

City of Charlotte, Michigan

**Comprehensive Annual Financial Report
Prepared by the Office of Finance and Treasury
June 30, 2015**

City of Charlotte, Michigan

Contents

Introductory Section

Letter of Transmittal	i-v
List of Elected and Appointed Officials	vi
Organizational Chart	vii
Certificate of Achievement for Excellence in Financial Reporting	viii

Financial Section

Report Letter	1-2
Management's Discussion and Analysis	3-10
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12-13
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	14
Reconciliation of the Balance Sheet to the Statement of Net Position	15
Statement of Revenue, Expenditures, and Changes in Fund Balances	16
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Proprietary Funds:	
Statement of Net Position	18
Statement of Revenue, Expenses, and Changes in Net Position	19
Statement of Cash Flows	20
Fiduciary Funds - Statement of Assets and Liabilities	21
Component Units:	
Statement of Net Position	22
Statement of Activities	23
Notes to Financial Statements	24-51

City of Charlotte, Michigan

Contents (Continued)

Required Supplemental Information	52
Budgetary Comparison Schedule - General Fund	53
Budgetary Comparison Schedule - Major Special Revenue Funds	54
Note to Required Supplemental Information	55
Schedule of Changes in the City's Net Pension Liability and Related Ratios	56
Schedule of City Contributions	57
OPEB System Schedule	58
Other Supplemental Information	59-60
Nonmajor Governmental Funds:	
Combining Balance Sheet	61-62
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	63-64
Budgetary Comparison Schedules	65-72
Agency Funds - Schedule of Changes in Assets and Liabilities	73
<u>Statistical Section</u>	74-75
Financial Trend Information:	76
Net Position by Component	77
Changes in Governmental Net Position	78
Changes in Business-type Net Position	79-80
Fund Balances, Governmental Funds	81-82
Changes in Fund Balances, Governmental Funds	83-84
Revenue Capacity Information:	85
Taxable Value and Actual Value of Taxable Property	86
Direct and Overlapping Property Tax Rates	87
Principal Property Taxpayers	88
Property Tax Levies and Collections	89
Debt Capacity Information:	90
Ratios of Outstanding Debt	91-92
Ratios of General Bonded Debt Outstanding	93-94
Direct and Overlapping Governmental Activities Debt	95
Pledged Revenue Coverage	96
Legal Debt Margin	97-98
Demographic and Economic Information:	99
Demographics and Economic Statistics	100
Principal Employers	101-102
Operating Information:	103
Full-time Equivalent Government Employees	104-105
Operating Indicators	106-107
Capital Asset Statistics	108-109

Introductory Section



city of CHARLOTTE

October 30, 2015

To the Honorable Mayor,
Members of the City Council,
City Manager Gregg Guetschow, and the
Citizens of the City of Charlotte

The comprehensive annual financial report of the City of Charlotte for the year ended June 30, 2015 is hereby submitted as mandated by both local ordinances and State statutes. These ordinances and statutes require the City of Charlotte to annually issue a report on its financial position and activity, and that this report be audited by an independent firm of certified public accountants. Responsibility for both the accuracy of the data as well as the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the various funds and component units of the City of Charlotte. All disclosures necessary to enable the reader to gain an understanding of the City of Charlotte's activities have been included.

THE REPORTING ENTITY AND ITS SERVICES

The City of Charlotte is located in the heart of Michigan, 18 miles southwest of the capital city of Lansing. The City currently has a land area of approximately 5 ½ square miles and an estimated population of about 8,700. Charlotte is the hub of three interstate highways: Interstates 69, 96 and 94. These highways provide excellent access to all major markets in Michigan, the Midwest and Canada.

Only 200 years ago, the land on which the city is located was an overgrown prairie with an abundance of wild flowers, inhabited by Chippewa and Pottawatamie Indians. Indian paths crisscrossed the area and one trail became the preferred route for early pioneers. Running from Detroit to Grand Rapids, settlers named it Clinton Trail; today it is known as state highway M-50. The pioneer settlement located in the middle of Eaton County was incorporated as a village in 1863. Railroads brought growth to Michigan and Charlotte grew as well. Charlotte was incorporated as a city in 1871. Several beautiful homes and buildings in the downtown area, which still survive today, characterize the growth of the city. E.B. Bostwick, an early landowner, held the contract for all of Eaton County and suggested the city be named for his new bride, Charlotte (pronounced Shar-LOT).

The City's most notable attributes are its outstanding schools and parks; the Eaton County government complex; the Hayes Green Beach Memorial Hospital and ALIVE facility; and the developing Combs industrial park, which consists of 190 acres.

The City provides a full range of municipal services as established by statute or charter. These services include police and fire protection, water and sewer utility services, the construction and maintenance of roads, streets and infrastructures, recreational activities and general administrative services.

For financial reporting purposes, this report includes all the funds of the City of Charlotte, as well as its component units. Component units are legally separate entities for which the primary government is financially accountable. The City of Charlotte Downtown Development Authority (DDA) and the Local Development Financing Authority (LDFA) are reported as discretely presented component units. Discretely presented component units are reported in a separate column in the combined 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 City's Building Authority is reported as a blended component unit. Although blended component units are legally separate, they are reported as if they are part of the primary government. The primary purpose of the City's Building Authority is to finance and construct the City's public buildings.

ECONOMIC CONDITION AND OUTLOOK

The City council is pro-active in using conservative budgeting practices in an effort to maintain sufficient fund balances. The State of Michigan's on-going economic recovery, as well as the impact of revisions to Michigan's personal property taxes, were taken into consideration in developing the 2014/2015 fiscal year budget.

The City has had little new construction to add to the property tax base over the last several years. We do not expect this trend to change in the near future as Michigan communities adjust to excessive inventory of commercial and industrial space. New residential construction was minimal in fiscal year 2014/2015. In addition, the City continues to realize a small amount of economic growth through commercial efforts.

Prior to fiscal year 2014/2015, statutory revenue sharing payments to local governments were subject to participation in the Economic Vitality Incentive Program (EVIP) created by Public Act 63 of 2011. In order to qualify for a share of the state budgeted statutory revenue sharing, the City had to meet the criteria established by the act in areas of accountability and transparency, consolidation of services, and employee compensation (benefits). The City successfully completed all three criterion last fiscal year. The State of Michigan's 2014-2015 budget eliminated the EVIP for cities, villages and townships and replaced it with "City, Village, and Township Revenue Sharing" (CVTRS). The new model eliminated two of the three EVIP requirements; but it retained the requirement to publish a citizen's guide and performance dashboard by December 1. The Citizen's Guide and Performance Dashboard are available for viewing on the City's website.

The City receives a portion of the State's gasoline tax to fund street operations and capital needs. The State imposes 19 cents per gallon on gasoline, which was last increased by 4 cents in 1997. This source of revenue has been eroded by maintenance inflationary increases, as well as improved vehicle fuel efficiency since the gasoline tax paid by the consumer is based on gallons sold and not on the price of the gasoline. After the resounding defeat of Proposal 1 on the May 2015 state-wide election, it is unclear how the state legislature will address infrastructure funding. As a consequence, the City does not expect additional state revenue to be available to fund our street infrastructure needs in the near future.

Eaton County's 12-year dedicated millage for street infrastructure was approved by the voters in the November 2014 election and was levied on the 2014 winter tax bills. The City received approximately \$310 thousand in the current fiscal year. These funds will help in addressing some of the City's infrastructure needs, but in no way does it fund all of the street project needs of the city.

MAJOR INITIATIVES

Following are highlights of some of the City's major projects recently completed or planned for the future:

Armory Purchase – The City purchased the old Armory building located at 1310 S. Cochran at a cost of \$205 thousand.

Parking Lot Purchases – The City purchased 125 and 128 S. Bostwick at a cost of \$125 thousand.

Fire Truck – The City purchased the apparatus portion of the new aerial fire truck during the year. The truck was paid for on a 50/50 cost sharing arrangement for capital equipment with the Rural Fire Association.

Well #7 – The City completed construction on a new well at a cost of \$417 thousand.

WWTP Improvements – \$378 thousand of improvements were made during the year at the City's waste water treatment plant; these included trickling filter replacement, actuator replacements, clarifier structure enhancements, and flex rake purchase.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise assets, liabilities, fund equity, revenue, and expenditures or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with revenue being recorded when available and measurable and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's enterprise funds and internal service funds are maintained on the accrual basis. Assets used in governmental fund-type operations and long-term liabilities expected to be financed from governmental funds are accounted for at the government-wide level, not in the governmental funds.

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Internal accounting controls are designed to provide reasonable, but not absolute, assurance that these objectives will be met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal, state, and local financial assistance, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these programs. This internal control is subject to periodic evaluation by management of the City and the external independent audit staff retained by the City for required periodic audits.

The City maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council.

Activities of the General Fund and special revenue funds are included in the annual appropriated budget. Project-length budgets are prepared for capital projects funds, if any. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is the functional level within each fund.

CASH MANAGEMENT AND INVESTMENTS

The City is conservative in its approach to cash management with a realization that there is a time-value to money. A high priority has been placed on procedures to ensure that all monies due the City are collected and deposited as promptly as possible. Disbursements are closely controlled and wire transfers are used whenever appropriate.

Of equal importance is the emphasis on investment portfolio management. Investments of temporarily idle funds are invested in certificates of deposit with maturities ranging from 30 to 180 days depending on when the money is needed. The City pools the cash of various funds, except in certain restricted and special accounts, to maximize interest earnings. These investments are consistent with the City's policy to minimize credit and market risk while maintaining a competitive yield on its portfolio.

INDEPENDENT AUDIT

State law requires an annual audit by independent certified public accountants. The auditing firm of Plante & Moran, PLLC was selected to conduct the required audit and their report is included in the Comprehensive Annual Financial Report.

AWARDS & ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Charlotte for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2014. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report that satisfies both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. I believe that our current CAFR will also meet the Certificate of Achievement Program's requirements and I am submitting it to the GFOA to determine eligibility for another certificate.

I want to thank the city staff for their cooperation and assistance throughout the past year. I also appreciate the support extended by the City Manager, Mayor and City Council.

Respectfully submitted,



Christine K. Mossner, C.P.A., J.D.
Finance Director

City of Charlotte, Michigan

List of Elected and Appointed Officials June 30, 2015

City Council:

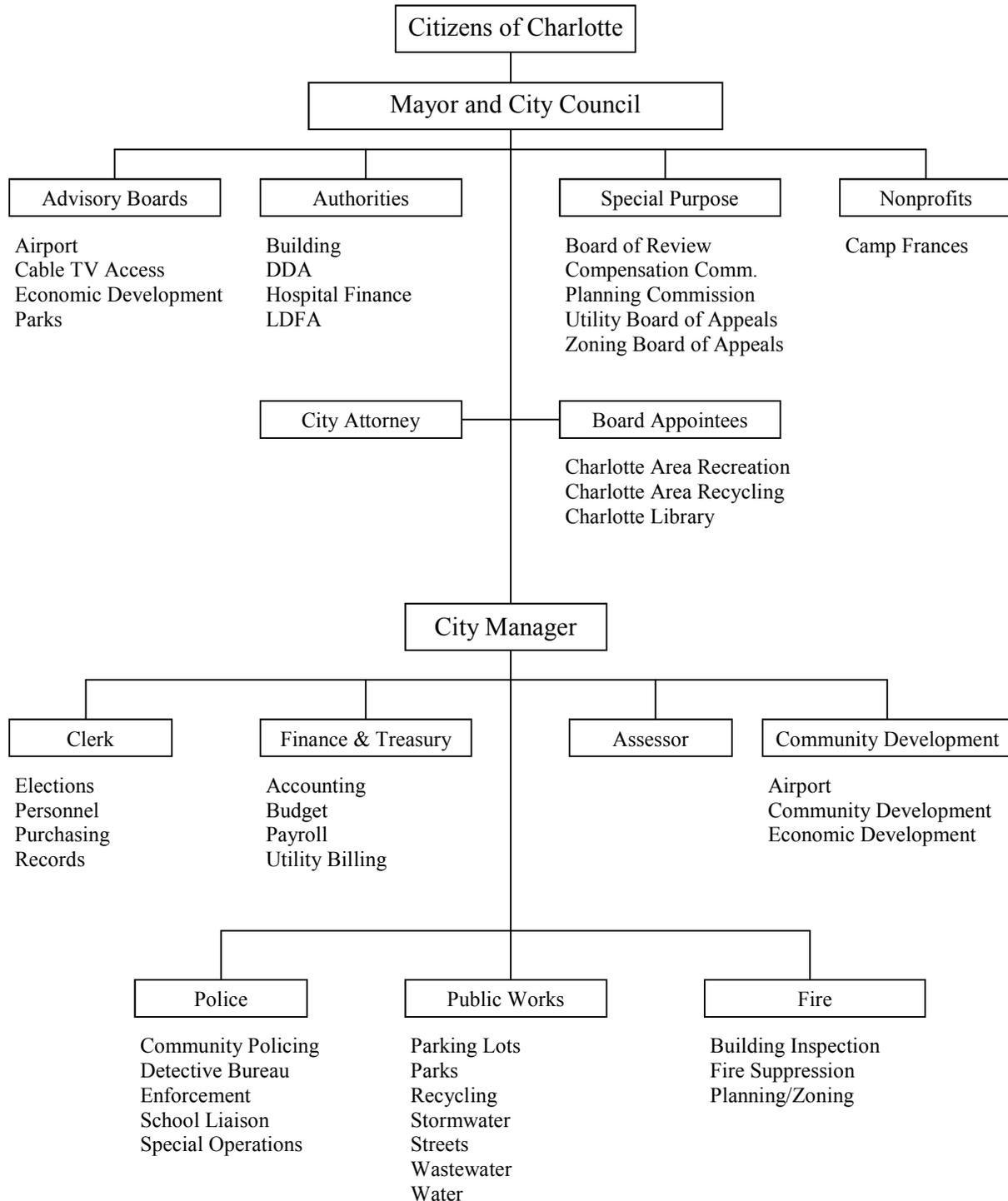
Mayor	Carrie Burch
Mayor Pro-Tem	Corey Sanders
Trustee	Mary Jean Baker
Trustee	Yvonne Ridge
Trustee	Brad Johnston
Trustee	Branden Dyer
Trustee	Lloyd Conway

Appointed Officials:

City Manager	Gregg Guetschow
Fire Chief	Kevin Fullerton
Assessor (Contract)	Randy Jewell
Clerk	Ginger Terpstra
Finance Director/Treasurer	Christine Mossner
Director of Public Works	Amy Gilson
Police Chief	Lisa Sherman

City of Charlotte, Michigan

Organizational Chart





Government Finance Officers Association

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

Presented to

**City of Charlotte
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

Financial Section

Independent Auditor's Report

To the Board of Directors
City of Charlotte, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Charlotte, Michigan (the "City") as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the City of Charlotte, Michigan'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. 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 Charlotte, Michigan as of June 30, 2015 and the respective changes in its financial position, and, where applicable, cash flows, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
City of Charlotte, Michigan

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, in 2015, the City adopted the new accounting guidance of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of governmental employers through pension plans. Our opinion is not modified with respect to this matter.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 supplemental 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 Charlotte, Michigan's basic financial statements. The other supplemental information, introductory section, and statistical section are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The accompanying other supplemental information, as identified in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and statistical section 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.

Plante & Moran, PLLC

October 30, 2015

City of Charlotte, Michigan

Management's Discussion and Analysis

The following discussion and analysis of the City of Charlotte, Michigan's (the "City") annual financial report presents our view of the City's financial performance during the fiscal year ended June 30, 2015. Please read it in conjunction with the City's financial statements, which follow beginning on page 11.

Financial Highlights

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$25.1 million (net position). Of this amount, (\$3.4) million was unrestricted net position.

During the year, the City received \$11 million in revenue (including a special item of \$.9 million) and incurred \$9.7 million in expenses, resulting in an increase in net position of approximately \$1.3 million. Of the City's \$9.7 million expense total, \$3.2 million related to business-type expenses and the balance of \$6.5 million related to governmental activities.

As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$3.9 million, an increase of \$1.2 million from the prior year. Approximately 51.2 percent of this amount is unassigned and therefore available for spending at the government's discretion. Of the remaining 48.8 percent, 35.9 percent is restricted for special purposes, 9.0 percent is assigned for various purposes, and 3.9 percent is nonspendable.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2.0 million or 40.3 percent of the General Fund's total expenditures.

Overview of the Financial Statements

This annual report consists of the following report sections: management's discussion and analysis (this section), the basic financial statements, required supplemental information, and an optional section that presents combining statements for nonmajor governmental funds and internal service funds. The basic financial statements are presented in two different formats, government-wide financial statements and fund financial statements.

The government-wide financial statements include the statement of net position and the statement of activities. These statements provide both long-term and short-term information about the City's overall financial status.

The fund financial statements include the balance sheet and the statement of revenue, expenditures, and changes in fund balances. These statements focus on individual parts of the City government and report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

City of Charlotte, Michigan

Management's Discussion and Analysis (Continued)

The governmental fund statements tell how general government services, like public safety, were financed in the short term as well as what remains for future spending.

