



**City of Charlotte, Michigan
Eaton County, Michigan**

**Comprehensive Annual Financial Report
Prepared by the Office of Finance and Treasury
Year Ended June 30, 2009**

City of Charlotte, Michigan

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Introductory Section



city of
CHARLOTTE

November 3, 2009

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

The Comprehensive Annual Financial Report (CAFR) of the City of Charlotte for the year ending June 30, 2009, 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 Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Following the MD&A are the basic financial statements, including the government-wide financial statements, the fund financial statements, and the notes to the financial statements. The required supplementary information, combining and individual fund financial statements, and the statistical section complete the CAFR.

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 Mid-West 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 specialty clinic's facility; and the developing Combs industrial park, which consists of 190 acres. Eight manufacturing facilities and one warehousing facility currently occupy this industrial park.

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 was pro-active in using conservative budgeting practices in an effort to maintain sufficient fund balances. In developing the 2009/2010 fiscal year budget, the impact of the nation's recession, the State of Michigan's challenging economic recovery and on-going budget cuts, as well as perpetually increasing health care costs, and rising utility costs. In addition, the 2009/2010 fiscal year budget saw the elimination of the administrative assistant's position in the City Manager's office and the part-time police secretary position.

The City continues to grow, but at a much slower rate than in prior years. While new residential construction was minimal in fiscal year 2009/2010, we issued over 1,300

residential remodel permits with a value of \$1 million. Most of this remodel work was the result of two severe wind and hail storms that hit the City in June and July 2008. In addition, the city continues to realize a small amount of economic growth through commercial efforts. CVS, a national drugstore retailer, built a new facility on South Cochran Avenue. This project was completed and the grand opening occurred in the spring of 2009.

State revenue sharing payments to local governments continue to be a primary target as the legislature works to balance their budget. Constitutional revenue sharing can only be cut through a vote of the people. Therefore, any legislative cuts to revenue sharing will come from the statutory portion. Since statutory revenue sharing represents 5% of our General Fund revenues, we remain vulnerable if the State chooses to reduce the statutory portion to local governments.

MAJOR INITIATIVES

The City is recognized as a growing and progressive community in the Lansing region and receives positive media coverage in the Charlotte Shopping Guide, The County Journal and Lansing State Journal. Economic development is actively encouraged, as demonstrated by the steady growth during the past ten years.

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

West Side Fires Station – Construction of a second fire station on the west side of the city was completed in early 2009. The project was funded through proceeds received from the \$3 million sale of G.O. bonds. Voters approved these bonds through a millage proposal on the November 2007 ballot. The total cost of the project was \$2.9 million. The remaining \$100 thousand dollars will be used in fiscal year 209/2010 for the construction of a female locker room and waiting area for the police department.

Street Improvements – The City completed a \$1.7 million reconstruction of West Shepherd Street from Mikesell Street to South Cochran Avenue. The City was awarded an Economic Development Grant from the Michigan Department of Transportation for this project. In the 2009/2010 fiscal year budget the City has again demonstrated their commitment to maintaining its infrastructure by appropriating \$250,000 for hot-in-place recycling of both major and local streets.

Sidewalk Improvements – Sidewalk repairs/construction totaling \$26,683 were completed during fiscal year 2008/2009. In addition, \$65,000 is appropriated in the 2009/2010 fiscal year budget for sidewalk repairs, maintenance and construction.

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, revenues, 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 revenues 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

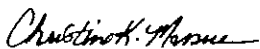
State law requires an annual audit by independent certified public accountants. The auditing firm of Plante & Moran, PLLC was selected to conduct the required audit and their report is included in the Comprehensive Annual Financial Report.

AWARDS & ACKNOWLEDGEMENTS

The City of Charlotte has been presented the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting for the year ended June 30, 2008. 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. We believe that our current comprehensive annual financial report will also meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine eligibility for a certificate.

I want to thank my Deputy Treasurer for her efforts in preparing this report and various other 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, 2009

City Council:

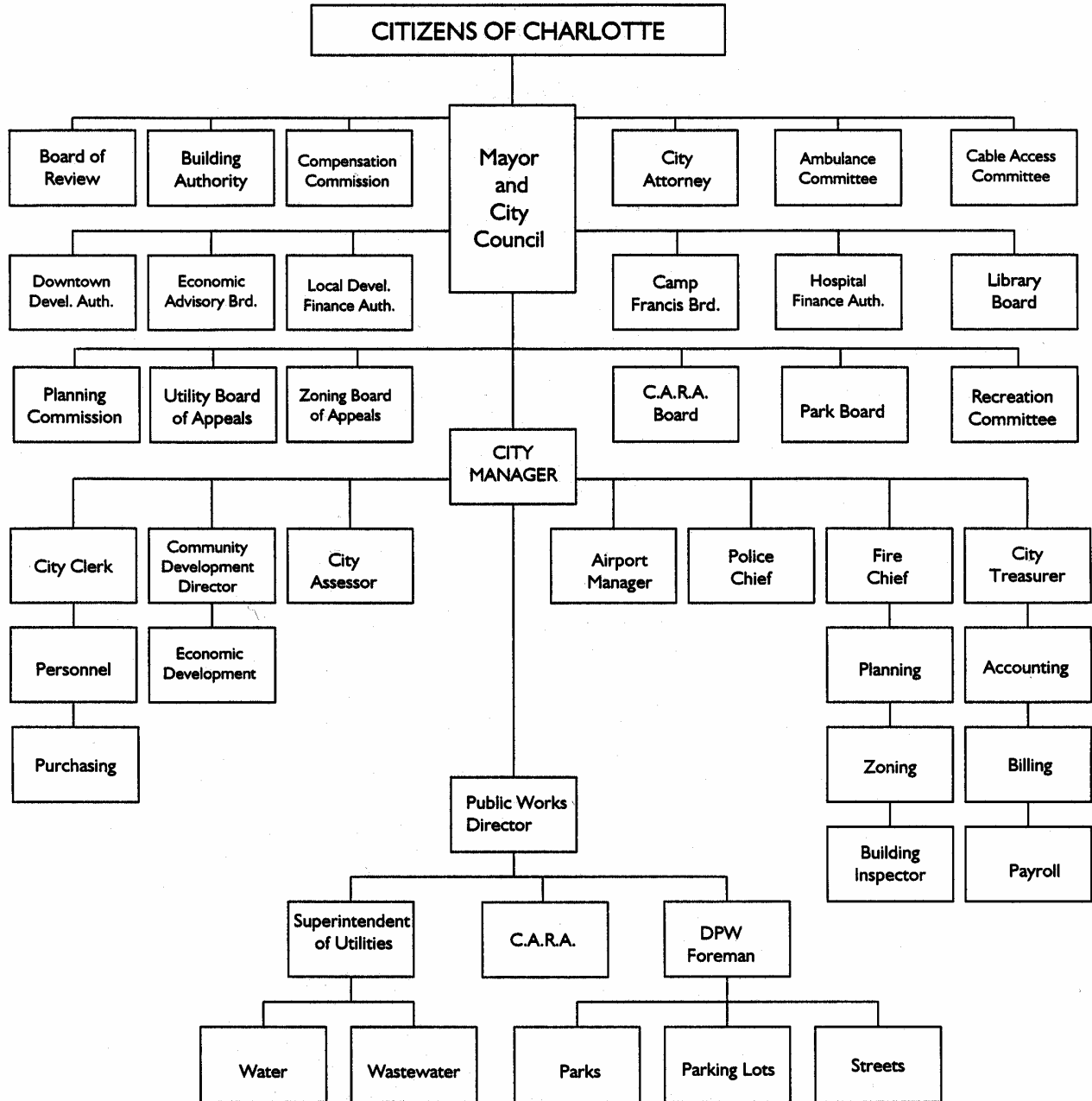
| | |
|---------------|-------------------|
| Mayor | Deb Shaughnessy |
| Mayor Pro-Tem | Deleski Smith |
| Trustee | Mary Jean Baker |
| Trustee | Kevin Weissenborn |
| Trustee | Tim Lewis |
| Trustee | Bill Arnold |
| Trustee | Scott Cuttle |

Appointed Officials:

| | |
|--------------------------|-------------------|
| City Manager | Gregg Guetschow |
| Fire Chief | Kevin Fullerton |
| Assessor (Contract) | Randy Jewell |
| Clerk | Michelle King |
| Finance Director | Christine Mossner |
| Director of Public Works | Amy Schoonover |
| Police Chief | Bill Callahan |

City of Charlotte, Michigan

Organizational Chart



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, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

Financial Section

Independent Auditor's Report

To the City Council
City of Charlotte, Michigan

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 as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City of Charlotte, Michigan's management. Our responsibility is to express opinions on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic 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, 2009 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The management's discussion and analysis and the budgetary comparison schedules for the General Fund and Major Streets Fund, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. The introductory section, other supplemental information, and statistical section, as identified in the table of contents, are presented for the purpose of additional analysis and are not required parts of the basic financial statements. The budgetary comparison schedules, combining balance sheet, and combining statement of revenue, expenditures, and changes in fund balance have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

To the City Council
City of Charlotte, Michigan

We have applied certain limited procedures to the management's discussion and analysis, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it. The introductory section and statistical section have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

As described in Note 14 to the financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*.

A handwritten signature in black ink that reads "Plante & Moran, PLLC". The signature is written in a cursive, flowing style.

November 3, 2009

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 that ended June 30, 2009. 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 \$32.1 million (net assets). Of this amount, \$2.4 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

During the year, the City received \$10.1 million in revenues and incurred \$9.5 million in expenses, resulting in an increase in net assets of approximately \$0.6 million. Of the City's \$9.5 million expense total, \$3.2 million related to business-type expenses and the balance of \$6.3 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 \$3.3 million, a decrease of \$1.5 million from the prior year. Approximately 82.2 percent of this amount is available for spending at the government's discretion (unreserved/undesignated fund balance). The remaining 17.8 percent has been reserved and/or designated.

At the end of the current fiscal year, unreserved undesignated fund balance for the General Fund was \$1.6 million or 35.9 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 assets 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 net assets/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.

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.

City of Charlotte, Michigan

Management's Discussion and Analysis (Continued)

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 Fund.

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 assets includes both current and long-term assets and liabilities and the statement of activities includes all of the current year's revenues 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 assets and how they have changed. The reporting of net assets 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 statement incorporates 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 funds 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 is 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 net assets is presented on page 20 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 assets increased from \$32.0 million to \$32.1 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 assets.

| | Governmental Activities | | Business-type Activities | | Total | |
|------------------------------|-------------------------|------------------|--------------------------|------------------|------------------|------------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| | (in thousands) | | | | | |
| Assets | | | | | | |
| Current assets | \$ 4,387 | \$ 6,137 | \$ 1,749 | \$ 2,275 | \$ 6,136 | \$ 8,412 |
| Noncurrent assets | 21,472 | 19,137 | 16,499 | 16,877 | 37,971 | 36,014 |
| Total assets | 25,859 | 25,274 | 18,248 | 19,152 | 44,107 | 44,426 |
| Liabilities | | | | | | |
| Current liabilities | 823 | 1,070 | 676 | 767 | 1,499 | 1,837 |
| Long-term liabilities | 4,587 | 4,747 | 5,962 | 6,382 | 10,549 | 11,129 |
| Total liabilities | 5,410 | 5,817 | 6,638 | 7,149 | 12,048 | 12,966 |
| Net Assets | | | | | | |
| Invested in capital assets - | | | | | | |
| Net of related debt | 17,712 | 17,429 | 9,943 | 9,985 | 27,655 | 27,414 |
| Restricted | 1,089 | 1,026 | 884 | 906 | 1,973 | 1,932 |
| Unrestricted | 1,648 | 1,002 | 784 | 1,112 | 2,432 | 2,114 |
| Total net assets | <u>\$ 20,449</u> | <u>\$ 19,457</u> | <u>\$ 11,611</u> | <u>\$ 12,003</u> | <u>\$ 32,060</u> | <u>\$ 31,460</u> |

A substantial portion of the City's net assets (86.3 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 Charlotte and are therefore not available for future spending.

