

CITY OF SOUTH HAVEN



Van Buren County
Michigan

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2013

Prepared by: Finance Department



CITY OF SOUTH HAVEN

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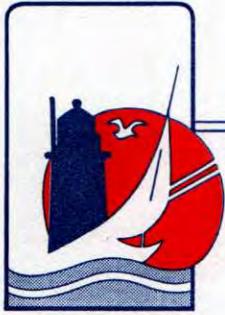
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INTRODUCTORY SECTION



City of South Haven

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Telephone (269) 637-0700 • FAX (269) 637-5319

December 2, 2013

To the Honorable Mayor, Members of the City Council and the Citizens of the City of South Haven, Michigan:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of South Haven for the fiscal year ended June 30, 2013.

This report consists of management's representations concerning the finances of the City of South Haven. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of South Haven has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of South Haven's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of South Haven's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of South Haven's financial statements have been audited by Vredeveld Haefner LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of South Haven for the fiscal year ended June 30, 2013, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion on the City of South Haven's financial statements for the fiscal year ended June 30, 2013. The financial statements are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of South Haven's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of South Haven was incorporated as a Village in 1869 and as a City in 1902. The City of South Haven covers a land area of 3.5 square miles and is located along the eastern coast of Lake Michigan. The City is in the southwestern region of the State of Michigan where the Black River flows into Lake Michigan. The City is about 26 miles north of St. Joseph and Benton Harbor in northwestern Van Buren County, 39 miles west of Kalamazoo and 57 miles southwest of Grand Rapids. Although the City's

The City is in the southwestern region of the State of Michigan where the Black River flows into Lake Michigan. The City is about 26 miles north of St. Joseph and Benton Harbor in northwestern Van Buren County, 39 miles west of Kalamazoo and 57 miles southwest of Grand Rapids. Although the City's population decreased from 5,021 (2000 Census) to 4,403 (2010 Census), the local population nearly triples during the summer months with vacationers and seasonal residents. In addition, the City provides electric, water and wastewater services in an area exceeding 60 square miles.

The City operates under the council-manager form of government. Policy making and legislative authority are vested in the City Council, which consists of a mayor and a six-member council. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring the City Manager. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of City departments. The City is divided into three wards of which two members are elected from each ward to four-year staggered terms. Three Council members are elected every two years on a non-partisan basis. The mayor is elected to a two-year term.

The City provides a full range of municipal services for the public's health, safety, welfare and quality of life. These services include general administration, police protection, fire protection, planning and zoning, electric, water and wastewater services, construction and maintenance of streets and other infrastructure, building and code enforcement, cemetery operations, park operations and maintenance, library, and marina and beach operations.

In addition to general City activities, three Local Development Finance Authorities (LDFA), the Downtown Development Authority (DDA) and the Brownfield Redevelopment Authority are included in the City reporting entity as component units. Component units are reported in a separate column in the financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations and cash flows from those of the primary government. The South Haven Area Emergency Services, a joint venture with other area units of government, provides fire and ambulance services and has been excluded from the City's financial statement because the City does not exercise significant oversight over this entity. This entity can independently generate revenue, adopt budgets, enter into contracts, and borrow funds.

The annual budget serves as the foundation for the City's financial planning and control. All agencies of the City are required to submit requests for appropriation to the City Manager. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the council who is required to hold a public hearing on the proposed budget and to adopt a final budget prior to the start of the fiscal year. The appropriated budget is prepared by fund and department. Department heads may make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the approval of the City Council. Budget-to-actual comparisons are provided in this report for the general fund and all special revenue and debt service funds for which an appropriated annual budget has been adopted.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local Economy The City of South Haven is enjoying an expanding profile as a national and international tourist destination and a place where visitors from major metropolitan areas continue to purchase second homes. Therefore the City has a stable local economy, which is centered on tourism, manufacturing and

health care. The City's per capital retail sales are 144% of the national average due to the tourism component of the local economy.

The State Equalized Value of real and personal property in the City has increased dramatically from \$212,731,966 in tax year 2000 (fiscal year 2001) to \$506,689,300 in tax year 2011 (fiscal year 2012). State Equalized Value for the fiscal year beginning July 1, 2012 (fiscal year 2013) has decreased to \$492,175,800 or 2.9%, while the Taxable Value for the same period decreased by .24% from \$378,221,496 to \$377,315,901. The State of Michigan and Van Buren County's average unemployment were at 9% in 2013, which was higher than the national average of 7.6%.

There are six area and regional commercial bank branches and thrift institutions within the City serving the banking needs of the City and its residents and visitors.

Interstate 196 traverses the City with connections north and east to Grand Rapids and Lansing and south to Interstate 94. State highway M-43 connects South Haven to Kalamazoo area markets and the campus of Western Michigan University.

Lake Michigan Community College has a campus in South Haven and has partnered with Western Michigan University to offer classes in South Haven.

Long-term financial planning

- Infrastructure Improvements - The City will be using the City's Street millage, the County Road millage, City utility funds and state and federal grants to pay for extensive street improvements. Construction of non-motorized pathways will also be constructed using both local and grant funds. The Phase 1 portion of the Kalamazoo Street reconstruction has been completed and Phase 2 is now underway. Phase 2 is expected to be completed by Winter, 2013. The design and engineering services are underway for the Dyckman Bridge reconstruction project which is expected to begin in the Spring of 2014.
- Capital Projects – Renovations to the Police/Fire Complex, upgrades to the City Hall façade and emergency generators which are funded by a USDA loan began in May, 2013 and will be completed by Winter, 2013. The City has been awarded grants to fund portions of the Van Buren County Trail Extension project as well as for the purchase of land on Monroe Boulevard for bluff conservation. Both projects are expected to be completed by Summer, 2014.
- Economic Development - The City of South Haven Brownfield Redevelopment Authority will continue working with property owners on various grants and tax increment financing proposals in order that brownfield sites can become productive. Those sites include the Belgravia Building, the former Everett Building site, the National Motors site, all residential development projects, and one industrial project – Albemarle. The City's Local Development Finance Authority #1 has obtained property in the district and will be making improvements to the building and seeking out possible buyers or tenants in the near future.
- Technology Improvements – In conjunction with the Phoenix Street Reconstruction project, the City is planning to provide fee WI-FI service available in the City's downtown. The City has also been studying the prospect of installing smart meters for utilities and will continue with the analysis during the next fiscal year.
- Recreation - The City secured a grant from the State of Michigan that defrayed a portion of the improvement costs for Elkenburg Park – Phase 1 which was completed in FY 2013. For FY 2014, administration is working with the State to obtain approval to use the unspent grant funds on Elkenburg Park – Phase 2. Fund raising efforts will continue for the construction and development of

a regional recreation park. Design engineering services for the park will continue and construction will commence when funds are available.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of South Haven for its comprehensive annual financial report for the fiscal year ended June 30, 2012. This was the thirteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire administrative staff and other City departments that contributed to the preparation of this report. Credit also must be given to the Mayor and the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,



Brian Dissette
City Manager



Wendy J. Hochstedler
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

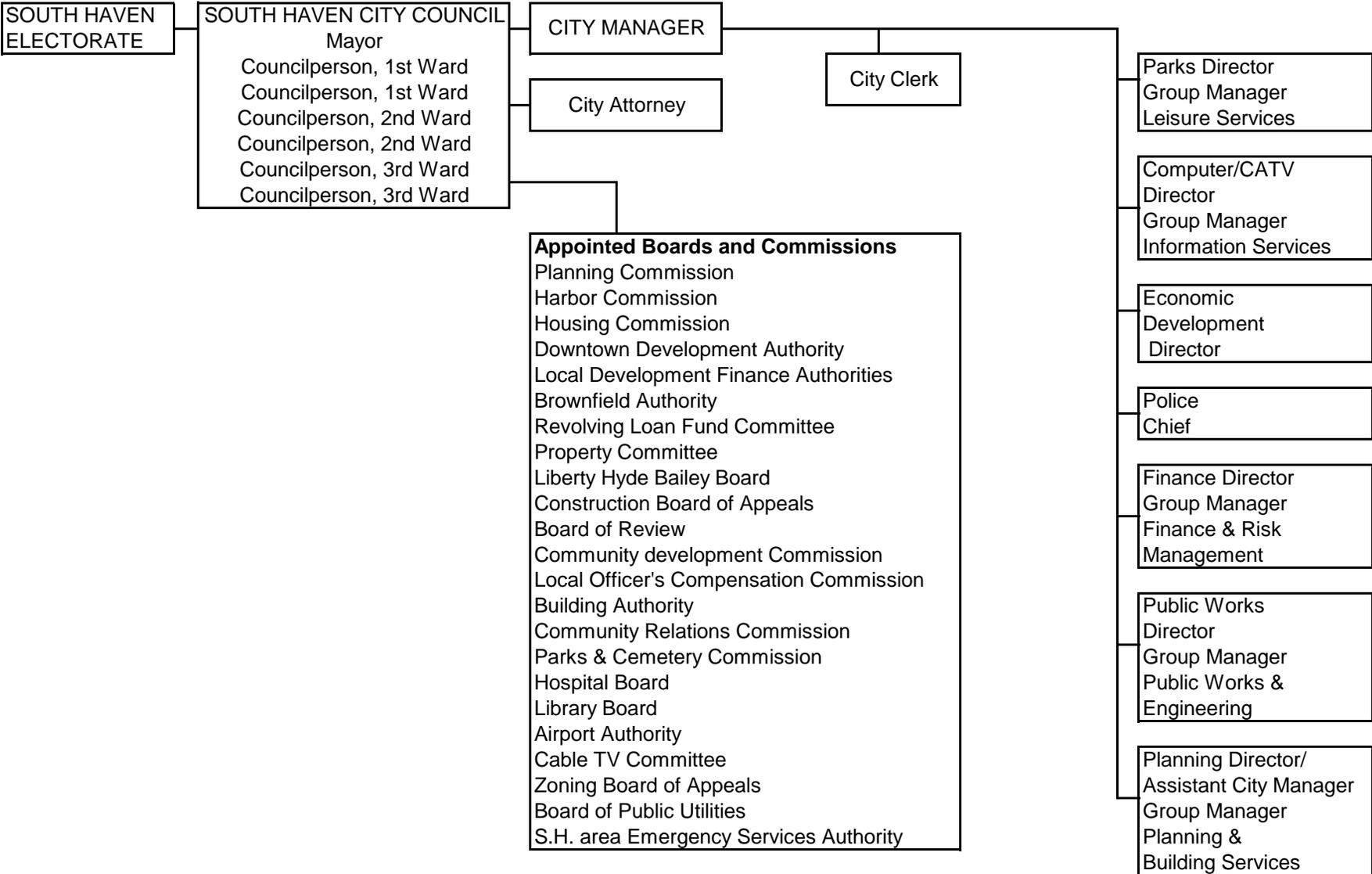
**City of South Haven
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

**CITY OF SOUTH HAVEN
Organizational Chart**



City of South Haven, Michigan

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2013

City Officials at June 30, 2013

Robert Burr

Mayor

Susan Fitzgibbon

Mayor Pro-Tem

Clark Gruber

Councilmember

Andy Klavins

Councilmember

Jeff Arnold

Councilmember

Gail Patterson

Councilmember

Vickiy Kozlik Wall

Councilmember

Brian Disette

City Manager

Prepared by
City of South Haven
Finance Department

FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

December 2, 2013

Honorable Mayor and Members of the City Council
City of South Haven, 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 City of South Haven, Michigan, as of and for the year ended June 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12, budgetary comparison information on page 47, and the benefit plan schedules on pages 48 and 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of South Haven, Michigan's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2013, on our consideration of the City of South Haven, Michigan'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 South Haven, Michigan's internal control over financial reporting and compliance.

Uredawald Haefner LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the City of South Haven, we offer readers of the City of South Haven financial statements this narrative overview and analysis of the financial activities of the City of South Haven for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in our transmittal letter, the financial statements and notes to the financial statements.

Financial Highlights

- Completion of Blue Star Electrical Line Rebuild
- Completion of five-year Electric Fund Capital Improvement Plan
- Completion of the installation of new Beach Safety Flag System
- Completion of North Beach master plan development
- Completion of Financial Management Software installation & data conversion
- Completion of installation of parking terminals at Packard & Dyckman Beaches
- Completion of Michigan Avenue & Superior Street improvements
- Completion of Lee Street improvements
- Completion of Maple Street improvements
- Completion of Water Street improvements
- Completion of South Street sidewalk project
- Completion of North Side Marina Building construction
- Completion of Superior Street improvements
- Completion of Kalamazoo Street improvements – Phase 1
- Started engineering work on the Dyckman Bridge rehabilitation project
- Started engineering work on the Phoenix Street reconstruction project
- Started renovations on the Public Safety Facility funded by a Building Authority Bonds
- Established a Corridor Improvement Authority & District to fund future improvements

Overview of the Financial Statements

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

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

The *statement of net position* presents information on all of the City of South Haven assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of South Haven is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed

during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of South Haven that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of South Haven include general government, public safety, public works, health and welfare, and culture and recreation. The business-type activities of the City of South Haven include electric, water, and sewer utilities as well as marina, parks and beach activities.

The government-wide financial statements include not only the City of South Haven itself (known as the *primary government*), but also legally separate component units for which the City of South Haven is financially accountable. Component units include the Downtown Development Authority, three Local Development Finance Authorities, and the Brownfield Redevelopment Authority. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of South Haven, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of South Haven can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund which is considered to be major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of South Haven adopts an annual appropriated budget for its general, special revenue, and debt service funds. Budgetary comparison schedules have been provided herein to demonstrate compliance with those budgets.

Proprietary funds. The City of South Haven maintains 2 different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of South Haven uses enterprise funds to account for its electric, water and sewer and other non-major operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of South Haven various functions. The City of South Haven uses internal service funds to account for its Motor Pool, Information Services, and Self-insurance operations. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the operations of the Electric, Water, and Sewer utilities which are considered to be major funds of the City of South Haven. All internal service fund operations and non-major enterprise funds are combined into single aggregated presentations in the proprietary fund financial statements. Individual data from these funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City of South Haven's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information. This is limited to the letter of transmittal, this discussion and analysis, combining statements and schedules, and statistical information.

Government-wide Financial Analysis

Statement of Net Position - As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of South Haven, assets exceeded liabilities by \$58,152,273 at the close of the most recent fiscal year.

By far the largest portion of the City of South Haven's net position (71.8%) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt that is still outstanding. The City of South Haven uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional part of the City of South Haven's net position (3.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance (\$14,196,723) may be used to meet the government's ongoing obligations to citizens and creditors.

The following table illustrates the composition of net position:

City of South Haven Net position

	Governmental Activities		Business-type Activities		Total	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 7,705,688	\$ 8,251,121	\$ 13,935,926	\$ 11,945,166	\$ 21,641,614	\$ 20,196,287
Capital assets	<u>25,500,469</u>	<u>24,449,445</u>	<u>42,813,107</u>	<u>42,294,615</u>	<u>68,313,576</u>	<u>66,744,060</u>
Total assets	<u>33,206,157</u>	<u>32,700,566</u>	<u>56,749,033</u>	<u>54,239,781</u>	<u>89,955,190</u>	<u>86,940,347</u>
Long-term liabilities outstanding	8,915,549	9,410,573	18,620,359	19,047,093	27,535,908	28,457,666
Other liabilities	<u>1,113,755</u>	<u>677,646</u>	<u>3,153,254</u>	<u>2,373,382</u>	<u>4,267,009</u>	<u>3,051,028</u>
Total liabilities	<u>10,029,304</u>	<u>10,088,219</u>	<u>21,773,613</u>	<u>21,420,475</u>	<u>31,802,917</u>	<u>31,508,694</u>
Net position:						
Invested in capital assets, net of related debt	17,412,301	15,647,774	24,354,482	23,319,324	41,766,783	38,967,098
Restricted	2,128,105	2,283,023	60,662	60,581	2,188,767	2,343,604
Unrestricted	<u>3,636,447</u>	<u>4,681,550</u>	<u>10,560,276</u>	<u>9,439,401</u>	<u>14,196,723</u>	<u>14,120,951</u>
Total net position	<u>\$ 23,176,853</u>	<u>\$ 22,612,347</u>	<u>\$ 34,975,420</u>	<u>\$ 32,819,306</u>	<u>\$ 58,152,273</u>	<u>\$ 55,431,653</u>

At the end of the current fiscal year, the City of South Haven is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the previous year.

Statement of Activities - The government's net position increased by \$2,720,620 during the current fiscal year.

Governmental activities increased the City of South Haven's net position by \$564,506, accounting for 20.7% of the total growth in the net position of the City of South Haven. Key elements in the change of net position are as follows:

During the year a portion of governmental fund revenues were utilized to purchase long-term capital assets and pay down long-term debt rather than being consumed by operational expenses. These long-term investments in combination with stable depreciation expense resulted in the current year increases.

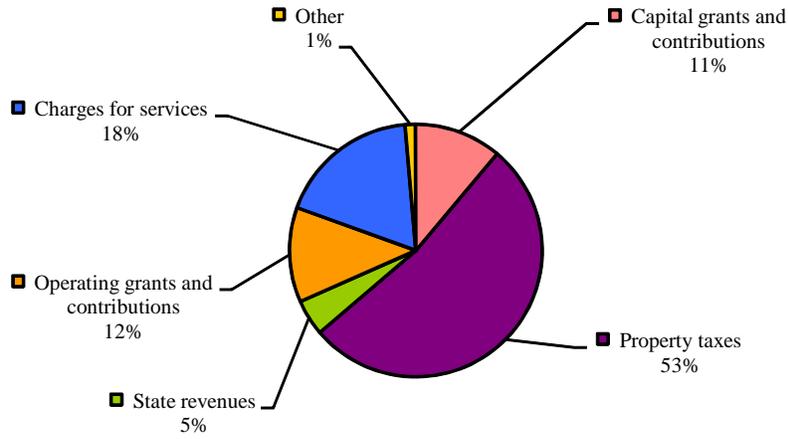
Business-type activities increased the City of South Haven's net position by \$2,156,114, accounting for 79.3% of the total growth in the net position of the City of South Haven. The key element of this increase is due to the city electric and water utility funds and marina fund having operating surpluses for the year. During the year a significant portion of proprietary fund revenues were utilized to purchase long-term capital assets.

The following table presents a summary of the changes in net position:

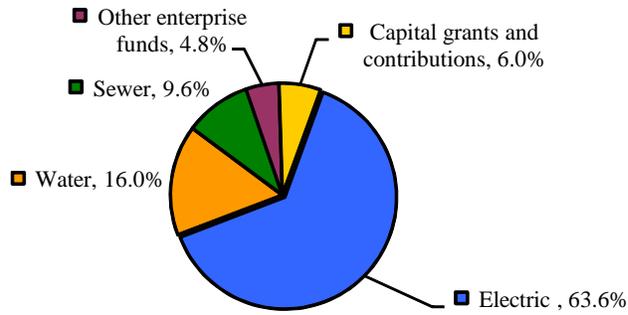
City of South Haven Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenue:						
Program revenue						
Charges for service	\$ 1,572,743	\$ 1,401,228	\$ 20,671,333	\$ 19,751,571	\$ 22,244,076	\$ 21,152,799
Operating grants and contributions	1,053,416	1,106,004	519,573	7,541	1,572,989	1,113,545
Capital grants and contributions	966,538	4,239,328	1,154,425	418,741	2,120,963	4,658,069
General revenue:						
Property taxes	4,568,215	4,685,488	-	-	4,568,215	4,685,488
State	400,248	388,161	-	-	400,248	388,161
Other	115,426	288,007	(101,304)	108,512	14,122	396,519
Total revenue	<u>8,676,586</u>	<u>12,108,216</u>	<u>22,244,027</u>	<u>20,286,365</u>	<u>30,920,613</u>	<u>32,394,581</u>
Expenses:						
General government	1,188,802	1,502,856	-	-	1,188,802	1,502,856
Public safety	3,533,105	3,080,980	-	-	3,533,105	3,080,980
Public works	3,156,639	1,892,189	-	-	3,156,639	1,892,189
Health and welfare	653,208	548,765	-	-	653,208	548,765
Culture and recreation	659,561	1,836,804	-	-	659,561	1,836,804
Interest on long-term debt	282,455	381,319	-	-	282,455	381,319
Electric fund	-	-	12,006,141	12,203,391	12,006,141	12,203,391
Water fund	-	-	3,052,861	2,799,935	3,052,861	2,799,935
Sewer fund	-	-	2,256,227	1,841,287	2,256,227	1,841,287
Other enterprise funds	-	-	1,410,994	809,407	1,410,994	809,407
Total expenses	<u>9,473,770</u>	<u>9,242,913</u>	<u>18,726,223</u>	<u>17,654,020</u>	<u>28,199,993</u>	<u>26,896,933</u>
Increase (decrease) before transfers	<u>(797,184)</u>	<u>2,865,303</u>	<u>3,517,804</u>	<u>2,632,345</u>	<u>2,720,620</u>	<u>5,497,648</u>
Transfers –						
Internal activities	357,497	507,426	(357,497)	(507,426)	-	-
Property tax equivalents	<u>1,004,193</u>	<u>839,156</u>	<u>(1,004,193)</u>	<u>(839,156)</u>	-	-
Increase (decrease) in net position	564,506	4,211,885	2,156,114	451,416	2,720,620	5,497,6448
Net position – beginning of year	<u>22,612,347</u>	<u>18,400,461</u>	<u>32,819,306</u>	<u>31,533,543</u>	<u>55,431,653</u>	<u>49,934,004</u>
Net position – end of year	<u>\$ 23,176,853</u>	<u>\$ 22,612,347</u>	<u>\$ 34,975,420</u>	<u>\$ 32,819,306</u>	<u>\$ 58,152,273</u>	<u>\$ 55,431,653</u>

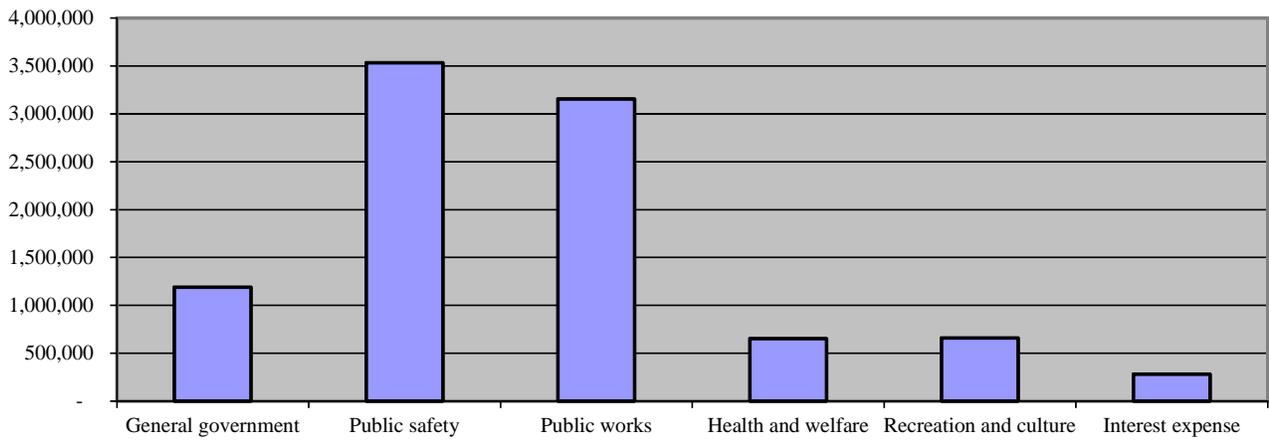
Revenues by Source - Governmental Activities



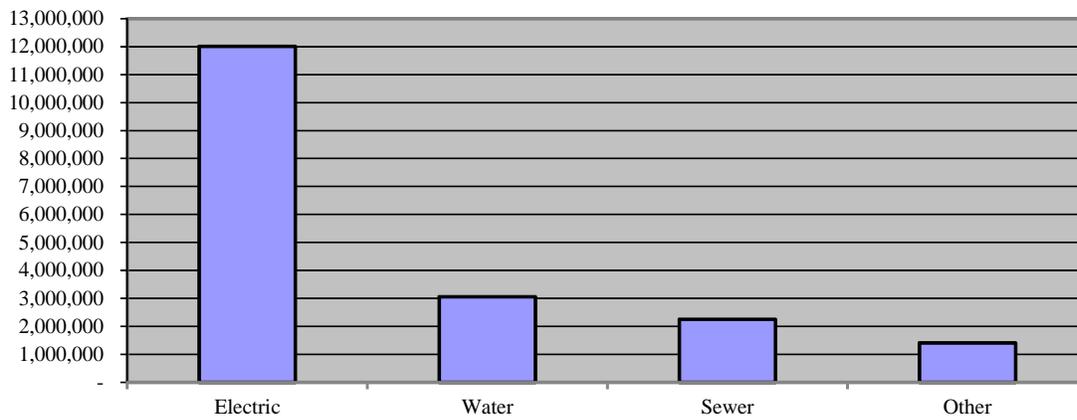
Revenues by Source – Business-type Activities



Expenses - Governmental Activities



Expenses – Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City of South Haven uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of South Haven *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of South Haven financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the close of the current fiscal year, the City of South Haven's governmental funds reported combined ending fund balances of \$4,690,641, a decrease of \$978,601 in comparison to the prior year. Approximately 92% of the combined fund balances or \$4,333,064 was available for spending at the government's discretion. However, of that amount, \$2,128,105 was attributable to special revenue funds, debt service funds, capital projects funds and permanent funds. Fund balances in those funds must be used for their intended purposes.