The proprietary fund statements present short- and long-term financial information about those activities that the City operates in a business-like manner, such as the water supply and sewage disposal systems.

The fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the information presented in the financial statements. In addition to these required supplemental schedules, we have provided a section with combining statements that provide details about our nonmajor governmental and internal service funds.

Government-wide Statements

The City's government-wide statements begin on page 11 of this report. These statements report information about the City as a whole under the accrual method of accounting, which is similar to the accounting used by most private sector companies. The statement of net position includes both current and long-term assets and liabilities, and the statement of activities includes all of the current year's revenue and expenses regardless of when cash is received or paid.

The combined objective of the government-wide statements is to report the City's net position and how it has changed. The reporting of net position is one way to measure the City's financial position.

The City's government-wide financial statements divide the reported information into three categories:

- **Governmental Activities** - Most of the City's basic services are included here, such as police, fire, public works, recreation, and general services. Property taxes, state revenue sharing, and federal grants are used to finance most of these activities.
- **Business-type Activities** - The City charges fees to customers to help it cover the costs of certain services it provides. The City's water supply and sewage disposal systems are included in this category.
- **Component Units** - The City includes other legal entities in its report such as the Downtown Development Authority, Tax Increment Financing Authority, and Brownfield Redevelopment Authority. The City is financially accountable for these "component units" although they are legally separate entities.

City of Charlotte, Michigan

Management's Discussion and Analysis (Continued)

Fund Financial Statements

The City's fund financial statements begin on page 14 of this report. These statements provide more detailed information about the City's most significant funds. The City uses funds to account for specific sources of funding and spending for particular purposes. Some funds are required by state law or bond covenants and others are established to control and manage money for particular purposes.

The City has three fund types that use different accounting approaches:

- **Governmental Funds** - Most of the City's basic services are included in governmental funds. These funds focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end available for spending. These funds are reported using the modified accrual accounting method that measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Because governmental fund information has a short-term focus and the government-wide statements incorporate long-term information, we reconcile the differences at the bottom of the fund financial statements.
- **Proprietary Funds** - When the City charges customer fees for the services it provides, the fees are generally reported in proprietary funds. Similar to the reporting method used on the government-wide statements, proprietary funds provide both long- and short-term financial information.
 - In fact, the City's enterprise funds (Water Supply and Sewage Disposal Fund and Recycling Fund) are the business-type activities reported in the government-wide statements, but provide more detail in the proprietary fund statements.
 - We use an internal service fund (the other type of proprietary fund) to report equipment rental services to the City's other programs and activities, which are reported in the Motor Vehicle Pool Fund.
- **Fiduciary Funds** - The City acts as a collection agent for certain other taxing jurisdictions such as the schools and county. The City is responsible for ensuring that the assets reported in this fund are used for their intended purpose. A separate statement of fiduciary assets and liabilities is presented on page 21 of this report. These activities are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

City of Charlotte, Michigan

Management's Discussion and Analysis (Continued)

Financial Analysis of the City as a Whole

The City's combined net position decreased from \$30.2 million to \$25.1 million. The following table illustrates the varying results of the governmental activities and business-type activities that combine to capture the City's total net position (Note - the 2014 columns in the following table are presented prior to the implementation of GASB 68, which was effective July 1, 2014):

Summary Condensed Statement of Net Position (presented in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
	(in thousands)					
Assets						
Current assets	\$ 4,711	\$ 3,666	\$ 2,283	\$ 2,943	\$ 6,994	\$ 6,609
Capital assets	<u>18,524</u>	<u>19,066</u>	<u>15,027</u>	<u>14,465</u>	<u>33,551</u>	<u>33,531</u>
Total assets	23,235	22,732	17,310	17,408	40,545	40,140
Deferred Outflows of Resources	326	-	292	261	618	261
Liabilities						
Current liabilities	280	286	240	87	520	373
Long-term liabilities	<u>9,946</u>	<u>5,082</u>	<u>5,560</u>	<u>4,771</u>	<u>15,506</u>	<u>9,853</u>
Total liabilities	<u>10,226</u>	<u>5,368</u>	<u>5,800</u>	<u>4,858</u>	<u>16,026</u>	<u>10,226</u>
Net Position						
Net investment in capital assets	15,365	15,617	11,187	10,066	26,552	25,683
Restricted	1,449	1,077	584	860	2,033	1,937
Unrestricted	<u>(3,479)</u>	<u>670</u>	<u>31</u>	<u>1,885</u>	<u>(3,448)</u>	<u>2,555</u>
Total net position	<u>\$ 13,335</u>	<u>\$ 17,364</u>	<u>\$ 11,802</u>	<u>\$ 12,811</u>	<u>\$ 25,137</u>	<u>\$ 30,175</u>

A substantial portion of the City's net position (105.6 percent) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related outstanding debt used to acquire those assets. Such assets are used to provide services to the citizens of the City and are therefore not available for future spending.

The City's governmental activities net position decreased by 23.2 percent to \$13.3 million during the fiscal year. This decrease is due to the implementation of GASB 68 in the current year, which restated beginning net position by (\$5.1) million. This decrease was slightly offset by a \$0.9 million special item related to the Owens Brockway settlement as well as approximately \$310 thousand collected related to the Eaton County street infrastructure millage. The City's business-type activities experienced a 7.9 percent decrease to \$11.8 million during the fiscal year. This decrease is also due to the implementation of GASB 68 in the current year, which restated beginning net position by (\$1.2) million.

City of Charlotte, Michigan

Management's Discussion and Analysis (Continued)

The following table displays the City's changes in net position (Note - the 2014 columns in the follow table are presented prior to the implementation of GASB 68, which was effective July 1, 2014):

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
	(in thousands)					
Revenue						
Program revenue:						
Charges for services	\$ 556	\$ 612	\$ 3,445	\$ 3,466	\$ 4,001	\$ 4,078
Operating grants	632	605	29	37	661	642
Capital grants	1	-	-	-	1	-
General revenue:						
Property taxes	3,667	3,384	-	-	3,667	3,384
State-shared revenue	900	846	-	-	900	846
Investment earnings	8	7	2	2	10	9
Transfers and other revenue	880	267	-	-	880	267
Total revenue	6,644	5,721	3,476	3,505	10,120	9,226
Program Expenses						
General government	801	565	-	-	801	565
Public safety	2,921	2,936	-	-	2,921	2,936
Public works	2,061	2,696	-	-	2,061	2,696
Community and economic development	152	144	-	-	152	144
Recreation and cultural	390	371	-	-	390	371
Interest on long-term debt	138	157	-	-	138	157
Recycling	-	-	74	77	74	77
Water and sewer	-	-	3,178	3,086	3,178	3,086
Total expenses	6,463	6,869	3,252	3,163	9,715	10,032
Special Item	935	-	-	-	935	-
Change in Net Position	1,116	(1,148)	224	342	1,340	(806)
Net Position - Beginning of year (As restated)	12,219	18,512	11,578	12,469	23,797	30,981
Net Position - End of year	<u>\$ 13,335</u>	<u>\$ 17,364</u>	<u>\$ 11,802</u>	<u>\$ 12,811</u>	<u>\$ 25,137</u>	<u>\$ 30,175</u>

- The cost of all governmental activities this year was \$6.5 million.
- The amount that City taxpayers paid for these activities through City taxes was \$3.7 million.
- Some of the cost (\$1.2 million) was paid by the beneficiaries of the program's activities or by other governments and organizations that subsidized certain programs with grants and contributions.
- The City's governmental activities revenue is comprised predominantly of property taxes and state-shared revenue (55.2 percent and 13.5 percent, respectively). The City has minimal control over either of these revenue sources. The City's ability to raise property tax revenue is limited by the levying constraints of both Proposal A and the Headlee amendment. In addition, the state legislature controls the amount of non-constitutional state revenue-sharing the City receives.

City of Charlotte, Michigan

Management's Discussion and Analysis (Continued)

- A combined 77.1 percent of the City's governmental activities expenses are for "public benefit" services such as fire protection, police protection, and city street maintenance and construction.

Business-type Activities

The City's business-type activities of water supply, sewage disposal, and recycling realized an increase in net position of \$0.2 million for the year (after considering the restatement of beginning net position by (\$1.2) million related to GASB 68 implementation). The water supply and sewage disposal activity had operating revenue of \$3.4 million, operating expenses of \$3.0 million, and net nonoperating expenses of \$0.2 million, resulting in net income of \$0.2 million. The recycling activity realized a net loss of \$11,000.

GASB 68

The beginning net position of the June 30, 2015 financial statements has been restated in this audit report in order to comply with Governmental Accounting Standards Board Statement (GASB) No. 68, the objective of which is to improve accounting and financial reporting by state and local employers about financial support for pensions that is provided by other entities. For details of these restatements on the current year financial statements, please refer to Note I - New Accounting Standard.

Financial Analysis of the City's Funds

As the City completed the year, its governmental funds (see the balance sheet presented on page 14) reported a \$1.2 million combined fund balance increase to \$3.9 million. This 45.8 percent increase is attributable to revenue exceeding expenses in addition to a \$0.9 million special item related to the Owens Brockway settlement.

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The Water Supply and Sewage Disposal Fund realized an increase in net position of \$0.2 million and had unrestricted net position at the end of the year of \$28,000. The Recycling Fund had a decrease in net position of \$11,000 for total unrestricted net position at year end of \$4,000.

General Fund Budgetary Highlights

There was a \$133 thousand increase between the original budget and the final amended budget expenditures. This increase is attributable to anticipated capital outlay expenditure overages. However, the General Fund ended the year with total expenditures \$173 thousand less than the amended budget. A significant portion, approximately 40 percent, of this variance is attributable to lower than anticipated expenditures in the parks and recreation department. In addition, general government, public safety, and public works salary and benefit expenditures were less than appropriated due to staff turnover.

City of Charlotte, Michigan

Management's Discussion and Analysis (Continued)

Capital Assets

At June 30, 2015, the City had invested approximately \$33.6 million in a broad range of capital assets, including police and fire equipment, buildings, computer equipment and software, parks and recreational facilities, roads, sidewalks, parking lots, and water and sewer lines as follows:

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 2,195,972	\$ 2,039,472	\$ 104,995	\$ 104,995	\$ 2,300,967	\$ 2,144,467
Construction in progress	47,426	34,838	557,841	155,933	605,267	190,771
Easement	628,461	628,461	-	-	628,461	628,461
Infrastructure	27,103,368	27,016,364	-	-	27,103,368	27,016,364
Buildings and improvements	6,611,268	6,386,344	28,400,426	27,623,610	35,011,694	34,009,954
Vehicles	2,182,250	2,157,540	-	-	2,182,250	2,157,540
Equipment	3,990,988	3,629,646	-	-	3,990,988	3,629,646
Subtotal assets	42,759,733	41,892,665	29,063,262	27,884,538	71,822,995	69,777,203
Accumulated depreciation	24,235,865	22,827,202	14,036,176	13,419,804	38,272,041	36,247,006
Net capital assets	<u>\$ 18,523,868</u>	<u>\$ 19,065,463</u>	<u>\$ 15,027,086</u>	<u>\$ 14,464,734</u>	<u>\$ 33,550,954</u>	<u>\$ 33,530,197</u>

Governmental activities have construction in progress (CIP) which includes the engineering and design costs for various projects including the Parkland Drive and Lipsey Drive construction projects, Sheldon Street Engineering, Tennis Court Engineering, UV project design and engineering, and installation of Well #7. The expansion of Parkland and Lipsey Drive, in the industrial park, is on hold pending approval of the environmental permits by the State of Michigan. More detailed information about the City's capital assets is presented in Note 5 to the financial statements.

Debt

At year end, the City had \$7.6 million in bonds, notes outstanding, and compensated absences. This represents a decrease of \$0.9 million from the previous year or 10.6 percent. More detailed information about the City's long-term liabilities is presented in Note 7 to the financial statements.

City of Charlotte, Michigan

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budget and Rates

The City's budget for the 2015-2016 fiscal year is balanced with a property tax rate of 14.2913 mills. Property tax revenue is expected to remain constant for fiscal year 2015-2016. As stated earlier, the City's General Fund revenue is comprised predominantly of property taxes and state-shared revenue. The City has seen a leveling off of state-shared revenue receipts since fiscal year 2001-2002 due to state budget shortfalls. Beginning in fiscal year 2011-2012, the State of Michigan passed Public Act 63, the Economic Vitality Incentive Program (EVIP). Under EVIP, the City was required to meet, annually, specific requirements in three distinct categories to receive all allowable statutory revenue-sharing payments. The City satisfied all category requirements under EVIP for each applicable fiscal year. Beginning in fiscal year 2014-2015, the legislature established the City, Village, and Township Revenue Program (CVTRS), a simplified version of EVIP. The City satisfied all CVTRS category requirements in fiscal year 2014-2015 and anticipates satisfying all CVTRS requirements in fiscal year 2015-2016. This reduction in state-shared revenue, coupled with minimal property tax growth, has hindered the City's ability to realize revenue adequate enough to maintain current services and yet meet the demands of escalating employee benefit and operating expenditures. As a result, the City did not contribute funds from the General Fund to the Major Street and Local Street Funds for street reconstruction projects in the current fiscal year. Total expenses in the General Fund for fiscal year 2015-2016 are estimated to be \$5.2 million. The public safety departments represent the single largest component of overall budget expenditures with a total estimated cost of \$3.0 million.

Contacting the City's Financial Management

This financial report is intended to provide citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the finance director's office at the City of Charlotte, 111 E. Lawrence Ave., Charlotte, Michigan 48813.

City of Charlotte, Michigan

Statement of Net Position June 30, 2015

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 3,909,961	\$ 956,674	\$ 4,866,635	\$ 894,386
Receivables - Net (Note 4)	639,894	652,056	1,291,950	3,211
Prepaid expenses and other assets	161,457	90,466	251,923	-
Restricted assets - Cash and investments (Notes 3 and 8)	-	583,803	583,803	-
Capital assets - Net (Note 5):				
Assets not subject to depreciation	2,871,859	662,836	3,534,695	214,777
Assets subject to depreciation	15,652,009	14,364,250	30,016,259	-
Note receivable	-	-	-	499,237
Total assets	23,235,180	17,310,085	40,545,265	1,611,611
Deferred Outflows of Resources				
Bond refunding loss being amortized	-	209,620	209,620	-
Deferred outflows related to pensions (Note 10)	326,452	81,768	408,220	-
Total deferred outflows of resources	326,452	291,388	617,840	-
Liabilities				
Accounts payable	142,181	215,553	357,734	645
Accrued liabilities and other	138,304	23,439	161,743	-
Noncurrent liabilities:				
Due within one year (Note 7)	545,510	450,994	996,504	10,380
Due in more than one year:				
Net OPEB obligation (Note 12)	812,930	-	812,930	-
Net pension liability (Note 10)	5,639,016	1,412,384	7,051,400	-
Long-term debt (Note 7)	2,948,415	3,697,345	6,645,760	55,090
Total liabilities	10,226,356	5,799,715	16,026,071	66,115
Net Position				
Net investment in capital assets	15,365,101	11,186,706	26,551,807	149,307
Restricted for:				
Streets and highways	1,365,735	-	1,365,735	-
Debt service	18,877	448,585	467,462	-
Police training	2,541	-	2,541	-
Industrial park	45,927	-	45,927	-
Drug enforcement	16,093	-	16,093	-
Operation and maintenance fund imposed by creditors	-	135,218	135,218	-
Unrestricted	(3,478,998)	31,249	(3,447,749)	1,396,189
Total net position	\$ 13,335,276	\$ 11,801,758	\$ 25,137,034	\$ 1,545,496

City of Charlotte, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 801,558	\$ 129,051	\$ -	\$ -
Public safety	2,920,571	426,886	-	1,287
Public works	2,060,914	-	632,492	-
Community and economic development	152,457	-	-	-
Recreation and culture	389,838	-	-	37
Interest on long-term debt	137,936	-	-	-
Total governmental activities	6,463,274	555,937	632,492	1,324
Business-type activities:				
Water supply and sewage disposal	3,178,076	3,409,280	1,506	-
Recycling	74,373	35,674	27,365	-
Total business-type activities	3,252,449	3,444,954	28,871	-
Total primary government	\$ 9,715,723	\$ 4,000,891	\$ 661,363	\$ 1,324
Component units:				
Downtown Development Authority	\$ 47,677	\$ -	\$ -	\$ -
Local Development Financing Authority	17,880	-	-	-
Total component units	\$ 65,557	\$ -	\$ -	\$ -

General revenue:

Property taxes
 Unrestricted state-shared revenue
 Unrestricted investment income
 Other miscellaneous income

Total general revenue

Special Item - Owens Brockway settlement

Change in Net Position

Net Position - As restated - Beginning of year (Note 1)