The City's governmental activities net assets increased by 5.1 percent to \$20.4 million during the fiscal year. This increase is due to revenues exceeding expenses for the year. The City's business-type activities experienced a 3.3 percent decrease to \$11.6 million during the fiscal year. This decrease is due to expenses exceeding revenues for the year.

City of Charlotte, Michigan

Management's Discussion and Analysis (Continued)

The following table displays the City's changes in net assets:

| | Governmental Activities | | Business-type Activities | | Total | |
|------------------------------------|-------------------------|---------------|--------------------------|--------------|---------------|---------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| (in thousands) | | | | | | |
| Revenue | | | | | | |
| Program revenue: | | | | | | |
| Charges for services | \$ 812 | \$ 834 | \$ 2,664 | \$ 2,998 | \$ 3,476 | \$ 3,832 |
| Operating grants and contributions | 1,505 | 684 | 35 | 55 | 1,540 | 739 |
| Capital grants and contributions | 101 | 194 | - | - | 101 | 194 |
| General revenue: | | | | | | |
| Property taxes | 3,383 | 3,129 | - | - | 3,383 | 3,129 |
| State-shared revenue | 1,000 | 1,040 | - | - | 1,000 | 1,040 |
| Unrestricted investment earnings | 100 | 160 | 14 | 67 | 114 | 227 |
| Transfers and other revenue | 397 | 197 | 39 | (17) | 436 | 180 |
| Total revenue | 7,298 | 6,238 | 2,752 | 3,103 | 10,050 | 9,341 |
| Program Expenses | | | | | | |
| General government | 633 | 636 | - | - | 633 | 636 |
| Public safety | 2,934 | 2,836 | - | - | 2,934 | 2,836 |
| Public works | 1,928 | 1,847 | - | - | 1,928 | 1,847 |
| Community and economic development | 302 | 345 | - | - | 302 | 345 |
| Recreation and culture | 333 | 257 | - | - | 333 | 257 |
| Interest on long-term debt | 176 | 51 | - | - | 176 | 51 |
| Recycling | - | - | 54 | 47 | 54 | 47 |
| Water and sewer | - | - | 3,091 | 3,021 | 3,091 | 3,021 |
| Total program expenses | 6,306 | 5,972 | 3,145 | 3,068 | 9,451 | 9,040 |
| Change in Net Assets | \$ 992 | \$ 266 | \$ (393) | \$ 35 | \$ 599 | \$ 301 |

Governmental Activities

- The cost of all governmental activities this year was \$6.3 million.
- The amount that City taxpayers paid for these activities through City taxes was \$3.4 million.
- Some of the cost (\$2.4 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.

City of Charlotte, Michigan

Management's Discussion and Analysis (Continued)

- The City's governmental activities revenues are comprised predominantly of property taxes and state-shared revenue (46.4 percent and 13.7 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, State budgetary constraints resulted in the legislature cutting state revenue-sharing amounts during the fiscal year.
- 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 a decrease in net assets of \$393,000 for the year. The water supply and sewage disposal activity had operating revenue of \$2.7 million, operating expenses of \$2.8 million, and net nonoperating expenses and transfers of \$345,000, resulting in a net loss of \$409,000. The recycling activity realized a net income of \$16,000.

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 \$1.5 million combined fund balance decrease to \$3.3 million. This 31 percent decrease is solely attributable to the \$1.7 million of expenditures during the year in the Capital Project Building Fund. These funds were used to complete construction of the West Side Fire Station during the fiscal year.

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 a loss in net assets of \$409,000 and had unrestricted net assets at the end of the year of \$585,000. The Recycling Fund had an increase in net assets of \$16,000 for total unrestricted net assets at year end of \$53,000.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget resulted in a 2.1 percent increase in appropriations of \$107,000. This increase is attributable to the appropriation needed to accommodate expenditures for utilities at the West Side Fire Station and attorney fees associated with litigation regarding the airport easement.

City of Charlotte, Michigan

Management's Discussion and Analysis (Continued)

Capital Assets

At June 30, 2009, the City had invested approximately \$38.0 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 | |
|----------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Land | \$ 1,926,376 | \$ 1,926,376 | \$ 104,995 | \$ 104,995 | \$ 2,031,371 | \$ 2,031,371 |
| Construction in progress | 34,838 | 1,316,803 | - | - | 34,838 | 1,316,803 |
| Infrastructure | 25,363,183 | 23,597,300 | - | - | 25,363,183 | 23,597,300 |
| Buildings and improvements | 5,624,568 | 2,747,990 | 27,043,284 | 26,811,410 | 32,667,852 | 29,559,400 |
| Vehicles | 2,117,629 | 2,190,228 | - | - | 2,117,629 | 2,190,228 |
| Equipment | 2,740,381 | 2,688,254 | - | - | 2,740,381 | 2,688,254 |
| Subtotal assets | 37,806,975 | 34,466,951 | 27,148,279 | 26,916,405 | 64,955,254 | 61,383,356 |
| Accumulated depreciation | 16,334,717 | 15,329,785 | 10,649,270 | 10,039,023 | 26,983,987 | 25,368,808 |
| Net capital assets | <u>\$ 21,472,258</u> | <u>\$ 19,137,166</u> | <u>\$ 16,499,009</u> | <u>\$ 16,877,382</u> | <u>\$ 37,971,267</u> | <u>\$ 36,014,548</u> |

Construction in progress (CIP) includes the engineering and design costs for the Parkland Drive and Lipsey Drive construction projects. 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. The reconstruction project of Shepherd Street from Mikesell Street to Cochran Avenue was completed early in the fiscal year. In addition, construction of the new West Side Fire Station was completed in early 2009. 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 \$10.7 million in bonds, notes outstanding, and compensated absences. This represents a \$600,000 decrease from the previous year. 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 2009/2010 fiscal year is balanced with a level property tax rate of 13.4346 mills. Property tax revenues are expected to increase by approximately \$175,000. This increase is primarily the result of the highest applicable taxable value inflationary index of 4.4 percent since the adoption of Proposal A in 1994. 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. This reduction in state-shared revenue, coupled with minimal property tax growth, has hindered the City's ability to realize revenues adequate enough to maintain current services and yet meet the demands of escalating employee benefit and operating expenditures. As a result, the City again limited its General Fund capital outlay expenditures for fiscal year 2009/2010 as well as eliminating one full-time and one part-time support staff position funded by the General Fund.

Total expenses in the General Fund for fiscal year 2009/2010 are estimated to be \$5.6 million. The public safety departments represent the single largest component of overall budget expenditures with a total estimated cost of \$3.1 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 Assets June 30, 2009

| | Primary Government | | | Component Units |
|-------------------------------------------------------------|----------------------------|-----------------------------|----------------------|---------------------|
| | Governmental Activities | Business-type Activities | Total | |
| Assets | | | | |
| Cash and investments (Note 3) | \$ 3,297,909 | \$ 216,503 | \$ 3,514,412 | \$ 1,248,348 |
| Receivables - Net (Note 4) | 734,600 | 477,651 | 1,212,251 | 1,058 |
| Prepaid costs and other assets | 239,644 | 171,309 | 410,953 | - |
| Restricted assets - Cash and investments (Notes 3 and 8) | 115,098 | 884,227 | 999,325 | - |
| Capital assets - Net (Note 5): | | | | |
| Assets not subject to depreciation | 1,961,214 | 104,995 | 2,066,209 | - |
| Assets subject to depreciation | 19,511,044 | 16,394,014 | 35,905,058 | - |
| Total assets | 25,859,509 | 18,248,699 | 44,108,208 | 1,249,406 |
| Liabilities | | | | |
| Accounts payable | 318,150 | 28,211 | 346,361 | 7,231 |
| Accrued and other liabilities | 186,430 | 53,078 | 239,508 | - |
| Noncurrent liabilities (Note 7): | | | | |
| Due within one year | 318,383 | 594,498 | 912,881 | - |
| Due in more than one year | 4,587,403 | 5,962,274 | 10,549,677 | - |
| Total liabilities | 5,410,366 | 6,638,061 | 12,048,427 | 7,231 |
| Net Assets | | | | |
| Invested in capital assets - Net of related debt | 17,712,356 | 9,942,237 | 27,654,593 | - |
| Restricted: | | | | |
| Debt service | 40,986 | 629,582 | 670,568 | - |
| Streets and highways | 1,017,266 | - | 1,017,266 | - |
| Other purposes | 30,828 | 254,645 | 285,473 | - |
| Unrestricted | 1,647,707 | 784,174 | 2,431,881 | 1,242,175 |
| Total net assets | <u>\$ 20,449,143</u> | <u>\$ 11,610,638</u> | <u>\$ 32,059,781</u> | <u>\$ 1,242,175</u> |

City of Charlotte, Michigan

| | Program Revenues | | | |
|---------------------------------------|---------------------|----------------------|------------------------------------|----------------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Functions/Programs | | | | |
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government | \$ 632,906 | \$ 245,582 | \$ - | \$ - |
| Public safety | 2,933,665 | 221,891 | 8,285 | 14,503 |
| Public works | 1,928,332 | 344,105 | 1,497,130 | 19,893 |
| Community and economic development | 302,046 | - | - | 66,947 |
| Recreation and culture | 332,881 | - | - | - |
| Interest on long-term debt | 176,165 | - | - | - |
| Total governmental activities | 6,305,995 | 811,578 | 1,505,415 | 101,343 |
| Business-type activities: | | | | |
| Water and sewer | 3,090,970 | 2,635,341 | 1,199 | - |
| Recycling | 54,790 | 29,151 | 34,080 | - |
| Total business-type activities | 3,145,760 | 2,664,492 | 35,279 | - |
| Total primary government | <u>\$ 9,451,755</u> | <u>\$ 3,476,070</u> | <u>\$ 1,540,694</u> | <u>\$ 101,343</u> |
| Component units: | | | | |
| Downtown Development Authority | \$ 51,031 | \$ - | \$ - | \$ - |
| Local Development Financing Authority | 23,104 | - | - | - |
| Total component units | <u>\$ 74,135</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

General revenues:

Property taxes
 Unrestricted state-shared revenues
 Unrestricted investment earnings
 Miscellaneous
 Transfers

Total general revenues and transfers

Changes in Net Assets

Net Assets - Beginning of year, as restated (Note 14)

Net Assets - End of year

Statement of Activities
Year Ended June 30, 2009

| Net (Expense) Revenue and Changes in Net Assets | | | |
|-------------------------------------------------|-----------------------------|----------------------|---------------------|
| Primary Government | | | |
| Governmental Activities | Business-type Activities | Total | Component Units |
| \$ (387,324) | \$ - | \$ (387,324) | \$ - |
| (2,688,986) | - | (2,688,986) | - |
| (67,204) | - | (67,204) | - |
| (235,099) | - | (235,099) | - |
| (332,881) | - | (332,881) | - |
| (176,165) | - | (176,165) | - |
| (3,887,659) | - | (3,887,659) | - |
| - | (454,430) | (454,430) | - |
| - | 8,441 | 8,441 | - |
| - | (445,989) | (445,989) | - |
| (3,887,659) | (445,989) | (4,333,648) | - |
| - | - | - | (51,031) |
| - | - | - | (23,104) |
| - | - | - | (74,135) |
| 3,383,020 | - | 3,383,020 | 172,740 |
| 1,000,108 | - | 1,000,108 | - |
| 99,745 | 14,423 | 114,168 | 22,070 |
| 373,085 | 62,628 | 435,713 | 2,895 |
| 23,758 | (23,758) | - | - |
| 4,879,716 | 53,293 | 4,933,009 | 197,705 |
| 992,057 | (392,696) | 599,361 | 123,570 |
| 19,457,086 | 12,003,334 | 31,460,420 | 1,118,605 |
| \$ 20,449,143 | \$ 11,610,638 | \$ 32,059,781 | \$ 1,242,175 |