Proprietary funds. The City of South Haven proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The proprietary fund operations all resulted in an increase in net position. Overall the net position of the proprietary funds increased \$2,156,114.

General Fund Budgetary Highlights

During the fiscal year, revenue and other financing sources projections were increased from \$6,686,733 to \$6,890,849, or \$204,116, while budgeted expenditures and other financing uses were increased from \$6,656,316 to \$7,652,991, or \$996,675. The increases to budgeted expenditures consisted of adjustments to nearly all of the general fund activities. It was projected that the General Fund would use fund reserves in the amount of \$762,142. Ultimately, the actual use of fund reserves was \$458,663 or only 60% of what was projected. One of the major differences between the original budget and the amended budget was \$150,400 in additions to transfers out. These transfers out were to assist with beach operations, information services, and cemetery perpetual care. The expenditures budget increased by \$500,000 to assist with a land purchase in LDFA #1. Another large adjustment of \$334,299 was made to the police activity for unbudgeted personnel costs, uniforms and equipment purchases.

Capital Asset and Debt Administration

City of South Haven Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 643,295	\$ 643,295	\$ 23,062	\$ 23,062	\$ 666,357	\$ 666,357
Land improvements	120,208	131,226	1,194,632	1,312,999	1,314,840	1,444,225
Building, equipment, and infrastructure, net	<u>24,736,966</u>	<u>23,674,924</u>	<u>41,595,413</u>	<u>39,168,927</u>	<u>66,332,379</u>	<u>58,596,688</u>
Total	<u>\$ 25,500,469</u>	<u>\$ 24,449,445</u>	<u>\$ 42,813,107</u>	<u>\$ 42,294,615</u>	<u>\$ 68,313,576</u>	<u>\$ 66,744,060</u>

Additional information on the City of South Haven capital assets can be found in note 6 of this report.

Long-Term Debt

City of South Haven Outstanding Debt General Obligation and Revenue Bonds

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 8,104,000	\$ 8,705,000	\$ 18,213,625	18,607,272	\$ 26,317,625	\$ 27,312,272
Revenue bonds	-	-	245,000	270,000	245,000	270,000
Other debt	<u>737,617</u>	<u>705,573</u>	<u>-</u>	<u>-</u>	<u>737,617</u>	<u>705,573</u>
Total	<u>\$ 8,841,617</u>	<u>\$ 9,410,573</u>	<u>\$ 18,458,625</u>	<u>\$ 18,877,272</u>	<u>\$ 27,300,242</u>	<u>\$ 28,287,845</u>

In FY 2011-12 both Standard & Poor's and Fitch ratings services affirmed the rating on City of South Haven general obligation debt to A+, Stable Outlook and AA-, Stable Outlook, respectively.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of the State Equalized Value. For FY 2012-13 the debt limitation for the City of South Haven was \$49,217,580.

Additional information on the City of South Haven long-term debt can be found in note 8 of this report.

Economic Factors and Next Year's Budgets and Rates

The economic factors utilized to create the 2014 budget included the assumption of no change to the taxable value of city property and no change in state funding levels. The 2014 budget identifies street paving and public safety as high priorities. For future budget development, management is actively following the legislative developments regarding the reduction and future elimination of personal property taxes.

Requests for Information

This financial report is designed to provide a general overview of the City of South Haven finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Finance Department, 539 Phoenix Street, South Haven, Michigan 49090.

BASIC FINANCIAL STATEMENTS

CITY OF SOUTH HAVEN
STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and pooled investments	\$ 6,900,537	\$ 9,216,884	\$ 16,117,421	\$ 2,726,740
Accounts receivable	153,132	2,685,600	2,838,732	6,320
Prepaid items	153,730	204,588	358,318	-
Due from other governments	314,098	291,168	605,266	75,972
Inventory	71,602	645,288	716,890	-
Internal balances	(75,356)	75,356	-	-
Special assessments receivable	14,513	594,646	609,159	13,419
Bond issuance costs, net	173,432	161,734	335,166	-
Restricted cash and pooled investments	-	60,662	60,662	-
Capital assets				
Land	643,295	23,062	666,357	1,399,910
Construction in progress	1,147,100	154,292	1,301,392	-
Depreciable capital assets, net	23,710,074	42,635,753	66,345,827	-
Total assets	<u>33,206,157</u>	<u>56,749,033</u>	<u>89,955,190</u>	<u>4,222,361</u>
Liabilities				
Accounts payable	1,006,366	2,271,055	3,277,421	236,022
Accrued liabilities	98,045	350,330	448,375	1,760
Due to other governments	9,344	-	9,344	-
Customer deposits	-	270,163	270,163	-
Unearned revenue	-	261,706	261,706	-
Noncurrent liabilities				
Accrued compensated absences	331,117	-	331,117	-
Other post employment benefits	322,832	-	322,832	-
Bond discount	-	(359,641)	(359,641)	-
Bond premium	73,932	-	73,932	-
Due within one year	945,263	505,000	1,450,263	27,208
Due in more than one year	7,242,405	18,475,000	25,717,405	47,617
Total liabilities	<u>10,029,304</u>	<u>21,773,613</u>	<u>31,802,917</u>	<u>312,607</u>
Net position				
Invested in capital assets, net of related debt	17,412,301	24,354,482	41,766,783	1,399,910
Restricted for				
Debt service	64,747	60,662	125,409	-
Streets	896,869	-	896,869	-
Garbage and refuse	19,167	-	19,167	-
Narcotics unit	69,686	-	69,686	-
Other projects	39,365	-	39,365	-
Capital projects	779,714	-	779,714	-
Permanent trust				
Cemetery - nonexpendable portion	132,245	-	132,245	-
Cemetery - expendable	126,312	-	126,312	-
Unrestricted	3,636,447	10,560,276	14,196,723	2,509,844
Total net position	<u>\$ 23,176,853</u>	<u>\$ 34,975,420</u>	<u>\$ 58,152,273</u>	<u>\$ 3,909,754</u>

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

CITY OF SOUTH HAVEN

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary government					
Governmental activities					
General government	\$ 1,188,802	\$ 920,587	\$ 112,937	\$ -	\$ (155,278)
Public safety	3,533,105	220,545	185,583	-	(3,126,977)
Public works	3,156,639	444,257	722,896	792,976	(1,196,510)
Health and welfare	653,208	(12,646)	-	-	(665,854)
Culture and recreation	659,561	-	32,000	173,562	(453,999)
Interest on long-term debt	282,455	-	-	-	(282,455)
Total governmental activities	9,473,770	1,572,743	1,053,416	966,538	(5,881,073)
Business-type activities					
Electric utility	12,006,141	14,220,815	-	229,407	2,444,081
Water utility	3,052,861	3,513,421	7,593	107,914	576,067
Wastewater utility	2,256,227	2,110,085	268,849	27,330	150,037
Marina	1,006,448	448,866	243,131	789,774	475,323
Parks and beach	404,546	378,146	-	-	(26,400)
Total business-type activities	18,726,223	20,671,333	519,573	1,154,425	3,619,108
Total primary government	\$ 28,199,993	\$ 22,244,076	\$ 1,572,989	\$ 2,120,963	\$ (2,261,965)
Component units					
Downtown Development Authority	\$ 1,375,725	\$ -	\$ 37,602	\$ 121,654	\$ (1,216,469)
Local Development Finance Authority #1	221,646	-	(737,500)	750,000	(209,146)
Local Development Finance Authority #2	32,897	-	-	-	(32,897)
Local Development Finance Authority #3	299,876	-	5,920	-	(293,956)
Brownfield Redevelopment Authority	267,351	-	-	-	(267,351)
Total component units	\$ 2,197,495	\$ -	\$ (693,978)	\$ 871,654	\$ (2,019,819)

(Continued)

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

CITY OF SOUTH HAVEN

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net assets				
Net (expense) revenue	\$ (5,881,073)	\$ 3,619,108	\$ (2,261,965)	\$ (2,019,819)
General revenues				
Property taxes	4,568,215	-	4,568,215	1,892,619
State shared revenues	400,248	-	400,248	-
Unrestricted investment earnings	(124,924)	(101,304)	(226,228)	(25,383)
Other general revenues	240,350	-	240,350	-
Property tax equivalent payments	1,004,193	(1,004,193)	-	-
Transfers - internal activities	357,497	(357,497)	-	-
Total general revenues and transfers	<u>6,445,579</u>	<u>(1,462,994)</u>	<u>4,982,585</u>	<u>1,867,236</u>
Change in net position	564,506	2,156,114	2,720,620	(152,583)
Net position, beginning of year	<u>22,612,347</u>	<u>32,819,306</u>	<u>55,431,653</u>	<u>3,312,337</u>
Net position, end of year	<u>\$ 23,176,853</u>	<u>\$ 34,975,420</u>	<u>\$ 58,152,273</u>	<u>\$ 3,159,754</u>

(Concluded)

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

CITY OF SOUTH HAVEN

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2013

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets			
Cash and pooled investments	\$ 2,439,795	\$ 2,698,937	\$ 5,138,732
Accounts receivable	67,694	69,144	136,838
Accrued interest receivable	8,086	1,610	9,696
Special assessment receivable	14,513	-	14,513
Prepaid items	153,730	-	153,730
Due from other funds	-	61,956	61,956
Due from other governments	250,759	63,339	314,098
Inventory	71,602	-	71,602
Total assets	<u>\$ 3,006,179</u>	<u>\$ 2,894,986</u>	<u>\$ 5,901,165</u>
 Liabilities and fund balances			
Liabilities			
Accounts payable	\$ 341,847	\$ 602,938	\$ 944,785
Accrued liabilities	51,858	5,713	57,571
Due to other funds	-	137,312	137,312
Due to other governments	-	9,344	9,344
Deferred revenue	49,938	11,574	61,512
Total liabilities	<u>443,643</u>	<u>766,881</u>	<u>1,210,524</u>
 Fund balances			
Non-spendable			
Prepaid items	153,730	-	153,730
Permanent fund corpus	-	132,245	132,245
Inventory	71,602	-	71,602
Restricted			
Streets	-	896,869	896,869
Public safety	-	70,792	70,792
Permanent fund spendable portion	-	126,312	126,312
Committed			
Budget stabilization	211,658	-	211,658
Assigned			
Special revenue funds	-	57,426	57,426
Debt service funds	-	64,747	64,747
Capital projects funds	-	841,670	841,670
Accrued employee benefits	113,008	-	113,008
Unassigned (deficit)	2,012,538	(61,956)	1,950,582
Total fund balances	<u>2,562,536</u>	<u>2,128,105</u>	<u>4,690,641</u>
Total liabilities and fund balances	<u>\$ 3,006,179</u>	<u>\$ 2,894,986</u>	<u>\$ 5,901,165</u>

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

CITY OF SOUTH HAVEN

RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET POSITION OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION

JUNE 30, 2013

Fund balances - total governmental funds	\$ 4,690,641
Amounts reported for <i>governmental activities</i> in the statement of net position are different because	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	
Add - land	643,295
Add - construction in progress	1,147,100
Add - capital assets (net of accumulated depreciation)	22,234,968
Certain assets are not due and receivable in the current period and therefore are offset with deferred revenue in the funds.	
Add - long-term deferred receivables	61,512
Internal service funds are used by management to charge the costs of centralized services, to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities.	
Add - net position of governmental activities accounted for in the internal service funds	3,154,032
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - compensated absences payable	(305,933)
Deduct - other post employment benefits	(322,832)
Deduct - bonds payable	(8,187,668)
Add - bond issuance costs	173,432
Deduct - Bond premium	(73,932)
Deduct - accrued interest on bonds payable	(37,762)
Net position of governmental activities	<u>\$ 23,176,853</u>

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

CITY OF SOUTH HAVEN

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

FOR THE YEAR ENDED JUNE 30, 2013

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues			
Taxes	\$ 3,771,176	\$ 1,024,542	\$ 4,795,718
Intergovernmental revenues			
State	563,131	429,799	992,930
Local	182,033	357,223	539,256
Licenses and permits	207,295	-	207,295
Charges for services	487,847	-	487,847
Fines	14,302	-	14,302
Special assessments	1,371	13,761	15,132
Investment earnings	(36,784)	(23,483)	(60,267)
Miscellaneous	561,587	778,422	1,340,009
Total revenues	<u>5,751,958</u>	<u>2,580,264</u>	<u>8,332,222</u>
Expenditures			
Current			
General government	1,307,174	78,529	1,385,703
Public safety	2,970,604	627,741	3,598,345
Public works	694,572	1,864,973	2,559,545
Health and welfare	188,333	461,901	650,234
Culture and recreation	827,266	78,339	905,605
Other	632,629	-	632,629
Debt service			
Principal	13,003	790,000	803,003
Interest	1,933	298,822	300,755
Total expenditures	<u>6,635,514</u>	<u>4,200,305</u>	<u>10,835,819</u>
Revenues over (under) expenditures	<u>(883,556)</u>	<u>(1,620,041)</u>	<u>(2,503,597)</u>
Other financing sources (uses)			
Issuance of debt	-	4,169,000	4,169,000
Payment to escrow	-	(4,064,907)	(4,064,907)
Bond premium	-	79,213	79,213
Property tax equivalent payments	1,004,193	-	1,004,193
Transfers in	85,200	1,580,404	1,665,604
Transfers out	(664,500)	(663,607)	(1,328,107)
Total other financing sources (uses)	<u>424,893</u>	<u>1,100,103</u>	<u>1,524,996</u>
Net changes in fund balances	(458,663)	(519,938)	(978,601)
Fund balances, beginning of year	<u>3,021,199</u>	<u>2,648,043</u>	<u>5,669,242</u>
Fund balances, end of year	<u>\$ 2,562,536</u>	<u>\$ 2,128,105</u>	<u>\$ 4,690,641</u>

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

CITY OF SOUTH HAVEN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

Net changes in fund balances - total governmental funds	\$ (978,601)
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Amounts reported for *governmental activities* in the statement of activities are different because

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

Add - capital outlay	2,530,143
Deduct - depreciation expense	(1,734,993)

Certain receivables are long-term in nature and are collectable over several years. However only the current year's receipts are reflected as revenues in the fund statements.

Deduct - decrease in deferred revenues	(37,822)
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Bond or note proceeds provide current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond or note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Add - principal payments on debt	4,783,003
Deduct - bond issue	(4,169,000)
Add - deferred bond refunding costs	84,907
Deduct - bond premium	(79,213)
Add - bond issuance costs	77,981

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

Add - decrease in compensated absences	2,469
Deduct - increase in other post employment benefit liability	(45,991)
Deduct - amortization of bond issuance costs/premium	(8,253)
Add - decrease in accrued interest	18,300

Internal service funds are used by management to charge the costs of certain services to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.

Add - increase in net position from the internal service funds	<u>121,576</u>
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Change in net position of governmental activities	<u>\$ 564,506</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF SOUTH HAVEN
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2013

	Enterprise Funds				Enterprise Fund Total	Governmental Activities
	Electric Utility	Water Utility	Sewer Utility	Nonmajor Enterprise Funds		Internal Service Funds
Assets						
Current assets						
Cash and pooled investments	\$ 6,364,536	\$ 1,379,587	\$ 879,210	\$ 593,551	\$ 9,216,884	\$ 1,761,805
Accounts receivable	1,812,160	517,052	343,305	-	2,672,517	-
Accrued interest receivable	10,724	892	1,467	-	13,083	6,598
Prepaid items	97,846	56,336	50,406	-	204,588	-
Due from other funds	-	-	-	75,356	75,356	-
Due from other governments	-	-	-	291,168	291,168	-
Inventory	510,940	126,103	8,245	-	645,288	-
Restricted cash and pooled investments	-	60,662	-	-	60,662	-
Total current assets	8,796,206	2,140,632	1,282,633	960,075	13,179,546	1,768,403
Non-current assets						
Special assessments receivable	47,404	268,380	278,862	-	594,646	-
Bond issuance costs	-	161,734	-	-	161,734	-
Capital assets						
Land	1,001	9,394	7,331	5,336	23,062	-
Construction in progress	154,292	-	-	-	154,292	-
Buildings and equipment	2,753,305	22,644,591	5,297,853	1,761,110	32,456,859	805,992
Vehicles	-	-	-	-	-	2,580,603
Infrastructure	14,975,917	8,802,300	7,913,074	2,886,270	34,577,561	-
Less accumulated depreciation	(6,937,595)	(7,850,307)	(7,804,236)	(1,806,529)	(24,398,667)	(1,911,489)
Total non-current assets	10,994,324	24,036,092	5,692,884	2,846,187	43,569,487	1,475,106
Total assets	19,790,530	26,176,724	6,975,517	3,806,262	56,749,033	3,243,509
Liabilities						
Current liabilities						
Accounts payable	1,735,983	103,754	115,007	316,311	2,271,055	61,581
Accrued liabilities	132,439	150,728	61,954	5,209	350,330	2,712
Unearned revenue	-	-	-	261,706	261,706	-
Customer deposits	224,846	45,317	-	-	270,163	-
Current portion of long-term debt	-	505,000	-	-	505,000	-
Total current liabilities	2,093,268	804,799	176,961	583,226	3,658,254	64,293
Long-term liabilities						
Accrued compensated absences	-	-	-	-	-	25,184
Discount on bonds	-	(359,641)	-	-	(359,641)	-
Bonds payable, net of current portion	-	18,475,000	-	-	18,475,000	-
Total long-term liabilities	-	18,115,359	-	-	18,115,359	25,184
Total liabilities	2,093,268	18,920,158	176,961	583,226	21,773,613	89,477
Net position						
Invested in capital assets, net of related debt	10,946,920	5,147,353	5,414,022	2,846,187	24,354,482	1,475,106
Restricted for:						
Revenue bond retirement	-	60,662	-	-	60,662	-
Unrestricted	6,750,342	2,048,551	1,384,534	376,849	10,560,276	1,678,926
Total net position	\$ 17,697,262	\$ 7,256,566	\$ 6,798,556	\$ 3,223,036	\$ 34,975,420	\$ 3,154,032

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

CITY OF SOUTH HAVEN
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2013

	Enterprise Funds				Enterprise Fund Total	Governmental
	Electric Utility	Water Utility	Sewer Utility	Nonmajor Enterprise Funds		Internal Service Funds
Operating revenue						
Charges for services	\$ 14,051,959	\$ 3,446,577	\$ 2,054,742	\$ 234,861	\$ 19,788,139	\$ 1,320,151
Special assessments	-	47,523	27,330	-	74,853	-
Dock rental	-	-	-	589,133	589,133	-
Other	168,856	74,437	55,343	246,149	544,785	8,986
Total operating revenue	<u>14,220,815</u>	<u>3,568,537</u>	<u>2,137,415</u>	<u>1,070,143</u>	<u>20,996,910</u>	<u>1,329,137</u>
Operating expense						
Operating costs and expenses	11,461,987	1,496,066	1,847,794	1,260,513	16,066,360	807,513
Depreciation	544,154	596,243	408,433	150,481	1,699,311	349,240
Total operating expense	<u>12,006,141</u>	<u>2,092,309</u>	<u>2,256,227</u>	<u>1,410,994</u>	<u>17,765,671</u>	<u>1,156,753</u>
Operating income (loss)	<u>2,214,674</u>	<u>1,476,228</u>	<u>(118,812)</u>	<u>(340,851)</u>	<u>3,231,239</u>	<u>172,384</u>
Non-operating revenue (expense)						
Loss on sale of capital assets	-	-	-	-	-	(3,547)
Investment earnings	(144,997)	13,839	18,275	11,579	(101,304)	(67,261)
Interest expense	-	(960,552)	-	-	(960,552)	-
Total non-operating revenue (expense)	<u>(144,997)</u>	<u>(946,713)</u>	<u>18,275</u>	<u>11,579</u>	<u>(1,061,856)</u>	<u>(70,808)</u>
Income (loss) before other items	<u>2,069,677</u>	<u>529,515</u>	<u>(100,537)</u>	<u>(329,272)</u>	<u>2,169,383</u>	<u>101,576</u>
Transfers and other items						
Property tax equivalent payments	(723,586)	(145,408)	(96,904)	(38,295)	(1,004,193)	-
Contribution in aid of construction	229,407	60,391	268,849	789,774	1,348,421	-
Transfers in	-	-	-	125,000	125,000	20,000
Transfers out	(167,018)	(36,642)	(251,957)	(26,880)	(482,497)	-
Total transfers and other items	<u>(661,197)</u>	<u>(121,659)</u>	<u>(80,012)</u>	<u>849,599</u>	<u>(13,269)</u>	<u>20,000</u>
Changes in net position	1,408,480	407,856	(180,549)	520,327	2,156,114	121,576
Net position, beginning of year	<u>16,288,782</u>	<u>6,848,710</u>	<u>6,979,105</u>	<u>2,702,709</u>	<u>32,819,306</u>	<u>3,032,456</u>
Net position, end of year	<u>\$ 17,697,262</u>	<u>\$ 7,256,566</u>	<u>\$ 6,798,556</u>	<u>\$ 3,223,036</u>	<u>\$ 34,975,420</u>	<u>\$ 3,154,032</u>