Net Position - End of year

**Statement of Activities
Year Ended June 30, 2015**

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (672,507)	\$ -	\$ (672,507)	\$ -
(2,492,398)	-	(2,492,398)	-
(1,428,422)	-	(1,428,422)	-
(152,457)	-	(152,457)	-
(389,801)	-	(389,801)	-
(137,936)	-	(137,936)	-
(5,273,521)	-	(5,273,521)	-
-	232,710	232,710	-
-	(11,334)	(11,334)	-
-	221,376	221,376	-
(5,273,521)	221,376	(5,052,145)	-
-	-	-	(47,677)
-	-	-	(17,880)
-	-	-	(65,557)
3,667,494	-	3,667,494	17,597
899,907	-	899,907	-
7,718	2,115	9,833	1,682
879,737	-	879,737	28,822
5,454,856	2,115	5,456,971	48,101
935,266	-	935,266	-
1,116,601	223,491	1,340,092	(17,456)
12,218,675	11,578,267	23,796,942	1,562,952
\$ 13,335,276	\$ 11,801,758	\$ 25,137,034	\$ 1,545,496

City of Charlotte, Michigan

Governmental Funds Balance Sheet June 30, 2015

	General Fund	Major Street Fund	Nonmajor Funds	Total
Assets				
Cash and investments (Note 3)	\$ 2,356,446	\$ 839,172	\$ 441,127	\$ 3,636,745
Receivables - Net (Note 4)	466,504	88,122	85,125	639,751
Prepays and other assets	147,829	1,279	1,906	151,014
Total assets	\$ 2,970,779	\$ 928,573	\$ 528,158	\$ 4,427,510
Liabilities				
Accounts payable	\$ 131,691	\$ 2,976	\$ 1,194	\$ 135,861
Accrued liabilities and other	114,288	1,582	1,743	117,613
Total liabilities	245,979	4,558	2,937	253,474
Deferred Inflows of Resources -				
Unavailable revenue	234,350	-	47,208	281,558
Fund Balances				
Nonspendable:				
Inventory	37,905	-	-	37,905
Prepays	109,924	1,279	1,906	113,109
Restricted:				
Major streets	-	922,736	-	922,736
Police training	-	-	2,341	2,341
Industrial park	-	-	45,927	45,927
Local streets	-	-	392,806	392,806
Drug enforcement	-	-	16,093	16,093
Facility building bond	-	-	18,877	18,877
Assigned:				
Retiree health benefits	200,000	-	-	200,000
Corral parking lot	150,000	-	-	150,000
Building authority bond	-	-	51	51
Michigan transportation bond	-	-	12	12
Unassigned	1,992,621	-	-	1,992,621
Total fund balances	2,490,450	924,015	478,013	3,892,478
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,970,779	\$ 928,573	\$ 528,158	\$ 4,427,510

City of Charlotte, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2015

Fund Balance Reported in Governmental Funds	\$ 3,892,478
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	17,778,918
Other receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds	234,350
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	47,208
Certain pension contributions and changes in pension plan net position are reported as deferred outflows of resources in the statement of net position, but are reported as expenses in the governmental funds	319,994
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(3,493,925)
Accrued interest is not due and payable in the current period and is not reported in the funds	(18,353)
Other liabilities are not due and payable in the current period and are not reported in the funds	(1,060)
Net pension liability does not present a claim on current financial resources and is not reported as a fund liability	(5,527,459)
Net OPEB liability does not present a claim on current financial resources and is not reported as a fund liability	(812,930)
Internal service funds are included as part of governmental activities	916,055
Net Position of Governmental Activities	<u>\$ 13,335,276</u>

City of Charlotte, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2015

	General Fund	Major Street Fund	Nonmajor Funds	Total
Revenue				
Property taxes	\$ 3,158,007	\$ 309,878	\$ 199,609	\$ 3,667,494
Licenses and permits	27,043	-	-	27,043
Federal grants	1,324	-	-	1,324
State and local sources	875,894	468,072	189,195	1,533,161
Charges for services	492,245	-	-	492,245
Fines and forfeitures	30,126	-	-	30,126
Investment income	5,377	1,559	782	7,718
Other revenue	234,233	8,562	40,916	283,711
Total revenue	4,824,249	788,071	430,502	6,042,822
Expenditures - Current				
General government	477,808	-	-	477,808
Public safety	2,663,490	-	9,291	2,672,781
Public works	547,272	211,908	249,901	1,009,081
Community and economic development	135,360	-	2,908	138,268
Recreation and culture	263,382	-	-	263,382
Capital outlay	659,599	87,004	-	746,603
Debt service:				
Principal	187,155	-	225,000	412,155
Interest on long-term debt	14,431	-	124,968	139,399
Total expenditures	4,948,497	298,912	612,068	5,859,477
Excess of Revenue (Under) Over Expenditures	(124,248)	489,159	(181,566)	183,345
Other Financing Sources (Uses)				
Face value of debt issue	105,000	-	-	105,000
Transfers in (Note 6)	-	-	142,812	142,812
Transfers out (Note 6)	(68,160)	(44,796)	(29,856)	(142,812)
Total other financing sources (uses)	36,840	(44,796)	112,956	105,000
Special Item - Owens Brockway settlement	935,266	-	-	935,266
Net Change in Fund Balances	847,858	444,363	(68,610)	1,223,611
Fund Balances - Beginning of year	1,642,592	479,652	546,623	2,668,867
Fund Balances - End of year	\$ 2,490,450	\$ 924,015	\$ 478,013	\$ 3,892,478

The Notes to Financial Statements are an Integral Part of this Statement.

City of Charlotte, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds	\$	1,223,611
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, these costs are allocated over their estimated useful lives as depreciation:		
Capital outlay		666,809
Depreciation expense		(1,403,266)
Other revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end		4,967
Special assessment revenue is recorded in the statement of activities when the assessment is set; it is not reported in the funds until collected or collectible within 60 days of year end		(3,180)
Bond proceeds provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position		(105,000)
Repayment of bond principal and agreements is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		412,155
Increase in compensated absence liability reported in the statement of activities does not require the use of current resources and therefore is not reported in the fund statements until it comes due for payment		(28,256)
Change in accrued interest payable and other		1,463
Change in provision for claims does not provide current resources and therefore is not reported in the fund statements		600,000
Other liabilities are not due and payable in the current period and are not reported in the funds		3,440
Change in net pension obligation in the statement of activities does not require the use of current resources and therefore is not reported in the fund statements until it comes due for payment		(154,979)
Change in net OPEB obligation in the statement of activities does not require the use of current resources and therefore is not reported in the fund statements until it comes due for payment		(103,601)
Internal service funds are included as part of governmental activities		2,438
Change in Net Position of Governmental Activities	\$	<u>1,116,601</u>

City of Charlotte, Michigan

Proprietary Funds Statement of Net Position June 30, 2015

	Business-type Activities			Governmental
				Activities
	Major Fund - Water Supply and Sewage Disposal	Nonmajor Fund - Recycling	Total	Internal Service Fund - Motor Vehicle Pool
Assets				
Current assets:				
Cash and cash equivalents (Note 3)	\$ 948,125	\$ 8,549	\$ 956,674	\$ 273,216
Receivables - Net	652,051	5	652,056	143
Prepaid expenses and other assets	89,553	913	90,466	10,443
Total current assets	1,689,729	9,467	1,699,196	283,802
Noncurrent assets:				
Restricted assets - Cash and investments (Notes 3 and 8)	583,803	-	583,803	-
Capital assets (Note 5):				
Assets not subject to depreciation	662,836	-	662,836	31,500
Assets subject to depreciation	14,357,600	6,650	14,364,250	713,450
Total noncurrent assets	15,604,239	6,650	15,610,889	744,950
Total assets	17,293,968	16,117	17,310,085	1,028,752
Deferred Outflows of Resources				
Bond refunding loss being amortized	209,620	-	209,620	-
Deferred outflows related to pensions	81,486	282	81,768	6,458
Total deferred outflows	291,106	282	291,388	6,458
Liabilities				
Current liabilities:				
Accounts payable	215,323	230	215,553	6,320
Accrued liabilities and other	22,388	1,051	23,439	1,278
Current portion of long-term debt (Note 7)	450,994	-	450,994	-
Total current liabilities	688,705	1,281	689,986	7,598
Noncurrent liabilities:				
Net pension liability (Note 10)	1,407,514	4,870	1,412,384	111,557
Long-term debt (Note 7)	3,697,345	-	3,697,345	-
Total noncurrent liabilities	5,104,859	4,870	5,109,729	111,557
Total liabilities	5,793,564	6,151	5,799,715	119,155
Net Position				
Net investment in capital assets	11,180,056	6,650	11,186,706	744,950
Restricted (Note 9):				
Debt service	448,585	-	448,585	-
Operation and maintenance imposed by creditors	135,218	-	135,218	-
Unrestricted	27,651	3,598	31,249	171,105
Total net position	\$ 11,791,510	\$ 10,248	\$ 11,801,758	\$ 916,055

City of Charlotte, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2015

	Business-type Activities			Governmental Activities
	Water Supply and Sewage Disposal	Nonmajor Fund - Recycling	Total	Internal Service Fund - Motor Vehicle Pool
Operating Revenue				
Sale of water	\$ 1,440,924	\$ -	\$ 1,440,924	\$ -
Sewage charges	1,950,610	-	1,950,610	-
Recycling fees	-	30,600	30,600	-
Other	17,746	5,074	22,820	-
Charges for services	-	-	-	376,698
Total operating revenue	3,409,280	35,674	3,444,954	376,698
Operating Expenses				
Cost of services	2,352,465	-	2,352,465	274,875
Recycling	-	72,473	72,473	-
Depreciation	642,223	1,900	644,123	101,347
Total operating expenses	2,994,688	74,373	3,069,061	376,222
Operating Income (Loss)	414,592	(38,699)	375,893	476
Nonoperating Revenue (Expense)				
Investment income	2,101	14	2,115	513
Interest expense	(183,388)	-	(183,388)	-
Gain on sale of assets	-	-	-	1,449
Grants	1,506	27,365	28,871	-
Total nonoperating (expenses) revenue	(179,781)	27,379	(152,402)	1,962
Change in Net Position	234,811	(11,320)	223,491	2,438
Net Position - As restated - Beginning of year (Note 1)	11,556,699	21,568	11,578,267	913,617
Net Position - End of year	\$ 11,791,510	\$ 10,248	\$ 11,801,758	\$ 916,055

City of Charlotte, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2015

	Business-type Activities			Governmental Activities
	Major Fund	Nonmajor Fund	Total	Internal Service Fund - Motor Vehicle Pool
	Water Supply and Sewage Disposal	Recycling		
Cash Flows from Operating Activities				
Receipts from customers	\$ 3,447,244	\$ 35,674	\$ 3,482,918	\$ -
Receipts from interfund services and reimbursements	-	-	-	376,698
Payments to suppliers	(1,142,326)	(29,300)	(1,171,626)	(200,606)
Payments to employees	(934,578)	(42,152)	(976,730)	(83,078)
Net cash provided by (used in) operating activities	1,370,340	(35,778)	1,334,562	93,014
Cash Flows from Noncapital Financing Activities - Grants	1,506	27,365	28,871	-
Cash Flows from Capital and Related Financing Activities				
Issuance of bonds	4,050,000	-	4,050,000	-
Proceeds from sales of capital assets	-	-	-	1,449
Purchase of capital assets	(1,206,475)	-	(1,206,475)	(296,209)
Principal and interest paid on capital debt	(4,821,007)	-	(4,821,007)	-
Net cash used in capital and related financing activities	(1,977,482)	-	(1,977,482)	(294,760)
Cash Flows from Investing Activities - Interest received on investments	2,101	14	2,115	513
Net Decrease in Cash and Cash Equivalents	(603,535)	(8,399)	(611,934)	(201,233)
Cash and Cash Equivalents - Beginning of year	2,135,463	16,948	2,152,411	474,449
Cash and Cash Equivalents - End of year	\$ 1,531,928	\$ 8,549	\$ 1,540,477	\$ 273,216
Balance Sheet Classification of Cash and Cash Equivalents				
Cash and investments	\$ 948,125	\$ 8,549	\$ 956,674	\$ 273,216
Restricted cash	583,803	-	583,803	-
Total cash and cash equivalents	\$ 1,531,928	\$ 8,549	\$ 1,540,477	\$ 273,216
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating income (loss)	\$ 414,592	\$ (38,699)	\$ 375,893	\$ 476
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation and amortization	642,223	1,900	644,123	101,347
Changes in assets and liabilities:				
Receivables	37,964	-	37,964	-
Prepaid and other assets	8,504	1,805	10,309	(1,525)
Accounts payable	168,078	(437)	167,641	(19,767)
Accrued liabilities and other	98,979	(347)	98,632	12,483
Net cash provided by (used in) operating activities	\$ 1,370,340	\$ (35,778)	\$ 1,334,562	\$ 93,014

City of Charlotte, Michigan

Fiduciary Funds Statement of Assets and Liabilities June 30, 2015

	<u>Agency Funds</u>
Assets - Cash and cash equivalents (Note 3)	<u>\$ 168,648</u>
Liabilities - Due to other governmental units	<u>\$ 168,648</u>

City of Charlotte, Michigan

Component Units Statement of Net Position June 30, 2015

	Downtown Development Authority	Local Development Financing Authority	Total
Assets			
Cash and investments (Note 3)	\$ 64,696	\$ 829,690	\$ 894,386
Receivables - Net	3,080	131	3,211
Capital assets (Note 5)	214,777	-	214,777
Note receivable (Note 1)	-	499,237	499,237
Total assets	282,553	1,329,058	1,611,611
Liabilities			
Accounts payable	645	-	645
Current portion of long-term debt (Note 7)	10,380	-	10,380
Long-term debt (Note 7)	55,090	-	55,090
Total liabilities	66,115	-	66,115
Net Position			
Net investment in capital assets	149,307	-	149,307
Unrestricted	67,131	1,329,058	1,396,189
Total net position	\$ 216,438	\$ 1,329,058	\$ 1,545,496

City of Charlotte, Michigan

Component Units Statement of Activities Year Ended June 30, 2015

	Expenses	Net (Expense) Revenue and Changes in Net Position		
		Downtown Development Authority	Local Development Financing Authority	Total
Functions/Programs				
Downtown Development Authority	\$ 47,677	\$ (47,677)	\$ -	\$ (47,677)
Local Development Financing Authority	17,880	-	(17,880)	(17,880)
Total component units	<u>\$ 65,557</u>	(47,677)	(17,880)	(65,557)
Property taxes		17,597	-	17,597
Interest		121	1,561	1,682
Other miscellaneous income		16,447	12,375	28,822
Total general revenue		<u>34,165</u>	<u>13,936</u>	<u>48,101</u>
Change in Net Position		(13,512)	(3,944)	(17,456)
Net Position - Beginning of year		<u>229,950</u>	<u>1,333,002</u>	<u>1,562,952</u>
Net Position - End of year		<u>\$ 216,438</u>	<u>\$ 1,329,058</u>	<u>\$ 1,545,496</u>

Note I - Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies used by the City of Charlotte, Michigan (the "City"):

Reporting Entity

The City of Charlotte, Michigan is governed by an elected seven-member council administered by an appointed city manager. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the City's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description).

Blended Component Units - The Building Authority is governed by a board appointed by the City Council. Although it is legally separate from the City, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the City's public buildings.

Discretely Presented Component Units

Downtown Development Authority - The Downtown Development Authority (the "DDA") was established pursuant to P.A. 197 of 1975 for the purpose of revitalizing the downtown business district. The DDA's governing body, which consists of nine individuals, is appointed by the City Council. In addition, the DDA's annual budget is subject to review and approval by the City Council. The DDA uses governmental fund-type accounting. Financial statements for the Downtown Development Authority are available at the City.

Local Development Financing Authority - The Local Development Financing Authority (LDFA) was established pursuant to P.A. 281 of 1986 for the purpose of developing and marketing an industrial park. The LDFA's governing body, which consists of eight individuals, is appointed by the City Council. In addition, the LDFA's annual budget is subject to review and approval by the City Council. The LDFA uses governmental fund-type accounting. Financial statements for the Local Development Financing Authority are available at the City.

Accounting and Reporting Principles

The City follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board.

Note I - Summary of Significant Accounting Policies (Continued)

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. 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. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue 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. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenue are reported instead as general revenue.

For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

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.

Fund Accounting

The City accounts for its various activities in several different funds in order to demonstrate accountability for how we have spent certain resources - separate funds allow us to show the particular expenditures that specific revenue was used for. The various funds are aggregated into three broad fund types:

Note I - Summary of Significant Accounting Policies (Continued)

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, and debt service funds. The City reports the following funds as “major” governmental funds:

- **Combining General Fund** - The Combining General Fund includes both the General Fund and the Airport Fund. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Airport Fund is used to control the expenditures of fuel sales, hangar rentals, and grant funds, which are earmarked for airport purposes.
- **Major Street Fund** - The Major Street Fund is a special revenue fund that accounts for the resources of state gas and weight tax revenue that is restricted for use on major streets.

Proprietary funds include enterprise funds, which provide goods or services to users in exchange for charges or fees and internal service funds which provide goods or services to other funds of the City. The City reports the following fund as a “major” enterprise fund:

- **Water Supply and Sewage Disposal Fund** - This fund is used to account for the operation of the City's water distribution, water treatment, sewage disposal, and sewage treatment systems; the construction and acquisition of additions and improvements to those systems; and contributions toward the payment of interest and principal on general obligation bonds issued to help finance the construction projects undertaken by this fund.