City of Charlotte, Michigan

Governmental Funds Balance Sheet June 30, 2009

| | General Fund | Major Street Fund | Building Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|----------------------------------------------------------|----------------------------|--------------------------|--------------------------|-----------------------------------|--------------------------------|
| Assets | | | | | |
| Cash and investments (Note 3) | \$ 1,926,516 | \$ 586,791 | \$ - | \$ 535,520 | \$ 3,048,827 |
| Receivables - Net (Note 4) | 434,158 | 58,604 | - | 241,624 | 734,386 |
| Prepaid costs and other assets | 199,070 | 826 | - | 1,652 | 201,548 |
| Restricted assets - Cash and investments (Notes 3 and 8) | - | - | 112,738 | 2,360 | 115,098 |
| Total assets | <u>\$ 2,559,744</u> | <u>\$ 646,221</u> | <u>\$ 112,738</u> | <u>\$ 781,156</u> | <u>\$ 4,099,859</u> |
| Liabilities and Fund Balances | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ 154,246 | \$ 40,255 | \$ - | \$ 118,850 | \$ 313,351 |
| Accrued and other liabilities | 151,818 | 2,239 | - | 4,525 | 158,582 |
| Deferred revenue (Note 4) | 134,314 | 1,474 | - | 219,277 | 355,065 |
| Total liabilities | 440,378 | 43,968 | - | 342,652 | 826,998 |
| Fund Balances | | | | | |
| Reserved for: | | | | | |
| Debt service | - | - | - | 40,986 | 40,986 |
| Law enforcement | - | - | - | 30,828 | 30,828 |
| Prepaid assets and other assets | 199,070 | 826 | - | 1,652 | 201,548 |
| Unreserved, reported in: | | | | | |
| General Fund: | | | | | |
| Designated for: | | | | | |
| Building maintenance | 50,000 | - | - | - | 50,000 |
| Retiree health benefits | 200,000 | - | - | - | 200,000 |
| Compensated absences | 35,000 | - | - | - | 35,000 |
| Tax sharing | 24,960 | - | - | - | 24,960 |
| Undesignated | 1,610,336 | - | - | - | 1,610,336 |
| Special Revenue Funds | - | 601,427 | - | 365,038 | 966,465 |
| Capital Projects Funds | - | - | 112,738 | - | 112,738 |
| Total fund balances | <u>2,119,366</u> | <u>602,253</u> | <u>112,738</u> | <u>438,504</u> | <u>3,272,861</u> |
| Total liabilities and fund balances | <u>\$ 2,559,744</u> | <u>\$ 646,221</u> | <u>\$ 112,738</u> | <u>\$ 781,156</u> | |

Amounts reported for governmental activities in the statement of net assets are different because:

| | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| Capital assets used in governmental activities are not financial resources and are not reported in the funds | 20,692,588 |
| Special assessment and other receivables are expected to be collected over several years and are not available to pay for current year expenditures | 355,064 |
| Accrued interest is not due and payable in the current period and is not reported in the funds | (25,601) |
| Governmental funds report bond issuance costs as expenditures; these costs are allocated over the related bond term as interest expense | 26,635 |
| Long-term liabilities are not due and payable in the current period and are not reported in the funds | (4,905,786) |
| Internal Service Funds are included as part of governmental activities | <u>1,033,382</u> |
| Net assets of governmental activities | <u>\$ 20,449,143</u> |

City of Charlotte, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2009

| | General Fund | Major Street Fund | Building Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|----------------------------------------------------|---------------------|----------------------|-------------------|-----------------------------------|--------------------------------|
| Revenue | | | | | |
| Property taxes | \$ 3,234,421 | \$ - | \$ - | \$ 168,090 | \$ 3,402,511 |
| Special assessments | - | 2,527 | - | 17,366 | 19,893 |
| Licenses and permits | 71,916 | - | - | - | 71,916 |
| State and local sources | 909,788 | 1,864,948 | - | 206,656 | 2,981,392 |
| Federal sources | 14,503 | - | - | - | 14,503 |
| Charges for services | 302,187 | - | - | - | 302,187 |
| Fines and forfeitures | 36,438 | - | - | - | 36,438 |
| Other | 442,178 | 22,654 | 16,684 | 14,811 | 496,327 |
| | <u>5,011,431</u> | <u>1,890,129</u> | <u>16,684</u> | <u>406,923</u> | <u>7,325,167</u> |
| Total revenue | | | | | |
| Expenditures | | | | | |
| Current: | | | | | |
| General government | 622,713 | - | - | - | 622,713 |
| Public safety | 2,783,567 | - | 1,670,128 | 4,364 | 4,458,059 |
| Public works | 601,881 | 417,237 | - | 265,324 | 1,284,442 |
| Recreation and culture | 187,754 | - | - | - | 187,754 |
| Community and economic development | 104,778 | - | - | 211,297 | 316,075 |
| Capital outlay | 185,664 | 1,468,763 | 14,339 | - | 1,668,766 |
| Debt service: | | | | | |
| Principal retirement | - | - | - | 115,000 | 115,000 |
| Interest and fiscal charges | - | - | - | 155,994 | 155,994 |
| | <u>4,486,357</u> | <u>1,886,000</u> | <u>1,684,467</u> | <u>751,979</u> | <u>8,808,803</u> |
| Total expenditures | | | | | |
| Excess of Revenue Over (Under) Expenditures | 525,074 | 4,129 | (1,667,783) | (345,056) | (1,483,636) |
| Other Financing Sources (Uses) | | | | | |
| Transfers in | - | 32,000 | - | 199,880 | 231,880 |
| Transfers out | (137,037) | (42,651) | - | (28,434) | (208,122) |
| | <u>(137,037)</u> | <u>(10,651)</u> | <u>-</u> | <u>171,446</u> | <u>23,758</u> |
| Total other financing sources (uses) | | | | | |
| Net Changes in Fund Balances | 388,037 | (6,522) | (1,667,783) | (173,610) | (1,459,878) |
| Fund Balances - Beginning of year | 1,731,329 | 608,775 | 1,780,521 | 612,114 | 4,732,739 |
| Fund Balances - End of year | <u>\$ 2,119,366</u> | <u>\$ 602,253</u> | <u>\$ 112,738</u> | <u>\$ 438,504</u> | <u>\$ 3,272,861</u> |

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, 2009

| | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ (1,459,878) |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation | 3,465,337 |
| Depreciation on general capital assets is recorded in the statement of activities; it is not recorded at the fund level | (1,139,585) |
| Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end | (19,491) |
| Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds (GASB No. 33) | (85,169) |
| Bond costs are an expenditure in the governmental funds; in the statement of activities, these costs are allocated over the life of the related debt | (1,110) |
| Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) | 132,874 |
| Interest expense is recorded in the statement of activities when incurred; it is not reported in the funds until paid or payable within 60 days of year end | (20,171) |
| The net change in accumulated employee sick and vacation pay, as well as estimated general liability claims, is recorded when earned in the statement of activities | (24,044) |
| Internal Service Funds are also included as governmental activities | <u>143,294</u> |
| Change in Net Assets of Governmental Activities | <u>\$ 992,057</u> |

City of Charlotte, Michigan

Proprietary Funds Statement of Net Assets June 30, 2009

| | Business-type Activities | | | Governmental Activities Internal Service Fund - Motor Pool |
|---------------------------------------------------------------------------------|-------------------------------------|-------------------------|-----------------------------|---------------------------------------------------------------------------|
| | Major Fund | Nonmajor Fund | Total | |
| | Water Supply and Sewage Disposal | Recycling | | |
| Assets | | | | |
| Current assets: | | | | |
| Cash and investments (Note 3) | \$ 162,525 | \$ 53,978 | \$ 216,503 | \$ 249,082 |
| Receivables - Net (Note 4) | 477,606 | 45 | 477,651 | 214 |
| Inventories | 47,039 | - | 47,039 | - |
| Prepays and other assets | 122,657 | 1,613 | 124,270 | 11,461 |
| Total current assets | 809,827 | 55,636 | 865,463 | 260,757 |
| Noncurrent assets: | | | | |
| Restricted assets - Cash and investments (Notes 3 and 8) | 884,227 | - | 884,227 | - |
| Net capital assets (Note 5) | 16,499,009 | - | 16,499,009 | 779,671 |
| Total assets | <u>\$ 18,193,063</u> | <u>\$ 55,636</u> | <u>\$ 18,248,699</u> | <u>\$ 1,040,428</u> |
| Liabilities | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 27,146 | \$ 1,065 | \$ 28,211 | \$ 4,799 |
| Accrued liabilities | 51,962 | 1,116 | 53,078 | 2,247 |
| Current portion of long-term debt (Note 7) | 594,498 | - | 594,498 | - |
| Total current liabilities | 673,606 | 2,181 | 675,787 | 7,046 |
| Noncurrent liabilities - Long-term debt - Net of current portion (Note 7) | 5,962,274 | - | 5,962,274 | - |
| Total liabilities | 6,635,880 | 2,181 | 6,638,061 | 7,046 |
| Net Assets | | | | |
| Investment in capital assets - Net of related debt | 9,942,237 | - | 9,942,237 | 779,671 |
| Restricted for debt service | 629,582 | - | 629,582 | - |
| Other purposes | 254,645 | - | 254,645 | - |
| Unrestricted | 730,719 | 53,455 | 784,174 | 253,711 |
| Total net assets | 11,557,183 | 53,455 | 11,610,638 | 1,033,382 |
| Total liabilities and net assets | <u>\$ 18,193,063</u> | <u>\$ 55,636</u> | <u>\$ 18,248,699</u> | <u>\$ 1,040,428</u> |

City of Charlotte, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2009

| | Business-type Activities | | | Governmental Activities Internal Service Fund - Motor Pool |
|-----------------------------------------|----------------------------------------|------------------|----------------------|---------------------------------------------------------------------------|
| | Major Fund | Nonmajor Fund | Total | |
| | Water Supply and Sewage Disposal | Recycling | | |
| Operating Revenue | | | | |
| Water sales | \$ 868,475 | \$ - | \$ 868,475 | \$ - |
| Sewage charges | 1,755,366 | - | 1,755,366 | - |
| Tap fees | 11,500 | - | 11,500 | - |
| Recycling fees | - | 29,151 | 29,151 | - |
| Charges for services | - | - | - | 499,842 |
| Other | 57,340 | 40,567 | 97,907 | - |
| Total operating revenue | 2,692,681 | 69,718 | 2,762,399 | 499,842 |
| Operating Expenses | | | | |
| Cost of services | 2,134,963 | - | 2,134,963 | 252,527 |
| Recycling | - | 54,790 | 54,790 | - |
| Depreciation | 621,126 | - | 621,126 | 122,663 |
| Total operating expenses | 2,756,089 | 54,790 | 2,810,879 | 375,190 |
| Operating Income (Loss) | (63,408) | 14,928 | (48,480) | 124,652 |
| Nonoperating Revenue (Expenses) | | | | |
| Investment income | 13,433 | 990 | 14,423 | 4,642 |
| Interest expense | (334,881) | - | (334,881) | - |
| Gain on disposal of assets | - | - | - | 14,000 |
| Total nonoperating revenue (expenses) | (321,448) | 990 | (320,458) | 18,642 |
| Income (Loss) - Before transfers | (384,856) | 15,918 | (368,938) | 143,294 |
| Transfers to Other Funds | (23,758) | - | (23,758) | - |
| Changes in Net Assets | (408,614) | 15,918 | (392,696) | 143,294 |
| Net Assets - Beginning of year | 11,965,797 | 37,537 | 12,003,334 | 890,088 |
| Net Assets - End of year | <u>\$ 11,557,183</u> | <u>\$ 53,455</u> | <u>\$ 11,610,638</u> | <u>\$ 1,033,382</u> |