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

CITY OF SOUTH HAVEN

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED JUNE 30, 2013

	Enterprise Funds				Enterprise Fund Total	Governmental Activities
	Electric Utility	Water Utility	Sewer Utility	Nonmajor Enterprise Funds		Internal Service Funds
Cash flows from operating activities						
Receipts from internal services provided	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,334,537
Receipts from customers and users	14,486,274	3,542,881	2,181,333	1,049,677	21,260,165	-
Payments to employees	(1,400,103)	(747,573)	(643,071)	(180,858)	(2,971,605)	(170,785)
Payments to suppliers	(9,205,177)	(880,262)	(1,335,768)	(796,523)	(12,217,730)	(619,709)
Net cash provided by (used in) operating activities	<u>3,880,994</u>	<u>1,915,046</u>	<u>202,494</u>	<u>72,296</u>	<u>6,070,830</u>	<u>544,043</u>
Cash flows from non-capital financing activities						
Due to other funds	-	-	-	(10,458)	(10,458)	-
Due from other funds	-	-	-	(64,898)	(64,898)	-
Property tax equivalents	(723,586)	(145,408)	(96,904)	(38,295)	(1,004,193)	-
Transfers in	-	-	-	125,000	125,000	20,000
Transfers out	(167,018)	(36,642)	(251,957)	(26,880)	(482,497)	-
Net cash provided by (used in) non-capital financing activities	<u>(890,604)</u>	<u>(182,050)</u>	<u>(348,861)</u>	<u>(15,531)</u>	<u>(1,437,046)</u>	<u>20,000</u>
Cash flows from capital and related financing activities						
Proceeds from sale of capital assets	-	-	-	-	-	4,740
Interest expense	-	(935,655)	-	-	(935,655)	-
Contribution in aid of construction	229,407	60,391	268,849	545,727	1,104,374	-
Principal paid on bonds and notes	-	(445,000)	-	-	(445,000)	-
Acquisitions of capital assets	(292,324)	(201,553)	(200,188)	(1,523,737)	(2,217,802)	(613,399)
Net cash provided by (used in) capital and related financing activities	<u>(62,917)</u>	<u>(1,521,817)</u>	<u>68,661</u>	<u>(978,010)</u>	<u>(2,494,083)</u>	<u>(608,659)</u>
Cash flows from investing activities						
Interest income	(150,211)	12,947	18,397	12,970	(105,897)	(70,011)
Net increase (decrease) in cash and pooled investments	<u>2,777,262</u>	<u>224,126</u>	<u>(59,309)</u>	<u>(908,275)</u>	<u>2,033,804</u>	<u>(114,627)</u>
Cash and pooled investments, beginning of year	<u>3,587,274</u>	<u>1,216,123</u>	<u>938,519</u>	<u>1,501,826</u>	<u>7,243,742</u>	<u>1,876,432</u>
Cash and pooled investments, end of year	<u>\$ 6,364,536</u>	<u>\$ 1,440,249</u>	<u>\$ 879,210</u>	<u>\$ 593,551</u>	<u>\$ 9,277,546</u>	<u>\$ 1,761,805</u>
Cash flows from operating activities						
Operating income (loss)	\$ 2,214,674	\$ 1,476,228	\$ (118,812)	(340,851)	\$ 3,231,239	\$ 172,384
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation	544,154	596,243	408,433	150,481	1,699,311	349,240
Change in operating assets and liabilities which provided (used) cash						
Receivables	232,892	(31,189)	44,018	(45,251)	200,470	5,400
Prepaid expenses	3,503	4,904	1,139	1,544	11,090	1,405
Inventory	127,399	20,633	(639)	-	147,393	-
Accounts payable	734,258	(159,885)	(126,786)	283,775	731,362	13,685
Accrued liabilities	(8,453)	2,579	(4,759)	(2,187)	(12,820)	404
Customer deposits	32,567	5,533	(100)	-	38,000	-
Deferred revenue	-	-	-	24,785	24,785	1,525
Net cash provided by (used in) operating activities	<u>\$ 3,880,994</u>	<u>\$ 1,915,046</u>	<u>\$ 202,494</u>	<u>\$ 72,296</u>	<u>\$ 6,070,830</u>	<u>\$ 544,043</u>

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

CITY OF SOUTH HAVEN
AGENCY FUNDS
STATEMENT OF ASSETS AND LIABILITIES
JUNE 30, 2013

Assets

Cash and pooled investments	\$ 187,332
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Liabilities

Accounts payable	\$ 63,993
Deposits	101,399
Due to other governmental units	<u>21,940</u>

Total liabilities

	<u>\$ 187,332</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF SOUTH HAVEN
COMPONENT UNITS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2013

	Downtown Development Authority	Local Development Finance Authority #1	Local Development Finance Authority #2	Local Development Finance Authority #3	Brownfield Redevelopment Authority	Total
Assets						
Cash and pooled investments	\$ 115,729	\$ 699,395	\$ 183,530	\$ 546,258	\$ 1,181,828	\$ 2,726,740
Accounts receivable	-	1,542	90	1,334	3,354	6,320
Special assessment receivable	13,419	-	-	-	-	13,419
Due from other governments	75,972	-	-	-	-	75,972
Capital assets not being depreciated	-	1,344,537	55,373	-	-	1,399,910
Total assets	<u>205,120</u>	<u>2,045,474</u>	<u>238,993</u>	<u>547,592</u>	<u>1,185,182</u>	<u>4,222,361</u>
Liabilities						
Accounts payable	190,257	38,963	-	6,802	-	236,022
Accrued liabilities	1,316	133	-	311	-	1,760
Long-term debt						
Due within one year	-	-	-	27,208	-	27,208
Due in more than one year	-	-	-	47,617	-	47,617
Total liabilities	<u>191,573</u>	<u>39,096</u>	<u>-</u>	<u>81,938</u>	<u>-</u>	<u>312,607</u>
Net position						
Invested in capital assets, net of related debt	-	1,344,537	55,373	-	-	1,399,910
Unrestricted	13,547	661,841	183,620	465,654	1,185,182	2,509,844
Total net position	<u>\$ 13,547</u>	<u>\$ 2,006,378</u>	<u>\$ 238,993</u>	<u>\$ 465,654</u>	<u>\$ 1,185,182</u>	<u>\$ 3,909,754</u>

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

CITY OF SOUTH HAVEN
COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

	Downtown Development Authority	Local Development Finance Authority #1	Local Development Finance Authority #2	Local Development Finance Authority #3	Brownfield Redevelopment Authority	Total
Expenses						
Community development	\$ 1,375,725	\$ 221,646	\$ 32,897	\$ 299,876	\$ 267,351	\$ 2,197,495
Revenues						
Program revenues						
Operating grants and contributions	37,602	12,500	-	5,920	-	56,022
Capital grants	121,654	750,000	-	-	-	871,654
General revenues						
Property taxes	1,500,869	173,394	31,232	40,986	146,138	1,892,619
Unrestricted investment earnings	647	1,110	3,915	(646)	(30,409)	(25,383)
Total revenues	<u>1,660,772</u>	<u>937,004</u>	<u>35,147</u>	<u>46,260</u>	<u>115,729</u>	<u>2,794,912</u>
Change in net position	285,047	715,358	2,250	(253,616)	(151,622)	597,417
Net position (deficit), beginning of year	<u>(271,500)</u>	<u>1,291,020</u>	<u>236,743</u>	<u>719,270</u>	<u>1,336,804</u>	<u>3,312,337</u>
Net position, end of year	<u>\$ 13,547</u>	<u>\$ 2,006,378</u>	<u>\$ 238,993</u>	<u>\$ 465,654</u>	<u>\$ 1,185,182</u>	<u>\$ 3,909,754</u>

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

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CITY OF SOUTH HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of South Haven, Michigan (the "City") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

Reporting Entity

These financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations, so data from these units are combined with data of the primary government. Discretely presented component units are reported in a separate column in the financial statements to emphasize they are legally separate from the City. A separate section of the Basic Financial Statements provides detailed financial information on the discretely presented component units.

Blended Component Unit

The South Haven Building Authority - The members of the governing board of the Building Authority are appointed by the City Council. The City has significant influence over operations of the Building Authority and is also accountable for its fiscal matters. The Building Authority provides services exclusively to the City.

Discretely Presented Component Units

The component unit columns in the government-wide financial statements include the financial data of the Downtown Development Authority (DDA), three Local Development Finance Authorities (LDFA) and a Brownfield Redevelopment Authority. These component units provide services to the businesses located within the districts. They are reported in a separate column to emphasize they are legally separate from the City.

The DDA was created to correct and prevent deterioration in the downtown area, encourage historical preservation and promote economic growth within downtown. The DDA governing body consists of nine individuals that are appointed by the City's mayor and confirmed by City Council.

The LDFA's were formed to develop a program of ongoing industrial development, retention and expansion, reclamation of vacant industrial buildings and sites, environmental corrections, industrial park expansion, infrastructure improvements, as well as industrial and community promotion. Seven of the ten members of each of the LDFA's governing bodies are appointed by City Council, two are selected by the South Haven School Board and one by Van Buren County.

The Brownfield Redevelopment Authority accounts for captured tax revenue on specific properties within the City that have been identified and approved by the State of Michigan as brownfields requiring site reclamation. These revenues are used to reimburse property owners for expenditures incurred for brownfield cleanup. The City Council appoints the governing body of the Brownfield Redevelopment Authority.

CITY OF SOUTH HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

The budgets of these Authorities must be approved by the City Council, and the City has the ability to significantly influence their operations. Financial statements are not separately issued for the component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between enterprise functions and other various functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. 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 segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, 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, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when 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, except for reimbursement-based grants and interest which use a one year collection 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, other postemployment benefits, and claims and judgments, are recorded only when payment is due.

CITY OF SOUTH HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

Property taxes, state revenue, 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. All other revenue items are considered to be measurable and available only when cash is received by the City.

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 enterprise fund are charges for services. The principal operating revenues of the City's internal service funds are charges to City departments for shared costs, equipment utilization, and insurance coverage. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. Operating expenses for the internal funds include the cost of services (including claims), administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City reports the following major governmental funds:

The *General Fund* is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

The *Electric Utility Enterprise Fund* is used to account for electric services provided to the residences and businesses of the City and surrounding area on a user charge basis.

The *Water Utility Enterprise Fund* is used to account for the operations of the City's water department that provides water services to most residents of the City and surrounding area on a user charge basis.

The *Sewer Utility Enterprise Fund* is used to account for the operations of the City's sewer department that provides sewer services to most residents of the City and surrounding area on a user charge basis.

Additionally, the City reports the following fund types:

The *Special Revenue Funds* are used to account for the proceeds of specific revenue sources (other than permanent trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

The *Debt Service Funds* are used to account for the accumulation of resources for, and payment of, long-term debt principal, interest, and related costs of governmental activities.

The *Capital Projects Funds* account for the accumulation and disbursement of resources for the specific capital projects of governmental activities.

The *Permanent Fund* is used to account for resources that are legally restricted to the extent that only earnings, and not principal may be used for purposes that support the City programs.

CITY OF SOUTH HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

The *Enterprise Funds* are used to account for self-supporting operations of the City that are financed by charges for the services provided.

The *Internal Service Funds* are used to account for shared services, equipment usage, and insurance coverage provided to the City departments and funds on a cost reimbursement basis.

The *Agency Funds* are used to account for the collection and disbursement of funds including property and payroll taxes that are collected on behalf of outside governments or other parties.

Budgets and Budgetary Accounting

Comparisons to budget are presented for the general, special revenue, and debt service funds. General, special revenue, and debt service funds adopt a legal budget with remaining funds maintaining budgets as a management control device. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the first City Council meeting in May, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget is adopted by activity.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed for the governmental fund types as a management control device.
5. Budgets for the general, special revenue and debt service funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Annual appropriations lapse at fiscal year-end.
6. Adoption and amendments of all budgets used by the City are governed by Michigan state law. The appropriations resolution is based on the projected expenditures budget of the department heads of the City. Any amendment to the original budget must meet the requirements of Michigan law. Any revisions that alter the total expenditures of any department must be approved by the City Council. The City Manager is authorized to transfer budgeted amounts within a department subject to the condition that the total expenditures do not exceed the approved appropriations by department. Thus the legal level of budgetary control is at the department level. Supplemental appropriations were necessary during the year.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the City considers cash and pooled investments to be cash and cash equivalents because the pooling of these balances allows for withdrawal of these balances at any time similar to a demand deposit account.

CITY OF SOUTH HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

Investments

Investments are stated at fair value at the balance sheet date.

State statutes authorize the City to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers' acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase that are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended.

Receivables

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Uncollectible balances are immaterial to the financial statements.

Special Assessments Receivable

Special assessments receivable consist of long-term receivables from customers and benefited parties for various water, sewer, and river improvement projects.

Inventory and Prepaid Items

All inventories are valued at original cost using the first-in/first-out (FIFO) method. Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Restricted Cash and Pooled Investments

Restricted balances represent required reserves for the payment of principal and interest on outstanding bonds as well as other reserves required by bond agreements.

CITY OF SOUTH HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

Capital Assets

Capital assets, which include land, construction in progress, buildings and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental and business-type activities columns 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 (infrastructure utilizes \$10,000 or more) and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The amount reported for infrastructure includes only assets added since 1945.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. No interest expense has been capitalized on capital assets reported in proprietary funds.

Depreciation on capital assets (including infrastructure) is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	20
Buildings	20-50
Equipment	5-30
Public domain infrastructure	20-40
System infrastructure	20-50

Compensated Absences

Under contracts negotiated with employee groups, individual employees have a vested right to receive payments for unused vacation, paid time off (PTO), and sick leave under formulas and conditions specified in the contracts. Accumulated compensated absences of governmental funds are recorded on the statement of net position and not on the governmental fund balance sheets unless they are due and payable because the balance is not expected to be liquidated with expendable available financial resources. Amounts accumulated for proprietary funds are reported on the statements of net position of the individual enterprise funds. Compensated absences reported for governmental activities are primarily liquidated from general fund resources.

CITY OF SOUTH HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

Deferred/Unearned Revenue

Funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* reported in the funds were as follows:

Governmental funds	
Delinquent personal property taxes	\$ 46,999
Special assessments	<u>14,513</u>
Total governmental funds	61,512
Proprietary funds	
Unearned rent	<u>261,706</u>
	<u><u>\$323,218</u></u>

Net Position and Fund Balance Reporting

Governmental funds report fund balance in the following five categories:

1. Non-spendable – the related asset's form does not allow expenditure of the balance. The assets are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. Nonspendable fund balance would be equal to inventory, prepaid items, non-current financial assets, and the nonspendable portion of endowments.
2. Restricted – the related assets can only be spent for the specific purposes stipulated by constitution, external resource providers, or as identified in enabling legislation.
3. Committed – the related assets can only be spent for a specific purpose identified by formal action of the governing board.
4. Assigned – the related assets can only be spent for a specific purpose identified by management as authorized by the governing board.
5. Unassigned – is the residual classification and includes all spendable amounts not contained in the other classifications.

Fund Balance can only be committed by resolution of the City Council. The City has not delegated the authority to assign Fund Balance.

Net Position and Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position/fund balance and unrestricted – net position/fund balance, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to use restricted resources first, then unrestricted resource as they are needed.

CITY OF SOUTH HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method.

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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Grants and Other Intergovernmental Revenues

Grants and assistance awards made on the basis of entitlement periods are recorded as due from other governments and revenue when entitlement occurs. Reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditure/expenses are incurred.

Property Taxes

City property taxes are attached as an enforceable lien on property as of December 31. Summer taxes are levied July 1 and are due without penalty on or before September 19. Winter taxes are levied December 1 and are due without penalty on or before February 14. Tax bills include the City's own property taxes and taxes billed on behalf of other taxing units. Real property taxes not collected as of March 1 are turned over to the applicable county for collection, which advances the City 100% of the delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the City Treasurer. Taxes collect on behalf of other taxing units is accounted for in the agency funds. Property taxes levied in July of each year are recognized as revenue in the year in which they are levied.

Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds. Transactions that constitute reimbursement to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund that is reimbursed. Changes between enterprise funds and other functions of the City are not reimbursements because elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Remaining transactions are generally reflected as transfers. Payments from the utility funds to the general fund are required by City charter and are captioned "property tax equivalent payments" and are equivalent to transfers.

2. DEFICIT FUND BALANCE/NET POSITION

At June 30, 2013, the City had deficit fund balance as follows:

Nonmajor capital projects funds	
Sewer rehabilitation	\$61,956

CITY OF SOUTH HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

3. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

Michigan law provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the City's actual expenditures and budgeted expenditures for the budgeted funds have been shown on a functional basis. The approved budgets of the City for these budgeted funds were adopted at the activity level.

During the year ended June 30, 2013, the City incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Finance Department	\$146,968	\$149,754	\$(2,786)
Hospital	103,579	104,100	(521)
Library	184,949	185,129	(180)

4. CASH AND INVESTMENTS

The captions on the financial statements relating to cash and pooled investments and investments are as follows:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Agency Funds</u>	<u>Total</u>
Cash and pooled investments	\$16,117,421	\$2,726,740	\$187,332	\$19,031,493
Restricted cash and pooled investment	60,662	-	-	60,662
	\$16,178,083	\$2,726,740	\$187,332	\$19,092,155

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

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require, and the City does not have, a policy for deposit custodial credit risk. As of year-end, \$8,146,609 of the City's bank balance of \$10,787,521 was exposed to custodial credit risk because the balance was uninsured and uncollateralized.

CITY OF SOUTH HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

Investments

The City chooses to disclose its investments by specifically identifying each. As of year-end, the City had the following investments:

	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Source</u>
Mutual fund accounts	N/A	\$441,191	Unrated	
Government Securities				
FFCB Bond	12/5/22	139,459	AAA	Moody's
FHLB Bond	1/30/24	185,612	AAA	Moody's
FHLB Bond	10/18/27	1,202,942	AAA	Moody's
FHLB Note	1/28/28	922,720	AAA	Moody's
FHLMC Note	6/21/22	449,366	AAA	Moody's
FHLMC Note	11/15/22	14,981	Not available	
FHLMC Note	4/15/28	82,146	Not available	
FHLMC Note	3/15/34	452,117	Not available	
FHLMC Note	2/15/38	164,812	Not available	
FNMA Bond	9/27/22	477,520	AAA	Moody's
FNMA Bond	11/27/24	2,604,980	AAA	Moody's
FNMA Bond	3/25/37	126,739	Not available	
FNMA Note	11/14/22	793,832	AAA	Moody's
GNMA Bond	3/20/36	25,428	Not Available	
GNMA Bond	12/20/37	193,459	Not Available	
		<u>\$8,277,304</u>		

The above investments do not include certificates of deposit which are classified as deposits for risk identification purposes.

Investment risk

Interest Rate Risk. State law and City policy limit the allowable investments and the maturities of some of the allowable investments as identified in Note 1, the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity date for each investment is identified above for investments held at year-end.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in Note 1, the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment credit risk. The rating for each investment is identified above for investments held at year-end.

CITY OF SOUTH HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the City does not have a policy for investment custodial credit risk. Of the above \$8,277,304 of investments, the City has a custodial credit risk of \$7,836,113 because the related securities are uninsured, unregistered and held by the government's brokerage firm which is also the counterparty for these particular securities. Of the above mutual fund investments the City's custodial credit risk exposure cannot be determined because the mutual funds do not consist of specifically identifiable securities.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in Note 1, the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year-end are reported above.

5. INTERFUND TRANSACTIONS

At June 30, 2013, the sewer rehabilitation fund made a loan of \$61,956 to the capital projects fund with cash and pooled investments for temporary cash flow and the river maintenance fund owed \$75,356 to the marina fund for its share of the dredging project.

Transfers in and out for the year ended June 30, 2013, are as follows:

<u>Transfer out</u>	<u>Transfer in</u>				<u>Total</u>
	<u>General fund</u>	<u>Nonmajor governmental funds</u>	<u>Nonmajor enterprise funds</u>	<u>Internal service funds</u>	
General fund	\$ -	\$519,500	\$125,000	\$20,000	\$664,500
Nonmajor governmental funds	85,200	578,407	-	-	663,607
Electric utility	-	167,018	-	-	167,018
Water utility	-	36,642	-	-	36,642
Sewer utility	-	251,957	-	-	251,957
Nonmajor enterprise funds	-	26,880	-	-	26,880
Total	\$85,200	\$1,580,404	\$125,000	\$20,000	\$1,810,604

Transfers are used to (1) move unrestricted revenues collected in the General Fund to finance capital and other various programs accounted for in other funds in accordance with budgetary authorizations and (2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them.

CITY OF SOUTH HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

6. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 643,295	\$ -	\$ -	\$ 643,295
Construction in progress	42,792	1,104,308	-	1,147,100
Total capital assets, not being depreciated	<u>686,087</u>	<u>1,104,308</u>	<u>-</u>	<u>1,790,395</u>
Capital assets, being depreciated				
Land improvements	2,660,823	-	1,850	2,658,973
Buildings and improvements	6,690,299	-	41,070	6,649,229
Vehicles	2,471,023	526,806	417,225	2,580,604
Machinery and equipment	1,864,182	255,510	354,412	1,765,280
Infrastructure	39,072,807	1,256,918	-	40,329,725
Total capital assets, being depreciated	<u>52,759,134</u>	<u>2,039,234</u>	<u>814,557</u>	<u>53,983,811</u>
Less accumulated depreciation for				
Land improvements	2,530,889	9,726	1,850	2,538,765
Buildings and improvements	3,002,801	190,296	41,070	3,152,027
Vehicles	1,529,279	224,557	408,939	1,344,897
Machinery and equipment	1,380,378	202,874	354,411	1,228,841
Infrastructure	20,552,427	1,456,780	-	22,009,207
Total accumulated depreciation	<u>28,995,774</u>	<u>2,084,233</u>	<u>806,270</u>	<u>30,273,737</u>
Net capital assets, being depreciated	<u>23,763,360</u>	<u>(44,999)</u>	<u>8,287</u>	<u>23,710,074</u>
Governmental Activities capital assets, net	<u>\$24,449,447</u>	<u>\$1,059,309</u>	<u>\$ 8,287</u>	<u>\$25,500,469</u>
Business-type Activities				
Capital assets, not being depreciated				
Land	\$ 23,062	\$ -	\$ -	\$ 23,062
Construction in progress	116,645	154,292	116,645	154,292
Total capital assets, not being depreciated	<u>139,707</u>	<u>154,292</u>	<u>116,645</u>	<u>177,354</u>
Capital assets being depreciated				
Land improvements	2,950,836	-	-	2,950,836
Buildings and improvements	29,404,786	1,617,097	15,812	31,006,071
Machinery and equipment	1,347,573	103,216	-	1,450,789
Utility system	31,166,885	459,841	-	31,626,726
Total capital assets, being depreciated	<u>64,870,080</u>	<u>2,180,154</u>	<u>15,812</u>	<u>67,034,422</u>
Less accumulated depreciation for				
Land improvements	1,637,835	118,369	-	1,756,204
Buildings and improvements	5,314,191	721,265	15,812	6,019,644
Machinery and equipment	984,368	80,377	-	1,064,745
Utility system	14,778,776	779,300	-	15,558,076
Total accumulated depreciation	<u>22,715,170</u>	<u>1,699,311</u>	<u>15,812</u>	<u>24,398,669</u>
Net capital assets, being depreciated	<u>42,154,910</u>	<u>480,843</u>	<u>-</u>	<u>42,635,753</u>
Business-type Activities capital assets, net	<u>\$42,294,617</u>	<u>\$ 635,135</u>	<u>\$116,645</u>	<u>\$42,813,107</u>

CITY OF SOUTH HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
Component units				
Local Development Finance Authority #2				
Capital assets not being depreciated				
Land	\$55,373	\$ -	\$ -	\$ 55,373
<hr/>				
Local Development Finance Authority #1				
Capital assets not being depreciated				
Land	\$ -	\$1,344,537	\$ -	\$1,344,537
<hr/>				

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

Governmental Activities

General government	\$ 201,560
Public safety	19,591
Public works	1,492,627
Health and welfare	2,974
Culture and recreation	18,241
Capital assets held by the governments internal service funds are charged to the various functions based on their usage of the assets	349,240

Total depreciation expense - governmental activities **\$2,084,233**

Business-type Activities

Electric	\$ 544,154
Water	596,243
Sewer	408,433
Nonmajor enterprise funds	150,481

Total depreciation expense - business- type activities **\$1,699,311**

7. PENSION PLAN

Defined Benefit Plan

Plan Description

The City participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multi-employer defined benefit pension plan providing retirement, death and disability benefits. The System is administered by the MERS retirement board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. A publicly available financial report that includes financial statements and required supplementary information for MERS may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, MI 48917.