The City's internal service funds are used to account for major machinery and equipment purchases and maintenance, as well as risk management services provided to other departments of the City on a cost-reimbursement basis.

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts will not be used to operate our government's programs. Activities that are reported as fiduciary include:

- **Agency Fund** - The Agency Fund is used to account for the collection of property taxes and other cash receipts due to other jurisdictions that will be subsequently transferred to third parties.

Note I - Summary of Significant Accounting Policies (Continued)

Interfund activity: During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree healthcare related costs, or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenues are not recognized until they are collected or collected soon enough after the end of the year that they are available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments and grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with deferred inflows of resources.

Note I - Summary of Significant Accounting Policies (Continued)

Proprietary funds and fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Specific Balances and Transactions

Cash, Cash Equivalents, and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from the General Fund and Water and Sewer Fund is generally allocated to each fund by a percentage of total investment value attributable to each fund.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowances for uncollectible amounts.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets - The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets, as well as amounts on deposit at the county being held for the construction or debt service of the City of Charlotte, Michigan water and sewer lines.

The revenue bond of the building fund requires amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve.

Notes Receivable - The LDFA provided three loans to the General Fund. The outstanding balances at June 30, 2015 were \$62,356, \$95,411, and \$105,000 maturing in 2021, 2024, and 2025, respectively. The LDFA provided a loan to the Airport Fund maturing in 2019 with a balance of \$171,000 remaining at June 30, 2015. The LDFA also provided a loan to the DDA with a balance of \$65,470 remaining at June 30, 2015.

Note I - Summary of Significant Accounting Policies (Continued)

Capital Assets - Capital assets, which include property, plant, equipment, intangible assets, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, there was no interest expense capitalized as part of the cost of assets under construction.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Capital Asset Class	Lives (Years)
Infrastructure	10-50
Water and sewer buildings and systems	10-100
Buildings and building improvements	25-50
Machinery and equipment	3-10
Vehicles	3-10

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method; bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as an "other financing source," as well as bond premiums and discounts. The General Fund and debt service funds are generally used to liquidate governmental long-term debt.

Note I - Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. One is the deferred bond refunding loss which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other is a deferred outflow related to the defined benefit pension plan which results from two items: contributions to the defined benefit pension plan between the measurement date and the City's fiscal year and the unamortized portion of the actual investment earnings of the plan compared to the plan's assumed investment earnings.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category, which is the deferred inflows of resources related to unavailable revenue. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from three sources: state-shared revenue, special assessments, and outstanding fines. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position Flow Assumption

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

Note I - Summary of Significant Accounting Policies (Continued)

Fund Balance Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Property Tax Revenue

Properties are assessed as of December 31. The related property taxes become a lien on the following July 1 and are due on August 31 with the final collection date of February 28 before they are added to the county tax rolls. Taxes are considered delinquent on September 1, at which time penalties and interest are assessed.

Note I - Summary of Significant Accounting Policies (Continued)

The City's 2014 tax is levied and collectible on July 1, 2014 and is recognized as revenue in the year ended June 30, 2015, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2014 taxable valuation of the City totaled \$208,767,153 (a portion of which is captured by the DDA), on which taxes levied consisted of 14.2913 mills for operating purposes, .9500 mills for debt service, and .1000 mills for waste collection. This resulted in \$3,001,428 for operating, \$199,609 for debt service, and \$20,993 for waste collection purposes. These amounts are recognized in the respective General and Debt Service Fund financial statements as tax revenue.

In addition, Eaton County levies a tax of 1.5 mills for rehabilitation, restoration, and resurfacing of streets. The City receives a distribution from this millage which amounted to \$309,878 recognized in the Major Street Fund.

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

Other Postemployment Benefit Costs - The City offers retiree healthcare benefits to retirees. The City internally calculates the ARC necessary to fund the other postemployment benefits over the remaining amortization period. In the governmental funds, OPEB costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the City reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any.

Compensated Absences (Vacation and Sick Leave) - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for nonvested accumulated sick leave. All vacation pay and vested sick leave is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. All other accrued compensated absences are reported in the government-wide financial statements; generally the funds that report each employee's compensation (the General Fund and Water and Sewer Fund, primarily) are used to liquidate obligation.

Note I - Summary of Significant Accounting Policies (Continued)

Proprietary Funds Operating Classification - Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue 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 Water and Sewer Fund and internal service funds are charges to customers for sales and services. The Water and Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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

New Accounting Standard - In the current year, the City implemented Governmental Accounting Standards Board Statement (GASB) No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*. The objective of this statement is to improve accounting and financial reporting by state and local governmental employers about financial support for pensions that is provided by other entities.

As a result of implementing this statement, the beginning net position of governmental activities, business-type activities, the Water Supply and Sewage Disposal Fund, the Recycling Fund, and the Motor Vehicle Pool Internal Service Fund have been restated as shown below:

	As Reported in Prior Year	GASB 68 Adjustment	As Restated
Governmental activities	\$ 17,363,798	\$ (5,145,123)	\$ 12,218,675
Business-type activities	12,810,741	(1,232,474)	11,578,267
Water Supply and Sewage Disposal Fund	12,784,522	(1,227,823)	11,556,699
Recycling Fund	26,219	(4,651)	21,568
Motor Vehicle Pool Fund	1,006,254	(92,637)	913,617

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees - The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Cumulative shortfall at July 1, 2014	\$ (1,808,128)
Current year permit revenue	16,635
Direct and estimated indirect costs	<u>141,322</u>
Current year shortfall	<u>(124,687)</u>
Cumulative shortfall at June 30, 2015	<u>\$ (1,932,815)</u>

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund, special revenue funds, and debt service funds. All annual appropriations lapse at fiscal year end.

Charter provisions require department head budget submissions by the second Monday in February, submission of the budget to City Council by the second Monday in April, and adoption of the budget by the third Monday in May. The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the City is the functional level.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

A comparison of the budget with actual revenue and expenditures, including budget variances, for the General Fund is presented as required supplemental information; a comparison of budget to actual revenue and expenditures for all other governmental funds is reported as other supplemental information.

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The City has designated three banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The City has no formal policy relating to interest rate risk.

The City's cash and investments are subject to two types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$4,064,942 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The component units' deposits had a bank balance of \$887,435, of which \$184,328 was covered by federal depository insurance and \$703,108 was uninsured and uncollateralized.

Credit Risk - As of year end, the City had \$448,287 invested in bank investment pools with a rating of AAmmf by Fitch. The City's investment policy does not limit credit risk beyond that imposed by state law.

City of Charlotte, Michigan

Notes to Financial Statements June 30, 2015

Note 4 - Receivables

Receivables as of year end for the City's individual major funds and the nonmajor, Internal Service, and component units, including the applicable allowances for uncollectible accounts, are as follows:

	Combining General Fund	Major Street Fund	Nonmajor Governmental Funds	Motor Vehicle Pool Internal Service Fund	Water Supply and Sewage Disposal Fund	Recycling Fund	Total	Component Units
Receivables:								
Special assessments	\$ -	\$ -	\$ 47,208	\$ -	\$ -	\$ -	\$ 47,208	\$ 3,053
Accounts and other	189,234	22,265	146	143	652,051	5	863,844	158
Due from other governmental units	277,270	65,857	37,771	-	-	-	380,898	-
Net receivables	<u>\$ 466,504</u>	<u>\$ 88,122</u>	<u>\$ 85,125</u>	<u>\$ 143</u>	<u>\$ 652,051</u>	<u>\$ 5</u>	<u>\$ 1,291,950</u>	<u>\$ 3,211</u>

Note 5 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

	Balance July 1, 2014	Additions	Disposals	Balance June 30, 2015
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 2,039,472	\$ 156,500	\$ -	\$ 2,195,972
Construction in progress	34,838	12,588	-	47,426
Easement	628,461	-	-	628,461
Subtotal	2,702,771	169,088	-	2,871,859
Capital assets being depreciated:				
Infrastructure	27,016,364	87,004	-	27,103,368
Buildings and improvements	6,386,344	224,924	-	6,611,268
Vehicles	2,157,540	59,209	34,499	2,182,250
Equipment	3,629,646	422,793	61,451	3,990,988
Subtotal	39,189,894	793,930	95,950	39,887,874
Accumulated depreciation:				
Infrastructure	16,524,791	1,064,230	-	17,589,021
Buildings and improvements	1,883,180	142,414	-	2,025,594
Vehicles	1,607,452	101,347	34,499	1,674,300
Equipment	2,811,779	196,622	61,451	2,946,950
Subtotal	22,827,202	1,504,613	95,950	24,235,865
Net capital assets being depreciated	16,362,692	(710,683)	-	15,652,009
Net capital assets	<u>\$ 19,065,463</u>	<u>\$ (541,595)</u>	<u>\$ -</u>	<u>\$ 18,523,868</u>

City of Charlotte, Michigan

Notes to Financial Statements June 30, 2015

Note 5 - Capital Assets (Continued)

	Balance July 1, 2014	Reclassifications	Additions	Disposals	Balance June 30, 2015
Business-type Activities					
Capital assets not being depreciated:					
Land	\$ 104,995	\$ -	\$ -	\$ -	\$ 104,995
Construction in progress	155,933	(416,907)	818,815	-	557,841
Subtotal	260,928	(416,907)	818,815	-	662,836
Capital assets being depreciated - Buildings and systems	27,623,610	416,907	387,660	27,751	28,400,426
Accumulated depreciation - Buildings and systems	13,419,804	-	644,123	27,751	14,036,176
Net capital assets being depreciated	14,203,806	416,907	(256,463)	-	14,364,250
Net capital assets	\$ 14,464,734	\$ -	\$ 562,352	\$ -	\$ 15,027,086

	Balance July 1, 2014	Additions	Disposals	Balance June 30, 2015
Component Units - Capital assets not being depreciated - Land	\$ 214,777	\$ -	\$ -	\$ 214,777

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

Governmental activities:

General government	\$ 44,823
Public safety	218,393
Public works	1,020,578
Recreation and culture	119,472
Internal service fund depreciation is charged to the various functions based on their usage of the asset	101,347
Total governmental activities	<u>\$ 1,504,613</u>

Business-type activities:

Water	\$ 141,909
Sewer	500,314
Recycling	1,900
Total business-type activities	<u>\$ 644,123</u>

Note 6 - Interfund Transfers

Interfund transfers reported in the fund financial statements are comprised of the following:

<u>Fund Providing Resources</u>	<u>Fund Receiving Resources</u>	<u>Amount</u>
General Fund	Nonmajor special revenue funds	\$ 20,004
	Nonmajor debt service fund	48,156
	Total General Fund	68,160
Major Street Fund	Nonmajor debt service fund	44,796
Nonmajor special revenue funds	Nonmajor debt service fund	29,856
	Total	<u>\$ 142,812</u>

The transfers from the General Fund to the nonmajor special revenue funds represent the use of unassigned resources to finance those programs in accordance with budgetary authorizations; the transfers from the Major Street Fund and nonmajor special revenue funds to other nonmajor special revenue funds and nonmajor debt service funds represent the movement of resources to be used to service local streets and nonmajor special revenue fund debt; the transfers from the General Fund to the nonmajor debt service fund represent the movement of resources to be used to service the nonmajor debt service fund debt.

Note 7 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. A county contractual agreement is also a general obligation of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service. General obligation loans represent money loaned between funds.

City of Charlotte, Michigan

Notes to Financial Statements June 30, 2015

Note 7 - Long-term Debt (Continued)

Long-term debt activity can be summarized as follows:

	Interest Rate Ranges	Maturing Through	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
General obligation bonds:							
Building Authority Bonds - Series 2001 (Limited Tax General Obligation) Bonds	4.8% - 5.1%	2016	\$ 130,000	\$ -	\$ 65,000	\$ 65,000	\$ 65,000
Michigan Transportation Fund Bonds - Series 2001 (Limited Tax General Obligation) Bonds	5.1% - 5.3%	2017	210,000	-	65,000	145,000	70,000
2008 Facility Building and Site Bonds (Unlimited Tax General Obligation)	4.125% - 4.25%	2032	2,610,000	-	95,000	2,515,000	100,000
Economic Development Agreement	-	2017	40,212	-	17,874	22,338	17,874
Total bonds payable			2,990,212	-	242,874	2,747,338	252,874
General obligation loans:							
Local Development Financing Authority loan #1 to General Fund	2%	2021	72,048	-	9,692	62,356	9,885
Local Development Financing Authority loan #2 to General Fund	2%	2024	105,000	-	9,589	95,411	9,781
Local Development Financing Authority loan #3 to General Fund	2%	2025	-	105,000	-	105,000	9,589
Local Development Financing Authority loan to Airport Fund	2%	2019	321,000	-	150,000	171,000	152,994
Other long-term obligations - Compensated absences	-	-	284,564	158,047	129,791	312,820	110,387
Total governmental activities			<u>\$ 3,772,824</u>	<u>\$ 263,047</u>	<u>\$ 541,946</u>	<u>\$ 3,493,925</u>	<u>\$ 545,510</u>
	Interest Rate Ranges	Maturing Through	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities							
2005 Revenue Refunding Bonds - Water Supply and Sewage Disposal System	4.0% - 4.25%	2024	\$ 4,660,000	\$ -	\$ 4,660,000	\$ -	\$ -
2015 Revenue Refunding Bonds - Water Supply and Sewage Disposal System	2.00 - 3.00%	2024	-	4,050,000	-	4,050,000	400,000
Compensated absences	-	-	111,226	60,150	73,037	98,339	50,994
Total business-type activities			<u>\$ 4,771,226</u>	<u>\$ 4,110,150</u>	<u>\$ 4,733,037</u>	<u>\$ 4,148,339</u>	<u>\$ 450,994</u>

City of Charlotte, Michigan

Notes to Financial Statements June 30, 2015

Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Component Unit Activities							
General obligation loan -							
Local Development Financing							
Authority loan to Downtown							
Development Authority							
	2%	2021	\$ 75,646	\$ -	\$ 10,176	\$ 65,470	\$ 10,380

Annual debt service requirements to maturity for the above bonds, loan, and note obligations are as follows:

Years Ending June 30	Governmental Activities			Business-type Activities			Component Unit Activities		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 435,123	\$ 122,930	\$ 558,053	\$ 400,000	\$ 109,237	\$ 509,237	\$ 10,380	\$ 1,309	\$ 11,689
2017	232,311	108,019	340,330	425,000	87,450	512,450	10,587	1,102	11,689
2018	140,438	100,762	241,200	430,000	78,950	508,950	10,799	890	11,689
2019	146,046	95,615	241,661	440,000	70,350	510,350	11,015	674	11,689
2020	151,667	90,250	241,917	450,000	61,550	511,550	11,234	454	11,688
2021-2025	795,520	364,265	1,159,785	1,905,000	140,000	2,045,000	11,455	230	11,685
2026-2030	870,000	201,038	1,071,038	-	-	-	-	-	-
2031-2035	410,000	36,350	446,350	-	-	-	-	-	-
Total	\$ 3,181,105	\$ 1,119,229	\$ 4,300,334	\$ 4,050,000	\$ 547,537	\$ 4,597,537	\$ 65,470	\$ 4,659	\$ 70,129

Current Refundings - During the year, the City issued \$4,050,000 in general obligation revenue bonds with an average interest rate of 2.55 percent. The proceeds of these bonds were used to refund \$4,270,000 of outstanding 2005 revenue refunding bonds with an average interest rate of 4.05 percent. The proceeds of the bond issuance were as follows: net proceeds of \$4,093,690 (after payment of \$99,826 in underwriting fees, insurance, and other issuance costs) plus an additional \$176,310 of monies released from the Bond Reserve Fund. As a result, the 2005 revenue refunding bonds are considered to be defeased and the liability for the bonds has been removed from the Water Supply and Sewage Disposal Fund. The refunding reduced total debt service payments over the next nine years by approximately \$431,100, which represents an economic gain of \$378,665.

Future Revenue Pledged for Debt Payment - The City has pledged substantially all revenue of the Water and Sewer Fund, net of operating expenses, to repay the above water and sewer revenue bonds. Proceeds from the bonds provided financing for the construction of the water supply and sewage disposal system. The bonds are payable solely from the net revenue of the water and sewer system. The remaining principal and interest to be paid on the bonds total \$4,597,537. During the current year, revenue of the system was \$3,409,280 compared to the annual debt requirement of \$573,388.

Note 8 - Restricted Net Position

The balances of the restricted net position accounts are as follows:

	<u>Business-type Activities</u>
Operation and maintenance fund	\$ 135,218
Bond and interest redemption fund	43,585
Bond reserve account	<u>405,000</u>
Total restricted net position	<u>\$ 583,803</u>

Operation and Maintenance Fund - The water supply and sewage disposal system is required to maintain cash sufficient to provide for operation and maintenance of the system.

Bond and Interest Redemption Fund - This fund represents cash to be used for the current principal and interest due in the water supply and sewage disposal system.

Bond Reserve Account - The water supply and sewage disposal system is required to maintain cash to be used solely for the payment of principal and interest when there would otherwise be default.

Note 9 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for medical benefit claims and errors and omissions, and participates in the Michigan Municipal League risk pool for claims relating to property loss, torts, and workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League 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.