City of Charlotte, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2009

| | Business-type Activities | | | Governmental Activities Internal Service Fund - Motor Pool |
|-----------------------------------------------------------------------------------------|-------------------------------------|------------------|---------------------|-------------------------------------------------------------------------------|
| | Major Fund | Nonmajor Fund | Total | |
| | Water Supply and Sewage Disposal | Recycling | | |
| Cash Flows from Operating Activities | | | | |
| Receipts from customers | \$ 2,729,520 | \$ 69,791 | \$ 2,799,311 | \$ 500,636 |
| Payments to suppliers | (1,101,884) | (25,515) | (1,127,399) | (147,978) |
| Payments to employees | (1,008,961) | (27,061) | (1,036,022) | (88,989) |
| Net cash provided by operating activities | 618,675 | 17,215 | 635,890 | 263,669 |
| Cash Flows from Noncapital Financing Activities - Transfers to/from other funds | (23,758) | - | (23,758) | - |
| Cash Flows from Capital and Related Financing Activities | | | | |
| Purchase of capital assets | (242,753) | - | (242,753) | (132,003) |
| Principal and interest paid on capital debt | (844,881) | - | (844,881) | - |
| Net cash used in capital and related financing activities | (1,087,634) | - | (1,087,634) | (132,003) |
| Cash Flows from Investing Activities - Interest received on investments | 13,433 | 990 | 14,423 | 4,642 |
| Net (Decrease) Increase in Cash and Cash Equivalents | (479,284) | 18,205 | (461,079) | 136,308 |
| Cash and Cash Equivalents - Beginning of year | 1,526,036 | 35,773 | 1,561,809 | 112,774 |
| Cash and Cash Equivalents - End of year | <u>\$ 1,046,752</u> | <u>\$ 53,978</u> | <u>\$ 1,100,730</u> | <u>\$ 249,082</u> |
| Balance Sheet Classification of Cash and Cash Equivalents | | | | |
| Cash and investments | \$ 162,525 | \$ 53,978 | \$ 216,503 | \$ 249,082 |
| Restricted assets - Cash and cash equivalents | 884,227 | - | 884,227 | - |
| Total cash and cash equivalents | <u>\$ 1,046,752</u> | <u>\$ 53,978</u> | <u>\$ 1,100,730</u> | <u>\$ 249,082</u> |
| Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities | | | | |
| Operating income (loss) | \$ (63,408) | \$ 14,928 | \$ (48,480) | \$ 124,652 |
| Adjustments to reconcile operating income (loss) to net cash from operating activities: | | | | |
| Depreciation and amortization | 649,841 | - | 649,841 | 122,663 |
| Loss on sale of capital assets | - | - | - | 14,000 |
| Changes in assets and liabilities: | | | | |
| Receivables | 36,839 | 73 | 36,912 | 794 |
| Other assets | 25,309 | 2,007 | 27,316 | 1,341 |
| Accounts payable | (19,992) | 263 | (19,729) | 173 |
| Accrued and other liabilities | (9,914) | (56) | (9,970) | 46 |
| Net cash provided by operating activities | <u>\$ 618,675</u> | <u>\$ 17,215</u> | <u>\$ 635,890</u> | <u>\$ 263,669</u> |

Noncash Investing, Capital, and Financing Activities - During the year ended June 30, 2009, the Water Supply and Sewage Disposal Fund incurred \$28,715 of amortization on capital debt bond refunding.

City of Charlotte, Michigan

Fiduciary Funds Statement of Assets and Liabilities June 30, 2009

| | <u>Agency Fund</u> |
|----------------------------------------------------|-------------------------|
| Assets | |
| Cash and investments | \$ 5,000 |
| Receivables | <u>10,400</u> |
| Total assets | <u>\$ 15,400</u> |
| Liabilities - Accrued and other liabilities | <u>\$ 15,400</u> |

City of Charlotte, Michigan

Component Units Statement of Net Assets June 30, 2009

| | Downtown Development Authority | Local Development Financing Authority | Total |
|---------------------------------------|--------------------------------------|------------------------------------------------|----------------------------|
| Assets | | | |
| Cash and investments | \$ 117,892 | \$ 1,130,456 | \$ 1,248,348 |
| Accrued interest receivable | <u>100</u> | <u>958</u> | <u>1,058</u> |
| Total assets | 117,992 | 1,131,414 | 1,249,406 |
| Liabilities - Accounts payable | <u>7,231</u> | <u>-</u> | <u>7,231</u> |
| Net Assets - Unrestricted | <u><u>\$ 110,761</u></u> | <u><u>\$ 1,131,414</u></u> | <u><u>\$ 1,242,175</u></u> |

City of Charlotte, Michigan

Component Units Statement of Activities Year Ended June 30, 2009

| | Net (Expense) Revenue and Changes in Net Assets | | | |
|------------------------------------------|----------------------------------------------------|--------------------------------------|---------------------------------------|---------------------|
| | Expenses | Local | | Total |
| | | Downtown Development Authority | Development Financing Authority | |
| Downtown Development Authority | \$ 51,031 | \$ (51,031) | \$ - | \$ (51,031) |
| Local Development Financing Authority | 23,104 | - | (23,104) | (23,104) |
| Total governmental activities | <u>\$ 74,135</u> | (51,031) | (23,104) | (74,135) |
| General Revenues | | | | |
| Property taxes | | 55,141 | 117,599 | 172,740 |
| Interest | | 2,062 | 20,008 | 22,070 |
| Miscellaneous | | 2,895 | - | 2,895 |
| Total general revenues | | <u>60,098</u> | <u>137,607</u> | <u>197,705</u> |
| Change in Net Assets | | 9,067 | 114,503 | 123,570 |
| Net Assets - Beginning of year | | <u>101,694</u> | <u>1,016,911</u> | <u>1,118,605</u> |
| Net Assets - End of year | | <u>\$ 110,761</u> | <u>\$ 1,131,414</u> | <u>\$ 1,242,175</u> |

Note I - Summary of Significant Accounting Policies

The accounting policies of the City of Charlotte, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Charlotte, Michigan:

Reporting Entity

The City of Charlotte, Michigan is governed by an elected seven-member council and 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 that is appointed by the City Council. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's public buildings.

Discretely Presented Component Units - The following component units are reported within the component units column in the statement of net assets. They are reported in a separate column to emphasize that they are legally separate from the City. More detailed information on each component unit is disclosed in the component units statement of net assets.

The Downtown Development Authority (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.

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.

Note I - Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, fiduciary fund, and component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as 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.

Note I - Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, and interest associated with the current fiscal period. Conversely, receivables have been recorded for special assessments which will be collected after the period of availability along with a "deferred revenue" liability.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Noncurrent receivables, such as special assessments, are recorded at full value, and deferred revenue is recorded for the portion not available for use to finance operations as of year end. Interest income on special assessments receivable is not accrued until its due date.

Property Tax Revenue

Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on September 1, at which time penalties and interest are assessed.

The City's 2007 tax is levied and collectible on July 1, 2008 and is recognized as revenue in the year ended June 30, 2009, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2008 taxable valuation of the City of Charlotte, Michigan totaled \$227,609,491 (a portion of which is captured by the LDFA and DDA), on which taxes levied consisted of 13.4346 mills for operating purposes and .7500 mills for debt service and resulted in \$3,057,842 and \$170,707 for operating and debt service purposes, respectively. These amounts are recognized in the General Fund and Debt Service Fund financial statements, respectively, as tax revenue.

Note I - Summary of Significant Accounting Policies (Continued)

The City reports the following major governmental funds:

General 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.

Major Street Fund - This fund is used to control the expenditure of motor fuel taxes and trunkline maintenance funds, which are earmarked by law and the state constitution for major street and highway purposes.

Building Fund - This fund is used to account for the construction of the West Side Fire Station.

The City reports the following major proprietary 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.

Additionally, the City reports the following fund types:

Internal Service Fund - The Internal Service Fund accounts for major machinery and equipment purchases and maintenance provided to other departments of the City on a cost reimbursement basis.

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

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City.

Note I - Summary of Significant Accounting Policies (Continued)

Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to first apply restricted resources.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's proprietary funds relates to charges to customers for sales and services. The Water Supply and Sewage Disposal Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary 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.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits 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 the Water and Sewer Funds 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 an allowance for uncollectible amounts.

Note I - Summary of Significant Accounting Policies (Continued)

Inventories and Prepaid Costs - 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's 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. The amount of the unspent bond proceeds has been classified as a restricted asset for the construction of the West Side Fire Station.

Capital Assets - Capital assets, which include property, plant, equipment, 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:

| | |
|---------------------------------------|-----------------|
| Infrastructure | 25 to 50 years |
| Water and sewer buildings and systems | 10 to 100 years |
| Buildings and building improvements | 25 to 50 years |
| Vehicles | 3 years |
| Equipment | 5 to 10 years |

Note I - Summary of Significant Accounting Policies (Continued)

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.

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 assets. Bond premiums and discounts, as well as issuance costs, 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 reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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.

Comparative Data/Reclassifications - Comparative data is not included in the City's financial statements.

Note 1 - Summary of Significant Accounting Policies (Continued)

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved will be replaced with five new classifications: nonspendable, restricted, committed, assigned, and unassigned. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The City will implement Statement No. 54 beginning with the fiscal year ending June 30, 2011.

In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, effective for the City's 2010 fiscal year end. This statement requires capitalization of identifiable intangible assets in the statement of net assets and provides guidance for amortization of intangible assets unless they are considered to have an indefinite useful life. This statement also establishes specified conditions upon which internally generated intangible assets should be recognized and amortized, including internally generated computer software. The City is currently evaluating the impact this standard will have on the financial statements when adopted.

Note 2 - Stewardship, Compliance, and Accountability

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 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 activity 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.

Note 2 - Stewardship, Compliance, and Accountability (Continued)

A comparison of the budget with statements of actual revenues 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.

Excess of Expenditures Over Appropriations in Budgeted Funds - The City had no significant expenditures over the appropriated budget amount.

The nonmajor Special Revenue Grants Fund had an unreserved fund deficit at June 30, 2009 of \$116,436. This deficit relates to the timing of the receipt of grant revenue.

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. A 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 five 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 \$2,118,940 of bank deposits (certificates of deposit, 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.

City of Charlotte, Michigan

Notes to Financial Statements June 30, 2009

Note 3 - Deposits and Investments (Continued)

The component units' deposits had a bank balance of \$1,267,407, of which \$249,615 was covered by federal depository insurance and \$1,017,792 was uninsured and uncollateralized.

Credit Risk

As of year end, the City had \$678,915 invested in bank investment pools with a rating of AAA by Standard and Poor's and an average maturity of 59 days. The City's investment policy does not limit credit risk beyond that imposed by state law.