CITY OF SOUTH HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

The City is required to contribute at an actuarially determined rate, which for the current year was from 4.91% to 13.67% of annual covered payroll depending on position and classification. Participating employees are required to contribute from 2% to 10% percent of gross wages to the Plan based on position and classification. The contribution requirements of the City are established and may be amended by the MERS Retirement Board. The contribution requirements of employees are established and may be amended by labor agreements.

For the year ended June 30, 2013, the City's annual pension cost of \$183,951 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of eight (8.0) percent; (b) projected salary increases of 4.5% per year (1% for 2013-2014, 2% for 2015 and 3% for 2016), plus from 0% to 13% based on an age-related scale to reflect merit, longevity and promotional salary increases, (c) projected withdrawal rates of 2.4% to 20.0% depending on age and years of service, and (d) inflation rate of 3-4%. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect fair value. The difference in investment income between expected return and market return is recognized over a ten year period at the rate of 10% per year. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2012, the date of the latest actuarial valuation, was 26 years.

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities of benefits.

Three-Year Trend Information

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
6/30/11	\$117,719	100%	\$ -
6/30/12	135,745	100%	-
6/30/13	183,951	100%	-

Schedule of Funding Progress

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(a)</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability (AAL)</u> <u>Entry Age</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(b-a)</u>	<u>Funded</u> <u>Ratio</u> <u>Total</u>	<u>Covered</u> <u>Payroll</u> <u>(c)</u>	<u>UAAL as a</u> <u>Percentage</u> <u>of Covered</u> <u>Payroll</u> <u>((b-a)/c)</u>
12/31/12	\$22,235,421	\$22,722,544	\$487,123	98%	\$4,324,103	11%

CITY OF SOUTH HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

8. LONG-TERM DEBT

The following is a summary of the debt transactions of the City for the year ended June 30, 2013:

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>	<u>Due Within One Year</u>
Governmental Activities					
\$2,265,000 Building Authority Refunding Bonds, Series 2011 Limited Tax General Obligation, due in annual installments of \$200,000 to \$260,000 through November 2022, plus interest at 2.0% to 3.50%	\$2,265,000	\$ -	\$ 200,000	\$2,065,000	\$ 210,000
\$5,800,000 2003 Limited Tax General Obligation Capital Improvement Bonds, due in annual installments of \$150,000 to \$380,000 through May 2027, plus interest at 2.50% to 4.625%	4,180,000	-	4,180,000	-	-
\$1,500,000 2007 General Obligation Capital Improvement Bonds, due in annual installments of \$50,000 to \$105,000 through 2027, plus interest at 3.75% to 4.15%	1,225,000	-	60,000	1,165,000	65,000
\$4,070,000 2012 General Obligation Limited Tax Refunding Bonds, due in annual installments of \$250,000 to 35,000 through 2027, plus interest at 2.00%-3.00%	-	4,070,000	-	4,070,000	250,000
\$3,395,000 Downtown Development Refunding Bonds, Series 2001, Limited Tax General Obligation, due in annual installments of \$100,000 to \$360,000 through May 2015, plus interest at 3.25% to 4.5%	1,035,000	-	330,000	705,000	345,000
\$3,000,000 2013 Building Authority Bonds, due in annual installments of \$62,000 to \$155,000, through 2043; plus interest at 3.375%	-	99,000	-	99,000	62,000
\$184,692 DEQ Brownfield loan due in annual installments of \$14,937 beginning in 2012 through April 2019, including interest at 2.0%	96,671	-	13,003	83,668	13,263
	8,801,671	4,169,000	4,783,003	8,187,668	945,263
Accrued employee benefits	332,061	106,142	107,086	331,117	198,256
Other post employment benefits	276,841	45,991	-	322,832	-
Total Governmental Activities	\$9,410,573	\$4,321,133	\$4,890,089	\$8,841,617	\$1,143,519

CITY OF SOUTH HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>	<u>Due Within One Year</u>
Business-type Activities					
\$470,000 Water Supply System Revenue Bonds, series 2001, due in semi-annual installments of \$15,000 to \$35,000 through April 2021; plus interest at 3.8% to 5.35%	\$ 270,000	\$ -	\$ 25,000	\$ 245,000	\$ 25,000
\$9,965,000 2008 Capital Improvement Bonds, due in semi-annual installments of \$35,000 to \$620,000 through June 1, 2033, plus interest at 4.0% to 5.25%	9,680,000	-	195,000	9,485,000	225,000
\$10,000,000 2009 Capital Improvement Bonds, due in semi-annual installments of \$165,000 to \$690,000 through December 1, 2033, plus interest at 2.0% to 5.125%	9,475,000	-	225,000	9,250,000	255,000
	19,425,000	-	445,000	18,980,000	505,000
Bond issuance costs	(169,821)	-	(8,087)	(161,734)	-
Bond discount	(377,907)	-	(18,266)	(359,641)	-
Total Business-type Activities	\$18,877,272	\$ -	\$418,647	\$18,458,625	\$505,000
Component Unit - Local Development					
Finance Authority #3					
\$350,000 2004 MEDC/CDBG Loan Repayment, payable in quarterly installments of \$6,802, through April 2016, non-interest bearing	\$102,033	\$ -	\$27,208	\$74,825	\$27,208

The 2013 Building authority bonds provide for bond proceeds to be received as the related construction project progresses to a maximum amount of approximately \$3,000,000. The future minimum payment schedules include only debt outstanding at June 30, 2013.

During fiscal year 2013, the City issued \$4,070,000 of general obligation bonds to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on \$3,980,000 of refunded debt. The refunded bonds were called and refunded during 2013. This advanced refunding was undertaken to reduce total debt service payments by \$615,849, which resulted in an economic gain of \$521,103.

The Downtown Development Authority has pledged future tax increment revenue for the payment of the City Downtown Development Refunding Bonds series 2001. At June 30, 2013 remaining principal and interest on the bonds was \$753,645 payable through 2015. During the current year, \$376,605 of the tax increment revenue available was captured to make payment of principal and interest payments.

CITY OF SOUTH HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

The annual requirements to amortize all debt outstanding (excluding accrued employee benefits and bond discounts) as of June 30, 2013 are as follows:

Year Ending <u>June 30</u>	Governmental Activities		Business-type Activities		Component Unit	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 945,263	\$ 231,585	\$ 505,000	\$ 918,008	\$27,208	\$ -
2015	935,529	202,016	580,000	898,395	27,208	-
2016	553,799	172,071	625,000	874,733	20,409	-
2017	564,075	159,047	670,000	848,035	-	-
2018	579,357	145,121	700,000	818,122	-	-
2019-2023	2,874,645	483,592	4,090,000	3,550,449	-	-
2024-2028	1,735,000	128,916	5,070,000	2,452,556	-	-
2029-2033	-	-	6,050,000	1,058,561	-	-
2034	-	-	690,000	17,681	-	-
Total	\$8,187,668	\$1,522,348	\$18,980,000	\$11,436,540	\$74,825	\$ -

Other post-employment benefits of governmental activities are generally liquidated with general fund resources.

9. OTHER POST EMPLOYMENT BENEFITS

The City administers a single-employer defined benefit healthcare plan (the Retiree Health Plan). This benefit plan is authorized, and applicable benefit requirements are identified, in the City personnel policy and union agreements. The plan provides employees retiring with 20 years of full time employment one half of single subscriber coverage benefits until Medicare eligible (age 65). The City makes 100% of the premium payments to the plan. The Retiree Health Plan does not issue a publicly available financial report and a legal trust has not been established for the plan.

The City's contribution to this plan is provided on a pay as you go basis. For the current year, the annual required contribution (ARC) was \$82,018 while the City contributed \$34,780 to provide insurance coverage for 8 retired employees during 2013.

The City's annual other post employment benefit (OPEB) cost (expense) 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 permitted by GASB Statement 45 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 amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty years.

CITY OF SOUTH HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's OPEB obligation to the plan.

Annual required contribution	\$ 82,018
Interest on Net OPEB obligation	11,073
Adjustment to annual required contribution	(12,320)
Annual OPEB cost (expense)	80,771
Contribution made	34,780
Increase in net OPEB obligation	45,991
Net OPEB obligation, beginning of year	275,841
Net OPEB obligation, end of year	\$322,832

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities of benefits.

Three-Year Trend Information

Fiscal Year	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
<u>Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/11	\$91,775	25.5%	\$224,459
6/30/12	77,794	32.7%	276,841
6/30/13	80,771	43.1%	322,832

Schedule of Funding Progress

Valuation Date	Market Value of Assets (a)	Accrued Liability (AL) (b)	Unfunded AL (UAL) (b-a)	Funded Ratio Total	Covered Payroll (c)	UAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/13	\$ -	\$1,087,967	\$1,087,967	0%	\$4,272,010	25.5%

Valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The City is currently funding the plan on a pay as you go basis.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the 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 employer and the plan members to that point. The 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 calculation.

In the June 30, 2013 valuation, the Plan utilized the entry age actuarial cost method; closed amortization period; and an amortization period of 30 years. The assumptions included a 0% return on plan net assets as the plan is not funded, a discount rate of 4%, and an 8% medical inflation rate.

CITY OF SOUTH HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

10. 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 participates in the Michigan Municipal League (MML) risk pool program for claims relating to workers' compensation and the Michigan Municipal Risk Management Authority (MMRMA) for other claims.

The MML risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The MMRMA risk pool operates as a claims servicing pool for the amount up to member risk retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Payments are made to the MMRMA which include additions to available member retention balances and premiums to cover the costs of operations and the purchase of reinsurance. The City is self insured for the first \$75,000 of each claim. Accounting standards require that a liability for claims be reported if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Liabilities for claims and claims incurred but not reported which meet that criteria are recorded on the financial statements as a reduction of available member retention balances included in the various funds.

Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years. There were no changes in insurance coverage from the prior year. The changes in the claims liability for the years ended June 30, 2013 and 2012 are as follows:

	<u>Beginning of Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>End of Year Liability</u>
2012	\$ -	\$(77,667)	\$77,667	\$ -
2013	-	(13,000)	13,000	-

The activity of the self-funded health insurance is accounted for in the self-insurance internal service fund. The City self-funds the first \$5,000 of claims for each covered employee (\$10,000 for those with family coverage). An excess coverage insurance policy covers claims in excess of those amounts. The City is responsible for paying administrative charges which are included in this fund. The revenues for this fund's operation are charges to various funds, employee withholdings, and co-payments. The liability at the end of the year included claims already incurred and reported as well as an estimate for claims incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors. Settled claims have not exceeded insurance coverage in the history of the self-insurance program, and there have been no significant reductions in insurance coverage from the prior year.

CITY OF SOUTH HAVEN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

The changes in the claims liability for the years ended June 30, 2013 and 2012 were as follows:

<u>Year</u>	<u>Beginning of Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>End of Year Liability</u>
2012	\$ 35,035	\$288,496	\$290,097	\$33,434
2013	33,434	325,323	325,407	33,350

11. JOINT VENTURE

The City participates in the South Haven Area Emergency Services Authority (SHAES) a joint venture of the City and surrounding townships which provides fire and emergency medical services to participating municipalities. Contribution requirements for participating municipalities are based on budgeted costs and the value of property located within each municipality. For the current year the City provided \$471,165 for the aforementioned services. During the most recent fiscal year SHAES reported an increase in net position of \$191,462.

Complete financial statements for SHAES may be obtained at the administrative offices.

South Haven Area Emergency Services Authority
930 Blue Star Highway
South Haven, MI 49090

12. SUBSEQUENT EVENTS

Subsequent to June 30, 2013, the City awarded construction contracts of approximately \$2,800,000 for Phoenix Street reconstruction. The City also issued 2013 Downtown Development General Obligation Bonds totaling \$2,950,000.

Subsequent to June 30, 2013 and through our report date, investments decreased by approximately \$140,000 due to unrealized market value adjustments.

13. CONTINGENCY

In the normal course of its operations, the City has become a party in various legal actions. The City has also become a party in various property tax appeals. Management of the City is of the opinion that the outcome of such actions will not have a material effect on the financial position of the City. Amounts reserved for losses, if any, related to legal actions are undetermined and have not been included as a liability in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SOUTH HAVEN

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Property taxes	\$ 3,869,802	\$ 3,869,802	\$ 3,771,176	\$ (98,626)
Intergovernmental revenues				
State	575,404	575,404	563,131	(12,273)
Local	178,500	178,500	182,033	3,533
Licenses and permits	177,500	177,500	207,295	29,795
Charges for services	441,658	443,658	487,847	44,189
Fines	32,500	32,500	14,302	(18,198)
Special assessments	3,756	3,756	1,371	(2,385)
Investment earnings	52,700	51,950	(36,784)	(88,734)
Miscellaneous	426,397	603,397	561,587	(41,810)
Total revenues	<u>5,758,217</u>	<u>5,936,467</u>	<u>5,751,958</u>	<u>(184,509)</u>
Expenditures				
Current				
General government	1,350,074	1,522,167	1,307,174	214,993
Public safety	2,655,472	3,020,502	2,970,604	49,898
Public works	792,283	734,543	694,572	39,971
Health and welfare	188,929	188,929	188,333	596
Culture and recreation	865,060	871,834	827,266	44,568
Other	115,211	635,579	632,629	2,950
Debt service				
Principal	72,003	13,003	13,003	-
Interest and fiscal charges	103,184	1,934	1,933	1
Total expenditures	<u>6,142,216</u>	<u>6,988,491</u>	<u>6,635,514</u>	<u>352,977</u>
Revenues over (under) expenditures	<u>(383,999)</u>	<u>(1,052,024)</u>	<u>(883,556)</u>	<u>168,468</u>
Other financing sources (uses)				
Property tax equivalent payments	843,316	869,182	1,004,193	135,011
Transfers in	85,200	85,200	85,200	-
Transfers out	(514,100)	(664,500)	(664,500)	-
Total other financing sources (uses)	<u>414,416</u>	<u>289,882</u>	<u>424,893</u>	<u>135,011</u>
Net changes in fund balance	30,417	(762,142)	(458,663)	303,479
Fund balance, beginning of year	<u>3,021,199</u>	<u>3,021,199</u>	<u>3,021,199</u>	<u>-</u>
Fund balance, end of year	<u>\$ 3,051,616</u>	<u>\$ 2,259,057</u>	<u>\$ 2,562,536</u>	<u>\$ 303,479</u>

CITY OF SOUTH HAVEN

**MERS DEFINED BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS**

JUNE 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2010	\$ 21,695,636	\$ 20,680,378	\$ (1,015,258)	104.9%	\$ 4,272,061	-23.8%
12/31/2011	21,870,512	21,810,483	(60,029)	100.3%	4,352,847	-1.4%
12/31/2012	22,235,421	22,722,544	487,123	97.9%	4,324,103	11.3%

CITY OF SOUTH HAVEN

RETIREE HEALTH OTHER POST EMPLOYMENT BENEFIT PLAN

JUNE 30, 2013

SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Value of Assets</u>	<u>Accrued Liability (AL)</u>	<u>Unfunded AL (UAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAL as a Percentage of Covered Payroll</u>
6/30/2011	\$ -	\$ 1,233,424	\$ 1,233,424	0.00%	\$ 4,139,806	29.8%
6/30/2012	-	1,087,354	1,087,354	0.00%	4,517,179	24.1%
6/30/2013	-	1,087,354	1,087,354	0.00%	4,517,179	24.1%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended June 30</u>	<u>Annual required Contribution</u>	<u>Actual Contribution</u>	<u>Percent Contributed</u>
2011	\$ 92,478	\$ 23,362	25.3%
2012	78,805	25,412	32.2%
2013	82,018	34,780	42.4%

Note to required supplementary information

Budgets and Budgetary Accounting

The City adopts an annual budget for the general and each special revenue fund following the GAAP basis of accounting. Unexpended appropriations lapse at year end.

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**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

GENERAL FUND

The *General Fund* accounts for revenues and expenditures that are not required to be accounted for in another fund. In the City of South Haven the functions of the General Fund include Legislative, General Administration, Parks, Police, Fire, Development and Public Services activities not recorded in Special Revenue or Enterprise Funds. The General Fund is the designated repository per Michigan law for ad valorem property taxes. Other revenue sources for the General Fund are state shared revenues, transfers from other funds, fees and interest.

CITY OF SOUTH HAVEN

**GENERAL FUND
SCHEDULE OF REVENUES
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Real and personal property tax	\$ 3,669,202	\$ 3,669,202	\$ 3,558,167	\$ (111,035)
Payments in lieu of tax	5,600	5,600	5,763	163
Collection fees	195,000	195,000	207,246	12,246
Total taxes	3,869,802	3,869,802	3,771,176	(98,626)
Licenses and permits				
Business	80,000	80,000	90,211	10,211
Nonbusiness	87,000	87,000	106,405	19,405
Liquor license fees	10,500	10,500	10,679	179
Total licenses and permits	177,500	177,500	207,295	29,795
Intergovernmental - state				
State-shared revenue	320,604	320,604	389,569	68,965
State grants	254,800	254,800	173,562	(81,238)
Total state sources	575,404	575,404	563,131	(12,273)
Intergovernmental - local	178,500	178,500	182,033	3,533
Charges for services				
Planning and zoning fees	30,500	30,500	59,451	28,951
Foundations - cemetery	7,500	7,500	6,664	(836)
Grave openings	17,000	17,000	19,050	2,050
Cemetery lot use	12,000	14,000	28,024	14,024
Other charges for services	374,658	374,658	374,658	-
Total charges for services	441,658	443,658	487,847	44,189
Fines				
Ordinance fines	20,000	20,000	9,015	(10,985)
Other fines	12,500	12,500	5,287	(7,213)
Total fines	32,500	32,500	14,302	(18,198)
Assessments	3,756	3,756	1,371	(2,385)
Investment earnings	52,700	51,950	(36,784)	(88,734)
Other revenue	426,397	603,397	561,587	(41,810)
Total revenues	\$ 5,758,217	\$ 5,936,467	\$ 5,751,958	\$ (184,509)

CITY OF SOUTH HAVEN
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

Expenditures	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Current				
General government				
City Council	\$ 35,007	\$ 35,641	\$ 35,152	\$ 489
City Managers Office	176,534	187,906	177,252	10,654
Elections	21,868	26,590	25,690	900
Finance Department	139,695	146,968	149,754	(2,786)
City Assessor	147,686	152,148	146,361	5,787
Legal Counsel	150,000	200,000	166,163	33,837
City Clerk	24,770	31,578	31,500	78
Treasurer	60,574	67,588	64,436	3,152
City hall and grounds	299,528	330,267	230,826	99,441
Cemetery	126,053	147,434	120,251	27,183
Cable TV broadcasting	25,752	27,567	23,372	4,195
Other personnel activities	87,527	93,480	87,300	6,180
Insurance and bonds	55,080	75,000	49,117	25,883
	<u>1,350,074</u>	<u>1,522,167</u>	<u>1,307,174</u>	<u>214,993</u>
Public safety				
Police Department	1,824,133	2,158,432	2,150,780	7,652
Information Services	109,794	114,066	102,868	11,198
Fire Authority	474,218	474,218	471,165	3,053
Building Inspections	247,327	273,786	245,791	27,995
	<u>2,655,472</u>	<u>3,020,502</u>	<u>2,970,604</u>	<u>49,898</u>
Public works				
City Engineer	84,042	86,778	78,221	8,557
Highways and streets	516,985	553,460	522,104	31,356
Drains	108,756	11,805	11,747	58
Street lighting	82,500	82,500	82,500	-
	<u>792,283</u>	<u>734,543</u>	<u>694,572</u>	<u>39,971</u>
Health and welfare				
Animal Control	7,000	7,000	7,000	-
Hospital	103,579	103,579	104,100	(521)
Senior Services	78,350	78,350	77,233	1,117
	<u>188,929</u>	<u>188,929</u>	<u>188,333</u>	<u>596</u>
Culture and recreation				
Parks	618,986	633,327	594,698	38,629
Library	184,949	184,949	185,129	(180)
Youth recreation	15,000	15,000	15,000	-
Museums	46,125	38,558	32,439	6,119
	<u>865,060</u>	<u>871,834</u>	<u>827,266</u>	<u>44,568</u>
Other				
Airport	30,115	43,292	43,292	-
Economic development	53,193	55,281	53,412	1,869
LDFA transfer	-	500,000	500,000	-
Miscellaneous	31,903	37,006	35,925	1,081
	<u>115,211</u>	<u>635,579</u>	<u>632,629</u>	<u>2,950</u>
Debt service				
Principal	72,003	13,003	13,003	-
Interest	103,184	1,934	1,933	1
Total	<u>175,187</u>	<u>14,937</u>	<u>14,936</u>	<u>1</u>
Total expenditures	<u>\$ 6,142,216</u>	<u>\$ 6,988,491</u>	<u>\$ 6,635,514</u>	<u>\$ 352,977</u>

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SPECIAL REVENUE FUNDS

The *Major and Local Street Funds* account for the operations of street maintenance and capital improvements. Financing is provided primarily from the City share of State collected fuel and other vehicular taxes and from grants, per Public Act 51.

The *Streets Improvement Fund* accounts for the proceeds of a dedicated County road property tax millage for street improvement and the related costs.

The *Garbage/Refuse Fund* accounts for residential garbage collection in the City. Financing is provided by a separate tax levy allowed by Public Act 127.

