensure customers are charged the cost of service and the financial integrity of the electric system is maintained, charges for “ancillary” transmission services will be passed through to customers through a Transmission Cost Adjustment Charge (TCA) based on the formula listed below:

Example Formula for Transmission Cost Adjustment (TCA)

	Example Calculation	Line	Notes
Transmission Costs	\$27,078.18	A	Ancillary service charges for transmission
Reconciliation from Previous Month		B	The City may periodically reconcile transmission recovery with rates
Total Transmission Costs to be Recovered	<u>\$27,078.18</u>	C	(A+B)
Divided by kWh Purchased	6,450,000	D	Actual kWh energy purchased by City
Transmission costs per kWh	\$0.004198	E	Transmission cost per kWh (C/D)
Less Base TCA	0.00238	F	Base TCA
Transmission Adjustment per kWh	0.00182	G	Transmission costs per kWh less base (E-F)
Losses	<u>0.00013</u>	H	Transmission costs per kWh times loss factor of .07 (G X .07)
Transmission Cost Adjustment	<u>0.00195</u>	I	Transmission cost adjustment charged to customer on next month's bill (G+H)

(h) *ECONOMIC DEVELOPMENT RATE*. In an effort to promote job creation, community investment and long-term electric rate stability, the City Manager shall be empowered to establish a temporary economic development rate for large utility customers for a period of up to six (6) months. The rate cannot be less than the City’s actual cost to purchase power plus 10%. The

justification will be based on a combination of factors including job creation and/or job retention and new investment in the community consistent with the criteria for tax abatements. Once a large utility customer has received this temporary rate, it shall not be eligible for the economic development rate for three (3) years. The City Manager shall document the rationale and communicate the rationale to City Council.

(i) *ENERGY OPTIMIZATION RATE (EOP)*. Pursuant to requirements imposed by the State of Michigan and authorized by the Michigan Public Service Commission the following energy optimization rates shall be in effect:

Residential meter..... \$.002 per kwh
Secondary meter.....\$ 15.66 per meter per month
Primary meter.....\$474.02 per meter per month

(j) *FUEL ADJUSTMENT CHARGE*. Bills will be increased or decreased to offset fuel charge adjustments billed to the City by the supplier. Whenever the energy charge of the wholesale purchased power invoice to the City contains a fuel adjustment debit or credit per kwh, there shall be a corresponding increase or decrease per kwh for all kwh included in the customer's billing.

Section 2: That pursuant to the provisions of Chapter 1, Section 1-4 of the Dowagiac Charter and due to the length of this Ordinance, the Dowagiac City Clerk be and is hereby directed to forthwith cause posting and publication of this Ordinance on the bulletin board of the Dowagiac City Hall, the same being the usual place of posting for the actions of the City Council.

ADOPTED/REJECTED

Moved by:

Seconded by:

Ayes:

Nays:

Absent:

Abstain:

Donald D. Lyons, Mayor

James E. Snow, City Clerk

CITY OF DOWAGIAC

MEMO TO: Mayor Lyons and City Council Members

FROM: Kevin P. Anderson, City Manager

DATE: January 10, 2014

SUBJECT: Sewer Rate Ordinance Amendment – First Reading

Water rates were last adjusted in November 2010 and sewer rates were last adjusted in June 2012. Since that time, staff has continued to monitor expenses and adjust operations to keep operations expenses to a minimum. During the same period of time reinvestment in the capital needs of our water and sewer utilities have continued. Improvements continue to be made to lift stations, water towers, computers, and planning and grant applications for wastewater plant improvements are complete.

During the 2013-14 budget process it was projected that rate increases of 2.25% were likely for the upcoming year. However, after reviewing the audit, the utility's financial positions and utility usage, a rate increase of 2% is for the sewer utility and no increase to the water utility will be sufficient to allow the water and sewer utilities to remain in fiscally stable positions.