Note 4 - Receivables

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

| | General Fund | Major Street Fund | Water and Sewer Fund | Nonmajor Funds | Total |
|---------------------|-------------------|----------------------|-------------------------|-------------------|---------------------|
| Receivables: | | | | | |
| Intergovernmental | \$ 257,007 | \$ 55,560 | \$ - | \$ 138,381 | \$ 450,948 |
| Special assessments | - | 1,474 | - | 102,841 | 104,315 |
| Accounts | 175,504 | 1,077 | 477,269 | - | 653,850 |
| Interest and other | 1,647 | 493 | 337 | 661 | 3,138 |
| Net receivables | <u>\$ 434,158</u> | <u>\$ 58,604</u> | <u>\$ 477,606</u> | <u>\$ 241,883</u> | <u>\$ 1,212,251</u> |

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

| | |
|----------------------|--------------------|
| | <u>Unavailable</u> |
| Special assessment | \$ 104,315 |
| State-shared revenue | 134,314 |
| Grant revenue | <u>116,436</u> |
| Total | <u>\$ 355,065</u> |

Note 5 - Capital Assets

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

| | Balance July 1, 2008 | Additions | Disposals and Adjustments | Balance June 30, 2009 |
|----------------------------------------------------------|-------------------------|---------------------|------------------------------|--------------------------|
| Governmental Activities | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,926,376 | \$ - | \$ - | \$ 1,926,376 |
| Construction in progress | <u>1,316,803</u> | <u>-</u> | <u>1,281,965</u> | <u>34,838</u> |
| Subtotal | 3,243,179 | - | 1,281,965 | 1,961,214 |
| Capital assets being depreciated: | | | | |
| Infrastructure | 23,597,300 | 1,765,883 | - | 25,363,183 |
| Buildings and improvements | 2,747,990 | 2,876,578 | - | 5,624,568 |
| Vehicles | 2,190,228 | 132,003 | 204,602 | 2,117,629 |
| Equipment | <u>2,688,254</u> | <u>104,841</u> | <u>52,714</u> | <u>2,740,381</u> |
| Subtotal | 31,223,772 | 4,879,305 | 257,316 | 35,845,761 |
| Accumulated depreciation: | | | | |
| Infrastructure | 10,470,841 | 928,214 | - | 11,399,055 |
| Buildings and improvements | 1,433,527 | 84,850 | - | 1,518,377 |
| Vehicles | 1,419,897 | 122,663 | 204,602 | 1,337,958 |
| Equipment | <u>2,005,520</u> | <u>126,521</u> | <u>52,714</u> | <u>2,079,327</u> |
| Subtotal | <u>15,329,785</u> | <u>1,262,248</u> | <u>257,316</u> | <u>16,334,717</u> |
| Net capital assets being depreciated | <u>15,893,987</u> | <u>3,617,057</u> | <u>-</u> | <u>19,511,044</u> |
| Net capital assets | <u>\$ 19,137,166</u> | <u>\$ 3,617,057</u> | <u>\$ 1,281,965</u> | <u>\$ 21,472,258</u> |
| Business-type Activities | | | | |
| Capital assets not being depreciated - | | | | |
| Land | \$ 104,995 | \$ - | \$ - | \$ 104,995 |
| Capital assets being depreciated - Buildings and systems | 26,811,410 | 242,753 | 10,879 | 27,043,284 |
| Accumulated depreciation - Buildings and systems | <u>10,039,023</u> | <u>621,126</u> | <u>10,879</u> | <u>10,649,270</u> |
| Net capital assets being depreciated | <u>16,772,387</u> | <u>(378,373)</u> | <u>-</u> | <u>16,394,014</u> |
| Net capital assets | <u>\$ 16,877,382</u> | <u>\$ (378,373)</u> | <u>\$ -</u> | <u>\$ 16,499,009</u> |

City of Charlotte, Michigan

Notes to Financial Statements June 30, 2009

Note 5 - Capital Assets (Continued)

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

Governmental activities:

| | |
|----------------------------------------------------------------------------------------------------------|----------------|
| General government | \$ 55,853 |
| Public safety | 104,866 |
| Public works | 893,222 |
| Community and economic development | 1,294 |
| Recreation and culture | 84,350 |
| Internal Service Fund depreciation is charged to the various functions based on their usage of the asset | <u>122,663</u> |

| | |
|-------------------------------|----------------------------|
| Total governmental activities | <u><u>\$ 1,262,248</u></u> |
|-------------------------------|----------------------------|

Business-type activities:

| | |
|-------|----------------|
| Water | \$ 133,913 |
| Sewer | <u>487,213</u> |

| | |
|--------------------------------|--------------------------|
| Total business-type activities | <u><u>\$ 621,126</u></u> |
|--------------------------------|--------------------------|

Note 6 - Interfund Transfers

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

| Fund Providing Resources | Fund Receiving Resources | Amount |
|---------------------------------------|--------------------------------|--------------------------|
| General Fund | Major Street Fund | \$ 32,000 |
| | Nonmajor Special Revenue Funds | 56,800 |
| | Nonmajor Debt Service Funds | <u>48,237</u> |
| | Total General Fund | 137,037 |
| Major Street Fund | Nonmajor Debt Service Fund | 42,651 |
| Nonmajor Special Revenue Fund | Nonmajor Debt Service Fund | <u>28,434</u> |
| | Total governmental activities | 208,122 |
| Water Supply and Sewage Disposal Fund | Nonmajor Debt Service Fund | <u>23,758</u> |
| | Total interfund transfers | <u><u>\$ 231,880</u></u> |

City of Charlotte, Michigan

Notes to Financial Statements June 30, 2009

Note 6 - Interfund Transfers (Continued)

The transfers from the General Fund to the Major Street and nonmajor Special Revenue Funds represent the use of unrestricted resources to finance those programs, in accordance with budgetary authorizations; the transfers from the Major Streets Fund and nonmajor Special Revenue Fund to the nonmajor Debt Service Fund represent the movement of resources to be used to service major streets and nonmajor Special Revenue Fund debt, respectively; the transfers from the General Fund and Water and Sewer 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 of Charlotte, Michigan 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.

Long-term obligation activity can be summarized as follows:

| | Interest Rate Ranges | Maturing Through | Beginning Balance, as restated | Additions | Reductions | Ending Balance | Due Within One Year |
|----------------------------------------------------------------------------------------------------------------------|----------------------------|---------------------|--------------------------------------|-------------------|-------------------|---------------------|------------------------|
| Governmental Activities | | | | | | | |
| General obligation bonds: | | | | | | | |
| Building Authority Bonds - Series 2001 (Limited Tax General Obligation) Bonds | 4.5% - 5.1% | 2016 | \$ 455,000 | \$ - | \$ 50,000 | \$ 405,000 | \$ 50,000 |
| Michigan Transportation Fund Bonds - Series 2001 (Limited Tax General Obligation) Bonds | 4.7% - 5.3% | 2017 | 535,000 | - | 45,000 | 490,000 | 50,000 |
| 2008 Facility Building and Site Bonds (Unlimited Tax General Obligation) | 4.125% - 4.25% | 2032 | 3,000,000 | - | 20,000 | 2,980,000 | 55,000 |
| Economic Development Agreement | | 2017 | 147,456 | - | 17,874 | 129,582 | 17,874 |
| Other long-term obligations: | | | | | | | |
| Pollution remediation | | | 560,000 | - | - | 560,000 | - |
| Compensated absences | | | 317,160 | 190,800 | 166,756 | 341,204 | 145,509 |
| Total governmental activities | | | <u>\$ 5,014,616</u> | <u>\$ 190,800</u> | <u>\$ 299,630</u> | <u>\$ 4,905,786</u> | <u>\$ 318,383</u> |
| Business-type Activities | | | | | | | |
| County Bond Obligations - County of Eaton 1996 Water and Sewer Bonds | 4.375% | 2011 | \$ 610,000 | \$ - | \$ 200,000 | \$ 410,000 | \$ 205,000 |
| Revenue bonds: | | | | | | | |
| 1999 Revenue Bonds - Water Supply and Sewage Disposal System | 5.2% | 2009 | 265,000 | - | 265,000 | - | - |
| 2005 Revenue Refunding Bonds - Water Supply and Sewage Disposal System - Net of loss on refunding of \$404,406 | 3.5% - 4.25% | 2024 | 6,016,879 | - | 16,285 | 6,000,594 | 325,000 |
| Other long-term obligations - | | | | | | | |
| Compensated absences | | | 149,104 | 76,660 | 79,586 | 146,178 | 64,498 |
| Total business-type activities | | | <u>\$ 7,040,983</u> | <u>\$ 76,660</u> | <u>\$ 560,871</u> | <u>\$ 6,556,772</u> | <u>\$ 594,498</u> |

Note 7 - Long-term Debt (Continued)

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

| | Governmental Activities | | | Business-type Activities | | |
|---------------------------------------|-------------------------|---------------------|---------------------|--------------------------|---------------------|---------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2010 | \$ 172,874 | \$ 167,445 | \$ 340,319 | \$ 530,000 | \$ 272,198 | \$ 802,198 |
| 2011 | 187,874 | 160,431 | 348,305 | 540,000 | 251,856 | 791,856 |
| 2012 | 202,874 | 152,783 | 355,657 | 350,000 | 231,160 | 581,160 |
| 2013 | 222,874 | 144,258 | 367,132 | 360,000 | 218,910 | 578,910 |
| 2014 | 227,874 | 134,841 | 362,715 | 375,000 | 206,310 | 581,310 |
| 2015-2019 | 905,212 | 531,085 | 1,436,297 | 2,105,000 | 794,550 | 2,899,550 |
| 2020-2024 | 655,000 | 385,468 | 1,040,468 | 2,555,000 | 194,494 | 2,749,494 |
| 2025-2029 | 830,000 | 235,926 | 1,065,926 | - | - | - |
| 2030-2032 | 600,000 | 51,850 | 651,850 | - | - | - |
| Total | 4,004,582 | 1,964,087 | 5,968,669 | 6,815,000 | 2,169,478 | 8,984,478 |
| Less unamortized loss on refunding | - | - | - | (404,406) | - | (404,406) |
| Total bonds payable | <u>\$ 4,004,582</u> | <u>\$ 1,964,087</u> | <u>\$ 5,968,669</u> | <u>\$ 6,410,594</u> | <u>\$ 2,169,478</u> | <u>\$ 8,580,072</u> |

Future Revenues 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 revenues of the water and sewer system. The remaining principal and interest to be paid on the bonds total \$6,000,594. During the current year, net revenues of the system were \$2,692,681 compared to the annual debt requirements of \$579,390.

Note 8 - Restricted Assets

The balances of the restricted asset accounts are as follows:

| | Governmental Activities | Business-type Activities |
|-----------------------------------|-----------------------------|-----------------------------|
| | <u> </u> | <u> </u> |
| Operation and Maintenance Fund | \$ - | \$ 254,645 |
| Bond and Interest Redemption Fund | 2,360 | 48,272 |
| Bond reserve account | - | 581,310 |
| Unspent bond proceeds | <u>112,738</u> | <u>-</u> |
| Total restricted assets | <u>\$ 115,098</u> | <u>\$ 884,227</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.

Unspent Bond Proceeds - The cash received from the issuance of the 2008 Facility Building and Site Bonds is required to be spent solely on expenditures related to projects covered under the bond agreement.

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 error 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 - Defined Benefit Pension Plan

Plan Description - The City participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees. The MERS 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. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the MERS. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy - The obligation to contribute to and maintain the MERS for these employees was established by negotiation with the City's competitive bargaining units and requires a contribution from the employees of 0.0 percent to 10.03 percent of gross wages for the various groups.

Annual Pension Cost - For the year ended June 30, 2009, the City's annual pension cost of \$353,438 for the plan was equal to the City's required and actual contributions.

Actuarial Methods and Assumptions - In the December 31, 2006 actuarial valuation (the most recent actuarial valuation), the entry actual age cost method was used. Significant actuarial assumptions used include (a) an 8.0 percent investment rate of return, (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation, (c) additional projected salary increases of 0.0 percent to 8.40 percent per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will increase 2.5 percent per year after retirement, for persons selecting certain benefit options. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period.

The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 28 years.

| | Fiscal Year Ended June 30 | | |
|---------------------------------------|---------------------------|------------|---------|
| | 2007 | 2008 | 2009 |
| General Employees' Retirement System: | | | |
| Annual pension costs (APC) | \$ 296,717 | \$ 341,610 | 353,438 |
| Percentage of APC contributed | 100% | 100% | 100% |
| Net pension obligation | - | - | - |

Note 10 - Defined Benefit Pension Plan (Continued)

| | Actuarial Valuation as of December 31 | | |
|-----------------------------------------|---------------------------------------|---------------|---------------|
| | 2006 | 2007 | 2008 |
| Actuarial value of assets | \$ 11,297,810 | \$ 11,935,577 | \$ 12,157,694 |
| Actuarial accrued liability - Entry age | \$ 14,521,558 | \$ 15,255,703 | \$ 16,351,826 |
| Unfunded AAL (UAAL) | \$ 3,223,748 | \$ 3,320,126 | \$ 4,194,132 |
| Funded ratio | 78% | 78% | 74% |
| Covered payroll | \$ 2,518,893 | \$ 2,534,176 | \$ 2,747,012 |
| UAAL as a percentage of covered payroll | 128% | 131% | 153% |

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 (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 MERS, the City contributes 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 \$2,801,769. The current year contribution was calculated based on covered payroll of \$160,154, resulting in an employer contribution of \$22,230 and employee contributions of \$0.