The *Narcotics Unit Fund* accounts for special drug enforcement activities including officers assigned to the Southwest Enforcement Team. Financing is provided by a specific voted property tax levy.

The *Police Training Fund* accounts for state grants specifically designated for police personnel training.

The *Community Development Block Grant Revolving Loan Fund* accounts for repayment of loans for new housing construction through Habitat for Humanity and the Community Development Block Grant program.

The *River Maintenance Fund* accounts for funds set aside for the dredging and maintenance of the Black River.

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DEBT SERVICE FUNDS

The *Building Authority #2 Debt Service Fund* accumulates funds for the payment of principal and interest on Building Authority Bonds issued for the new Public Works Facility. The sources of revenue for this fund are payments from the Downtown Development Authority (DDA), the Electric Fund and Local Development Finance Authority #2.

The *Capital Improvement 2012 Bond Debt Service Fund* accumulates funds for payment of principal and interest for Bonds issued to refund the 2003 bonds which were used to finance infrastructure improvements. The sources of revenue for this fund are payments from the Downtown Development Authority (DDA), the Sewer Fund and Local Development Finance Authority #1.

The *Downtown Development Bonds Debt Service Fund* accumulates funds for the payment of interest and principal on the 2001 DDA Refunding Bonds. The Downtown Development Authority (DDA) provides funding for the payment of this debt service.

The *Capital Improvement 2007 Bond Debt Service Fund* accumulates funds for payment of principal and interest for Bonds issued to finance infrastructure improvements. The Downtown Development Authority (DDA) provides funding for the payment of this debt service.

CAPITAL PROJECTS FUNDS

The *Cemetery Improvements Fund* accounts for funds set aside for major improvements in the City owned cemetery.

The *Ice Rink and Pavilion Fund* accounts for revenues and expenditures related to the city-owned pavilion and ice rink. Revenues come primarily from donations and farmers market booth rentals.

The *Sewer Rehabilitation Fund* accounts for revenues and expenditures used for major infrastructure improvements to the St. Joseph and Ravines projects.

The *Capital Projects Fund* accounts for funds set aside for future capital expenditures.

PERMANENT FUND

The *Cemetery Trust Fund* accounts for the funds set aside for the upkeep of the city-owned cemetery. Revenues come from perpetual care fees on plot sales and interest earnings.

CITY OF SOUTH HAVEN

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

JUNE 30, 2013

	Special Revenue						
	<u>Major Streets</u>	<u>Local Streets</u>	<u>Streets Improvement</u>	<u>Garbage and Refuse</u>	<u>Narcotics Unit</u>	<u>Police Training</u>	<u>Community Development Block Grant</u>
Assets							
Cash and pooled investments	\$ 68,800	\$ 107,015	\$ 1,021,239	\$ 19,168	\$ 73,034	\$ 9,057	\$ 12,753
Accounts receivable	-	169	5,772	3,788	2,340	-	-
Accrued interest	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
Due from other governments	47,639	15,700	-	-	-	-	-
Total assets	<u>\$ 116,439</u>	<u>\$ 122,884</u>	<u>\$ 1,027,011</u>	<u>\$ 22,956</u>	<u>\$ 75,374</u>	<u>\$ 9,057</u>	<u>\$ 12,753</u>
Liabilities and fund balances							
Liabilities							
Accounts payable	\$ 180	\$ 55,919	\$ 303,668	\$ -	\$ 470	\$ 25	\$ -
Accrued liabilities	652	547	1,636	-	2,878	-	-
Due to other funds	-	-	-	-	-	-	-
Due to other governments	1,418	-	-	-	-	7,926	-
Deferred revenue	-	-	5,445	3,789	2,340	-	-
Total liabilities	<u>2,250</u>	<u>56,466</u>	<u>310,749</u>	<u>3,789</u>	<u>5,688</u>	<u>7,951</u>	<u>-</u>
Fund balances (deficit)							
Non-spendable							
Permanent fund corpus	-	-	-	-	-	-	-
Restricted							
Streets	114,189	66,418	716,262	-	-	-	-
Public Safety	-	-	-	-	69,686	1,106	-
Permanent fund spendable portion	-	-	-	-	-	-	-
Assigned	-	-	-	19,167	-	-	12,753
Unassigned (deficit)	-	-	-	-	-	-	-
Total fund balances (deficit)	<u>114,189</u>	<u>66,418</u>	<u>716,262</u>	<u>19,167</u>	<u>69,686</u>	<u>1,106</u>	<u>12,753</u>
Total liabilities and fund balances	<u>\$ 116,439</u>	<u>\$ 122,884</u>	<u>\$ 1,027,011</u>	<u>\$ 22,956</u>	<u>\$ 75,374</u>	<u>\$ 9,057</u>	<u>\$ 12,753</u>

<u>Debt Service</u>					<u>Capital Projects</u>			<u>Permanent</u>		
<u>River Maintenance</u>	<u>Building Authority #2</u>	<u>Capital Improvement Bonds 2012</u>	<u>Downtown Development Bonds</u>	<u>Capital Improvement Bonds 2007</u>	<u>Cemetery Improvement</u>	<u>Ice Rink and Pavilion</u>	<u>Sewer Rehabilitation</u>	<u>Capital Projects</u>	<u>Cemetery Trust</u>	<u>Total</u>
\$ 107,542	\$ 30,761	\$ 25,931	\$ 414	\$ 1,316	\$ 264,028	\$ 2,656	\$ -	\$ 696,970	\$ 258,253	\$ 2,698,937
-	-	6,325	-	-	-	-	-	50,750	-	69,144
-	-	-	-	-	1,306	-	-	-	304	1,610
-	-	-	-	-	-	-	-	61,956	-	61,956
-	-	-	-	-	-	-	-	-	-	63,339
<u>\$ 107,542</u>	<u>\$ 30,761</u>	<u>\$ 32,256</u>	<u>\$ 414</u>	<u>\$ 1,316</u>	<u>\$ 265,334</u>	<u>\$ 2,656</u>	<u>\$ -</u>	<u>\$ 809,676</u>	<u>\$ 258,557</u>	<u>\$ 2,894,986</u>
\$ 6,680	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 235,996	\$ -	\$ 602,938
-	-	-	-	-	-	-	-	-	-	5,713
75,356	-	-	-	-	-	-	61,956	-	-	137,312
-	-	-	-	-	-	-	-	-	-	9,344
-	-	-	-	-	-	-	-	-	-	11,574
<u>82,036</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,956</u>	<u>235,996</u>	<u>-</u>	<u>766,881</u>
-	-	-	-	-	-	-	-	-	132,245	132,245
-	-	-	-	-	-	-	-	-	-	896,869
-	-	-	-	-	-	-	-	-	-	70,792
-	-	-	-	-	-	-	-	-	126,312	126,312
25,506	30,761	32,256	414	1,316	265,334	2,656	-	573,680	-	963,843
-	-	-	-	-	-	-	(61,956)	-	-	(61,956)
<u>25,506</u>	<u>30,761</u>	<u>32,256</u>	<u>414</u>	<u>1,316</u>	<u>265,334</u>	<u>2,656</u>	<u>(61,956)</u>	<u>573,680</u>	<u>258,557</u>	<u>2,128,105</u>
<u>\$ 107,542</u>	<u>\$ 30,761</u>	<u>\$ 32,256</u>	<u>\$ 414</u>	<u>\$ 1,316</u>	<u>\$ 265,334</u>	<u>\$ 2,656</u>	<u>\$ -</u>	<u>\$ 809,676</u>	<u>\$ 258,557</u>	<u>\$ 2,894,986</u>

CITY OF SOUTH HAVEN
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013

	Special Revenue						
	Major Streets	Local Streets	Streets Improvement	Garbage and Refuse	Narcotics Unit	Police Training	Community Development Block Grant
Revenues							
Taxes	\$ -	\$ -	\$ 480,938	\$ 336,023	\$ 207,581	\$ -	\$ -
Intergovernmental revenues							
State	320,626	105,623	-	-	-	3,550	-
Local	-	-	357,223	-	-	-	-
Special assessments	-	-	-	-	-	-	-
Investment earnings	142	310	11,547	3,203	2,512	-	-
Miscellaneous	300	-	3,231	-	-	-	3,500
Total revenues	<u>321,068</u>	<u>105,933</u>	<u>852,939</u>	<u>339,226</u>	<u>210,093</u>	<u>3,550</u>	<u>3,500</u>
Expenditures							
Current							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	197,610	3,279	-
Public works	368,989	210,168	976,413	-	-	-	-
Health and welfare	-	-	-	367,416	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Debt service							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total expenditures	<u>368,989</u>	<u>210,168</u>	<u>976,413</u>	<u>367,416</u>	<u>197,610</u>	<u>3,279</u>	<u>-</u>
Revenues over (under) expenditures	<u>(47,921)</u>	<u>(104,235)</u>	<u>(123,474)</u>	<u>(28,190)</u>	<u>12,483</u>	<u>271</u>	<u>3,500</u>
Other financing sources (uses)							
Issuance of debt	-	-	-	-	-	-	-
Payment to escrow	-	-	-	-	-	-	-
Bond Premium	-	-	-	-	-	-	-
Transfers in	-	54,407	125,000	-	-	-	-
Transfers out	(54,407)	-	(524,000)	-	-	-	(85,200)
Total other financing sources (uses)	<u>(54,407)</u>	<u>54,407</u>	<u>(399,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(85,200)</u>
Net changes in fund balances	(102,328)	(49,828)	(522,474)	(28,190)	12,483	271	(81,700)
Fund balances (deficit), beginning of year	<u>216,517</u>	<u>116,246</u>	<u>1,238,736</u>	<u>47,357</u>	<u>57,203</u>	<u>835</u>	<u>94,453</u>
Fund balances (deficit), end of year	<u>\$ 114,189</u>	<u>\$ 66,418</u>	<u>\$ 716,262</u>	<u>\$ 19,167</u>	<u>\$ 69,686</u>	<u>\$ 1,106</u>	<u>\$ 12,753</u>

Debt Service					Capital Projects				Permanent	Total
River Maintenance	Building Authority #2	Capital Improvement Bonds 2012	Downtown Development Bonds	Capital Improvement Bonds 2007	Cemetery Improvement	Ice Rink and Pavilion	Sewer Rehabilitation	Capital Projects	Cemetery Trust	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,024,542
-	-	-	-	-	-	-	-	-	-	429,799
-	-	-	-	-	-	-	-	-	-	357,223
13,761	-	-	-	-	-	-	-	-	-	13,761
1,480	-	-	-	-	(15,069)	-	-	(20,331)	(7,277)	(23,483)
10,000	89,933	146,475	376,880	108,883	7,220	32,000	-	-	-	778,422
25,241	89,933	146,475	376,880	108,883	(7,849)	32,000	-	(20,331)	(7,277)	2,580,264
-	548	77,981	-	-	-	-	-	-	-	78,529
-	-	-	-	-	-	-	-	426,852	-	627,741
-	-	-	-	-	-	-	-	309,403	-	1,864,973
94,459	-	-	-	-	14	-	-	-	12	461,901
-	-	-	-	-	-	38,085	-	40,254	-	78,339
-	200,000	200,000	330,000	60,000	-	-	-	-	-	790,000
-	56,675	146,273	46,971	48,903	-	-	-	-	-	298,822
94,459	257,223	424,254	376,971	108,903	14	38,085	-	776,509	12	4,200,305
(69,218)	(167,290)	(277,779)	(91)	(20)	(7,863)	(6,085)	-	(796,840)	(7,289)	(1,620,041)
-	-	4,070,000	-	-	-	-	-	99,000	-	4,169,000
-	-	(4,064,907)	-	-	-	-	-	-	-	(4,064,907)
-	-	79,213	-	-	-	-	-	-	-	79,213
26,880	167,018	200,000	-	-	-	-	88,599	906,500	12,000	1,580,404
-	-	-	-	-	-	-	-	-	-	(663,607)
26,880	167,018	284,306	-	-	-	-	88,599	1,005,500	12,000	1,100,103
(42,338)	(272)	6,527	(91)	(20)	(7,863)	(6,085)	88,599	208,660	4,711	(519,938)
67,844	31,033	25,729	505	1,336	273,197	8,741	(150,555)	365,020	253,846	2,648,043
\$ 25,506	\$ 30,761	\$ 32,256	\$ 414	\$ 1,316	\$ 265,334	\$ 2,656	\$ (61,956)	\$ 573,680	\$ 258,557	\$ 2,128,105

CITY OF SOUTH HAVEN

**MAJOR STREETS FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
State	\$ 314,037	\$ 320,037	\$ 320,626	\$ 589
Investment earnings	200	200	142	(58)
Miscellaneous	-	-	300	300
Total revenues	314,237	320,237	321,068	831
Expenditures				
Current				
Public works	287,899	475,065	368,989	106,076
Revenues over (under) expenditures	26,338	(154,828)	(47,921)	106,907
Other financing sources				
Transfers out	(68,009)	(54,407)	(54,407)	-
Net changes in fund balance	(41,671)	(209,235)	(102,328)	106,907
Fund balance, beginning of year	216,517	216,517	216,517	-
Fund balance, end of year	<u>\$ 174,846</u>	<u>\$ 7,282</u>	<u>\$ 114,189</u>	<u>\$ 106,907</u>

CITY OF SOUTH HAVEN

**LOCAL STREETS FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
State	\$ 104,093	\$ 104,093	\$ 105,623	\$ 1,530
Investment earnings	100	100	310	210
Total revenues	104,193	104,193	105,933	1,740
Expenditures				
Current				
Public works	214,231	231,598	210,168	21,430
Revenues over (under) expenditures	(110,038)	(127,405)	(104,235)	23,170
Other financing source (uses)				
Transfers in	68,009	54,407	54,407	-
Net changes in fund balance	(42,029)	(72,998)	(49,828)	23,170
Fund balance, beginning of year	116,246	116,246	116,246	-
Fund balance, end of year	<u>\$ 74,217</u>	<u>\$ 43,248</u>	<u>\$ 66,418</u>	<u>\$ 23,170</u>

CITY OF SOUTH HAVEN

**STREETS IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 501,670	\$ 501,670	\$ 480,938	\$ (20,732)
Intergovernmental revenues				
Local	355,516	355,516	357,223	1,707
Investment earnings	5,000	5,000	11,547	6,547
Miscellaneous	-	-	3,231	3,231
Total revenues	862,186	862,186	852,939	(9,247)
Expenditures				
Current				
Public works	1,020,611	1,130,151	976,413	153,738
Revenues over (under) expenditures	(158,425)	(267,965)	(123,474)	144,491
Other financing source (uses)				
Transfers in	125,000	125,000	125,000	-
Transfers out	(524,000)	(524,000)	(524,000)	-
Total other financing sources (uses)	(399,000)	(399,000)	(399,000)	-
Net changes in fund balance	(557,425)	(666,965)	(522,474)	144,491
Fund balance, beginning of year	1,238,736	1,238,736	1,238,736	-
Fund balance, end of year	\$ 681,311	\$ 571,771	\$ 716,262	\$ 144,491

CITY OF SOUTH HAVEN

**GARBAGE AND REFUSE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 349,101	\$ 349,101	\$ 336,023	\$ (13,078)
Investment earnings	150	150	3,203	3,053
Total Revenues	349,251	349,251	339,226	(10,025)
Expenditures				
Current				
Health and welfare	370,500	370,500	367,416	3,084
Net changes in fund balance	(21,249)	(21,249)	(28,190)	(6,941)
Fund balance, beginning of year	47,357	47,357	47,357	-
Fund balance, end of year	<u>\$ 26,108</u>	<u>\$ 26,108</u>	<u>\$ 19,167</u>	<u>\$ (6,941)</u>

CITY OF SOUTH HAVEN

**NARCOTICS UNIT FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 215,744	\$ 215,744	\$ 207,581	\$ (8,163)
Investment earnings	200	200	2,512	2,312
Total revenues	215,944	215,944	210,093	(5,851)
Expenditures				
Current				
Public safety	240,368	240,368	197,610	42,758
Net changes in fund balance	(24,424)	(24,424)	12,483	36,907
Fund balance, beginning of year	57,203	57,203	57,203	-
Fund balance, end of year	\$ 32,779	\$ 32,779	\$ 69,686	\$ 36,907

CITY OF SOUTH HAVEN

**POLICE TRAINING FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Intergovernmental revenues				
State	\$ 4,500	\$ 3,747	\$ 3,550	\$ (197)
Expenditures				
Current				
Public safety	4,500	3,747	3,279	468
Net changes in fund balance	-	-	271	271
Fund balance, beginning of year	835	835	835	-
Fund balance, end of year	<u>\$ 835</u>	<u>\$ 835</u>	<u>\$ 1,106</u>	<u>\$ 271</u>

CITY OF SOUTH HAVEN

**COMMUNITY DEVELOPMENT BLOCK GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Miscellaneous	\$ 2,500	\$ 2,500	\$ 3,500	\$ 1,000
Expenditures				
Current				
General government	-	-	-	-
Revenues over (under) expenditures	2,500	2,500	3,500	1,000
Other financing source (uses)				
Transfers out	(85,200)	(85,200)	(85,200)	-
Net changes in fund balance	(82,700)	(82,700)	(81,700)	1,000
Fund balance, beginning of year	<u>94,453</u>	<u>94,453</u>	<u>94,453</u>	<u>-</u>
Fund balance, end of year	<u>\$ 11,753</u>	<u>\$ 11,753</u>	<u>\$ 12,753</u>	<u>\$ 1,000</u>

CITY OF SOUTH HAVEN

RIVER MAINTENANCE FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Special assessments	\$ 16,000	\$ 16,000	\$ 13,761	\$ (2,239)
Investment earnings	1,500	1,500	1,480	(20)
Miscellaneous	10,000	10,000	10,000	-
Total Revenues	27,500	27,500	25,241	(2,259)
Expenditures				
Current				
Health and welfare	10,500	104,953	94,459	10,494
Revenues over (under) expenditures	17,000	(77,453)	(69,218)	8,235
Other financing source (uses)				
Transfers in	31,174	26,880	26,880	-
Net changes in fund balance	48,174	(50,573)	(42,338)	8,235
Fund balance, beginning of year	67,844	67,844	67,844	-
Fund balance, end of year	\$ 116,018	\$ 17,271	\$ 25,506	\$ 8,235

CITY OF SOUTH HAVEN

**BUILDING AUTHORITY #2 DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Investment earnings	\$ 50	\$ -	\$ -	\$ -
Miscellaneous	89,933	89,933	89,933	-
Total Revenues	<u>89,983</u>	<u>89,933</u>	<u>89,933</u>	<u>-</u>
Expenditures				
Current				
General government	275	550	548	2
Debt service				
Principal	200,000	200,000	200,000	-
Interest	56,675	56,675	56,675	-
Total expenditures	<u>256,950</u>	<u>257,225</u>	<u>257,223</u>	<u>2</u>
Revenues over (under) expenditures	(166,967)	(167,292)	(167,290)	2
Other financing source (uses)				
Transfers in	167,018	167,018	167,018	-
Net changes in fund balance	51	(274)	(272)	2
Fund balance, beginning of year	<u>31,033</u>	<u>31,033</u>	<u>31,033</u>	<u>-</u>
Fund balance, end of year	<u>\$ 31,084</u>	<u>\$ 30,759</u>	<u>\$ 30,761</u>	<u>\$ 2</u>

CITY OF SOUTH HAVEN

**CAPITAL IMPROVEMENT BONDS 2012 DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Investment earnings	\$ 50	\$ -	\$ -	\$ -
Miscellaneous	182,958	146,475	146,475	-
Total Revenues	<u>183,008</u>	<u>146,475</u>	<u>146,475</u>	<u>-</u>
Expenditures				
Current				
General government	-	84,306	77,981	6,325
Debt service				
Principal	200,000	200,000	200,000	-
Interest	182,958	168,559	146,273	22,286
Total expenditures	<u>382,958</u>	<u>452,865</u>	<u>424,254</u>	<u>28,611</u>
Revenues over (under) expenditures	<u>(199,950)</u>	<u>(306,390)</u>	<u>(277,779)</u>	<u>28,611</u>
Other financing source (uses)				
Issuance of debt	-	4,070,000	4,070,000	-
Payment to escrow	-	(4,064,907)	(4,064,907)	-
Bond Premium	-	79,213	79,213	-
Transfers in	200,000	200,000	200,000	-
Total other financing sources (uses)	<u>200,000</u>	<u>284,306</u>	<u>284,306</u>	<u>-</u>
Net changes in fund balance	50	(22,084)	6,527	28,611
Fund balance, beginning of year	<u>25,729</u>	<u>25,729</u>	<u>25,729</u>	<u>-</u>
Fund balance, end of year	<u>\$ 25,779</u>	<u>\$ 3,645</u>	<u>\$ 32,256</u>	<u>\$ 28,611</u>

CITY OF SOUTH HAVEN

DOWNTOWN DEVELOPMENT BONDS DEBT SERVICE FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Miscellaneous	\$ 376,880	\$ 376,880	\$ 376,880	\$ -
Expenditures				
Debt service				
Principal	330,000	330,000	330,000	-
Interest	46,880	47,155	46,971	184
Total expenditures	<u>376,880</u>	<u>377,155</u>	<u>376,971</u>	<u>184</u>
Net changes in fund balance	-	(275)	(91)	184
Fund balance, beginning of year	<u>505</u>	<u>505</u>	<u>505</u>	<u>-</u>
Fund balance, end of year	<u>\$ 505</u>	<u>\$ 230</u>	<u>\$ 414</u>	<u>\$ 184</u>

CITY OF SOUTH HAVEN

**CAPITAL IMPROVEMENT BONDS 2007 DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Investment earnings	\$ 50	\$ -	\$ -	\$ -
Miscellaneous	108,883	108,883	108,883	-
Total Revenues	<u>108,933</u>	<u>108,883</u>	<u>108,883</u>	<u>-</u>
Expenditures				
Debt service				
Principal	60,000	60,000	60,000	-
Interest	48,883	48,933	48,903	30
Total expenditures	<u>108,883</u>	<u>108,933</u>	<u>108,903</u>	<u>30</u>
Net changes in fund balance	50	(50)	(20)	30
Fund balance, beginning of year	<u>1,336</u>	<u>1,336</u>	<u>1,336</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,386</u>	<u>\$ 1,286</u>	<u>\$ 1,316</u>	<u>\$ 30</u>

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ENTERPRISE FUNDS

The *Beach Fund* provides for the maintenance and improvement of the City beaches. Financing is provided from beach parking fees and fines.

The *Black River Park Fund* accounts for boat launching and parking services at Black River Park, along with seasonal and transient dock rental.

The *Marina Fund* accounts for seasonal and transient dock rental at the City owned municipal marinas.

INTERNAL SERVICE FUNDS

The *Motor Pool Fund* accounts for the costs of purchasing, maintaining and operating vehicles and other equipment used by various City departments. Costs are billed to the user departments based on rental rates adjusted annually.

The *Information Services Fund* accounts for the costs of purchasing and maintaining computer operations for the City. Costs for computer services are billed to the user departments based on rental rates adjusted annually.

The *Self Insurance Fund* accounts for costs associated with the City health self-insurance program.