Note 10 - Agent Defined Benefit Pension Plan Description

Plan Description - The City participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan (MERS of Michigan), that covers eligible employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The City Council has the authority for establishing and amending benefits offered by the defined benefit plan. MERS was established as a statewide public employee pension plan by the Michigan Legislature under PA 135 of 1945 and is administered by a nine-member retirement board. MERS issues a publicly available financial report which includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at www.mersofmichigan.com or in writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Benefits Provided - The plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS.

The MERS plan covers eligible public works, water supply and sewage disposal, police, and non-union employees.

Retirement benefits for SEIU, DPW, and WWTP employees are calculated as the lesser of 2.25 percent of the employee's final five-year average salary times the employee's years of service or 80 percent of the employee's final average compensation. Normal retirement age is 60 with early retirement at 55 with 25 years of service for unreduced benefits or 50 with 25 years of service or 55 years with 15 years of service for reduced benefits. Vesting period is 10 years. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are always the larger of the benefit computed as a contingent survivor beneficiary or 85 percent of accrued retirement allowance benefit. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest. This division is closed to new hires.

Retirement benefits for police NSU and FOP supervisory employees are calculated as the lesser of 3.00 percent of the employee's final five-year average salary times the employee's years of service or 80 percent of the employee's final average compensation. Normal retirement age is 60 with early retirement at 50 with 25 years of service for unreduced benefits or 55 with 15 years of service for reduced benefits. Vesting period is 10 years. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are always the larger of the benefit computed as a contingent survivor beneficiary or 85 percent of accrued retirement allowance benefit. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest. These divisions are closed to new hires.

Note 10 - Agent Defined Benefit Pension Plan Description (Continued)

Retirement benefits for non-union employees are calculated as the lesser of 2.50 percent of the employee's final five-year average salary times the employee's years of service or 80 percent of the employee's final average compensation. Normal retirement age is 60 with early retirement at 55 with 20 years of service for unreduced benefits or 50 with 25 years of service or 55 with 15 years of service for reduced benefits. Vesting period is 10 years. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are always the larger of the benefit computed as a contingent survivor beneficiary or 85 percent of accrued retirement allowance benefit. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest. This division is closed to new hires.

Retirement benefits for SEIU clerical employees are calculated as the lesser of 2.25 percent of the employee's final five-year average salary times the employee's years of service or 80 percent of the employee's final average compensation. Normal retirement age is 60 with early retirement at 55 with 20 years of service for unreduced benefits or 50 with 25 years of service or 55 with 15 years of service for reduced benefits. Vesting period is 10 years. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are always the larger of the benefit computed as a contingent survivor beneficiary or 85 percent of accrued retirement allowance benefit. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest. This division is closed to new hires.

Retirement benefits for police union employees hired after after July 1, 2012 and fire and police non-union employees hired after April 1, 2013 are calculated as 1.75 percent of the employee's final three-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 55 with 25 years of service for unreduced benefits. Vesting period is six years. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are always the larger of the benefit computed as a contingent survivor beneficiary or 85 percent of accrued retirement allowance benefit. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

Note 10 - Agent Defined Benefit Pension Plan Description (Continued)

Retirement benefits for SEIU union DPW and clerical employees hired after July 1, 2012 are calculated as 1.25 percent of the employee's final three-year average salary times the employee's years of service. Normal retirement age is 60 with no early retirement. Vesting period is six years. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are always the larger of the benefit computed as a contingent survivor beneficiary or 85 percent of accrued retirement allowance benefit. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date limited to increases in the Consumer Price Index in some cases.

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the City Council, generally after negotiations of these terms with the affected unions. Police and fire employees' benefit terms may be subject to binding arbitration in certain circumstances.

Employees Covered by Benefit Terms - At the December 31, 2014 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	60
Inactive plan members entitled to but not yet receiving benefits	16
Active plan members	<u>45</u>
Total employees covered by MERS	<u><u>121</u></u>

Contributions - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ended June 30, 2015, the active employee contribution rate ranged from 0 to 11 percent of annual pay and the City's contribution rate was \$40,063 on a monthly basis.

City of Charlotte, Michigan

Notes to Financial Statements June 30, 2015

Note 10 - Agent Defined Benefit Pension Plan Description (Continued)

Net Pension Liability

The net pension liability reported at June 30, 2015 was determined using a measure of the total pension liability and the pension net position as of December 31, 2014. The December 31, 2014 total pension liability was determined by an actuarial valuation performed as of that date.

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2013	\$ 19,060,608	\$ 12,474,625	\$ 6,585,983
Service cost	252,934	-	252,934
Interest	1,531,865	-	1,531,865
Contributions - Employer	-	440,590	(440,590)
Contributions - Employee	-	131,690	(131,690)
Net investment income	-	775,454	(775,454)
Benefit payments, including refunds	(1,238,017)	(1,238,017)	-
Administrative expenses	-	(28,352)	28,352
Net changes	546,782	81,365	465,417
Balance at December 31, 2014	<u>\$ 19,607,390</u>	<u>\$ 12,555,990</u>	<u>\$ 7,051,400</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the City recognized pension expense of \$725,950. At June 30, 2015, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 180,057
Employer contributions to the plan subsequent to the measurement date	<u>228,163</u>
Total	<u>\$ 408,220</u>

Note 10 - Agent Defined Benefit Pension Plan Description (Continued)

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date (\$228,163), which will impact the net pension liability in fiscal year 2016, rather than pension expense:

Years Ending June 30	Amount
2016	\$ 45,014
2017	45,014
2018	45,014
2019	45,015

Actuarial Assumptions - The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 %	
Salary increases	4.5 %	In the long term, 1 percent, 2 percent, and 3 percent for calendar years 2014, 2015, and 2016, respectively, including inflation
Investment rate of return	8.25 %	Net of pension plan investment expense, including inflation

Mortality rates were based on the 1994 Group Annuity Mortality Table of a 50 percent Male and 50 percent Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of the most recent actuarial experience study in 2008. The MERS retirement board is currently conducting an actuarial experience study covering the period from January 1, 2009 through December 31, 2013.

Discount Rate - The discount rate used to measure the total pension liability was 8.25 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Note 10 - Agent Defined Benefit Pension Plan Description (Continued)

Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2014, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation (%)	Long-term Expected Real Rate of Return
Global equity	58 %	5.0 %
Global fixed income	20 %	2.2 %
Real assets	12 %	4.2 %
Diversifying strategies	10 %	6.6 %

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the City, calculated using the discount rate of 8.25 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.25 percent) or 1 percentage point higher (9.25 percent) than the current rate:

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
Net pension liability of the City	\$ 9,134,463	\$ 7,051,400	\$ 5,299,520

Note 10 - Agent Defined Benefit Pension Plan Description (Continued)

Pension Plan Fiduciary Net Position - Detailed information about the plan's fiduciary net position is available in the separately issued financial report. For the purpose of measuring the net pension liability, deferred outflows of resources, and deferred inflows or resources related to pension and pension expense, information about the plan's fiduciary net position and addition to/deduction from fiduciary net position have been determined on the same basis as they are report by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Note 11 - Defined Contribution Pension Plan

The City provides pension benefits to the city manager and department supervisors through a defined contribution plan administered by the Michigan Municipal Employees' Retirement System (the "MERS"). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by the MERS, the City contributes between 10.00 and 13.88 percent of employees' gross earnings. Contributions for each employee plus interest are allocated to the employee's account. The city manager's plan has immediate vesting while department supervisors are fully vested after four years of service.

The City's total payroll during the current year was \$2,563,250. The current year contribution was calculated based on covered payroll of \$776,219, resulting in an employer contribution of \$69,422 and employee contributions of \$0.

Note 12 - Other Postemployment Benefits

Plan Description - The City provides retiree healthcare benefits to eligible employees and their beneficiaries. This is a single employer defined benefit plan administered by the City. The benefits are provided under collective bargaining agreements and council-adopted policy.

Funding Policy - The collective bargaining agreements and council policy require no contributions from employees. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis).

City of Charlotte, Michigan

Notes to Financial Statements June 30, 2015

Note 12 - Other Postemployment Benefits (Continued)

Funding Progress - The City's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC). The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB No. 45 for employers in plans with fewer than 100 total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the net OPEB obligation:

Annual required contribution	\$ 210,488
Interest on the prior year's net OPEB obligation	14,187
Less adjustment to the annual required contribution	<u>(27,282)</u>
Annual OPEB cost	197,393
Amounts contributed - Payments of current premiums	<u>(93,792)</u>
Increase in net OPEB obligation	103,601
OPEB obligation - Beginning of year	<u>709,329</u>
OPEB obligation - End of year	<u>\$ 812,930</u>

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the current and two preceding years were as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual OPEB Costs	Percentage Contributed	Net OPEB Obligation
6/30/15	6/30/15	\$ 197,393	47.5 %	\$ 812,930
6/30/14	6/30/14	221,121	43.1 %	709,329
6/30/13	6/30/13	215,832	33.9 %	583,479

Amounts shown as of June 30, 2013, June 30, 2014, and June 30, 2015 are based on management's calculation; no actuarial calculation was performed.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Annual Covered Payroll (c)	Ratio of UAAL to Covered Payroll
6/30/15	\$ -	\$ 4,215,217	\$ 4,215,217	-	\$ 161,423	2,611.3
6/30/14	-	4,400,127	4,400,127	-	229,875	1,914.1
6/30/13	-	4,175,750	4,175,750	-	263,171	1,586.7

Note 12 - Other Postemployment Benefits (Continued)

In determination of the OPEB liability as of June 30, 2015, the following assumptions were used:

Actuarial Methods and Assumptions - Actuarial 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, mortality, and the 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, presented above, 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.

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 plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement Age for Active Employees - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 56, or at the first subsequent year in which the member would qualify for benefits.

Marital Status - Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality - Life expectancies were based on mortality tables from the National Center for Health Statistics. The 2010 United States Life Tables for Males and for Females were used.

Turnover - Nongroup-specific age-based turnover data from GASB Statement No. 45 was used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for the purpose of allocating to periods the present value of total benefits to be paid.

Healthcare Cost Trend Rate - The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare and Medicaid Services. A rate of 5.70 percent initially, increased to an ultimate rate of 6.50 percent after six years, was used.

Note 12 - Other Postemployment Benefits (Continued)

Health Insurance Premiums - 2015 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation Rate - The expected long-term inflation assumption of 4.5 percent was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in *The 2010 Annual Report of the Board of Trustees of the Federal Old-age and Survivors Insurance and Disability Insurance Trust Funds* for an intermediate growth scenario.

Payroll Growth Rate - The expected long-term payroll growth rate was assumed to equal 2.0 percent.

Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 2.0 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2015 was 26 years.

Note 13 - Upcoming Accounting Pronouncements

In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The City is currently evaluating the impact this standard will have on the financial statements when adopted, during the City's 2015-2016 fiscal year.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the City to recognize on the face of the financial statements its net OPEB liability related to its OPEB plan. The Statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2018.

Required Supplemental Information

City of Charlotte, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 3,182,000	\$ 3,182,000	\$ 3,158,007	\$ (23,993)
Licenses and permits	25,700	25,700	27,043	1,343
Federal grants	-	-	1,287	1,287
State and local sources	875,000	875,000	875,894	894
Charges for services	455,500	455,500	492,245	36,745
Fines and forfeitures	30,100	30,100	30,126	26
Investment income	3,000	3,000	5,377	2,377
Other miscellaneous income	83,000	83,000	104,286	21,286
Total revenue	4,654,300	4,654,300	4,694,265	39,965
Expenditures				
Current:				
General government	550,610	550,610	497,357	53,253
Public safety	3,141,040	3,149,040	3,117,573	31,467
Public works	633,780	733,780	722,419	11,361
Community and economic development	145,440	145,440	136,223	9,217
Recreation and culture	147,830	172,830	100,594	72,236
Debt service	40,750	40,750	45,190	(4,440)
Total expenditures	4,659,450	4,792,450	4,619,356	173,094
Excess of Revenue (Under) Over Expenditures	(5,150)	(138,150)	74,909	213,059
Other Financing Sources (Uses)				
Face value of debt issue	105,000	105,000	105,000	-
Transfers out	(86,150)	(86,150)	(86,160)	(10)
Total other financing sources	18,850	18,850	18,840	(10)
Special Items	-	930,000	935,266	5,266
Net Change in Fund Balance	13,700	810,700	1,029,015	218,315
Fund Balance - Beginning of year	1,799,142	1,799,142	1,799,142	-
Fund Balance - End of year	<u>\$ 1,812,842</u>	<u>\$ 2,609,842</u>	<u>\$ 2,828,157</u>	<u>\$ 218,315</u>

City of Charlotte, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Major Street Fund Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ -	\$ -	\$ 309,878	\$ 309,878
State and local sources	467,000	467,000	468,072	1,072
Investment income	100	100	1,559	1,459
Other miscellaneous income	6,000	6,000	8,562	2,562
Total revenue	473,100	473,100	788,071	314,971
Expenditures				
Current - Public works	235,050	235,050	211,908	23,142
Capital outlay	120,000	120,000	87,004	32,996
Total expenditures	355,050	355,050	298,912	56,138
Other Financing Uses - Transfers out	(44,790)	(44,790)	(44,796)	(6)
Net Change in Fund Balance	73,260	73,260	444,363	371,103
Fund Balance - Beginning of year	479,652	479,652	479,652	-
Fund Balance - End of year	<u>\$ 552,912</u>	<u>\$ 552,912</u>	<u>\$ 924,015</u>	<u>\$ 371,103</u>

City of Charlotte, Michigan

Note to Required Supplemental Information Year Ended June 30, 2015

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds, except that operating transfers and debt proceeds have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)." All annual appropriations lapse at fiscal year end.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level (i.e., the level at which expenditures may not legally exceed appropriations).

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

A reconciliation of the budgetary comparison schedules to the fund-based statement of revenue, expenditures, and changes in fund balances is as follows:

	<u>Total Revenue</u>	<u>Total Expenditures</u>	<u>Fund Balance</u>
City of Charlotte, Michigan:			
General Fund	\$ 4,694,265	\$ 4,619,356	\$ 2,828,157
Airport Fund	<u>129,984</u>	<u>329,141</u>	<u>(337,707)</u>
Amounts per fund-based statement	<u>\$ 4,824,249</u>	<u>\$ 4,948,497</u>	<u>\$ 2,490,450</u>

Excess of Expenditures Over Appropriations in Budgeted Funds - During they year, the City incurred expenditures that were in excess of the amounts budgeted, as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund - Debt service	\$ 40,750	\$ 45,190	\$ (4,440)

City of Charlotte, Michigan

Required Supplemental Information Schedule of Changes in the City's Net Pension Liability and Related Ratios Current Fiscal Year

	2015
Total Pension Liability	
Service cost	\$ 252,934
Interest	1,531,865
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds	(1,238,017)
Net Change in Total Pension Liability	546,782
Total Pension Liability - Beginning of year	19,060,608
Total Pension Liability - End of year	\$ 19,607,390
Plan Fiduciary Net Position	
Contributions - Employer	\$ 440,590
Contributions - Member	131,690
Net investment income	775,454
Administrative expenses	(28,352)
Benefit payments, including refunds	(1,238,017)
Other	-
Net Change in Plan Fiduciary Net Position	81,365
Plan Fiduciary Net Position - Beginning of year	12,474,625
Plan Fiduciary Net Position - End of year	\$ 12,555,990
City's Net Pension Liability - Ending	\$ 7,051,400
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	64.04 %
Covered Employee Payroll	\$ 2,344,781
City's Net Pension Liability as a Percentage of Covered Employee Payroll	300.7 %

City of Charlotte, Michigan

Required Supplemental Information OPEB System Schedule Year Ended June 30, 2015

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/15	\$ -	\$ 4,215,217	\$ 4,215,217	-	\$ 161,423	2,611.3
6/30/14	-	4,400,127	4,400,127	-	229,875	1,914.1
6/30/13	-	4,175,750	4,175,750	-	263,171	1,586.7

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed
6/30/15	6/30/15	\$ 210,488	44.6
6/30/14	6/30/14	231,061	41.2
6/30/13	6/30/13	222,758	32.8

Other Supplemental Information

Nonmajor Governmental Funds

Local Streets Fund - This fund is used to control the expenditure of motor fuel taxes, which are earmarked by law and the State Constitution for local street and highway purposes.

Industrial Park Fund - This fund is used to control the expenditure of monies earmarked for the City's industrial park.

Police Training Fund - This fund is used to control the expenditure of state grant monies, which are earmarked for the continued training of police officers.

Drug Enforcement Fund - This fund is used to control the expenditures of monies earmarked for the local D.A.R.E. program.

Building Authority Bond Fund - This fund is used for payment of the 2001 Building Authority Bonds issued to cover \$735,000 of construction costs of a new DPW facility and renovations to the existing structure.

Michigan Transportation Bond Fund - This fund is used for payment of the 2001 Michigan Transportation Bonds issued to cover \$775,000 of construction costs and street resurfacing.

Facility Building Bond Fund - This fund is used for payment of the 2008 Facility Building and Site Bonds issued to cover \$3,000,000 of construction costs of a new fire station and renovations.