Note 12 - Construction Code Fees

The City oversees building construction, in accordance with the State's Construction Code Act, including inspections 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 the construction code costs, including an allocation of estimated overhead costs.

City of Charlotte, Michigan

Notes to Financial Statements June 30, 2009

Note 12 - Construction Code Fees (Continued)

A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

| | |
|--------------------------------------|---------------------|
| Cumulative shortfall - June 30, 2008 | \$ (750,799) |
| Current year building permit revenue | 62,715 |
| Related expenses | <u>(183,714)</u> |
| Cumulative shortfall - June 30, 2009 | <u>\$ (871,798)</u> |

Note 13 - Other Postemployment Benefits

The City has elected to provide postemployment health benefits to certain retirees and their beneficiaries. The City pays the full cost of coverage for these benefits. Also, retirees can purchase coverage for their dependents at the City's group rates. Currently, 13 retirees are eligible for postemployment health benefits. For the fiscal year ended June 30, 2009, the City made payments for postemployment health benefits of \$117,864. The City obtains healthcare coverage through private insurers.

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the year beginning July 1, 2009.

Note 14 - Lincoln Park Litigation

The City purchased a parcel of property that was previously classified as a contaminated site by the State of Michigan. The Michigan Department of Environmental Quality (MDEQ) incurred approximately \$1.2 million in clean-up costs. The State is pursuing reimbursement from the property's previous owners who were responsible for the contamination. If the State is not successful in obtaining reimbursement from the property's previous owners, the courts have previously issued a legal opinion determining that the City could be held liable under an indemnification clause and be responsible for the extent of damages asserted by the State against the previous owner. The City has adopted Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, effective for the fiscal year ended June 30, 2009. The City has calculated and recorded the potential remediation liability of \$560,000 retrospectively for the fiscal year ended June 30, 2009 as if it were incurred as of June 30, 2008. The liability was calculated using the expected cash flow technique method with assumptions of the probabilities and ranges of payment amounts provided by the City attorney. The potential for changes in the estimated liability due to fluctuations in applicable laws is expected to be minimal.

Required Supplemental Information

City of Charlotte, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2009

| | Original Budget (Activity Level) | Amended Budget (Activity Level) | Actual | Variance with Amended Budget - Favorable (Unfavorable) |
|-----------------------------------------------|----------------------------------------|---------------------------------------|----------------------------|--------------------------------------------------------------------|
| Fund Balance - Beginning of year | \$ 1,731,329 | \$ 1,731,329 | \$ 1,731,329 | \$ - |
| Resources (Inflows) | | | | |
| Property taxes | 3,191,900 | 3,228,900 | 3,234,421 | 5,521 |
| Licenses and permits | 60,650 | 82,650 | 71,916 | (10,734) |
| Intergovernmental | 890,200 | 890,200 | 924,291 | 34,091 |
| Charges for services | 245,000 | 286,000 | 302,187 | 16,187 |
| Fines and forfeitures | 31,000 | 31,000 | 36,438 | 5,438 |
| Other | 261,850 | 261,850 | 442,178 | 180,328 |
| Total resources (inflows) | 4,680,600 | 4,780,600 | 5,011,431 | 230,831 |
| Charges to Appropriations (Outflows) | | | | |
| General government | 619,652 | 664,229 | 628,027 | 36,202 |
| Public safety | 2,880,463 | 2,935,463 | 2,862,052 | 73,411 |
| Public works | 751,191 | 751,191 | 696,746 | 54,445 |
| Recreation and culture | 254,818 | 254,818 | 193,571 | 61,247 |
| Community and economic development | 101,057 | 108,365 | 105,961 | 2,404 |
| Transfers to other funds | 137,037 | 137,037 | 137,037 | - |
| Total charges to appropriations (outflows) | 4,744,218 | 4,851,103 | 4,623,394 | 227,709 |
| Fund Balance - End of year | <u>\$ 1,667,711</u> | <u>\$ 1,660,826</u> | <u>\$ 2,119,366</u> | <u>\$ 458,540</u> |

City of Charlotte, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Street Fund Year Ended June 30, 2009

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget - Favorable (Unfavorable) |
|-----------------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------------------------------------------------|
| Fund Balance - Beginning of year | \$ 608,775 | \$ 608,775 | \$ 608,775 | \$ - |
| Resources (Inflows) | | | | |
| State sources | 2,397,000 | 2,397,000 | 1,864,948 | (532,052) |
| Special assessments | 1,500 | 1,500 | 2,527 | 1,027 |
| Other | 12,700 | 12,700 | 22,654 | 9,954 |
| Transfer from other funds | <u>32,000</u> | <u>32,000</u> | <u>32,000</u> | <u>-</u> |
| Total resources (inflows) | 2,443,200 | 2,443,200 | 1,922,129 | (521,071) |
| Charges to Appropriations (Outflows) - | | | | |
| Public works | | | | |
| Street maintenance | 2,671,282 | 2,692,803 | 1,886,000 | 806,803 |
| Transfers to other funds | <u>132,651</u> | <u>132,651</u> | <u>42,651</u> | <u>90,000</u> |
| Total charges to appropriations (outflows) | <u>2,803,933</u> | <u>2,825,454</u> | <u>1,928,651</u> | <u>896,803</u> |
| Fund Balance - End of year | <u>\$ 248,042</u> | <u>\$ 226,521</u> | <u>\$ 602,253</u> | <u>\$ 375,732</u> |

Other Supplemental Information

Nonmajor Governmental Funds

Local Street 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.

Grant Fund - This fund is used to control the expenditure of federal grant monies, which are earmarked for job training within the community.

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 | Grant |
| Assets | | | | | |
| Cash and investments | \$ 292,170 | \$ 173,638 | \$ 22,620 | \$ 8,466 | \$ - |
| Receivables - Net | 125,033 | 148 | - | 7 | 116,436 |
| Prepaid costs and other assets | 1,239 | 413 | - | - | - |
| Restricted assets - Cash and investments | - | - | - | - | - |
| Total assets | <u>\$ 418,442</u> | <u>\$ 174,199</u> | <u>\$ 22,620</u> | <u>\$ 8,473</u> | <u>\$ 116,436</u> |
| Liabilities and Fund Balances (Deficit) | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ 2,054 | \$ 95 | \$ 265 | \$ - | \$ 116,436 |
| Accrued and other liabilities | 2,849 | 1,676 | - | - | - |
| Deferred revenue | 102,841 | - | - | - | 116,436 |
| Total liabilities | 107,744 | 1,771 | 265 | - | 232,872 |
| Fund Balances (Deficit) | | | | | |
| Reserved: | | | | | |
| Debt service | - | - | - | - | - |
| Law enforcement | - | - | 22,355 | 8,473 | - |
| Prepaid expenses | 1,239 | 413 | - | - | - |
| Unreserved - Special revenue | 309,459 | 172,015 | - | - | (116,436) |
| Total fund balances (deficit) | <u>310,698</u> | <u>172,428</u> | <u>22,355</u> | <u>8,473</u> | <u>(116,436)</u> |
| Total liabilities and fund balances (deficit) | <u>\$ 418,442</u> | <u>\$ 174,199</u> | <u>\$ 22,620</u> | <u>\$ 8,473</u> | <u>\$ 116,436</u> |

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009**

| Debt Service Funds | | | |
|-------------------------------|------------------------------------|---------------------------|-----------------------------------------|
| Building Authority Bond | Michigan Transportation Bond | Facility Building Bond | Total Nonmajor Governmental Funds |
| \$ - | \$ - | \$ 38,626 | \$ 535,520 |
| - | - | - | 241,624 |
| - | - | - | 1,652 |
| <u>2,277</u> | <u>83</u> | <u>-</u> | <u>2,360</u> |
| <u>\$ 2,277</u> | <u>\$ 83</u> | <u>\$ 38,626</u> | <u>\$ 781,156</u> |
| | | | |
| \$ - | \$ - | \$ - | \$ 118,850 |
| - | - | - | 4,525 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>219,277</u> |
| - | - | - | 342,652 |
| 2,277 | 83 | 38,626 | 40,986 |
| - | - | - | 30,828 |
| - | - | - | 1,652 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>365,038</u> |
| <u>2,277</u> | <u>83</u> | <u>38,626</u> | <u>438,504</u> |
| <u>\$ 2,277</u> | <u>\$ 83</u> | <u>\$ 38,626</u> | <u>\$ 781,156</u> |

City of Charlotte, Michigan

| | Special Revenue Funds | | | | |
|----------------------------------------------------|-----------------------|-------------------|------------------|------------------|---------------------|
| | Local Street | Industrial Park | Police Training | Drug Enforcement | Grants |
| Revenue | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| State sources | 135,892 | - | 3,817 | - | 66,947 |
| Special assessments | 17,366 | - | - | - | - |
| Other | 11,138 | 3,166 | - | 196 | 311 |
| Total revenue | 164,396 | 3,166 | 3,817 | 196 | 67,258 |
| Expenditures | | | | | |
| Current: | | | | | |
| Public safety | - | - | 4,364 | - | - |
| Public works | 265,324 | - | - | - | - |
| Community and economic development | - | 45,976 | - | - | 163,771 |
| Debt service: | | | | | |
| Principal retirement | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - |
| Total expenditures | 265,324 | 45,976 | 4,364 | - | 163,771 |
| Excess of Revenue Over (Under) Expenditures | (100,928) | (42,810) | (547) | 196 | (96,513) |
| Other Financing Sources (Uses) | | | | | |
| Transfers in | 52,800 | - | 4,000 | - | - |
| Transfers out | (28,434) | - | - | - | - |
| Total other financing sources | 24,366 | - | 4,000 | - | - |
| Net Changes in Fund Balances | (76,562) | (42,810) | 3,453 | 196 | (96,513) |
| Fund Balances (Deficit) - Beginning of year | 387,260 | 215,238 | 18,902 | 8,277 | (19,923) |
| Fund Balances (Deficit) - End of year | \$ 310,698 | \$ 172,428 | \$ 22,355 | \$ 8,473 | \$ (116,436) |

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances (Deficit) - Nonmajor Governmental Funds
Year Ended June 30, 2009

| Debt Service Funds | | | |
|-------------------------------|------------------------------------|---------------------------|-----------------------------------------|
| Building Authority Bond | Michigan Transportation Bond | Facility Building Bond | Total Nonmajor Governmental Funds |
| \$ - | \$ - | \$ 168,090 | \$ 168,090 |
| - | - | - | 206,656 |
| - | - | - | 17,366 |
| - | - | - | 14,811 |
| - | - | 168,090 | 406,923 |
| - | - | - | 4,364 |
| - | - | - | 265,324 |
| 275 | 275 | 1,000 | 211,297 |
| 50,000 | 45,000 | 20,000 | 115,000 |
| 21,720 | 25,810 | 108,464 | 155,994 |
| 71,995 | 71,085 | 129,464 | 751,979 |
| (71,995) | (71,085) | 38,626 | (345,056) |
| 71,995 | 71,085 | - | 199,880 |
| - | - | - | (28,434) |
| 71,995 | 71,085 | - | 171,446 |
| - | - | 38,626 | (173,610) |
| 2,277 | 83 | - | 612,114 |
| <u>\$ 2,277</u> | <u>\$ 83</u> | <u>\$ 38,626</u> | <u>\$ 438,504</u> |