FIDUCIARY FUNDS

Agency Funds:

The *Payroll Tax Collection Fund* accounts for the accumulation of employee payroll withholdings and payment thereof to appropriate vendors.

The *Current Tax Collection Fund* accounts for the collection and disbursements of property taxes billed and collected by the City on behalf of the State, the County, school districts, and other entities.

The *Trust and Agency Fund* accounts for assets held in trust.

CITY OF SOUTH HAVEN

**NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION**

JUNE 30, 2013

Assets	Beach Fund	Black River Park	Marina Fund	Total
Current assets				
Cash and pooled investments	\$ 128,421	\$ 212,959	\$ 252,171	\$ 593,551
Due from other funds	-	-	75,356	75,356
Due from other governments	-	-	291,168	291,168
	<u>128,421</u>	<u>212,959</u>	<u>618,695</u>	<u>960,075</u>
Total current assets				
Non-current assets				
Capital assets				
Land	-	2,333	3,003	5,336
Buildings and equipment	-	85,258	1,675,852	1,761,110
Infrastructure	-	935,467	1,950,803	2,886,270
Less accumulated depreciation	-	(556,484)	(1,250,045)	(1,806,529)
	<u>-</u>	<u>466,574</u>	<u>2,379,613</u>	<u>2,846,187</u>
Total non-current assets				
	<u>-</u>	<u>466,574</u>	<u>2,379,613</u>	<u>2,846,187</u>
Total assets	<u>128,421</u>	<u>679,533</u>	<u>2,998,308</u>	<u>3,806,262</u>
Liabilities				
Current liabilities				
Accounts payable	5,652	8,191	302,468	316,311
Accrued liabilities	3,453	1,688	68	5,209
Unearned revenue	-	41,673	220,033	261,706
	<u>-</u>	<u>41,673</u>	<u>220,033</u>	<u>261,706</u>
Total liabilities	<u>9,105</u>	<u>51,552</u>	<u>522,569</u>	<u>583,226</u>
Net position				
Invested in capital assets, net of related debt	-	466,574	2,379,613	2,846,187
Unrestricted	119,316	161,407	96,126	376,849
	<u>119,316</u>	<u>161,407</u>	<u>96,126</u>	<u>376,849</u>
Total net position	<u>\$ 119,316</u>	<u>\$ 627,981</u>	<u>\$ 2,475,739</u>	<u>\$ 3,223,036</u>

CITY OF SOUTH HAVEN

NONMAJOR ENTERPRISE FUNDS COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Beach Fund</u>	<u>Black River Park</u>	<u>Marina Fund</u>	<u>Total</u>
Operating revenue				
Charges for services	\$ 230,493	\$ -	\$ 4,368	\$ 234,861
Dock rental	-	147,145	441,988	589,133
Other	-	508	245,641	246,149
Total operating revenue	<u>230,493</u>	<u>147,653</u>	<u>691,997</u>	<u>1,070,143</u>
Operating expense				
Operating costs and expenses	257,438	96,388	906,687	1,260,513
Depreciation	-	50,720	99,761	150,481
Total operating expense	<u>257,438</u>	<u>147,108</u>	<u>1,006,448</u>	<u>1,410,994</u>
Operating income (loss)	(26,945)	545	(314,451)	(340,851)
Non-operating revenue (expense)				
Investment earnings	167	169	11,243	11,579
Total non-operating revenue (expense)	<u>167</u>	<u>169</u>	<u>11,243</u>	<u>11,579</u>
Income (loss) before transfers	<u>(26,778)</u>	<u>714</u>	<u>(303,208)</u>	<u>(329,272)</u>
Transfers				
Property tax equivalent payments	(4,695)	(7,250)	(26,350)	(38,295)
Contribution in aid of construction	-	-	789,774	789,774
Transfers in	125,000	-	-	125,000
Transfers out	-	(5,800)	(21,080)	(26,880)
Total transfers	<u>120,305</u>	<u>(13,050)</u>	<u>742,344</u>	<u>849,599</u>
Changes in net position	93,527	(12,336)	439,136	520,327
Net position, beginning of year	<u>25,789</u>	<u>640,317</u>	<u>2,036,603</u>	<u>2,702,709</u>
Net position, end of year	<u>\$ 119,316</u>	<u>\$ 627,981</u>	<u>\$ 2,475,739</u>	<u>\$ 3,223,036</u>

CITY OF SOUTH HAVEN
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Beach Fund</u>	<u>Black River Park</u>	<u>Marina Fund</u>	<u>Total</u>
Cash flows from operating activities				
Receipts from customers and users	\$ 230,493	\$ 147,160	\$ 672,024	\$ 1,049,677
Payments to employees	(107,317)	(36,734)	(36,807)	(180,858)
Payments to suppliers	(155,226)	(58,339)	(582,958)	(796,523)
Net cash provided by (used in) operating activities	<u>(32,050)</u>	<u>52,087</u>	<u>52,259</u>	<u>72,296</u>
Cash flows from non-capital financing activities				
Due to other funds	(9,990)	(468)	-	(10,458)
Due from other funds	468	9,990	(75,356)	(64,898)
Property tax equivalents	(4,695)	(7,250)	(26,350)	(38,295)
Transfers in	125,000	-	-	125,000
Transfers out	-	(5,800)	(21,080)	(26,880)
Net cash provided by (used in) non-capital financing activities	<u>110,783</u>	<u>(3,528)</u>	<u>(122,786)</u>	<u>(15,531)</u>
Cash flows from capital and related financing activities				
Capital grants	-	-	545,727	545,727
Acquisitions of capital assets	-	(1,400)	(1,522,337)	(1,523,737)
Net cash provided by (used in) capital and related financing activities	<u>-</u>	<u>(1,400)</u>	<u>(976,610)</u>	<u>(978,010)</u>
Cash flows from investing activities				
Interest income	167	169	12,634	12,970
Net increase (decrease) in cash and pooled investments	78,900	47,328	(1,034,503)	(908,275)
Cash and pooled investments, beginning of year	<u>49,521</u>	<u>165,631</u>	<u>1,286,674</u>	<u>1,501,826</u>
Cash and pooled investments, end of year	<u>\$ 128,421</u>	<u>\$ 212,959</u>	<u>\$ 252,171</u>	<u>\$ 593,551</u>
Cash flows from operating activities				
Operating income (loss)	\$ (26,945)	\$ 545	\$ (314,451)	\$ (340,851)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	-	50,720	99,761	150,481
Change in operating assets and liabilities which provided (used) cash				
Accounts receivable	-	1,870	(47,121)	(45,251)
Prepaid expenses	163	567	814	1,544
Accounts payable	(5,460)	158	289,077	283,775
Accrued liabilities	192	590	(2,969)	(2,187)
Deferred revenue	-	(2,363)	27,148	24,785
Net cash provided by (used in) operating activities	<u>\$ (32,050)</u>	<u>\$ 52,087</u>	<u>\$ 52,259</u>	<u>\$ 72,296</u>

CITY OF SOUTH HAVEN

INTERNAL SERVICE FUNDS COMBINING STATEMENT OF NET POSITION

JUNE 30, 2013

Assets	<u>Motor Pool</u>	<u>Information Services</u>	<u>Self Insurance</u>	<u>Total</u>
Current assets				
Cash and pooled investments	\$ 950,861	\$ 50,982	\$ 759,962	\$ 1,761,805
Accrued interest receivable	<u>2,707</u>	<u>-</u>	<u>3,891</u>	<u>6,598</u>
Total current assets	<u>953,568</u>	<u>50,982</u>	<u>763,853</u>	<u>1,768,403</u>
Non-current assets				
Capital assets				
Buildings and equipment	547,588	258,404	-	805,992
Vehicles	2,580,603	-	-	2,580,603
Less accumulated depreciation	<u>(1,728,560)</u>	<u>(182,929)</u>	<u>-</u>	<u>(1,911,489)</u>
Total non-current assets	<u>1,399,631</u>	<u>75,475</u>	<u>-</u>	<u>1,475,106</u>
Total assets	<u>2,353,199</u>	<u>126,457</u>	<u>763,853</u>	<u>3,243,509</u>
Liabilities				
Current liabilities				
Accounts payable	20,832	7,399	33,350	61,581
Accrued liabilities	<u>1,730</u>	<u>982</u>	<u>-</u>	<u>2,712</u>
Total current liabilities	22,562	8,381	33,350	64,293
Long-term liabilities				
Compensated absences	<u>16,212</u>	<u>8,972</u>	<u>-</u>	<u>25,184</u>
Total liabilities	<u>38,774</u>	<u>17,353</u>	<u>33,350</u>	<u>89,477</u>
Net position				
Invested in capital assets, net of related debt	1,399,631	75,475	-	1,475,106
Unrestricted	<u>914,794</u>	<u>33,629</u>	<u>730,503</u>	<u>1,678,926</u>
Total net position	<u>\$ 2,314,425</u>	<u>\$ 109,104</u>	<u>\$ 730,503</u>	<u>\$ 3,154,032</u>

CITY OF SOUTH HAVEN

INTERNAL SERVICE FUNDS COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Motor Pool</u>	<u>Information Services</u>	<u>Self Insurance</u>	<u>Total</u>
Operating revenue				
Charges for services	\$ 657,763	\$ 224,313	\$ 438,075	\$ 1,320,151
Other	<u>8,600</u>	<u>386</u>	<u>-</u>	<u>8,986</u>
Total operating revenue	<u>666,363</u>	<u>224,699</u>	<u>438,075</u>	<u>1,329,137</u>
Operating expense				
Operating costs and expenses	328,412	153,694	325,407	807,513
Depreciation	<u>309,766</u>	<u>39,474</u>	<u>-</u>	<u>349,240</u>
Total operating expense	<u>638,178</u>	<u>193,168</u>	<u>325,407</u>	<u>1,156,753</u>
Operating income (loss)	<u>28,185</u>	<u>31,531</u>	<u>112,668</u>	<u>172,384</u>
Non-operating revenue (expense)				
Gain on sale of capital assets	(3,547)	-	-	(3,547)
Interest income	<u>(41,710)</u>	<u>-</u>	<u>(25,551)</u>	<u>(67,261)</u>
Total non-operating revenue (expense)	<u>(45,257)</u>	<u>-</u>	<u>(25,551)</u>	<u>(70,808)</u>
Income (loss) before transfers	(17,072)	31,531	87,117	101,576
Transfers				
Transfers in	<u>-</u>	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Changes in net position	(17,072)	51,531	87,117	121,576
Net position, beginning of year	<u>2,331,497</u>	<u>57,573</u>	<u>643,386</u>	<u>3,032,456</u>
Net position, end of year	<u>\$ 2,314,425</u>	<u>\$ 109,104</u>	<u>\$ 730,503</u>	<u>\$ 3,154,032</u>

CITY OF SOUTH HAVEN
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Motor Pool</u>	<u>Information Services</u>	<u>Self Insurance</u>	<u>Total</u>
Cash flows from operating activities				
Receipts from internal services provided	\$ 671,363	\$ 225,099	\$ 438,075	\$ 1,334,537
Payments to employees	(100,735)	(70,050)	-	(170,785)
Payments to suppliers	(209,546)	(84,672)	(325,491)	(619,709)
Net cash provided by (used in) operating activities	<u>361,082</u>	<u>70,377</u>	<u>112,584</u>	<u>544,043</u>
Cash flows from non-capital financing activities				
Transfers in	-	20,000	-	20,000
Cash flows from capital and related financing activities				
Proceeds from sale of capital assets	4,740	-	-	4,740
Acquisitions of capital assets	(539,694)	(73,705)	-	(613,399)
Net cash provided by (used in) capital and related financing activities	<u>(534,954)</u>	<u>(73,705)</u>	<u>-</u>	<u>(608,659)</u>
Cash flows from investing activities				
Interest income	(41,909)	-	(28,102)	(70,011)
Net increase (decrease) in cash and pooled investments	(215,781)	16,672	84,482	(114,627)
Cash and pooled investments, beginning of year	<u>1,166,642</u>	<u>34,310</u>	<u>675,480</u>	<u>1,876,432</u>
Cash and pooled investments, end of year	<u>\$ 950,861</u>	<u>\$ 50,982</u>	<u>\$ 759,962</u>	<u>\$ 1,761,805</u>
Cash flows from operating activities				
Operating income (loss)	\$ 28,185	\$ 31,531	\$ 112,668	\$ 172,384
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	309,766	39,474	-	349,240
Change in operating assets and liabilities which provided (used) cash				
Accounts receivable	5,000	400	-	5,400
Prepaid expenses	1,310	95	-	1,405
Accounts payable	15,847	(2,078)	(84)	13,685
Accrued liabilities	383	21	-	404
Compensated absences	591	934	-	1,525
Net cash provided by (used in) operating activities	<u>\$ 361,082</u>	<u>\$ 70,377</u>	<u>\$ 112,584</u>	<u>\$ 544,043</u>

CITY OF SOUTH HAVEN

AGENCY FUNDS COMBINING STATEMENT OF ASSETS AND LIABILITIES

JUNE 30, 2013

	<u>Payroll tax Collection</u>	<u>Current tax Fund</u>	<u>Trust and Agency</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 78,329	\$ 6,865	\$ 102,138	\$ 187,332
Liabilities				
Accounts payable	\$ 63,254	\$ -	\$ 739	\$ 63,993
Deposits	-	-	101,399	101,399
Due to other governmental units	15,075	6,865	-	21,940
Total liabilities	<u>\$ 78,329</u>	<u>\$ 6,865</u>	<u>\$ 102,138</u>	<u>\$ 187,332</u>

CITY OF SOUTH HAVEN

**AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
<u>Payroll Tax Collection Fund</u>				
Assets				
Cash and pooled investments	\$ 36,782	\$ 5,475,905	\$ 5,434,358	\$ 78,329
Prepaid items	<u>42,248</u>	<u>191,115</u>	<u>233,363</u>	<u>-</u>
	<u>\$ 79,030</u>	<u>\$ 5,667,020</u>	<u>\$ 5,667,721</u>	<u>\$ 78,329</u>
Liabilities				
Accounts payable	\$ 57,277	\$ 2,003,891	\$ 1,997,914	\$ 63,254
Due to other governmental units	<u>21,753</u>	<u>1,288,877</u>	<u>1,295,555</u>	<u>15,075</u>
Total liabilities	<u>\$ 79,030</u>	<u>\$ 3,292,768</u>	<u>\$ 3,293,469</u>	<u>\$ 78,329</u>
<u>Current Tax Collection Fund</u>				
Assets				
Cash and pooled investments	\$ -	\$ 16,360,455	\$ 16,353,590	\$ 6,865
Taxes receivable	<u>-</u>	<u>345,023</u>	<u>345,023</u>	<u>-</u>
Total assets	<u>\$ -</u>	<u>\$ 16,705,478</u>	<u>\$ 16,698,613</u>	<u>\$ 6,865</u>
Liabilities				
Accounts Payable	\$ -	\$ 11,640,333	\$ 11,640,333	\$ -
Due to other governmental units	<u>-</u>	<u>40,527,192</u>	<u>40,520,327</u>	<u>6,865</u>
Total liabilities	<u>\$ -</u>	<u>\$ 52,167,525</u>	<u>\$ 52,160,660</u>	<u>\$ 6,865</u>
<u>Trust and Agency Fund</u>				
Assets				
Cash and pooled investments	\$ 90,373	\$ 97,143	\$ 85,378	\$ 102,138
Total assets	<u>\$ 90,373</u>	<u>\$ 97,143</u>	<u>\$ 85,378</u>	<u>\$ 102,138</u>
Liabilities				
Accounts payable	\$ 2,362	\$ 67,541	\$ 69,164	\$ 739
Deposits	<u>88,011</u>	<u>172,241</u>	<u>158,853</u>	<u>101,399</u>
Total liabilities	<u>\$ 90,373</u>	<u>\$ 239,782</u>	<u>\$ 228,017</u>	<u>\$ 102,138</u>
<u>Total - All Agency Funds</u>				
Assets				
Cash and pooled investments	\$ 127,155	\$ 21,933,503	\$ 21,873,326	\$ 187,332
Taxes receivable	<u>-</u>	<u>345,023</u>	<u>345,023</u>	<u>-</u>
Prepaid items	<u>42,248</u>	<u>191,115</u>	<u>233,363</u>	<u>-</u>
Total assets	<u>\$ 169,403</u>	<u>\$ 22,469,641</u>	<u>\$ 22,451,712</u>	<u>\$ 187,332</u>
Liabilities				
Accounts payable	\$ 59,639	\$ 13,711,765	\$ 13,707,411	\$ 63,993
Deposits	<u>88,011</u>	<u>172,241</u>	<u>158,853</u>	<u>101,399</u>
Due to other governmental units	<u>21,753</u>	<u>41,816,069</u>	<u>41,815,882</u>	<u>21,940</u>
Total liabilities	<u>\$ 169,403</u>	<u>\$ 55,700,075</u>	<u>\$ 55,682,146</u>	<u>\$ 187,332</u>

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COMPONENT UNITS

The *Downtown Development Authority (DDA) Fund* accounts for tax revenue “captured” in the DDA district. These funds are used to fund various projects and improvements as well as the repayment of debt incurred for projects in the DDA.

A *Local Development Finance Authority Fund (LDFA)* accounts for tax increment financing plans adopted by the each of the three LDFA districts within the City. Each district receives “captured” tax revenue from properties located within the development district and uses the funds for further development in those districts.

The *Brownfield Redevelopment Authority (BRA)* accounts for the Brownfield plans adopted by the authority. These plans are site specific and have been identified and approved by the State of Michigan as an “eligible” property requiring site reclamation. These “captured” tax revenues from each specific property are used to reimburse property owners for expenses incurred for brownfield cleanup.

CITY OF SOUTH HAVEN

DOWNTOWN DEVELOPMENT AUTHORITY BALANCE SHEET/STATEMENT OF NET POSITION

JUNE 30, 2013

	Governmental Fund Type		Statement of
	General Fund	Adjustments	Net Position
Assets			
Cash and pooled investments	\$ 115,729	\$ -	\$ 115,729
Special assessment receivable	13,419	-	13,419
Due from other governments	75,972	-	75,972
Total assets	\$ 205,120	-	205,120
 Liabilities and fund balances			
Liabilities			
Accounts payable	\$ 190,257	-	190,257
Accrued liabilities	1,316	-	1,316
Deferred revenue	13,419	(13,419)	-
Total liabilities	204,992	(13,419)	191,573
 Fund balances			
Unassigned	128	(128)	
Total liabilities and fund balances	\$ 205,120		
 Net position			
Unrestricted		\$ 13,547	\$ 13,547

CITY OF SOUTH HAVEN

DOWNTOWN DEVELOPMENT AUTHORITY STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Taxes	\$ 1,500,869	\$ -	\$ 1,500,869
Intergovernmental revenues			
Federal	118,350	-	118,350
Local	3,304	-	3,304
Investment earnings	647	-	647
Miscellaneous	<u>38,560</u>	<u>(958)</u>	<u>37,602</u>
Total revenues	1,661,730	(958)	1,660,772
Expenditures/expenses			
Community development	<u>1,375,725</u>	<u>-</u>	<u>1,375,725</u>
Net changes in fund balances	286,005	(286,005)	
Change in net position		285,047	285,047
Fund balances/net position (deficit), beginning of year	<u>(285,877)</u>		<u>(271,500)</u>
Fund balances/net position, end of year	<u>\$ 128</u>		<u>\$ 13,547</u>

CITY OF SOUTH HAVEN

LOCAL DEVELOPMENT FINANCE AUTHORITY #1 BALANCE SHEET/STATEMENT OF NET POSITION

JUNE 30, 2013

	General Fund	Adjustments	Statement of Net Position
Assets			
Cash and pooled investments	\$ 699,395	\$ -	\$ 699,395
Accounts receivable	1,542	-	1,542
Capital assets not being depreciated	-	1,344,537	1,344,537
Total assets	\$ 700,937	1,344,537	2,045,474
 Liabilities and fund balances			
Liabilities			
Accounts payable	\$ 38,963	-	38,963
Accrued liabilities	133	-	133
Total liabilities	39,096	-	39,096
 Fund balances			
Unassigned	661,841	(661,841)	
Total liabilities and fund balances	\$ 700,937		
 Net position			
Invested in capital assets, net of related debt		1,344,537	1,344,537
Unrestricted		661,841	661,841
Total net position		\$ 2,006,378	\$ 2,006,378

CITY OF SOUTH HAVEN

**LOCAL DEVELOPMENT FINANCE AUTHORITY #1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE/STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Adjustments	Statement of Activities
Revenues			
Taxes	\$ 173,394	\$ -	\$ 173,394
Investment earnings	1,110	-	1,110
Miscellaneous	<u>762,500</u>	<u>-</u>	<u>762,500</u>
Total revenues	937,004	-	937,004
Expenditures/expenses			
Community development	<u>1,566,183</u>	<u>(1,344,537)</u>	<u>221,646</u>
Net changes in fund balances	(629,179)	629,179	
Change in net position			715,358
Fund balances/net position, beginning of year	<u>1,291,020</u>		<u>1,291,020</u>
Fund balances/net position, end of year	<u>\$ 661,841</u>		<u>\$ 2,006,378</u>

CITY OF SOUTH HAVEN

**LOCAL DEVELOPMENT FINANCE AUTHORITY #2
BALANCE SHEET/STATEMENT OF NET POSITION**

JUNE 30, 2013

	General Fund	Adjustments	Statement of Net Position
Assets			
Cash and pooled investments	\$ 183,530	\$ -	\$ 183,530
Accounts receivable	90	-	90
Capital assets not being depreciated	<u>-</u>	<u>55,373</u>	<u>55,373</u>
Total assets	<u>\$ 183,620</u>	<u>55,373</u>	<u>238,993</u>
Liabilities and fund balances			
Liabilities			
Accounts payable	<u>\$ -</u>	<u>-</u>	<u>-</u>
Fund balances			
Unassigned	<u>183,620</u>	<u>(183,620)</u>	
Total liabilities and fund balances	<u>\$ 183,620</u>		
Net position			
Invested in capital assets, net of related debt		55,373	55,373
Unrestricted		<u>183,620</u>	<u>183,620</u>
Total net position		<u>\$ 238,993</u>	<u>\$ 238,993</u>

CITY OF SOUTH HAVEN

LOCAL DEVELOPMENT FINANCE AUTHORITY #2 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Taxes	\$ 31,232	\$ -	\$ 31,232
Investment earnings	<u>3,915</u>	<u>-</u>	<u>3,915</u>
Total revenues	35,147	-	35,147
Expenditures/expenses			
Community development	<u>32,897</u>	<u>-</u>	<u>32,897</u>
Net changes in fund balances	2,250	(2,250)	
Change in net position		2,250	2,250
Fund balances/net position, beginning of year	<u>181,370</u>		<u>236,743</u>
Fund balances/net position, end of year	<u>\$ 183,620</u>		<u>\$ 238,993</u>

CITY OF SOUTH HAVEN

LOCAL DEVELOPMENT FINANCE AUTHORITY #3 BALANCE SHEET/STATEMENT OF NET POSITION

JUNE 30, 2013

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets			
Cash and pooled investments	\$ 546,258	\$ -	\$ 546,258
Accounts receivable	<u>1,334</u>	<u>-</u>	<u>1,334</u>
Total assets	<u>\$ 547,592</u>	<u>-</u>	<u>547,592</u>
 Liabilities and fund balances			
Liabilities			
Accounts payable	\$ 6,802	-	6,802
Accrued liabilities	311	-	311
Noncurrent liabilities			
Due within one year	-	27,208	27,208
Due in more than one year	<u>-</u>	<u>47,617</u>	<u>47,617</u>
Total liabilities	7,113	<u>74,825</u>	<u>81,938</u>
 Fund balances			
Unassigned	<u>540,479</u>	<u>(540,479)</u>	
Total liabilities and fund balances	<u>\$ 547,592</u>		
 Net position			
Unrestricted		<u>\$ 465,654</u>	<u>\$ 465,654</u>

CITY OF SOUTH HAVEN

LOCAL DEVELOPMENT FINANCE AUTHORITY #3 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Taxes	\$ 40,986	\$ -	\$ 40,986
Investment earnings	(646)	-	(646)
Miscellaneous	5,920	-	5,920
	46,260	-	46,260
Total revenues			
Expenditures/expenses			
Community development	299,876	-	299,876
Debt Service			
Principal	27,208	(27,208)	-
	327,084	(27,208)	299,876
Total expenditures/expenses			
Net changes in fund balances	(280,824)	280,824	
Change in net position		(253,616)	(253,616)
Fund balances/net position, beginning of year	821,303		719,270
Fund balances/net position, end of year	\$ 540,479		\$ 465,654

CITY OF SOUTH HAVEN

**BROWNFIELD REDEVELOPMENT AUTHORITY
BALANCE SHEET/STATEMENT OF NET POSITION**

JUNE 30, 2013

	General Fund	Adjustments	Statement of Net Position
Assets			
Cash and pooled investments	\$ 1,181,828	\$ -	\$ 1,181,828
Accounts receivable	<u>3,354</u>	<u>-</u>	<u>3,354</u>
Total assets	<u>\$ 1,185,182</u>	<u>-</u>	<u>1,185,182</u>
Liabilities and fund balances			
Liabilities			
Accounts payable	<u>\$ -</u>	<u>-</u>	<u>-</u>
Fund balances			
Unassigned	<u>1,185,182</u>	<u>(1,185,182)</u>	
Total liabilities and fund balances	<u>\$ 1,185,182</u>		
Net position			
Unrestricted		<u>\$ 1,185,182</u>	<u>\$ 1,185,182</u>

CITY OF SOUTH HAVEN

**BROWNFIELD REDEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE/STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2013

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Taxes	\$ 146,138	\$ -	\$ 146,138
Investment earnings	<u>(30,409)</u>	<u>-</u>	<u>(30,409)</u>
Total revenues	115,729	-	115,729
Expenditures/expenses			
Community development	<u>267,351</u>	<u>-</u>	<u>267,351</u>
Net changes in fund balances	(151,622)	151,622	
Change in net position		(151,622)	(151,622)
Fund balances/net position, beginning of year	<u>1,336,804</u>		<u>1,336,804</u>
Fund balances/net position, end of year	<u>\$ 1,185,182</u>		<u>\$ 1,185,182</u>

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STATISTICAL SECTION

CITY OF SOUTH HAVEN

STATISTICAL SECTION

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

Contents

Schedule

Financial Trends

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

1 to 4

Revenue Capacity

These schedules contain information to help the reader assess the city's most significant local revenue source, the property tax.