City of Charlotte, Michigan

		Special Revenue Funds			
		Local Street	Industrial Park	Police Training	Drug Enforcement
Assets					
Cash and investments		\$ 357,386	\$ 46,121	\$ 2,348	\$ 16,332
Receivables - Net		85,110	12	-	3
Prepays and other assets		1,706	-	200	-
	Total assets	<u>\$ 444,202</u>	<u>\$ 46,133</u>	<u>\$ 2,548</u>	<u>\$ 16,335</u>
Liabilities					
Accounts payable		\$ 739	\$ 206	\$ 7	\$ 242
Accrued liabilities and other		1,743	-	-	-
	Total liabilities	2,482	206	7	242
Deferred Inflows of Resources -					
Unavailable revenue		47,208	-	-	-
Fund Balances					
Nonspendable - Prepaid assets		1,706	-	200	-
Restricted:					
Police training		-	-	2,341	-
Industrial park		-	45,927	-	-
Local streets		392,806	-	-	-
Drug enforcement		-	-	-	16,093
Facility building bond		-	-	-	-
Assigned:					
Building authority bond		-	-	-	-
Michigan transportation bond		-	-	-	-
	Total fund balances	<u>394,512</u>	<u>45,927</u>	<u>2,541</u>	<u>16,093</u>
	Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 444,202</u>	<u>\$ 46,133</u>	<u>\$ 2,548</u>	<u>\$ 16,335</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015**

Debt Service Funds			Total
Building Authority Bond	Michigan Transportation Bond	Facility Building Bond	Nonmajor Governmental Funds
\$ 51	\$ 12	\$ 18,877	\$ 441,127
-	-	-	85,125
-	-	-	1,906
\$ 51	\$ 12	\$ 18,877	\$ 528,158
\$ -	\$ -	\$ -	\$ 1,194
-	-	-	1,743
-	-	-	2,937
-	-	-	47,208
-	-	-	1,906
-	-	-	2,341
-	-	-	45,927
-	-	-	392,806
-	-	-	16,093
-	-	18,877	18,877
51	-	-	51
-	12	-	12
51	12	18,877	478,013
\$ 51	\$ 12	\$ 18,877	\$ 528,158

City of Charlotte, Michigan

	Special Revenue Funds			
	Local Street	Industrial Park	Police Training	Drug Enforcement
Revenue				
Property taxes	\$ -	\$ -	\$ -	\$ -
State sources	186,267	-	2,928	-
Investment income	665	86	-	31
Other revenue:				
Special assessments	3,974	-	-	-
Other miscellaneous income	742	6,882	-	5,594
Total revenue	191,648	6,968	2,928	5,625
Expenditures - Current				
Public safety	-	-	9,291	-
Public works	249,901	-	-	-
Community and economic development	-	1,808	-	-
Debt service:				
Principal	-	-	-	-
Interest on long-term debt	-	-	-	-
Total expenditures	249,901	1,808	9,291	-
Excess of Revenue (Under) Over Expenditures	(58,253)	5,160	(6,363)	5,625
Other Financing Sources (Uses)				
Transfers in	20,004	-	-	-
Transfers out	(29,856)	-	-	-
Total other financing (uses) sources	(9,852)	-	-	-
Net Change in Fund Balances	(68,105)	5,160	(6,363)	5,625
Fund Balances - Beginning of year	462,617	40,767	8,904	10,468
Fund Balances - End of year	\$ 394,512	\$ 45,927	\$ 2,541	\$ 16,093

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in
Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2015

Debt Service Funds			Total
Building Authority Bond	Michigan Transportation Bond	Facility Building Bond	Nonmajor Governmental Funds
\$ -	\$ -	\$ 199,609	\$ 199,609
-	-	-	189,195
-	-	-	782
-	-	-	3,974
23,724	-	-	36,942
23,724	-	199,609	430,502
-	-	-	9,291
-	-	-	249,901
300	300	500	2,908
65,000	65,000	95,000	225,000
6,565	9,340	109,063	124,968
71,865	74,640	204,563	612,068
(48,141)	(74,640)	(4,954)	(181,566)
48,156	74,652	-	142,812
-	-	-	(29,856)
48,156	74,652	-	112,956
15	12	(4,954)	(68,610)
36	-	23,831	546,623
\$ 51	\$ 12	\$ 18,877	\$ 478,013

City of Charlotte, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Local Streets Budgetary Comparison Schedule Year Ended June 30, 2015

	Original Budget (unaudited)	Amended Budget (unaudited)	Actual	Variance with Amended Budget
Revenue				
State and local sources	\$ 152,000	\$ 152,000	\$ 186,267	\$ 34,267
Investment income	200	200	665	465
Special assessments	6,000	6,000	3,974	(2,026)
Other miscellaneous income	1,900	1,900	742	(1,158)
Total revenue	160,100	160,100	191,648	31,548
Expenditures				
Current - Public works - Street maintenance	302,180	302,180	249,901	52,279
Capital outlay	180,000	180,000	-	180,000
Total expenditures	482,180	482,180	249,901	232,279
Excess of Expenditures Over Revenue	(322,080)	(322,080)	(58,253)	263,827
Other Financing Sources (Uses)				
Transfers in	20,000	20,000	20,004	4
Transfers out	(29,850)	(29,850)	(29,856)	(6)
Net Change in Fund Balance	(331,930)	(331,930)	(68,105)	263,825
Fund Balance - Beginning of year	462,617	462,617	462,617	-
Fund Balance - End of year	<u>\$ 130,687</u>	<u>\$ 130,687</u>	<u>\$ 394,512</u>	<u>\$ 263,825</u>

City of Charlotte, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Industrial Park Budgetary Comparison Schedule Year Ended June 30, 2015

	Original Budget (unaudited)	Amended Budget (unaudited)	Actual	Variance with Amended Budget
Revenue				
Investment income	\$ 20	\$ 20	\$ 86	\$ 66
Other revenue	7,880	7,880	6,882	(998)
Total revenue	7,900	7,900	6,968	(932)
Expenditures - Current -				
Community and economic development	3,350	3,350	1,808	1,542
Net Change in Fund Balance	4,550	4,550	5,160	610
Fund Balance - Beginning of year	40,767	40,767	40,767	-
Fund Balance - End of year	\$ 45,317	\$ 45,317	\$ 45,927	\$ 610

City of Charlotte, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Police Training Budgetary Comparison Schedule Year Ended June 30, 2015

	Original Budget (unaudited)	Amended Budget (unaudited)	Actual	Variance with Amended Budget
Revenue - State sources	\$ 3,000	\$ 3,000	\$ 2,928	\$ (72)
Expenditures - Current - Public safety - Police	<u>8,000</u>	<u>11,000</u>	<u>9,291</u>	<u>1,709</u>
Net Change in Fund Balance	(5,000)	(8,000)	(6,363)	1,637
Fund Balance - Beginning of year	<u>8,904</u>	<u>8,904</u>	<u>8,904</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 3,904</u></u>	<u><u>\$ 904</u></u>	<u><u>\$ 2,541</u></u>	<u><u>\$ 1,637</u></u>

City of Charlotte, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Drug Enforcement Budgetary Comparison Schedule Year Ended June 30, 2015

	Original Budget (unaudited)	Amended Budget (unaudited)	Actual	Variance with Amended Budget
Revenue				
Investment income	\$ 20	\$ 20	\$ 31	\$ 11
Other	200	5,600	5,594	(6)
Total revenue	220	5,620	5,625	5
Expenditures - Current -				
Public safety - Police	1,000	1,000	-	1,000
Net Change in Fund Balance	(780)	4,620	5,625	1,005
Fund Balance - Beginning of year	10,468	10,468	10,468	-
Fund Balance - End of year	<u>\$ 9,688</u>	<u>\$ 15,088</u>	<u>\$ 16,093</u>	<u>\$ 1,005</u>

City of Charlotte, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Building Authority Bond Budgetary Comparison Schedule Year Ended June 30, 2015

	Original Budget (unaudited)	Amended Budget (unaudited)	Actual	Variance with Amended Budget
Revenue - Other revenue	\$ 23,720	\$ 23,720	\$ 23,724	\$ 4
Expenditures - Current				
Community and economic development	300	300	300	-
Debt service:				
Principal	65,000	65,000	65,000	-
Interest on long-term debt	6,570	6,570	6,565	5
Total expenditures	71,870	71,870	71,865	5
Other Financing Sources -				
Transfers in	48,150	48,150	48,156	6
Net Change in Fund Balance	-	-	15	15
Fund Balance - Beginning of year	36	36	36	-
Fund Balance - End of year	<u>\$ 36</u>	<u>\$ 36</u>	<u>\$ 51</u>	<u>\$ 15</u>

City of Charlotte, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Michigan Transportation Bond Budgetary Comparison Schedule Year Ended June 30, 2015

	Original Budget (unaudited)	Amended Budget (unaudited)	Actual	Variance with Amended Budget
Expenditures - Current				
Community and economic development	\$ 300	\$ 300	\$ 300	\$ -
Debt service:				
Principal	65,000	65,000	65,000	-
Interest on long-term debt	9,340	9,340	9,340	-
Total expenditures	74,640	74,640	74,640	-
Other Financing Sources -				
Transfers in	74,640	74,640	74,652	12
Net Change in Fund Balance	-	-	12	12
Fund Balance - Beginning of year	-	-	-	-
Fund Balance - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12</u>	<u>\$ 12</u>

City of Charlotte, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Facility Building Bond Budgetary Comparison Schedule Year Ended June 30, 2015

	Original Budget (unaudited)	Amended Budget (unaudited)	Actual	Variance with Amended Budget
Revenue - Property taxes	\$ 199,500	\$ 199,500	\$ 199,609	\$ 109
Expenditures - Current				
Community and economic development	500	500	500	-
Debt service:				
Principal	95,000	95,000	95,000	-
Interest on long-term debt	109,065	109,065	109,063	2
Total expenditures	<u>204,565</u>	<u>204,565</u>	<u>204,563</u>	<u>2</u>
Net Change in Fund Balance	(5,065)	(5,065)	(4,954)	111
Fund Balance - Beginning of year	<u>23,831</u>	<u>23,831</u>	<u>23,831</u>	-
Fund Balance - End of year	<u>\$ 18,766</u>	<u>\$ 18,766</u>	<u>\$ 18,877</u>	<u>\$ 111</u>

City of Charlotte, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Airport Budgetary Comparison Schedule Year Ended June 30, 2015

	Original Budget (unaudited)	Amended Budget (unaudited)	Actual	Variance with Amended Budget
Revenue				
Federal grants	\$ 166,000	\$ 166,000	\$ 37	\$ (165,963)
Other miscellaneous income	146,700	146,700	129,947	(16,753)
Total revenue	312,700	312,700	129,984	(182,716)
Expenditures - Recreation and culture				
Airport	174,290	189,290	172,745	16,545
Debt service:				
Principal	150,000	150,000	150,000	
Interest on long-term debt	6,400	6,400	6,396	4
Excess of Expenditures Over Revenue	(17,990)	(32,990)	(199,157)	(166,167)
Other Financing Sources - Transfers in	18,000	18,000	18,000	-
Net Change in Fund Balance	10	(14,990)	(181,157)	(166,167)
Fund Balance (Deficit) - Beginning of year	(156,550)	(156,550)	(156,550)	-
Fund Balance (Deficit) - End of year	<u>\$ (156,540)</u>	<u>\$ (171,540)</u>	<u>\$ (337,707)</u>	<u>\$ (166,167)</u>

The Airport Fund is included as part of the Combining General Fund as presented in the financial statements. The required supplemental information shows the budgetary comparison for the General Fund, excluding the Airport Fund (see page 53). The budgetary comparison for the Airport Fund is presented above.

City of Charlotte, Michigan

Other Supplemental Information Schedule of Changes in Assets and Liabilities Agency Funds June 30, 2015

	Balance at July 1, 2014	Additions	Reductions	Balance at June 30, 2015
Assets - Cash and cash equivalents	<u>\$ 166,454</u>	<u>\$ 12,453,333</u>	<u>\$ (12,451,139)</u>	<u>\$ 168,648</u>
Liabilities - Due to other governmental units	<u>\$ 166,454</u>	<u>\$ 12,676,094</u>	<u>\$ (12,673,900)</u>	<u>\$ 168,648</u>

Statistical Section

Statistical Section

This part of the Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplemental information says about the City's overall financial health.

The statistical section is organized into the following main categories:

- Financial trends
- Revenue capacity
- Debt capacity
- Demographics and economic information
- Operating information

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.

City of Charlotte, Michigan

Net Position by Component Last Ten Fiscal Years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental Activities										
Net investment in capital assets	\$ 17,277,656	\$ 16,888,466	\$ 17,429,185	\$ 17,712,356	\$ 17,423,981	\$ 16,745,700	\$ 16,859,400	\$ 16,202,851	\$ 15,617,415	\$ 15,365,101
Restricted	1,258,245	1,078,074	1,025,574	1,089,080	1,007,907	1,101,202	962,194	1,014,827	1,076,663	1,449,173
Unrestricted	1,570,373	1,785,177	1,562,327	1,647,707	1,773,881	1,264,816	1,462,522	1,294,226	669,720	(3,478,998)
Total net position	\$ 20,106,274	\$ 19,751,717	\$ 20,017,086	\$ 20,449,143	\$ 20,205,769	\$ 19,111,718	\$ 19,284,116	\$ 18,511,904	\$ 17,363,798	\$ 13,335,276
Business-type Activities										
Net investment in capital assets	\$ 9,534,564	\$ 9,926,516	\$ 9,985,503	\$ 9,942,237	\$ 10,130,482	\$ 10,055,513	\$ 9,968,706	\$ 9,971,225	\$ 10,065,565	\$ 11,186,706
Restricted	840,427	846,350	905,755	884,227	763,748	768,020	756,792	748,181	860,060	583,803
Unrestricted	1,132,623	1,195,405	1,112,076	784,174	639,579	995,332	1,388,827	1,749,702	1,885,116	31,249
Total net position	\$ 11,507,614	\$ 11,968,271	\$ 12,003,334	\$ 11,610,638	\$ 11,533,809	\$ 11,818,865	\$ 12,114,325	\$ 12,469,108	\$ 12,810,741	\$ 11,801,758
Primary Government in Total										
Net investment in capital assets	\$ 26,812,220	\$ 26,814,982	\$ 27,414,688	\$ 27,654,593	\$ 27,554,463	\$ 26,801,213	\$ 26,828,106	\$ 26,174,076	\$ 25,682,980	\$ 26,551,807
Restricted	2,098,672	1,924,424	1,931,329	1,973,307	1,771,655	1,869,222	1,718,986	1,763,008	1,936,723	2,032,976
Unrestricted	2,702,996	2,980,582	2,674,403	2,431,881	2,413,460	2,260,148	2,851,349	3,043,928	2,554,836	(3,447,749)
Total net position	\$ 31,613,888	\$ 31,719,988	\$ 32,020,420	\$ 32,059,781	\$ 31,739,578	\$ 30,930,583	\$ 31,398,441	\$ 30,981,012	\$ 30,174,539	\$ 25,137,034

City of Charlotte, Michigan

Changes in Governmental Net Position Last Ten Fiscal Years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
General government	\$ 650,757	\$ 606,810	\$ 636,198	\$ 632,906	\$ 786,751	\$ 816,352	\$ 714,417	\$ 708,104	\$ 564,566	\$ 801,558
Public safety	2,612,572	2,647,674	2,836,299	2,933,665	3,041,186	3,046,302	2,676,328	2,946,200	2,936,410	2,920,571
Public works	1,811,206	1,789,658	1,846,761	1,928,332	2,152,815	2,131,513	1,990,798	2,090,492	2,696,273	2,060,914
Community and economic development	169,232	643,206	344,634	302,046	327,832	276,337	183,137	159,960	143,934	152,457
Recreation and culture	185,789	211,174	257,352	332,881	370,842	401,156	168,429	406,441	371,489	389,838
Interest on long-term debt	57,357	54,933	51,028	176,165	166,504	159,409	153,620	144,955	157,312	137,936
Total expenses	5,486,913	5,953,455	5,972,272	6,305,995	6,845,930	6,831,069	5,886,729	6,456,152	6,869,984	6,463,274
Program Revenue										
Charges for services:										
General government	225,066	218,433	274,564	245,582	101,663	165,902	165,723	162,947	172,113	129,051
Public safety	155,155	190,175	202,189	221,891	301,165	324,425	229,725	240,796	440,168	426,886
Public works	362,519	358,457	357,521	344,105	-	-	-	-	-	-
Total charges for services	742,740	767,065	834,274	811,578	402,828	490,327	395,448	403,743	612,281	555,937
Operating grants and contributions	36,461	487,270	683,776	1,505,415	725,303	488,798	548,263	548,968	605,143	632,492
Capital grants and contributions	203,004	14,256	193,580	101,343	337,707	185,204	651,271	139,011	-	1,324
Total program revenue	982,205	1,268,591	1,711,630	2,418,336	1,465,838	1,164,329	1,594,982	1,091,722	1,217,424	1,189,753
Net Expenses	(4,504,708)	(4,684,864)	(4,260,642)	(3,887,659)	(5,380,092)	(5,666,740)	(4,291,747)	(5,364,430)	(5,652,560)	(5,273,521)
General Revenue										
Property taxes	2,712,501	2,919,096	3,128,658	3,383,020	3,569,934	3,548,240	3,380,724	3,465,508	3,384,261	3,667,494
State-shared revenue	1,096,527	1,043,178	1,040,457	1,000,108	772,594	748,562	802,292	845,931	846,007	899,907
Investment earnings	113,513	178,226	159,880	99,745	7,953	6,075	1,905	2,267	6,644	7,718
Miscellaneous	56,164	166,436	174,269	373,085	203,202	247,522	256,798	278,512	267,542	879,737
Total general revenue	3,978,705	4,306,936	4,503,264	4,855,958	4,553,683	4,550,399	4,441,719	4,592,218	4,504,454	5,454,856
Transfers	22,270	23,371	22,747	23,758	23,035	22,290	22,426	-	-	-
Special Items	-	-	-	-	560,000	-	-	-	-	935,266
Change in Net Position	\$ (503,733)	\$ (354,557)	\$ 265,369	\$ 992,057	\$ (243,374)	\$ (1,094,051)	\$ 172,398	\$ (772,212)	\$ (1,148,106)	\$ 1,116,601