City of Charlotte, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Local Street Fund Year Ended June 30, 2009

| | <u>Original</u> | <u>Amended</u> | <u>Actual</u> | <u>Variance with Amended Budget - Favorable (Unfavorable)</u> |
|-----------------------------------------------|--------------------------|--------------------------|--------------------------|-------------------------------------------------------------------------------|
| | <u>Budget</u> | <u>Budget</u> | <u>Budget</u> | |
| Fund Balance - Beginning of year | \$ 387,260 | \$ 387,260 | \$ 387,260 | \$ - |
| Resources (Inflows) | | | | |
| State sources | 144,000 | 144,000 | 135,892 | (8,108) |
| Special assessments | 16,000 | 16,000 | 17,366 | 1,366 |
| Other | 19,500 | 19,500 | 11,138 | (8,362) |
| Transfer from other funds | <u>142,800</u> | <u>142,800</u> | <u>52,800</u> | <u>(90,000)</u> |
| Total resources (inflows) | 322,300 | 322,300 | 217,196 | (105,104) |
| Charges to Appropriations (Outflows) - | | | | |
| Public works | | | | |
| Street maintenance | 239,349 | 279,349 | 265,324 | 14,025 |
| Transfers to other funds | <u>28,434</u> | <u>28,434</u> | <u>28,434</u> | <u>-</u> |
| Total charges to appropriations (outflows) | <u>267,783</u> | <u>307,783</u> | <u>293,758</u> | <u>14,025</u> |
| Fund Balance - End of year | <u>\$ 441,777</u> | <u>\$ 401,777</u> | <u>\$ 310,698</u> | <u>\$ (91,079)</u> |

City of Charlotte, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Industrial Park Fund Year Ended June 30, 2009

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget - Favorable (Unfavorable) |
|-------------------------------------------------------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------------------------------------------------|
| Fund Balance - Beginning of year | \$ 215,238 | \$ 215,238 | \$ 215,238 | \$ - |
| Resources (Inflows) - Other | 4,500 | 4,500 | 3,166 | (1,334) |
| Charges to Appropriations (Outflows) - Community and economic development | <u>55,857</u> | <u>55,857</u> | <u>45,976</u> | <u>9,881</u> |
| Fund Balance - End of year | <u>\$ 163,881</u> | <u>\$ 163,881</u> | <u>\$ 172,428</u> | <u>\$ 8,547</u> |

City of Charlotte, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Police Training Fund Year Ended June 30, 2009

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget - Favorable (Unfavorable) |
|-----------------------------------------------|-------------------------|-------------------------|-------------------------|--------------------------------------------------------------------|
| Fund Balance - Beginning of year | \$ 18,902 | \$ 18,902 | \$ 18,902 | \$ - |
| Resources (Inflows) | | | | |
| State sources | 4,000 | 4,000 | 3,817 | (183) |
| Transfer from other funds | <u>4,000</u> | <u>4,000</u> | <u>4,000</u> | <u>-</u> |
| Total resources (inflows) | 8,000 | 8,000 | 7,817 | (183) |
| Charges to Appropriations (Outflows) - | | | | |
| Public safety - Police | <u>8,000</u> | <u>8,000</u> | <u>4,364</u> | <u>3,636</u> |
| Fund Balance - End of year | <u><u>\$ 18,902</u></u> | <u><u>\$ 18,902</u></u> | <u><u>\$ 22,355</u></u> | <u><u>\$ 3,453</u></u> |

City of Charlotte, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Drug Enforcement Fund Year Ended June 30, 2009

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget - Favorable (Unfavorable) |
|-----------------------------------------------|--------------------|-------------------|-----------------|--------------------------------------------------------------------|
| Fund Balance - Beginning of year | \$ 8,277 | \$ 8,277 | \$ 8,277 | \$ - |
| Resources (Inflows) | | | | |
| Interest income | 200 | 200 | 151 | (49) |
| Other | 1,500 | 1,500 | 45 | (1,455) |
| Total resources (inflows) | 1,700 | 1,700 | 196 | (1,504) |
| Charges to Appropriations (Outflows) - | | | | |
| Public safety - Police | 2,000 | 2,000 | - | 2,000 |
| Fund Balance - End of year | \$ 7,977 | \$ 7,977 | \$ 8,473 | \$ 496 |

City of Charlotte, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Grant Fund Year Ended June 30, 2009

| | <u>Original Budget</u> | <u>Amended Budget</u> | <u>Actual</u> | <u>Variance with Amended Budget - Favorable (Unfavorable)</u> |
|-----------------------------------------------|----------------------------|---------------------------|----------------------------|-------------------------------------------------------------------------------|
| Fund Deficit - Beginning of year | \$ (19,923) | \$ (19,923) | \$ (19,923) | \$ - |
| Resources (Inflows) | | | | |
| Federal sources | 200,000 | 200,000 | - | (200,000) |
| State sources | 400,000 | 400,000 | 66,947 | (333,053) |
| Other | <u>-</u> | <u>-</u> | <u>311</u> | <u>311</u> |
| Total resources (inflows) | 600,000 | 600,000 | 67,258 | (532,742) |
| Charges to Appropriations (Outflows) - | | | | |
| Community and economic development | <u>200,000</u> | <u>200,310</u> | <u>163,771</u> | <u>36,539</u> |
| Fund Balance (Deficit) - End of year | <u>\$ 380,077</u> | <u>\$ 379,767</u> | <u>\$ (116,436)</u> | <u>\$ (496,203)</u> |

City of Charlotte, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Building Authority Bond Fund Year Ended June 30, 2009

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget - Favorable (Unfavorable) |
|-----------------------------------------------------------|------------------------|------------------------|------------------------|--------------------------------------------------------------------|
| Fund Balance - Beginning of year | \$ 2,277 | \$ 2,277 | \$ 2,277 | \$ - |
| Resources (Inflows) - Transfer from other funds | 71,995 | 71,995 | 71,995 | - |
| Charges to Appropriations (Outflows) - | | | | |
| Debt service | | | | |
| Principal | 50,000 | 50,000 | 50,000 | - |
| Interest | 21,720 | 21,720 | 21,720 | - |
| Other | 275 | 275 | 275 | - |
| Total charges to appropriations (outflows) | <u>71,995</u> | <u>71,995</u> | <u>71,995</u> | <u>-</u> |
| Fund Balance - End of year | <u><u>\$ 2,277</u></u> | <u><u>\$ 2,277</u></u> | <u><u>\$ 2,277</u></u> | <u><u>\$ -</u></u> |

City of Charlotte, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Michigan Transportation Bond Fund Year Ended June 30, 2009

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget - Favorable (Unfavorable) |
|-----------------------------------------------------------|--------------------|-------------------|--------------|--------------------------------------------------------------------|
| Fund Balance - Beginning of year | \$ 83 | \$ 83 | \$ 83 | \$ - |
| Resources (Inflows) - Transfer from other funds | 71,085 | 71,085 | 71,085 | - |
| Charges to Appropriations (Outflows) - | | | | |
| Debt service | | | | |
| Principal | 45,000 | 45,000 | 45,000 | - |
| Interest | 25,810 | 25,810 | 25,810 | - |
| Other | 275 | 275 | 275 | - |
| Total charges to appropriations (outflows) | 71,085 | 71,085 | 71,085 | - |
| Fund Balance - End of year | <u>\$ 83</u> | <u>\$ 83</u> | <u>\$ 83</u> | <u>\$ -</u> |

City of Charlotte, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Facility Building Bond Fund Year Ended June 30, 2009

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget - Favorable (Unfavorable) |
|-----------------------------------------------------------|-----------------|-------------------|------------------|--------------------------------------------------------------------|
| Fund Balance - Beginning of year | \$ - | \$ - | \$ - | \$ - |
| Resources (Inflows) - Property taxes | - | 129,465 | 168,090 | 38,625 |
| Charges to Appropriations (Outflows) - | | | | |
| Debt service | | | | |
| Principal | - | 20,000 | 20,000 | - |
| Interest | - | 108,465 | 108,464 | 1 |
| Other | - | 1,000 | 1,000 | - |
| Total charges to appropriations (outflows) | <u>-</u> | <u>129,465</u> | <u>129,464</u> | <u>1</u> |
| Fund Balance - End of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 38,626</u> | <u>\$ 38,626</u> |

City of Charlotte, Michigan

Other Supplemental Information Statement of Changes in Assets and Liabilities Agency Funds Year Ended June 30, 2009

| | Balance July 1, 2008 | Additions | Deductions | Balance June 30, 2009 |
|------------------------------------|--------------------------|-----------------------------|-----------------------------|--------------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 106,697 | \$ 10,851,123 | \$ 10,952,820 | \$ 5,000 |
| Due from other funds | - | 10,400 | - | 10,400 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total assets | <u>\$ 106,697</u> | <u>\$ 10,861,523</u> | <u>\$ 10,952,820</u> | <u>\$ 15,400</u> |
| Liabilities | | | | |
| Due to other funds | \$ 5,000 | \$ - | \$ - | \$ 5,000 |
| Escrow withholding | - | 10,400 | - | 10,400 |
| Due to other governmental units | 101,697 | 11,054,693 | 11,156,390 | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities | <u>\$ 106,697</u> | <u>\$ 11,065,093</u> | <u>\$ 11,156,390</u> | <u>\$ 15,400</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 Assets by Component Last Six Fiscal Years

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|-----------------------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Governmental Activities | | | | | | |
| Invested in capital assets - Net of related debt | \$ 18,452,965 | \$ 17,874,974 | \$ 17,277,656 | \$ 16,888,466 | \$ 17,429,185 | \$ 17,712,356 |
| Restricted | 824,648 | 978,085 | 1,258,245 | 1,078,074 | 1,025,574 | 1,089,080 |
| Unrestricted | <u>1,596,273</u> | <u>1,756,948</u> | <u>1,570,373</u> | <u>1,785,177</u> | <u>1,562,327</u> | <u>1,647,707</u> |
| Total net assets | <u>\$ 20,873,886</u> | <u>\$ 20,610,007</u> | <u>\$ 20,106,274</u> | <u>\$ 19,751,717</u> | <u>\$ 20,017,086</u> | <u>\$ 20,449,143</u> |
| Business-type Activities | | | | | | |
| Invested in capital assets - Net of related debt | \$ 9,365,591 | \$ 9,533,904 | \$ 9,534,564 | \$ 9,926,516 | \$ 9,985,503 | \$ 9,942,237 |
| Restricted | 918,355 | 865,171 | 840,427 | 846,350 | 905,755 | 884,227 |
| Unrestricted | <u>697,316</u> | <u>760,980</u> | <u>1,132,623</u> | <u>1,195,405</u> | <u>1,112,076</u> | <u>784,174</u> |
| Total net assets | <u>\$ 10,981,262</u> | <u>\$ 11,160,055</u> | <u>\$ 11,507,614</u> | <u>\$ 11,968,271</u> | <u>\$ 12,003,334</u> | <u>\$ 11,610,638</u> |
| Primary Government in Total | | | | | | |
| Invested in capital assets - Net of related debt | \$ 27,818,556 | \$ 27,408,878 | \$ 26,812,220 | \$ 26,814,982 | \$ 27,414,688 | \$ 27,654,593 |
| Restricted | 1,743,003 | 1,843,256 | 2,098,672 | 1,924,424 | 1,931,329 | 1,973,307 |
| Unrestricted | <u>2,293,589</u> | <u>2,517,928</u> | <u>2,702,996</u> | <u>2,980,582</u> | <u>2,674,403</u> | <u>2,431,881</u> |
| Total net assets | <u>\$ 31,855,148</u> | <u>\$ 31,770,062</u> | <u>\$ 31,613,888</u> | <u>\$ 31,719,988</u> | <u>\$ 32,020,420</u> | <u>\$ 32,059,781</u> |

Note: The City implemented GASB 34 in 2004; therefore, net assets for governmental activities is not available before 2004.