5 to 8

Debt Capacity

These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.

9 to 13

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment in which the city's financial activities take place.

14 to 15

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the city's financial report relates to the services the city provides and the activities it performs.

16 to 18

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

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Schedule 1
City of South Haven
Net Assets/position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	FISCAL YEAR									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Invested in capital assets, net of related debt	\$ 1,172,825	\$ 2,225,731	\$ 3,061,058	\$ 5,557,726	\$ 7,554,458	\$ 9,135,065	\$ 9,703,248	\$ 10,611,224	\$ 15,647,774	\$ 17,412,301
Restricted	486,230	849,964	1,826,780	1,733,705	1,160,293	2,290,539	2,778,475	3,262,642	2,283,023	2,128,105
Unrestricted	3,376,649	2,406,064	2,550,877	2,420,909	2,653,944	2,176,541	3,180,915	4,526,595	4,681,550	3,636,447
Total governmental activities net assets/position	\$ 5,035,704	\$ 5,481,759	\$ 7,438,715	\$ 9,712,340	\$ 11,368,695	\$ 13,602,145	\$ 15,662,638	\$ 18,400,461	\$ 22,612,347	\$ 23,176,853
Business-type activities										
Invested in capital assets, net of related debt	\$ 17,186,046	\$ 17,402,624	\$ 17,899,141	\$ 20,870,409	\$ 19,580,754	\$ 21,345,979	\$ 22,521,811	\$ 22,316,600	\$ 23,319,324	\$ 24,354,482
Restricted	241,761	294,997	770,311	231,900	265,024	257,475	180,006	60,420	60,581	60,662
Unrestricted	9,624,766	10,244,115	9,537,704	7,998,419	9,585,949	8,671,544	8,380,310	9,156,523	9,439,401	10,560,276
Total business-type activities net assets/position	\$ 27,052,573	\$ 27,941,736	\$ 28,207,156	\$ 29,100,728	\$ 29,431,727	\$ 30,274,998	\$ 31,082,127	\$ 31,533,543	\$ 32,819,306	\$ 34,975,420
Primary government										
Invested in capital assets, net of related debt	\$ 18,358,871	\$ 19,628,355	\$ 20,960,199	\$ 26,428,135	\$ 27,135,212	\$ 30,481,044	\$ 32,225,059	\$ 32,927,824	\$ 38,967,098	\$ 41,766,783
Restricted	727,991	1,144,961	2,597,091	1,965,605	1,425,317	2,548,014	2,958,481	3,323,062	2,343,604	2,188,767
Unrestricted	13,001,415	12,650,179	12,088,581	10,419,328	12,239,893	10,848,085	11,561,225	13,683,118	14,120,951	14,196,723
Total primary government net assets/position	\$ 32,088,277	\$ 33,423,495	\$ 35,645,871	\$ 38,813,068	\$ 40,800,422	\$ 43,877,143	\$ 46,744,765	\$ 49,934,004	\$ 55,431,653	\$ 58,152,273

Note: No discretely presented component units shown

Source: City of South Haven

Schedule 2
City of South Haven
Changes in Net Assets/position
Last Ten Fiscal Years
(accrual basis of accounting)

	FISCAL YEAR									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities:										
General government	\$ 1,123,354	\$ 1,228,829	\$ 1,239,832	\$ 1,379,519	\$ 954,567	\$ 1,277,691	\$ 1,334,355	\$ 1,396,786	\$ 1,502,856	\$ 1,188,802
Public safety	2,887,402	2,953,261	2,689,126	2,844,831	2,894,663	2,948,164	3,046,626	2,888,621	3,080,980	3,533,105
Public works	1,639,589	1,318,248	1,247,813	1,903,245	2,035,880	1,896,910	1,668,514	1,163,015	1,892,189	3,156,639
Health and welfare	440,932	581,107	578,735	572,440	727,626	536,700	516,136	540,524	548,765	653,208
Culture and recreation	994,019	573,844	550,392	530,509	577,925	511,308	585,626	532,774	1,836,804	659,561
Interest on long-term debt	439,299	478,856	541,799	537,006	538,351	481,688	457,497	435,801	381,319	282,455
Total governmental activities expenses	7,524,595	7,134,145	6,847,697	7,767,550	7,729,012	7,652,461	7,608,754	6,957,521	9,242,913	9,473,770
Business-type activities:										
Electric utility	8,912,236	8,856,995	9,608,078	10,217,612	12,020,477	11,412,606	11,102,046	11,843,458	12,203,391	12,006,141
Water utility	1,397,570	1,482,354	1,653,571	1,467,184	1,635,390	2,151,847	2,694,258	3,594,655	2,799,935	3,052,861
Sewer utility	1,298,007	1,390,204	1,571,794	1,458,392	1,614,760	1,720,004	1,643,790	1,556,146	1,841,287	2,256,227
Other enterprise funds	736,018	783,930	851,490	747,573	823,411	806,259	802,951	875,450	809,407	1,410,994
Total business-type activities expenses	12,343,831	12,513,483	13,684,933	13,890,761	16,094,038	16,090,716	16,243,045	17,869,709	17,654,020	18,726,223
Total primary government expenses	\$ 19,868,426	\$ 19,647,628	\$ 20,532,630	\$ 21,658,311	\$ 23,823,050	\$ 23,743,177	\$ 23,851,799	\$ 24,827,230	\$ 26,896,933	\$ 28,199,993
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 881,824	\$ 980,656	\$ 760,207	\$ 1,097,733	\$ 1,016,589	\$ 1,049,352	\$ 1,031,187	\$ 795,917	\$ 784,511	\$ 920,587
Public safety	14,875	9,456	77,525	428,623	314,410	268,802	234,066	247,118	193,080	220,545
Public works	688,401	675,411	713,064	477,805	449,264	437,097	416,206	495,520	412,452	444,257
Health and welfare				51,612	37,409	65,580	46,367	15,940	11,185	(12,646)
Culture and recreation	293,570	289,263	257,021							
Operating grants and contributions	216,170	220,636	668,310	1,359,329	914,256	894,614	943,745	1,232,842	1,106,004	1,053,416
Capital grants and contributions	987,152	11,743	8,095	580,822	318,022	591,426	472,044	347,925	4,239,328	966,538
Total governmental activities program revenues	3,081,992	2,187,165	2,484,222	3,995,924	3,049,950	3,306,871	3,143,615	3,135,262	6,746,560	3,592,697
Business-type activities:										
Charges for services:										
Electric utility	9,054,203	9,204,854	9,541,512	11,079,025	12,052,914	12,645,848	12,377,286	13,440,017	13,669,768	14,220,815
Water utility	1,018,882	1,059,948	1,186,093	1,465,982	1,554,130	2,122,777	2,767,339	2,791,085	3,028,651	3,513,421
Sewer utility	1,509,432	1,524,636	1,587,779	1,822,157	1,960,927	2,013,399	2,039,436	2,059,100	2,178,371	2,110,085
Other	740,255	779,277	814,882	831,220	873,433	895,859	838,664	788,308	874,781	827,012
Operating grants and contributions		7,500	22,500	9,495				7,440	7,541	519,573
Capital grants and contributions	658,774	15,190	292,334	580,961			120,318	318,226	418,741	1,154,425
Total business-type activities program revenues	12,981,546	12,591,405	13,445,100	15,788,840	16,441,404	17,677,883	18,143,043	19,404,176	20,177,853	22,345,331
Total primary government program revenues	\$ 16,063,538	\$ 14,778,570	\$ 15,929,322	\$ 19,784,764	\$ 19,491,354	\$ 20,984,754	\$ 21,286,658	\$ 22,539,438	\$ 26,924,413	\$ 25,938,028
Net(Expenses)/Revenues										
Governmental activities	\$ (4,442,603)	\$ (4,946,980)	\$ (4,363,475)	\$ (3,771,626)	\$ (4,679,062)	\$ (4,345,590)	\$ (4,465,139)	\$ (3,822,259)	\$ (2,496,353)	\$ (5,881,073)
Business-type activities	637,715	77,922	(239,833)	1,898,079	347,366	1,587,167	1,899,998	1,534,467	2,523,833	3,619,108
Total primary government net expense	\$ (3,804,888)	\$ (4,869,058)	\$ (4,603,308)	\$ (1,873,547)	\$ (4,331,696)	\$ (2,758,423)	\$ (2,565,141)	\$ (2,287,792)	\$ 27,480	\$ (2,261,965)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Property taxes	\$ 4,109,683	\$ 4,446,071	\$ 4,417,615	\$ 3,942,969	\$ 4,266,604	\$ 4,581,654	\$ 4,599,158	\$ 4,472,704	\$ 4,685,488	\$ 4,568,215
State revenues - unrestricted	508,779	500,862	497,039	492,291	490,871	470,121	419,990	421,319	388,161	400,248
Interest earnings	200,435	128,300	180,013	180,814	175,827	113,406	93,929	115,210	80,308	(124,924)
Other grants and contributions not restricted to specific programs			30,153	24,757	41,020	59,229	67,173	207,126	207,699	240,350
Transfers - internal activities	(2,203,120)	503,775	659,850	1,404,420	1,361,095	1,354,636	1,345,382	517,424	1,346,582	1,361,690
Total governmental activities	\$ 2,615,777	\$ 5,579,008	\$ 5,784,670	\$ 6,045,251	\$ 6,335,417	\$ 6,579,046	\$ 6,525,632	\$ 5,733,783	\$ 6,708,238	\$ 6,445,579
Business-type activities:										
Interest earnings	149,212	255,407	375,020	399,913	376,651	221,209	252,513	260,672	108,512	(101,304)
Other grants and contributions not restricted to specific programs	2,802,583	1,059,610	790,083		968,077	389,531	-	-	-	-
Transfers - internal activities	2,203,120	(503,775)	(659,850)	(1,404,420)	(1,361,095)	(1,354,636)	(1,345,382)	(517,424)	(1,346,582)	(1,361,690)
Total business-type activities	5,154,915	811,242	505,253	(1,004,507)	(16,367)	(743,896)	(1,092,869)	(256,752)	(1,238,070)	(1,462,994)
Total primary government	\$ 7,770,692	\$ 6,390,250	\$ 6,289,923	\$ 5,040,744	\$ 6,319,050	\$ 5,835,150	\$ 5,432,763	\$ 5,477,031	\$ 5,470,168	\$ 4,982,585
Changes in Net Assets/Position										
Governmental activities	\$ (1,826,826)	\$ 632,028	\$ 1,421,195	\$ 2,273,625	\$ 1,656,355	\$ 2,233,456	\$ 2,060,493	\$ 1,911,524	\$ 4,211,885	\$ 564,506
Business-type activities	5,792,630	889,164	265,420	893,572	330,999	843,271	807,129	1,277,715	1,285,763	2,156,114
Total primary government	\$ 3,965,804	\$ 1,521,192	\$ 1,686,615	\$ 3,167,197	\$ 1,987,354	\$ 3,076,727	\$ 2,867,622	\$ 3,189,239	\$ 5,497,648	\$ 2,720,620

Source: City of South Haven

Schedule 3
City of South Haven
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	FISCAL YEAR									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Non-spendable										
Prepaid items	\$ 38,543	\$ 106,267	\$ 101,847	\$ 62,136	\$ 78,896	\$ 130,952	\$ 72,626	\$ 135,981	\$ 118,115	\$ 153,730
Inventory	-	-	-	-	-	-	-	46,994	72,183	71,602
Committed										
Capital Projects								250,000	-	-
Budget Stabilization	-	-	-	-	-	-	80,829	161,658	211,658	211,658
Assigned										
Accrued employee benefits	87,283	91,110	95,224	100,313	103,749	107,368	109,457	111,335	112,460	113,008
Unassigned	1,197,258	1,111,426	1,251,217	1,595,188	1,788,573	1,901,594	2,077,179	2,546,932	2,506,783	2,012,538
Total General Fund	1,323,084	1,308,803	1,448,288	1,757,637	1,971,218	2,139,914	2,340,091	3,252,900	3,021,199	2,562,536
All Other Governmental Funds										
Non-spendable										
Prepaid items	\$ 150	\$ 7,049	\$ 7,415	\$ -	\$ -	\$ -	\$ -	\$ 4,397	\$ 3,887	\$ -
Permanent Fund Corpus	132,245	132,245	132,245	132,245	132,245	132,245	132,245	132,245	132,245	132,245
Restricted										
Streets	311,442	515,357	349,401	540,198	1,002,843	855,498	1,131,487	1,777,741	1,569,225	896,869
Public Safety	77,998	58,459	50,555	63,217	81,563	105,974	108,648	99,722	56,425	70,792
Permanent Fund Spendable portion	3,444	19,261	40,831	66,141	83,635	97,401	108,374	117,860	121,601	126,312
Assigned										
Special Revenue Funds	450,122	407,341	301,522	198,387	81,029	109,578	157,677	158,620	209,654	57,426
Debt Service Funds	48,183	39,545	52,257	68,831	43,679	47,768	51,257	54,999	58,603	64,747
Capital Projects Funds	344,969	857,571	1,157,126	1,278,039	855,863	1,059,584	1,198,270	1,228,344	646,958	841,670
Unassigned	(121,652)	(1,211,793)	(1,034,956)	(912,052)	(1,194,309)	(819,295)	(459,258)	(311,286)	(150,555)	(61,956)
Total all other governmental funds	1,246,901	825,035	1,056,396	1,435,006	1,086,548	1,588,753	2,428,700	3,262,642	2,648,043	2,128,105
Total governmental funds	\$ 2,569,985	\$ 2,133,838	\$ 2,504,684	\$ 3,192,643	\$ 3,057,766	\$ 3,728,667	\$ 4,768,791	\$ 6,515,542	\$ 5,669,242	\$ 4,690,641

Note: Fund Balance classifications are in accordance with GASB 54.

Source: City of South Haven

Schedule 4
City of South Haven
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	FISCAL YEAR									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Property taxes	\$ 4,244,497	\$ 4,596,361	\$ 4,581,281	\$ 4,119,962	\$ 4,443,016	\$ 4,764,245	\$ 4,796,366	\$ 4,656,114	\$ 4,878,951	\$ 4,795,718
Special assessments	274			4,219	18,447	17,484	18,914	20,277	17,491	15,132
Licenses and permits	236,824	200,283	216,121	326,051	222,320	181,368	142,162	147,784	162,533	207,295
Intergovernmental	1,446,941	948,231	1,269,219	1,179,062	1,208,665	1,219,857	1,213,809	1,566,153	1,602,678	1,532,186
Charges for services	393,918	421,837	432,922	463,057	427,964	438,974	448,976	463,864	449,347	487,847
Fines and forfeits	25,635	22,319	30,133	36,835	31,186	38,310	30,237	30,036	28,218	14,302
Interest and rents	390,991	329,479	380,197	225,951	201,515	140,877	112,290	152,340	85,345	(60,267)
Other	1,161,809	746,631	671,839	1,978,060	1,533,387	1,616,488	1,594,401	1,308,101	1,275,967	1,340,009
Total revenues	7,900,889	7,265,141	7,581,712	8,333,197	8,086,500	8,417,603	8,357,155	8,344,669	8,500,530	8,332,222
Expenditures										
Current										
General government	917,662	967,420	1,042,380	1,081,063	1,101,488	1,108,564	1,160,238	1,128,400	1,264,682	1,346,070
Public safety	2,783,710	2,862,693	2,820,671	2,829,173	2,948,953	2,981,580	3,083,758	2,936,835	2,928,165	3,137,388
Public works	1,114,773	942,020	805,676	876,077	866,403	1,047,802	894,749	1,282,780	2,081,592	1,327,160
Health and welfare	875,958	536,352	514,077	578,205	752,860	558,314	534,056	537,454	545,761	650,234
Culture and recreation	312,214	341,145	343,212	586,907	482,792	405,453	484,885	538,596	647,547	557,882
Other	115,011	119,780	122,179	139,157	147,038	102,376	106,867	70,732	100,562	632,629
Debt service										
Principal	415,000	450,000	455,000	740,000	1,275,000	660,000	710,212	731,096	747,748	803,003
Interest and fiscal charges	439,299	425,511	461,338	530,549	538,351	481,688	457,497	435,801	391,782	300,755
Capital outlay (1)	4,212,122	1,590,141	1,256,183	3,121,502	1,461,559	1,705,561	1,149,322	360,777	2,015,574	2,080,698
Total expenditures	11,185,749	8,235,062	7,820,716	10,482,633	9,574,444	9,051,338	8,581,584	8,022,471	10,723,413	10,835,819
Excess of revenues over (under) expenditure:	(3,284,860)	(969,921)	(239,004)	(2,149,436)	(1,487,944)	(633,735)	(224,429)	322,198	(2,222,883)	(2,503,597)
Other Financing Sources (Uses)										
Transfers in	2,331,059	1,819,222	1,021,474	2,422,519	1,518,450	886,820	1,015,861	889,930	1,790,869	1,665,604
Transfers out	(4,539,179)	(1,285,447)	(411,624)	(1,741,366)	(908,115)	(345,893)	(472,864)	(372,506)	(1,283,443)	(1,328,107)
Tax equivalent payments	-	-	-	723,267	742,732	763,709	802,385	826,299	839,156	1,004,193
Issuance of bonds	-	-	-	1,500,000	-	-	-	-	-	-
Issuance of refunding bonds	-	-	-	-	-	-	-	-	2,265,000	4,248,213
Payment of refunded bonds	-	-	-	-	-	-	-	-	(2,235,000)	(4,064,907)
Total other financing sources (uses)	(2,208,120)	533,775	609,850	2,904,420	1,353,067	1,304,636	1,345,382	1,343,723	1,376,582	1,524,996
Net change in fund balance	(\$ 4,922,980)	(\$ 436,146)	\$ 370,846	\$ 754,984	(\$ 134,877)	\$ 670,901	\$ 1,120,953	\$ 1,665,921	(\$ 846,301)	(\$ 978,601)
Debt service as a percentage of noncapital expenditures	12.3%	13.2%	14.0%	17.3%	22.4%	15.5%	15.7%	15.2%	13.1%	13.3%

(1) The Capital outlay total may not include component unit capital contributions which are only included on the government wide statements, therefore this total may not agree with the capital outlay amount shown on the "Reconciliation of the Statement of Revenues, Expenditures and Changes in fund balances of governmental funds to the Statement of Activities".

Source: City of South Haven

Schedule 5
City of South Haven
Assessed Value and estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended June 30	Tax Year	Real Property Valuation				Personal Property Valuation	Total Assessed Valuation	Total Direct Tax Rate	Estimated Actual Value	Assessed Value as a Percentage of Actual Value
		Agricultural Property	Commercial Property	Industrial Property	Residential Property					
2004	2003	144,700	54,956,700	21,640,600	227,359,200	41,003,800	345,105,000	16.1097	690,210,000	50.0%
2005	2004	144,700	71,829,100	19,514,100	262,966,200	40,502,300	394,956,400	15.8281	789,912,800	50.0%
2006	2005	144,700	72,648,000	18,775,200	288,381,800	40,555,400	420,505,100	15.4639	841,010,200	50.0%
2007	2006	144,700	76,849,400	18,725,600	318,489,500	36,210,200	450,419,400	15.2044	900,838,800	50.0%
2008	2007	151,300	84,186,500	19,975,900	350,585,600	34,604,600	489,503,900	15.1977	979,007,800	50.0%
2009	2008	151,300	88,499,100	19,631,300	406,824,300	36,674,800	551,780,800	14.8071	1,103,561,600	50.0%
2010	2009	158,000	101,774,500	19,428,000	413,492,800	26,026,800	560,880,100	14.8084	1,121,760,200	50.0%
2011	2010	150,700	97,054,700	12,775,100	380,752,900	23,474,900	514,208,300	14.8176	1,028,416,600	50.0%
2012	2011	150,700	88,914,400	11,409,100	382,251,500	23,914,000	506,639,700	14.8176	1,013,279,400	50.0%
2013	2012	150,700	87,121,600	9,836,100	370,315,200	24,752,200	492,175,800	14.8176	984,351,600	50.0%

Tax rates are per \$1,000 of assessed value.