City of Charlotte, Michigan

	2006	2007	2008	2009
Operating Revenue				
Water sales	\$ 930,983	\$ 912,385	\$ 917,463	\$ 868,475
Sewage charges	1,860,641	1,807,977	1,810,109	1,755,366
Tap fees	66,556	355,713	234,599	11,500
Recycling fees	15,645	20,278	35,769	29,151
Other	56,544	33,580	60,779	97,907
Total operating revenue	2,930,369	3,129,933	3,058,719	2,762,399
Operating Expenses				
Cost of services	1,764,385	1,905,570	2,039,009	2,134,963
Recycling	49,590	44,846	46,994	54,790
Depreciation	600,098	603,955	624,226	621,126
Total operating expenses	2,414,073	2,554,371	2,710,229	2,810,879
Operating Income (Loss)	516,296	575,562	348,490	(48,480)
Nonoperating Revenue (Expense)				
Investment income	77,501	83,352	66,848	14,423
Interest expense	(346,422)	(379,567)	(357,528)	(334,881)
Gain on disposal of assets	-	-	-	-
Other	-	-	-	-
Total nonoperating expense	(268,921)	(296,215)	(290,680)	(320,458)
Income (Loss) - Before contributions and other items	247,375	279,347	57,810	(368,938)
Capital Contributions	122,454	204,681	-	-
Transfers to Other Funds	(22,270)	(23,371)	(22,747)	(23,758)
Change in Net Position	\$ 347,559	\$ 460,657	\$ 35,063	\$ (392,696)
Total Primary Government Revenue	\$ 8,036,003	\$ 8,933,512	\$ 9,296,360	\$ 10,060,451
Total Primary Government Expense	8,192,177	8,827,412	8,995,928	9,461,090
Total Primary Government Change in Net Position	\$ (156,174)	\$ 106,100	\$ 300,432	\$ 599,361

Changes in Business-type Net Position Last Ten Fiscal Years

2010	2011	2012	2013	2014	2015
\$ 971,735	\$ 1,261,528	\$ 1,320,804	\$ 1,502,614	\$ 1,459,366	\$ 1,440,924
1,905,010	2,090,881	2,051,739	1,944,182	1,954,933	1,950,610
-	-	-	-	-	-
30,625	47,132	50,384	36,712	25,067	30,600
-	33,995	33,995	16,030	26,807	22,820
2,907,370	3,433,536	3,456,922	3,499,538	3,466,173	3,444,954
2,011,008	2,166,904	2,218,281	2,252,478	2,167,010	2,352,465
57,305	91,951	62,913	63,540	76,541	72,473
630,817	636,044	616,247	606,948	620,472	644,123
2,699,130	2,894,899	2,897,441	2,922,966	2,864,023	3,069,061
208,240	538,637	559,481	576,572	602,150	375,893
1,779	938	1,081	452	1,618	2,115
(311,114)	(290,736)	(265,324)	(253,044)	(299,010)	(183,388)
-	-	-	-	-	-
47,301	58,507	22,648	30,803	36,875	28,871
(262,034)	(231,291)	(241,595)	(221,789)	(260,517)	(152,402)
(53,794)	307,346	317,886	354,783	341,633	223,491
-	-	-	-	-	-
(23,035)	(22,290)	(22,426)	-	-	-
\$ (76,829)	\$ 285,056	\$ 295,460	\$ 354,783	\$ 341,633	\$ 223,491
\$ 9,509,926	\$ 9,170,554	\$ 9,516,049	\$ 9,183,478	\$ 9,188,051	\$ 11,024,829
9,830,129	9,979,549	9,048,191	9,600,907	9,994,524	9,684,737
\$ (320,203)	\$ (808,995)	\$ 467,858	\$ (417,429)	\$ (806,473)	\$ 1,340,092

City of Charlotte, Michigan

	As of June 30			
	2006*	2007*	2008*	2009*
General Fund:				
Reserved	\$ 163,656	\$ 161,392	\$ 136,346	\$ 199,070
Nonspendable	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Unreserved	<u>1,318,245</u>	<u>1,510,437</u>	<u>1,594,983</u>	<u>1,920,296</u>
Total General Fund	<u>\$ 1,481,901</u>	<u>\$ 1,671,829</u>	<u>\$ 1,731,329</u>	<u>\$ 2,119,366</u>
All other governmental funds:				
Reserved	\$ 20,971	\$ 26,184	\$ 32,001	\$ 74,292
Nonspendable	-	-	-	-
Assigned	-	-	-	-
Restricted	-	-	-	-
Unreserved - Reported in:				
Special revenue funds	1,422,192	1,237,256	1,188,888	966,465
Capital projects funds	<u>-</u>	<u>-</u>	<u>1,780,521</u>	<u>112,738</u>
Total all other governmental funds	<u>\$ 1,443,163</u>	<u>\$ 1,263,440</u>	<u>\$ 3,001,410</u>	<u>\$ 1,153,495</u>

*Prior to implementation of GASB 54 in fiscal year 2011

**Fund Balances, Governmental Funds
Last Ten Fiscal Years**

As of June 30					
2010*	2011	2012	2013	2014	2015
\$ 174,608	\$ -	\$ -	\$ -	\$ -	\$ -
-	178,081	170,337	167,078	174,100	147,829
-	200,000	320,000	320,000	250,000	350,000
-	993,351	664,286	1,091,005	1,218,492	1,992,621
1,457,904	-	-	-	-	-
<u>\$ 1,632,512</u>	<u>\$ 1,371,432</u>	<u>\$ 1,154,623</u>	<u>\$ 1,578,083</u>	<u>\$ 1,642,592</u>	<u>\$ 2,490,450</u>
\$ 87,849	\$ -	\$ -	\$ -	\$ -	\$ -
-	4,151	3,217	1,774	2,968	3,185
-	-	-	-	-	63
-	1,096,979	886,612	945,023	1,023,307	1,398,780
973,930	-	-	-	-	-
49,026	-	-	-	-	-
<u>\$ 1,110,805</u>	<u>\$ 1,101,130</u>	<u>\$ 889,829</u>	<u>\$ 946,797</u>	<u>\$ 1,026,275</u>	<u>\$ 1,402,028</u>

City of Charlotte, Michigan

	Year Ended June 30			
	2006	2007	2008	2009
Revenue				
Property taxes	\$ 2,742,872	\$ 2,939,421	\$ 3,083,511	\$ 3,402,511
Special assessments	22,793	14,256	14,775	19,893
Licenses and permits	55,985	90,065	115,929	71,916
State and local sources	1,770,652	1,496,886	1,970,670	2,981,392
Federal grants	-	506,027	164,068	14,503
Charges for services	210,051	229,701	273,285	302,187
Fines and forfeitures	29,207	31,532	33,183	36,438
Other	195,088	383,706	310,877	496,327
Total revenue	5,026,648	5,691,594	5,966,298	7,325,167
Expenditures				
Current:				
General government	595,040	550,204	603,192	622,713
Public safety	2,496,011	2,511,489	3,885,138	2,787,931
Public works	1,045,120	1,581,050	1,258,963	1,284,442
Recreation and culture	154,971	175,392	249,435	187,754
Community and economic development	143,715	657,815	337,074	316,075
Capital outlay	212,746	83,404	688,516	3,338,894
Debt service principal	80,000	90,000	117,745	115,000
Debt service interest	58,885	55,406	51,512	155,994
Total expenditures	4,786,488	5,704,760	7,191,575	8,808,803
Excess of Revenue Over (Under) Expenditures	240,160	(13,166)	(1,225,277)	(1,483,636)
Other Financing Sources (Uses)				
Proceeds from long-term debt	-	-	3,000,000	-
Sale of fixed assets	-	-	-	-
Transfers in	339,686	430,556	323,912	231,880
Transfers out	(317,416)	(407,185)	(301,165)	(208,122)
Total other financing sources	22,270	23,371	3,022,747	23,758
Extraordinary Item	-	-	-	-
Net Change in Fund Balances	262,430	10,205	1,797,470	(1,459,878)
Fund Balances - Beginning of year	2,662,634	2,925,064	2,935,269	4,732,739
Fund Balances - End of year	\$ 2,925,064	\$ 2,935,269	\$ 4,732,739	\$ 3,272,861
Debt service as a percentage of noncapital expenditures	3.02%	2.87%	3.29%	5.07%

Changes in Fund Balances, Governmental Funds Last Ten Fiscal Years

Year Ended June 30					
2010	2011	2012	2013	2014	2015
\$ 3,582,643	\$ 3,548,240	\$ 3,531,834	\$ 3,466,618	\$ 3,384,261	\$ 3,667,494
12,709	12,874	7,657	2,579	17,642	3,974
30,657	31,651	26,741	26,586	28,256	27,043
1,353,815	1,468,286	1,410,927	1,449,486	1,490,879	1,533,161
244,457	-	2,097	607,800	-	1,324
355,473	365,929	283,081	299,605	492,972	492,245
29,712	31,767	32,567	31,713	37,478	30,126
<u>161,539</u>	<u>273,355</u>	<u>278,487</u>	<u>285,705</u>	<u>279,304</u>	<u>287,455</u>
5,771,005	5,732,102	5,573,391	6,170,092	5,730,792	6,042,822
615,309	597,981	525,995	621,205	497,398	477,808
2,910,550	2,961,498	2,615,436	2,699,043	2,677,668	2,672,781
1,163,567	1,154,272	1,105,860	1,034,223	1,026,198	1,009,081
260,343	252,384	317,892	296,248	271,677	263,382
288,130	146,994	141,075	140,152	164,082	138,268
763,240	681,587	950,880	520,344	1,001,932	746,603
155,000	170,000	212,007	232,189	237,378	412,155
<u>167,445</u>	<u>160,431</u>	<u>154,782</u>	<u>146,260</u>	<u>136,472</u>	<u>139,399</u>
6,323,584	6,125,147	6,023,927	5,689,664	6,012,805	5,859,477
(552,579)	(393,045)	(450,536)	480,428	(282,013)	183,345
-	100,000	-	-	426,000	105,000
-	-	-	-	-	-
502,592	618,625	448,580	294,549	139,648	142,812
<u>(479,557)</u>	<u>(596,335)</u>	<u>(426,154)</u>	<u>(294,549)</u>	<u>(139,648)</u>	<u>(142,812)</u>
23,035	122,290	22,426	-	426,000	105,000
-	-	-	-	-	935,266
(529,544)	(270,755)	(428,110)	480,428	143,987	1,223,611
<u>3,272,861</u>	<u>2,743,317</u>	<u>2,472,562</u>	<u>2,044,452</u>	<u>2,524,880</u>	<u>2,668,867</u>
\$ 2,743,317	\$ 2,472,562	\$ 2,044,452	\$ 2,524,880	\$ 2,668,867	\$ 3,892,478
5.75%	5.95%	7.89%	7.36%	7.40%	10.62%

Revenue Capacity

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

City of Charlotte, Michigan

Taxable Value and Actual Value of Taxable Property Last Ten Fiscal Years

Tax Year	Fiscal Year Ended June 30	Taxable Value by Property Type			Taxable Value by Property Type		Tax Rate (Mills)	Estimated Actual Value	Taxable Value as a Percentage of Actual
		Residential	Commercial	Industrial	Personal Property	Total Value			
2005	2006	\$ 117,280,300	\$ 45,897,900	\$ 11,137,800	\$ 22,141,200	\$ 196,457,200	13.4170	\$ 527,849,200	37.22
2006	2007	126,326,100	48,982,926	11,090,100	21,540,000	207,939,126	13.4173	526,375,052	39.50
2007	2008	133,041,385	51,239,598	13,185,395	22,167,435	219,633,813	13.4346	552,753,596	39.73
2008	2009	136,523,686	53,187,155	13,723,601	23,112,781	226,547,223	14.1846	562,708,830	40.26
2009	2010	139,205,817	56,165,540	16,258,861	26,742,215	238,372,433	14.1846	565,147,858	42.18
2010	2011	133,068,308	53,984,883	14,830,119	26,677,190	228,560,500	14.7144	524,884,464	43.54
2011	2012	128,150,064	52,942,360	16,943,880	27,919,048	225,955,352	15.2413	504,135,496	44.82
2012	2013	121,858,020	51,216,664	16,192,747	29,116,426	218,383,857	15.2713	465,956,448	46.87
2013	2014	120,431,096	51,142,861	15,181,108	25,704,005	212,459,070	15.3413	451,948,764	47.01
2014	2015	121,005,296	47,611,439	16,250,418	23,134,416	208,001,569	15.3413	442,609,990	46.99

Note: Under Michigan law, the revenue base is referred to as "taxable value." This amount represents assessed value (50 percent of true cash value), limited for each property by the lower of 5 percent or inflation.

Taxes levied in a particular "tax year" become revenue of the subsequent fiscal year.

Source: Treasurer, City of Charlotte

City of Charlotte, Michigan

Direct and Overlapping Property Tax Rates Last Ten Fiscal Years

Tax Year	Millage Rates - Direct City Taxes			Total Direct Taxes	Overlapping Taxes						Total Tax Rate	
	General Operating	Debt	Special Purpose		County	State Education Tax	Intermediate School District	Charlotte Public Schools - Homestead	Charlotte Public Schools - Nonhomestead	District Library	Homestead	Non-homestead
2005	13.4170	-	-	13.4170	7.7634	6.0000	3.8896	7.5900	25.5900	0.8758	39.5358	57.5358
2006	13.4173	-	-	13.4173	7.7507	6.0000	3.8778	7.5900	25.5900	0.8567	39.4925	57.4925
2007	13.4346	-	-	13.4346	7.6279	6.0000	3.8778	7.5900	25.5900	0.8568	39.3871	57.3871
2008	13.4346	0.7500	-	14.1846	7.6279	6.0000	3.8778	7.5900	25.5900	0.9000	40.1803	58.1803
2009	13.4346	0.7500	-	14.1846	7.5868	6.0000	3.8778	7.5900	25.5900	0.9000	40.1392	58.1392
2010	13.9144	0.8000	-	14.7144	7.5868	6.0000	3.8778	7.5900	25.5900	0.9000	40.6690	58.6690
2011	14.2913	0.8500	0.1000	15.2413	7.5868	6.0000	3.8778	7.5900	25.5900	0.9000	41.1959	59.1959
2012	14.2913	0.8800	0.1000	15.2713	7.5899	6.0000	3.8778	8.0900	26.0900	0.9000	41.7290	59.7290
2013	14.2913	0.9500	0.1000	15.3413	7.5899	6.0000	3.8778	8.0900	26.0900	0.9000	41.7990	59.7990
2014	14.2913	0.9500	0.1000	15.3413	9.0899	6.0000	3.8778	8.0900	26.0900	0.9000	43.2990	61.2990

Note: Michigan law restricts the maximum millage that may be levied by the City without a vote of our residents at 14.2913 mills for general operations.