RECOMMENDATION

Approve the first reading of the amended Sewer Rate Ordinance at the January 13th Council meeting and schedule the second reading for the January 27th Council meeting.

Support Documents:
Cover Memo-City Mgr.
Ordinance

ORDINANCE NO. _____, 2014

ORDINANCE-----

AN ORDINANCE TO AMEND CHAPTER 82 UTILITIES ARTICLE IV "WATER AND SEWER RATES" SECTION 82-224 "SEWER RATES AND SERVICE FEES" SUBSECTION (1), (2), (4) AND (5) OF THE DOWAGIAC CITY CODE BE AND IS HEREBY AMENDED BY ITS REPEAL AND THE ADOPTION OF A NEW ARTICLE IV "WATER/SEWER PROVISIONS AND RATES" SECTION 82-224 "SEWER RATES AND SERVICE FEES" SUBSECTION (1), (2), (4) AND (5) OF THE DOWAGIAC CITY CODE.

THE CITY OF DOWAGIAC ORDAINS:

Section 1: That Chapter 82, Utilities; Article IV, "Water and Sewer Rates" Section 82-224 "Sewer rates and service fees" of the Dowagiac City Code be and hereby is amended to read as follows:

ARTICLE IV. WATER/SEWER PROVISIONS AND RATES

Sec. 82-224. Sewer rates and service fees.

Charges for sewer service to each premise connected to the sewer system of the City of Dowagiac shall be as follows:

- (1) *Readiness-to-serve charge.* The readiness to serve charge is utilized to cover expenditures to maintain the sewer collection system and other overhead costs and is the amount of the minimum bill. This charge is based on the actual size of the water meter or equivalent size of a sewer meter:

Inside the corporate Limits of the city

Readiness-to-Serve Charge

<i>Meter Size (inches)</i>	<i>Monthly Charge</i>
5/8	\$ 13.85
3/4	15.85
1	20.23
1-1/2	25.82
2	41.60
3	158.51
4	204.45
6	301.17

Outside the Corporate Limits of the city

Readiness-to-Serve Charge

<i>Meter Size (inches)</i>	<i>Monthly Charge</i>
5/8	\$ 21.60
3/4	24.61
1	31.37
1-1/2	40.10
2	64.56
3	246.43
4	312.32
6	467.26

When more than one (1) meter is used, the total readiness-to-serve charge shall be a sum of the charges for all meters.

- (2) *Commodity charge.* The commodity charge is based on the amount of water used for customers inside and outside the corporate limits of the City of Dowagiac and will be \$0.306 per 100 gallons. The commodity charge covers expenditures for wastewater treatment and other overhead costs.
- (4) *Special rate A – Residential users of sewer only inside city limits.* A charge of thirty-two dollars and seventy-six cents (\$32.68) per month shall be assessed to all residential properties inside the City limits using sewer service only. Any multiple residential users or commercial or industrial users of sewer and not water under rate A shall be charged a rate determined by the city engineer and reported to the City Council by the City Manager. In no event shall the rate be less than would be charged under this section.
- (5) *Special rate B - Residential users of sewer only outside city limits.* A charge of thirty-eight dollars and ninety-two cents (\$38.82) per month shall be assessed to all residential properties outside the City Limits, using sewer service only. Any multiple residential users or commercial or industrial users of sewer and not water under rate B shall be charged a rate determined by the city engineer and reported to the City Council by the City Manager. In no event shall the rate be less than would be charged under this section.

Section 2: That pursuant to the provisions of Chapter 1, Section 1-4 of the Dowagiac Charter and due to the length of this Ordinance, the Dowagiac City Clerk be and is hereby directed to forthwith cause publication and posting of this Ordinance on the bulletin board of the Dowagiac City Hall, the same being the usual place of posting for the actions of the City Council.

ADOPTED/REJECTED

Moved by:

Seconded by:

Ayes:

Nays:

Absent:

Abstain:

Donald D. Lyons, Mayor

James E. Snow, City Clerk