Values include Ad Valorem and Special Acts

Source: City of South Haven

Schedule 6
City of South Haven
Direct and Overlapping Property tax Rates
Last Ten Fiscal Years
(rate per \$1,000 of assessed value)

Fiscal Year Ended June 30,	City Direct Rates				Overlapping Rates					Total
	Tax Year	Operating Millage	Service (1) Millage	City Millage	County Millage	School (2) Millage	State Education	College Millage	ISD Millage	
2004	2003	11.1190	4.9907	16.1097	6.4264	22.4256	5.0000	1.8209	6.2641	58.0467
2005	2004	11.0044	4.8237	15.8281	7.1039	21.9000	6.0000	1.8174	6.2012	58.8506
2006	2005	10.8118	4.6521	15.4639	7.0348	21.7000	6.0000	1.8060	6.1309	58.1356
2007	2006	10.6744	4.5300	15.2044	6.9726	21.5200	6.0000	1.7916	6.0339	57.5225
2008	2007	10.5911	4.6066	15.1977	7.1985	20.8000	6.0000	1.7946	5.9981	56.9889
2009	2008	10.2850	4.5221	14.8071	7.1721	21.1000	6.0000	1.7854	5.9728	56.8374
2010	2009	10.2860	4.5224	14.8084	7.1721	21.1000	6.0000	1.7854	5.9728	56.8387
2011	2010	10.2860	4.5316	14.8176	7.1721	21.2800	6.0000	1.7854	5.9728	57.0279
2012	2011	10.2860	4.5316	14.8176	7.1721	21.2800	6.0000	1.7854	5.9728	57.0279
2013	2012	10.2860	4.5316	14.8176	7.1721	21.2800	6.0000	1.7854	5.9728	57.0279

- (1) Includes Refuse, Street, Narcotics, Library, Hospital and Senior Service millages
- (2) Non homestead rate including debt millage

Source: City of South Haven

**Schedule 7
City of South Haven
Principal Property Tax Payers
Current and nine years ago**

Taxpayer	Tax Year 2012			Tax Year 2003		
	Total Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Total Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Albemarle	\$ 8,866,700	1	1.80%			
Wal Mart	7,162,900	2	1.46%	\$ 5,256,300	3	1.53%
Menard Inc.	3,369,000	3	0.68%			
HC Land LLC	2,467,800	4	0.50%			
River Ridge Retirement Village	2,334,600	5	0.47%	1,587,200	8	0.46%
South Haven Yacht Club	1,771,600	6	0.36%			
Maple Glen Apartments				1,405,800	10	0.41%
Orion Properties Sixteen LLC	1,546,100	7	0.31%			
Shoreline Insurance Services	1,507,200	8	0.31%			
Central Lofts	1,488,100	9	0.30%			
American Twisting				1,421,400	9	0.41%
Yale-South Haven	1,455,300	10	0.30%	1,843,500	5	0.54%
Double J Molding				3,792,600	4	1.10%
Pullman Industries				13,595,100	2	3.95%
Wyckoff, Inc				18,317,400	1	5.32%
CCG Properties - SH LLC				1,667,700	6	0.48%
FRM, INC.				1,649,700	7	0.48%

Source: City of South Haven

**Schedule 8
City of South Haven
Property Tax Levies and Collections
Last Ten Fiscal Years**

<u>Taxes Levied July 1,</u>	<u>Fiscal Year</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
			<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2003	2004	4,569,495	4,554,085	99.66%	13,416	4,567,501	99.96%
2004	2005	4,354,718	4,340,127	99.66%	10,460	4,350,587	99.91%
2005	2006	4,638,204	4,633,157	99.89%	2,637	4,635,794	99.95%
2006	2007	4,871,869	4,864,428	99.85%	1,026	4,865,454	99.87%
2007	2008	5,194,054	5,183,263	99.79%	3,963	5,187,226	99.87%
2008	2009	5,545,364	5,526,661	99.66%	9,207	5,535,868	99.83%
2009	2010	5,746,082	5,730,854	99.73%	9,101	5,739,955	99.89%
2010	2011	5,498,055	5,476,876	99.61%	12,206	5,489,082	99.84%
2011	2012	5,610,570	5,590,099	99.64%	9,862	5,599,961	99.81%
2012	2013	5,671,695	5,655,758	99.72%		5,655,758	99.72%

Notes:

- (1) Real and personal property taxes combined
- (2) Property taxes are levied July 1 and become delinquent March 1 of the following year.
- (3) Delinquent real property taxes are purchased by Van Buren County and are settled before the end of each fiscal year.
- (4) Delinquent personal property taxes are collected by the City of South Haven.

Source: City of South Haven

**Schedule 9
City of South Haven
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years**

Fiscal Year	Governmental Activities		Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita	Personal Income	Population(1)
	General Obligation Bonds	Installment Loans	General Obligation Bonds	Revenue Bonds	Installment Loans					
2004	13,280,000	0	0	2,105,000	300,000	15,685,000	16.11%	3,124	97,387,316	5,021
2005	12,645,000	231,000	0	1,700,000	200,000	14,776,000	15.17%	2,943	97,387,316	5,021
2006	11,980,000	231,000	0	1,685,000	100,000	13,996,000	14.37%	2,787	97,387,316	5,021
2007	12,740,000	231,000	0	1,665,000	0	14,636,000	15.03%	2,915	97,387,316	5,021
2008	11,465,000	231,000	0	1,645,000	0	13,341,000	13.70%	2,657	97,387,316	5,021
2009	10,805,000	231,000	19,965,000	1,515,000	0	32,516,000	33.39%	6,476	97,387,316	5,021
2010	10,120,000	205,788	19,735,000	825,000	0	30,885,788	31.71%	6,151	97,387,316	5,021
2011	9,410,000	184,692	19,475,000	295,000	0	29,364,692	16.03%	6,669	183,164,800	4,403
2012	8,705,000	96,671	19,155,000	270,000	0	28,226,671	15.41%	6,411	183,164,800	4,403
2013	8,104,000	83,667	18,735,000	245,000	0	27,167,667	14.83%	6,170	183,164,800	4,403

(1) Population per decennial census by the U.S. Census Bureau.

Sources: City of South Haven
U.S. Census Bureau

**Schedule 10
City of South Haven
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Population(1)	SEV Value(3)	Gross Bonded Debt(2)	Debt Service Monies Available	Debt Payable From Enterprise Revenues & Special Assessments	Net Bonded Debt	Ratio of Net Bonded Debt to SEV Value	Net Bonded Debt per Capita
2004	5,021	344,553,600	15,385,000	35,617	2,105,000	13,244,383	3.84%	2,638
2005	5,021	394,580,600	14,345,000	39,545	1,700,000	12,605,455	3.19%	2,511
2006	5,021	420,621,184	13,665,000	52,257	1,685,000	11,927,743	2.84%	2,376
2007	5,021	450,151,500	14,405,000	68,831	1,665,000	12,671,169	2.81%	2,524
2008	5,021	555,283,400	13,110,000	43,679	1,645,000	11,421,321	2.06%	2,275
2009	5,021	551,620,900	32,516,000	47,768	21,480,000	10,988,232	1.99%	2,188
2010	5,021	559,902,250	30,885,788	51,258	20,560,000	10,274,530	1.84%	2,046
2011	4,403	513,622,819	29,364,692	54,999	19,770,000	9,539,693	1.86%	2,167
2012	4,403	506,689,300	28,226,671	54,776	19,425,000	8,746,895	1.73%	1,987
2013	4,403	492,175,800	27,167,667	54,776	18,980,000	8,132,891	1.65%	1,847

- NOTE:
- (1) Population per decennial census by the U.S. Census Bureau.
 - (2) Includes all general obligation debt and special assessment debt with governmental obligation.
 - (3) The tax assessment day is December 31 prior to beginning of fiscal year.

**Schedule 11
City of South Haven
Debt Statement
As of June 30, 2013**

<u>City Direct Debt</u>	<u>Gross</u>	<u>Self-Supporting</u>	<u>Net Debt</u>	<u>Net Debt (1)</u>	
				<u>Per Capita</u>	<u>% of Taxable Valuation</u>
Building Authority Bonds (LTGO) (3)	\$ 2,164,000	\$ 2,065,000	\$ 99,000		
Capital Improvement Bonds (LTGO) (2)	23,970,000	23,970,000	-		
Water Revenue Bonds	245,000	245,000	-		
Downtown Development Authority Bonds (LTGO)	705,000	705,000	-		
Total Direct Debt	\$ 27,084,000	\$ 26,985,000	\$ 99,000	\$ 22	0.03%

<u>City Overlapping (4)</u>	<u>Gross</u>	<u>City Share as % of Gross</u>	<u>Net City Share</u>	<u>Net Debt (1)</u>	
				<u>Per Capita</u>	<u>% of Taxable Valuation</u>
South Haven Public Schools	\$ 24,635,000	49.88%	\$ 12,287,938		
Allegan County at Large	20,025,358	0.08%	16,020		
Van Buren County at Large	585,000	12.40%	72,540		
Total Overlapping Debt	\$ 45,245,358		\$ 12,376,498	\$ 2,811	3.35%

Total Direct and Overlapping Debt			\$ 12,475,498	\$ 2,833	3.38%
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(1) Based upon the 2010 US Census population of 4,403 and the 2012 Ad Valorem Taxable Value of \$369,232,633

(2) Includes the 2008 and 2009 Capital Improvement Bonds in the total combined outstanding amount of \$18,735,000; both of which are general obligation bonds which are intended to be paid with Water Revenues. Also includes the City's 2007 Capital Improvement Bonds currently outstanding in the amount of \$1,165,000 and paid by the Downtown Development Authority (DDA) subordinate to the outstanding DDA Bonds listed above. Further includes the 2003 Capital Improvement Bonds currently outstanding in the amount of \$4,070,000 and paid by the City's Sewer Fund, Local Development Finance Authority, and Downtown Development Authority.

(3) Represents the \$2,065,000 of 2011 Building Authority Bonds that are general obligation bonds which are intended to be paid by annual lease payments from by the City's Electric Fund, Local Development Finance Authority and Downtown Development Authority and the \$99,000 of 2013 Building Authority Bonds supported by tax revenues from The City's General Fund.

(4) Overlapping debt is the portion of other taxing units debt for which a City taxpayer is responsible for in addition to the debt of the City.

Source: City of South Haven and Municipal Advisory Council of Michigan

**Schedule 12
City of South Haven
Legal Debt Margin Information
Last Ten Fiscal Years**

Legal Debt Margin Calculation for Fiscal Year 2013

State Equalized Value, real and personal property	\$492,175,800
Debt limitation - 10 percent of total valuation	<u>49,217,580</u>
Debt applicable to limit	
Outstanding Debt	26,839,000
Less: Exempt Obligations	<u>245,000</u>
Total net debt applicable to limit	<u>26,594,000</u>
Legal debt margin	<u>\$ 22,623,580</u>

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt limit	\$34,455,360	\$39,458,060	\$42,062,118	\$45,015,150	\$55,528,340	\$55,162,090	\$55,990,225	\$51,362,282	\$50,668,930	\$49,217,580
Debt applicable to limit	<u>13,244,383</u>	<u>12,605,455</u>	<u>11,927,743</u>	<u>12,671,169</u>	<u>11,421,321</u>	<u>30,392,232</u>	<u>29,803,742</u>	<u>28,885,000</u>	<u>27,490,000</u>	<u>28,885,000</u>
Legal debt margin	<u>\$17,158,045</u>	<u>\$20,830,791</u>	<u>\$26,500,116</u>	<u>\$30,122,767</u>	<u>\$44,107,019</u>	<u>\$24,769,858</u>	<u>\$26,186,483</u>	<u>\$22,477,282</u>	<u>\$23,178,930</u>	<u>\$20,332,580</u>
Debt applicable to limit as a percentage of SEV	3.84%	3.19%	2.84%	2.81%	2.06%	5.51%	5.32%	5.62%	5.43%	5.87%

Source: City of South Haven and Municipal Advisory Council of Michigan

Schedule 13
City of South Haven
Pledged Revenue Coverage
Last Ten Fiscal Years

Electric Utility System Revenue Bonds - Called August 2010							
Fiscal Year	Direct		Net Revenue	Debt Service Requirements			Coverage (2)
Ended	Gross	Operating	Available for	Principal	Interest	Total	
30-Jun	Revenue	Expenses(1)	Debt Service				
2004	9,472,686	8,611,407	861,279	85,000	94,804	179,804	4.79
2005	9,602,023	8,993,967	608,056	390,000	83,979	473,979	1.28
2006	10,238,245	9,319,810	918,435	-	64,235	64,235	14.30
2007	11,749,399	10,697,019	1,052,380	-	64,235	64,235	16.38
2008	12,882,401	12,443,729	438,672	-	64,235	64,235	6.83
2009	12,645,848	10,938,302	1,707,546	110,000	61,320	171,320	9.97
2010	12,377,286	10,602,630	1,774,656	670,000	59,377	729,377	2.43
2011	13,440,017	11,338,284	2,101,733	510,000	12,150	522,150	4.03

Water Utility Revenue Bonds							
Fiscal Year	Direct		Net Revenue	Debt Service Requirements			Coverage (2)
Ended	Gross	Operating	Available for	Principal	Interest	Total	
30-Jun	Revenue	Expenses(1)	Debt Service				
2004	2,233,347	1,200,839	1,032,508	15,000	21,460	36,460	28.32
2005	1,751,019	1,412,083	338,936	15,000	20,860	35,860	9.45
2006	1,632,066	1,473,275	158,791	15,000	20,253	35,253	4.50
2007	1,853,590	1,454,415	399,175	20,000	19,898	39,898	10.00
2008	1,894,205	1,617,007	277,198	20,000	19,053	39,053	7.10
2009	2,329,223	2,103,296	225,927	20,000	17,937	37,937	5.96
2010	2,819,319	1,542,498	1,276,821	20,000	17,058	37,058	34.45
2011	2,798,525	1,589,818	1,208,707	20,000	14,892	34,892	34.64
2012	3,042,492	1,450,895	1,591,597	25,000	15,238	40,238	39.56
2013	3,568,537	1,496,066	2,072,471	25,000	14,063	39,063	53.06

(1) Operating expenses less depreciation.

(2) Coverage is defined as net revenue available for debt service divided by debt service requirements.

Source: City of South Haven

**Schedule 14
City of South Haven
Demographic and Economic Statistics
Last Ten Fiscal Years**

Year	Population(1)	Personal Income(2)	Per capita Personal Income(2)	Median Age(2)	Public School Enrollment(3)	Unemployment % Rate(4)	Labor Force(4)
2004	5,021	97,387,316	19,396	42.10	2,355	6.60%	40,235
2005	5,021	97,387,316	19,396	42.10	2,333	6.40%	40,849
2006	5,021	97,387,316	19,396	42.10	2,332	6.50%	41,472
2007	5,021	97,387,316	19,396	42.10	2,187	6.80%	40,511
2008	5,021	97,387,316	19,396	42.10	2,155	8.10%	40,248
2009	5,021	97,387,316	19,396	42.10	2,119	12.50%	39,288
2010	5,021	97,387,316	19,396	42.10	2,236	12.90%	37,247
2011	4,403	183,164,800	41,600	50.20	2,269	11.00%	36,017
2012	4,403	183,164,800	41,600	50.20	2,143	9.70%	36,739
2013	4,403	183,164,800	41,600	50.20	2,223	9.00%	36,447

(1) Population per decennial census by the U.S. Census Bureau.

(2) 2000 U.S. Census Data for Fiscal Years 2002-2010, 2010 U. S. Census Data for Fiscal Years 2011-2013

(3) Annual school census from the South Haven Public Schools.

(4) Van Buren County labor force data. Michigan Department of Career Development: Employment Service Agency - Labor Market Information.

**Schedule 15
City of South Haven
Principal Employers
Current Year and Nine Years Ago**

		2013		2004	
Employer	Principal Product/Service	Employees	Rank	Employees	Rank
South Haven Community Hospital	Health Care	424	1	221	2
Wal-Mart Stores	Retail	324	2	180	4
South Haven Schools	Education	280	3	425	1
Village Market	Retail	132	4		
Albemarle	Pharmaceuticals	132	5		
Menards	Retail	115	6		
Countryside	Nursing Home	110	7	115	8
Trelleborg, Inc.	Auto Parts	110	8	140	7
City of South Haven	Municipal Government	107	9	91	9
Do-It Corporation	Plastic Hang Tabs	70	10	72	10
Pullman Industries	Auto Parts			215	3
Clarion, Inc.	Auto Parts			143	6
DSM Catalytica	Pharmaceuticals			175	5

Source: City of South Haven

**Schedule 16
City of South Haven
Full-Time Equivalent Employees
Last Ten Fiscal Years**

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government										
City Council	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
City Manager	1.50	1.50	1.50	1.50	1.75	1.75	2.25	2.25	2.25	2.25
City Clerk	1.00	1.00	0.75	1.00	1.00	1.00	1.00	1.00	1.00	1.00
City Treasurer	2.50	2.50	2.50	2.50	2.50	2.50	2.75	2.75	2.75	2.75
City Assessor	1.25	1.25	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Building Services	2.00	2.00	2.25	2.00	1.50	1.50	2.00	2.00	2.00	2.00
Development	1.25	1.25	1.25	1.25	1.00	1.00	1.50	1.50	1.50	1.50
Computer Services	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Public Safety										
Police/Dispatch	31.00	30.25	31.00	31.00	31.25	31.25	31.00	30.00	30.00	30.00
Public Works										
Public Works	9.50	9.50	8.75	9.50	10.50	10.50	11.25	11.25	11.25	11.25
Cemetery	2.00	2.00	1.75	2.00	2.25	2.25	2.25	2.25	2.25	2.25
Parks and Recreation	12.75	12.75	12.50	11.75	13.00	13.00	12.00	12.00	12.00	12.00
Public Utilities	26.50	26.50	28.75	32.25	32.50	32.50	33.00	33.00	33.00	32.00
Total Full-Time Equivalents	99.25	98.50	100.00	103.75	106.25	106.25	108.00	107.00	107.00	106.00

SOURCE: City of South Haven

Schedule 17
City of South Haven
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government										
Population	5,021	5,021	5,021	5,021	5,021	5,021	5,021	4,403	4,403	4,403
Area - square miles	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Building and zoning										
Number of construction permits (Calendar year)	468	395	325	320	223	58	17	47	18	(a)
Value of permits (Calendar year)	15,810,261	12,586,428	19,988,103	18,455,567	7,235,964	16,658,735	2,296,750	1,294,050	1,620,920	(a)
Police (1)										
Number of Criminal Offenses Reported	1,412	1,649	2,593	1,521	1,364	1,112	1,148	911	1,035	(a)
Number of Arrests	586	768	718	954	801	615	606	437	370	(a)
Public Works (2)										
Miles of local streets maintained	21.84	21.84	21.84	21.84	21.84	21.84	21.84	21.84	21.84	21.84
Miles of major streets maintained	14.87	14.87	14.87	14.87	14.87	14.87	14.87	14.87	14.87	14.87
Public Utilities (2)										
Miles of sanitary sewers	37	37	37	37	37	37	37	37	37	37.5
Maximum Daily Sewer treatment capacity in gallons	1,660,000	1,660,000	1,660,000	1,660,000	1,660,000	1,660,000	1,660,000	1,660,000	1,660,000	1,660,000
Sewer System Connections	3,524	3,665	3,823	3,894	3,969	4,030	4,048	4,052	4,081	4,084
Miles of storm sewers	23.6	23.6	23.6	23.6	26	27	29	30	30	31.3
Maximum Daily Water treatment capacity in gallons	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000	5,400,000	5,400,000
Miles of water mains	44	44	44	44	44	44	44	44	44	44.7
Water towers	3	3	3	3	3	3	3	3	3	3
Water system connections	4,402	4,620	4,855	4,982	5,115	5,224	5,250	5,276	5,225	5,266
Number of fire hydrants	406	406	406	406	425	425	425	425	425	434
Miles of electric lines	115	115	115	115	121	121	121	121	121	121
Number of electric connections	7,534	7,675	7,743	7,815	8,040	8,081	8,073	8,100	8,099	8,121
Number of distribution stations	2	2	2	2	2	2	2	2	2	2

(a) Data not available

1 Source: Michigan Uniform Crime Report. Information is for calendar year.

2 Source: City of South Haven

Schedule 18
City of South Haven
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Substations	1	1	1	0	0	0	0	0	0	0
Vehicles	11	11	11	11	11	11	11	11	11	11
Holding Cells	4	4	4	4	4	4	4	4	4	4
Canine Units	1	1	1	1	1	1	1	1	1	1
Public Works										
Miles of local streets	21.84	21.84	21.84	21.84	21.84	21.84	21.84	21.84	21.84	21.84
Miles of major streets	14.87	14.87	14.87	14.87	14.87	14.87	14.87	14.87	14.87	14.87
Parks & Recreation										
Parks	11	11	11	11	11	11	11	11	11	11
Skate parks	1	1	1	1	1	1	1	1	1	1
Parks acreage	39.7	39.7	39.7	39.7	39.7	39.7	39.7	39.7	39.7	39.7
Beach frontage in miles	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Municipal marinas	4	4	4	4	4	4	4	4	4	4
Municipal boatslips	221	221	221	221	221	221	221	221	221	221
Municipal boat launches	9	10	10	10	10	10	10	10	10	10
Feet of broadside dockage	550	550	550	550	550	550	550	550	550	550
Municipal cemeteries	1	1	1	1	1	1	1	1	1	1
Cemetery acreage	38	38	38	38	38	38	38	38	38	38

Source: City of South Haven

**INTERNAL CONTROL AND
COMPLIANCE SECTION**



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

December 2, 2013

Honorable Mayor and Members of the City Council
City of South Haven, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of South Haven, Michigan, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of South Haven, Michigan's basic financial statements, and have issued our report thereon dated December 2, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of South Haven, Michigan'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 South Haven, Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of City of South Haven, Michigan's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings as finding number 2013-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of South Haven, Michigan'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*.

Response to Findings

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

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.

Orlando Haefner LLC

CITY OF SOUTH HAVEN

SCHEDULE OF FINDINGS

FOR THE YEAR ENDED JUNE 30, 2013

Finding 2013-1

CONDITION: The City's system of controls over the cash receipting including a balancing process was not being adhered to by the marina operations.

CRITERIA: A good system of controls includes a daily balancing of cash receipts to supporting documentation to assure they are reconciled. The system of controls in place at the City was not being followed for marina operations.

CAUSE OF CONDITION: Personnel changes and lack of policy enforcement at the marina caused this to occur.

POTENTIAL EFFECT OF CONDITION: This condition could result in inaccurate or missing receipts.

RECOMMENDATION: We recommend daily balancing of cash receipts to supporting documentation by all operations within the City.

MANAGEMENT RESPONSE: The City has implemented additional procedures and reemphasized the requirement that the cash receipting procedures be followed in all circumstances.