City of Charlotte, Michigan

Principal Property Taxpayers June 30, 2015

Taxpayer	2014		2005		2005 Rank
	Taxable Value	Percentage of Total	Taxable Value	Percentage of Total	
1 Spartan Motors	\$ 15,109,121	7.26	\$ 3,612,600	1.84	5
2 Consumers Energy	4,915,039	2.36	7,270,600	3.70	1
3 Meijer Inc	4,527,884	2.18	5,678,700	2.89	2
4 Walmart	3,813,805	1.83	3,319,600	1.69	6
5 Linn Products	3,328,474	1.60	3,191,600	1.62	8
6 Enovapremier of Michigan LLC	2,701,484	1.30	3,376,500	1.72	7
7 Alro Steel Corporation	2,675,680	1.29	-		
8 Victorinox LLC	2,303,504	1.11	-		
9 Legacy Parke Partners LLC	2,138,327	1.03	2,104,700	1.07	9
10 Butternut Apartments	1,272,223	0.61			
Owens-Illinois Glass Container					
Wollin Products			4,927,000	2.51	4
T&WA of Lansing LLC			5,210,100	2.65	3

Source: Treasurer, City of Charlotte

City of Charlotte, Michigan

Property Tax Levies and Collections Last Ten Fiscal Years

Tax Year	Fiscal Year Ended June 30	Total Levy	Current Collections	Percent Collected	Delinquent Collections	Total Tax Collections	Percent of Levy Collected
2005	2006	\$ 2,764,603	\$ 2,653,564	95.98	\$ 88,988	\$ 2,742,552	99.20
2006	2007	2,914,966	2,773,843	95.16	137,439	2,911,282	99.87
2007	2008	3,064,999	2,892,417	94.37	137,919	3,030,336	98.87
2008	2009	3,361,125	3,154,712	93.86	176,003	3,330,715	99.10
2009	2010	3,531,534	3,321,744	94.06	171,001	3,492,745	98.90
2010	2011	3,495,219	3,327,452	95.20	137,995	3,465,447	99.15
2011	2012	3,448,580	3,325,405	96.43	119,496	3,444,901	99.89
2012	2013	3,334,687	3,202,434	96.03	129,197	3,331,631	99.91
2013	2014	3,259,064	3,149,553	96.64	106,719	3,256,272	99.91
2014	2015	3,190,864	3,081,281	96.57	107,499	3,188,780	99.93

Note: Delinquent collections reported are related to the tax year

Debt Capacity

These schedules contain 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.

City of Charlotte, Michigan

	2006	2007	2008	2009
Governmental Activities				
General obligation bonds	\$ 1,170,000	\$ 1,080,000	\$ 3,990,000	\$ 3,875,000
Loans payable	-	-	-	-
Land contract	-	-	-	-
Economic development agreement	183,204	165,330	147,456	129,582
Total	1,353,204	1,245,330	4,137,456	4,004,582
Business-type Activities				
General obligation bonds	990,000	805,000	610,000	410,000
Loans payable	-	-	-	-
Revenue bonds	6,799,449	6,548,164	6,281,879	6,000,594
Total	7,789,449	7,353,164	6,891,879	6,410,594
Total debt of the government	\$ 9,142,653	\$ 8,598,494	\$ 11,029,335	\$ 10,415,176
Total residential personal income	\$ 3,136,018	N/A	N/A	N/A
Ratio of total debt to personal income	34.30%	N/A	N/A	N/A
Total population*	8,389	8,389	8,389	8,389
Total debt per capita	\$ 1,090	\$ 1,025	\$ 1,315	\$ 1,242

* 2006-2009 population based on 2000 census figures
 2011-2015 population based on 2010 census figures

Ratios of Outstanding Debt Last Ten Fiscal Years

	2010	2011	2012	2013	2014	2015
\$	3,720,000	\$ 3,550,000	\$ 3,365,000	\$ 3,160,000	\$ 2,950,000	\$ 2,725,000
	-	-	90,867	81,552	498,048	433,767
	-	-	-	-	-	-
	<u>111,708</u>	<u>93,834</u>	<u>75,960</u>	<u>58,086</u>	<u>40,212</u>	<u>22,338</u>
	3,831,708	3,643,834	3,531,827	3,299,638	3,488,260	3,181,105
	205,000	-	-	-	-	-
	-	-	-	-	-	-
	<u>5,704,309</u>	<u>5,398,024</u>	<u>5,076,739</u>	<u>4,745,454</u>	<u>4,399,169</u>	<u>4,050,000</u>
	<u>5,909,309</u>	<u>5,398,024</u>	<u>5,076,739</u>	<u>4,745,454</u>	<u>4,399,169</u>	<u>4,050,000</u>
\$	<u>9,741,017</u>	<u>9,041,858</u>	<u>8,608,566</u>	<u>8,045,092</u>	<u>7,887,429</u>	<u>7,231,105</u>
	N/A	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A	N/A	N/A
	9,074	9,074	9,074	9,074	9,074	9,074
\$	1,074	\$ 996	\$ 949	\$ 887	\$ 869	\$ 797

City of Charlotte, Michigan

Fiscal Year	Tax-limited General Obligation Bonds (LTGO)	Tax- supported Bonds (UTGO)	Less Pledged Debt Service Funds	Net General Bonded Debt	Taxable Value
2006	\$ 1,170,000	\$ -	\$ -	\$ 1,170,000	\$ 196,457,200
2007	1,080,000	-	-	1,080,000	207,939,126
2008	3,990,000	-	-	3,990,000	219,633,813
2009	3,875,000	-	-	3,875,000	226,547,223
2010	3,720,000	-	-	3,720,000	238,372,433
2011	3,550,000	-	-	3,550,000	228,560,500
2012	3,365,000	-	-	3,365,000	225,955,352
2013	3,160,000	-	22,402	3,137,598	218,383,857
2014	2,950,000	-	23,867	2,926,133	212,459,070
2015	2,725,000	-	-	2,725,000	208,001,569

Ratios of General Bonded Debt Outstanding Last Ten Fiscal Years

Debt as a Percentage of Taxable Value	Population		Debt per Capita
0.60	8,389	(1)	139
0.52	8,389	(1)	129
1.82	8,389	(1)	476
1.71	8,389	(1)	462
1.56	9,074		410
1.55	9,074	(2)	391
1.49	9,074	(2)	371
1.44	9,074	(2)	346
1.38	9,074	(2)	322
1.31	9,074	(2)	300

(1) Estimate not available; amount from 2000 census used

(2) Estimate not available; amount from 2010 census used

City of Charlotte, Michigan

Direct and Overlapping Governmental Activities Debt June 30, 2015

Governmental Unit	Debt Outstanding	Estimated Percent Applicable	Estimated Share of Overlapping Debt
Eaton County	\$ 31,555,466	6.37	\$ 2,010,083
Eaton Intermediate School District	740,000	8.12	60,088
Charlotte Public Schools	<u>70,980,210</u>	39.02	<u>27,696,478</u>
Total overlapping debt	103,275,676		29,766,649
Direct City debt	<u>3,181,105</u>	100.00	<u>3,181,105</u>
Total direct and overlapping debt	<u>\$ 106,456,781</u>		<u>\$ 32,947,754</u>

Note: This table reports overlapping debt on a net basis.

Note: Overlapping debt is calculated based upon the taxable value of the City that is in the taxing unit as a percentage of the total taxable value of the taxing unit.

City of Charlotte, Michigan

Pledged Revenue Coverage Last Ten Fiscal Years

Fiscal Year	Water and Sewer Revenue Bonds							Coverage (Percent)
	Gross Revenue	Applicable Expenses	Net Revenue	Debt Service				
				Principal	Interest	Total		
2006	\$ 2,965,448	\$ 1,764,385	\$ 1,201,063	\$ 452,584	\$ 346,422	\$ 799,006	150.32	
2007	3,167,495	1,905,570	1,261,925	436,285	379,567	815,852	154.68	
2008	3,061,303	2,039,009	1,022,294	461,285	357,528	818,813	124.85	
2009	2,706,114	2,134,963	571,151	481,285	334,881	816,166	69.98	
2010	2,899,874	2,011,008	888,866	501,285	311,114	812,399	109.41	
2011	3,421,062	2,166,904	1,254,158	511,285	290,736	802,021	156.37	
2012	3,408,800	2,218,281	1,190,519	321,285	231,160	552,445	215.50	
2013	3,470,864	2,252,478	1,218,386	331,285	218,910	550,195	221.45	
2014	3,438,977	2,167,010	1,271,967	375,000	206,310	581,310	218.81	
2015	3,412,887	2,352,465	1,060,422	390,000	183,388	573,388	184.94	

City of Charlotte, Michigan

	2006	2007	2008	2009
Calculation of Debt Limit				
State equalized valuation	\$ 232,238,100	\$ 263,924,600	\$ 276,376,798	\$ 281,354,415
10% of taxable value	23,223,810	26,392,460	27,637,680	28,135,442
Calculation of Debt Subject to Limit				
Total debt	9,142,653	8,598,494	11,029,335	10,415,176
Less debt not subject to limit - Revenue bonds	<u>7,789,449</u>	<u>7,353,164</u>	<u>6,891,879</u>	<u>6,410,594</u>
Net debt subject to limit	1,353,204	1,245,330	4,137,456	4,004,582
Legal Debt Margin	21,870,606	25,147,130	23,500,224	24,130,860
Net Debt Subject to Limit as Percent of Debt Limit	6.19%	4.95%	17.61%	16.60%

**Legal Debt Margin
Last Ten Fiscal Years**

	2010	2011	2012	2013	2014	2015
\$	282,573,929	\$ 262,442,232	\$ 252,067,748	\$ 232,978,224	\$ 225,974,382	\$ 221,304,995
	28,257,393	26,244,223	25,206,775	23,297,822	22,597,438	22,130,500
	9,741,017	9,041,858	8,608,566	8,045,092	7,887,429	7,231,105
	5,909,309	5,398,024	5,076,739	4,745,454	4,399,169	4,050,000
	3,831,708	3,643,834	3,531,827	3,299,638	3,488,260	3,181,105
	24,425,685	22,600,389	21,674,948	19,998,184	19,109,178	18,949,395
	15.69%	16.12%	16.29%	16.50%	18.25%	16.79%

Demographics and Economic Information

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

City of Charlotte, Michigan

Demographics and Economic Statistics Last Ten Fiscal Years

Fiscal Year	Population	Personal Income (in thousands)*	Per Capita Personal Income	Unemployment Rate**
2006	8,389 (1)	\$ 3,267,424	389	5.20
2007	8,389 (1)	3,429,425	409	5.10
2008	8,389 (1)	3,563,811	425	6.20
2009	8,389 (1)	3,546,095	423	10.10
2010	9,074	N/A	-	9.00
2011	9,074 (2)	N/A	-	N/A
2012	9,074 (2)	N/A	-	N/A
2013	9,074 (2)	N/A	-	N/A
2014	9,074 (2)	N/A	-	N/A
2015	9,074 (2)	N/A	-	N/A

(1) Estimates not available; amount from 2000 Census

(2) Estimates not available; amount from 2010 Census

N/A = Information not available

* Number represents all of Eaton County

** Represents all of Eaton County

Source: U.S. Department of Commerce - Bureau of Economic Analysis website
and U.S. Department of Labor - Bureau of Labor Statistics

City of Charlotte, Michigan

Employer	<u>2006</u>		<u>2007</u>		<u>2008</u>		<u>2009</u>	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
	of Employees	of Total	of Employees	of Total	of Employees	of Total	of Employees	of Total
1 Spartan Motors	740	21.80	1,062	27.64	1,400	34.20	709	22.09
2 Hayes Green Beach Memorial Hospital	477	14.05	490	12.75	458	11.19	455	14.17
3 County of Eaton	400	11.78	400	10.41	380	9.28	385	11.99
4 Charlotte Public Schools	510	15.02	502	13.07	470	11.48	440	13.71
5 Meijer, Inc.	280	8.25	275	7.16	275	6.72	263	8.19
6 Linn Products, Inc.	109	3.21	-	-	-	-	121	3.77
7 Wal-Mart Stores, Inc.	291	8.57	286	7.44	280	6.84	280	8.72
8 Peckham Vocational Industries	190	5.60	200	5.21	192	4.69	200	6.23
9 Eaton Intermediate School District	210	6.19	210	5.47	223	5.45	210	6.54
Owens-Brockway Glass Container, Inc.	188	5.54	177	4.61	190	4.64	147	4.58
Thomas Redmer Group	-	-	240	6.25	225	5.50	-	-

Source: Treasurer, City of Charlotte

Principal Employers June 30, 2015

<u>2010</u>		<u>2011</u>		<u>2012</u>		<u>2013</u>		<u>2014</u>		<u>2015</u>	
Number of Employees	Percentage of Total										
709	22.23	596	19.85	563	20.67	623	21.67	550	19.96	635	22.14
453	14.20	451	15.02	466	17.11	475	16.52	460	16.70	448	15.62
383	12.01	405	13.49	360	13.22	391	13.60	380	13.79	383	13.35
437	13.70	445	14.82	370	13.58	322	11.20	344	12.49	350	12.20
260	8.15	259	8.62	100	3.67	275	9.57	263	9.55	261	9.10
180	5.64	175	5.83	171	6.28	180	6.26	212	7.70	231	8.05
283	8.87	250	8.33	255	9.36	255	8.87	221	8.02	227	7.91
300	9.40	222	7.39	184	6.75	184	6.40	180	6.53	181	6.31
185	5.80	200	6.66	255	9.36	170	5.91	145	5.26	152	5.30
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-

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.

City of Charlotte, Michigan

Function/Program	2006	2007	2008	2009
General government:				
City manager	2	2	2	2
Clerk	2	2	2	2
Assessor	1	1	1	1
Finance and treasury	3	3	3	3
Public safety:				
Police	21	20	20	20
Fire - Full-time	7	7	7	7
Fire - Volunteer	27	29	27	28
Building inspection	1	1	1	1
Public works:				
DPW	13	12	13	12
Water and sewer	8	8	8	7
Community and economic development	1	1	1	1
Total	<u>86</u>	<u>86</u>	<u>85</u>	<u>84</u>

**Full-time Equivalent Government Employees
Last Ten Fiscal Years**

2010	2011	2012	2013	2014	2015
1	1	1	1	1	1
2	2	2	2	2	2
1	1	1	1	1	1
3	3	3	3	2	3
19	18	17	17	17	17
7	7	6	5	6	5
28	30	28	30	30	30
1	1	1	1	1	1
12	12	11	12	11	11
7	7	7	7	8	7
1	1	1	1	1	1
<u>82</u>	<u>83</u>	<u>78</u>	<u>80</u>	<u>80</u>	<u>79</u>

City of Charlotte, Michigan

Function/Program	2006	2007	2008	2009
Election data:				
Registered voters	6,014	6,033	6,106	6,277
Voters (at the polls or absentee)	1,333	3,246	1,536	4,089
Percent voting	22.16%	53.80%	25.16%	65.14%
Police:				
Physical arrests	758	668	642	638
Traffic violations	1,133	928	1,227	1,179
Crimes reported	2,730	2,626	2,642	2,460
Fire:				
Fire runs	550	507	472	386
Emergency medical runs	219	192	212	258
Inspections	96	105	135	110
Public works - Miles of street resurfaced				
	0.73	-	0.50	0.99
Water:				
Number of customers billed	3,703	3,716	3,763	3,747
Total daily consumption	976,435	1,069,000	1,090,000	965,900
Average consumption per user	264	288	290	258
Sewer - Average daily sewage treatment				
	963,250	944,000	941,000	941,000

**Operating Indicators
Last Ten Fiscal Years**

2010	2011	2012	2013	2014	2015
6,172	6,262	6,348	6,309	6,236	6,159
1,038	2,968	1,389	3,762	2,539	2,745
16.82%	47.40%	21.88%	59.63%	40.72%	44.57%
620	671	623	655	600	520
1,391	1,260	1,190	1,243	1,211	808
2,753	2,770	3,083	3,132	2,631	2,457
357	300	286	316	394	328
238	276	218	220	293	238
164	150	85	25	156	124
2.21	1.53	1.20	0.25	0.21	0.21
3,791	3,731	3,682	3,769	3,764	3,777
928,300	908,700	909,600	886,000	881,800	861,000
245	244	247	235	234	228
850,000	818,000	802,250	770,000	770,000	761,000

City of Charlotte, Michigan

Function/Program	2006	2007	2008	2009
Police:				
Stations	1	1	1	1
Patrol units	10	10	10	10
Fire:				
Stations	1	1	1	2
Fire response vehicles	8	8	8	8
Emergency response vehicles	1	1	1	1
Public works:				
Streets (miles):				
Major streets	11.41	11.41	11.91	11.91
Local streets	26.26	26.26	25.91	25.91
Sidewalks	N/A	N/A	N/A	43.74
Streetlights	490	509	510	513
Traffic signals	7	7	7	7
Parks and recreation:				
Acreage	199	199	199	199
Developed parks/playgrounds	8	8	8	8
Libraries - Branches	1	1	1	1
Water:				
Mains (miles)	52.9	53.0	53.0	53.0
Fire hydrants	471	471	471	471
Storage capacity	1,150,000	1,150,000	1,150,000	1,150,000
Sewer:				
Miles of sanitary sewers	42.0	42.0	42.0	42.0
Miles of storm sewers	31.5	31.5	31.5	31.5
Treatment capacity	1,800,000	1,800,000	1,800,000	1,800,000

N/A = Information not available

**Capital Asset Statistics
Last Ten Fiscal Years**

2010	2011	2012	2013	2014	2015
1	1	1	1	1	1
9	9	9	9	9	9
2	2	2	2	2	2
8	8	7	7	7	7
1	1	1	1	1	1
11.91	11.91	11.91	12.17	12.17	12.17
25.91	25.91	25.91	25.65	25.65	25.65
44.03	44.16	44.16	44.16	44.85	45.13
513	514	514	507	507	507
7	7	7	7	7	7
199	199	199	199	199	199
8	8	8	8	8	8
1	1	1	1	1	1
53.0	53.0	53.0	53.0	53.0	53.0
471	471	471	471	471	471
1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000
42.0	42.0	42.0	42.0	42.0	42.0
31.5	31.5	31.5	31.5	31.5	31.5
1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000