City of Charlotte, Michigan

Changes in Governmental Net Assets Last Six Fiscal Years

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|-------------------|-------------------|
| Expenses | | | | | | |
| General government | \$ 592,841 | \$ 609,254 | \$ 650,757 | \$ 606,810 | \$ 636,198 | \$ 632,906 |
| Public safety | 2,384,339 | 2,542,149 | 2,612,572 | 2,647,674 | 2,836,299 | 2,933,665 |
| Public works | 2,043,849 | 1,930,962 | 1,811,206 | 1,789,658 | 1,846,761 | 1,928,332 |
| Community and economic development | 182,540 | 275,397 | 169,232 | 643,206 | 344,634 | 302,046 |
| Recreation and culture | 224,200 | 54,924 | 185,789 | 211,174 | 257,352 | 332,881 |
| Interest on long-term debt | 64,845 | 62,873 | 57,357 | 54,933 | 51,028 | 176,165 |
| Total governmental activities | 5,492,614 | 5,475,559 | 5,486,913 | 5,953,455 | 5,972,272 | 6,305,995 |
| Program Revenues | | | | | | |
| Charges for services: | | | | | | |
| General government | 233,134 | 160,466 | 225,066 | 218,433 | 274,564 | 245,582 |
| Public safety | 220,660 | 161,416 | 155,155 | 190,175 | 202,189 | 221,891 |
| Public works | 380,681 | 366,987 | 362,519 | 358,457 | 357,521 | 344,105 |
| Total charges for services | 834,475 | 688,869 | 742,740 | 767,065 | 834,274 | 811,578 |
| Operating grants and contributions | 11,906 | 68,890 | 36,461 | 487,270 | 683,776 | 1,505,415 |
| Capital grants and contributions | 385,150 | 562,252 | 203,004 | 14,256 | 193,580 | 101,343 |
| Total program revenues | 1,231,531 | 1,320,011 | 982,205 | 1,268,591 | 1,711,630 | 2,418,336 |
| Net Expenses | (4,261,083) | (4,155,548) | (4,504,708) | (4,684,864) | (4,260,642) | (3,887,659) |
| General Revenues | | | | | | |
| Property taxes | 2,491,783 | 2,612,177 | 2,712,501 | 2,919,096 | 3,128,658 | 3,383,020 |
| State-shared revenues | 1,301,276 | 1,095,448 | 1,096,527 | 1,043,178 | 1,040,457 | 1,000,108 |
| Investment earnings | 30,308 | 41,934 | 113,513 | 178,226 | 159,880 | 99,745 |
| Miscellaneous | 47,825 | 119,310 | 56,164 | 166,436 | 174,269 | 373,085 |
| Total general revenues | 3,871,192 | 3,868,869 | 3,978,705 | 4,306,936 | 4,503,264 | 4,855,958 |
| Transfers | 23,448 | 22,800 | 22,270 | 23,371 | 22,747 | 23,758 |
| Change in Net Assets | \$ (366,443) | \$ (263,879) | \$ (503,733) | \$ (354,557) | \$ 265,369 | \$ 992,057 |

Note: The City implemented GASB 34 in 2004; therefore, net assets for governmental activities is not available before 2004.

City of Charlotte, Michigan

| | 2000 | 2001 | 2002 | 2003 |
|-----------------------------------------------------------------|-------------------|---------------------|---------------------|-------------------|
| Operating Revenue | | | | |
| Water sales | \$ 678,011 | \$ 816,552 | \$ 867,471 | \$ 874,286 |
| Sewage charges | 1,370,640 | 1,633,312 | 1,787,920 | 1,763,688 |
| Tap fees | 299,666 | 269,699 | 351,595 | 198,448 |
| Recycling fees | 20,086 | 21,660 | 22,401 | 16,532 |
| Other | 69,860 | 34,797 | 49,184 | 37,240 |
| Total operating revenue | 2,438,263 | 2,776,020 | 3,078,571 | 2,890,194 |
| Operating Expenses | | | | |
| Cost of services | 1,619,150 | 1,447,704 | 1,599,276 | 1,641,493 |
| Recycling | 44,152 | 43,699 | 44,076 | 45,861 |
| Depreciation | 343,790 | 255,455 | 387,858 | 554,626 |
| Total operating expenses | 2,007,092 | 1,746,858 | 2,031,210 | 2,241,980 |
| Operating (Loss) Income | 431,171 | 1,029,162 | 1,047,361 | 648,214 |
| Nonoperating Revenue (Expense) | | | | |
| Investment income | 335,444 | 486,405 | 94,161 | 24,942 |
| Interest expense | (434,053) | (337,016) | (187,788) | (502,283) |
| Total nonoperating revenue (expense) | (98,609) | 149,389 | (93,627) | (477,341) |
| (Loss) Income - Before contributions and other items | 332,562 | 1,178,551 | 953,734 | 170,873 |
| Capital Contributions | 216,571 | 1,561,773 | 566,614 | 598,458 |
| Transfers to (from) Other Funds | 5,723 | - | (23,468) | (22,092) |
| Change in Net Assets | <u>\$ 554,856</u> | <u>\$ 2,740,324</u> | <u>\$ 1,496,880</u> | <u>\$ 747,239</u> |

**Changes in Business-type Net Assets
Last Ten Fiscal Years**

| 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|--------------------------|--------------------------|--------------------------|--------------------------|-------------------------|----------------------------|
| \$ 871,133 | \$ 898,846 | \$ 930,983 | \$ 912,385 | \$ 917,463 | \$ 868,475 |
| 1,751,363 | 1,827,475 | 1,860,641 | 1,807,977 | 1,810,109 | 1,755,366 |
| 261,613 | 128,602 | 66,556 | 355,713 | 234,599 | 11,500 |
| 14,011 | 14,855 | 15,645 | 20,278 | 35,769 | 29,151 |
| <u>40,553</u> | <u>8,559</u> | <u>56,544</u> | <u>33,580</u> | <u>60,779</u> | <u>97,907</u> |
| 2,938,673 | 2,878,337 | 2,930,369 | 3,129,933 | 3,058,719 | 2,762,399 |
| 1,739,638 | 1,734,836 | 1,764,385 | 1,905,570 | 2,039,009 | 2,134,963 |
| 55,816 | 49,196 | 49,590 | 44,846 | 46,994 | 54,790 |
| <u>567,541</u> | <u>591,980</u> | <u>600,098</u> | <u>603,955</u> | <u>624,226</u> | <u>621,126</u> |
| <u>2,362,995</u> | <u>2,376,012</u> | <u>2,414,073</u> | <u>2,554,371</u> | <u>2,710,229</u> | <u>2,810,879</u> |
| 575,678 | 502,325 | 516,296 | 575,562 | 348,490 | (48,480) |
| 11,856 | 25,632 | 77,501 | 83,352 | 66,848 | 14,423 |
| <u>(482,854)</u> | <u>(462,249)</u> | <u>(346,422)</u> | <u>(379,567)</u> | <u>(357,528)</u> | <u>(334,881)</u> |
| <u>(470,998)</u> | <u>(436,617)</u> | <u>(268,921)</u> | <u>(296,215)</u> | <u>(290,680)</u> | <u>(320,458)</u> |
| 104,680 | 65,708 | 247,375 | 279,347 | 57,810 | (368,938) |
| 441,300 | 135,885 | 122,454 | 204,681 | - | - |
| <u>(23,448)</u> | <u>(22,800)</u> | <u>(22,270)</u> | <u>(23,371)</u> | <u>(22,747)</u> | <u>(23,758)</u> |
| <u>\$ 522,532</u> | <u>\$ 178,793</u> | <u>\$ 347,559</u> | <u>\$ 460,657</u> | <u>\$ 35,063</u> | <u>\$ (392,696)</u> |

City of Charlotte, Michigan

| | 2000 | 2001 | 2002 | 2003 |
|---------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| General Fund: | | | | |
| Reserved | \$ 28,649 | \$ 27,277 | \$ 27,098 | \$ 141,700 |
| Unreserved | <u>1,193,068</u> | <u>1,351,184</u> | <u>1,860,717</u> | <u>1,818,495</u> |
| Total General Fund | <u>\$ 1,221,717</u> | <u>\$ 1,378,461</u> | <u>\$ 1,887,815</u> | <u>\$ 1,960,195</u> |
| All other governmental funds: | | | | |
| Reserved | \$ 5,004 | \$ - | \$ 2,205 | \$ 6,204 |
| Unreserved, reported in: | | | | |
| Special Revenue Funds | 592,792 | 739,130 | 977,365 | 941,315 |
| Capital Project Funds | <u>184,350</u> | <u>557,368</u> | <u>440,506</u> | <u>-</u> |
| Total all other governmental funds | <u>\$ 782,146</u> | <u>\$ 1,296,498</u> | <u>\$ 1,420,076</u> | <u>\$ 947,519</u> |

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

As of June 30

| 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| \$ 191,642 | \$ 150,598 | \$ 163,656 | \$ 161,392 | \$ 136,346 | \$ 199,070 |
| <u>1,351,022</u> | <u>1,316,667</u> | <u>1,318,245</u> | <u>1,510,437</u> | <u>1,594,983</u> | <u>1,920,296</u> |
| <u>\$ 1,542,664</u> | <u>\$ 1,467,265</u> | <u>\$ 1,481,901</u> | <u>\$ 1,671,829</u> | <u>\$ 1,731,329</u> | <u>\$ 2,119,366</u> |
| \$ 9,894 | \$ 18,722 | \$ 20,971 | \$ 26,184 | \$ 32,001 | \$ 74,292 |
| 989,534 | 1,176,647 | 1,422,192 | 1,237,256 | 1,188,888 | 966,465 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,780,521</u> | <u>112,738</u> |
| <u>\$ 999,428</u> | <u>\$ 1,195,369</u> | <u>\$ 1,443,163</u> | <u>\$ 1,263,440</u> | <u>\$ 3,001,410</u> | <u>\$ 1,153,495</u> |

City of Charlotte, Michigan

| | Year Ended June 30 | | | |
|---------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
| | 2000 | 2001 | 2002 | 2003 |
| Revenue | | | | |
| Property taxes | \$ 1,888,394 | \$ 2,063,429 | \$ 2,341,020 | \$ 2,473,208 |
| Special assessments | - | - | - | - |
| Licenses and permits | 92,777 | 96,282 | 66,440 | 70,640 |
| Intergovernmental | 1,616,892 | 1,555,958 | 1,589,887 | 1,642,310 |
| State and local sources | - | - | - | - |
| Federal grants | - | - | - | - |
| Charges for services | 266,113 | 218,713 | 253,258 | 231,706 |
| Fines and forfeitures | 33,421 | 42,392 | 29,039 | 29,270 |
| Other | 215,428 | 207,958 | 205,655 | 812,942 |
| Total revenue | 4,113,025 | 4,184,732 | 4,485,299 | 5,260,076 |
| Expenditures | | | | |
| Current: | | | | |
| General government | 109,644 | 88,372 | 108,591 | 792,475 |
| Public safety | 2,158,711 | 2,387,105 | 2,378,798 | 2,378,867 |
| Public works | 1,840,441 | 1,580,324 | 2,131,877 | 1,971,359 |
| Recreation and culture | - | - | - | - |
| Community and economic development | 337,006 | 234,157 | 226,720 | 376,863 |
| Capital outlay | - | - | - | - |
| Debt service principal | 39,964 | 31,312 | 65,566 | 95,102 |
| Debt service interest | 6,620 | 4,410 | 35,592 | 68,429 |
| Total expenditures | 4,492,386 | 4,325,680 | 4,947,144 | 5,683,095 |
| Excess of Revenue Over (Under) Expenditures | (379,361) | (140,948) | (461,845) | (423,019) |
| Other Financing Sources (Uses) | | | | |
| Proceeds from long-term debt | - | 723,975 | 764,503 | - |
| Sale of fixed assets | 55,034 | 126,000 | - | - |
| Transfers in | 408,548 | 499,500 | 303,607 | 278,011 |
| Transfers out | (414,271) | (537,431) | (271,139) | (255,169) |
| Total other financing sources | 49,311 | 812,044 | 796,971 | 22,842 |
| Extraordinary Item | - | - | 297,806 | - |
| Net Change in Fund Balance | (330,050) | 671,096 | 632,932 | (400,177) |
| Fund Balance - Beginning of year | 2,333,913 | 2,003,863 | 2,674,959 | 3,307,891 |
| Fund Balance - End of year | \$ 2,003,863 | \$ 2,674,959 | \$ 3,307,891 | \$ 2,907,714 |
| Debt service as a percentage of noncapital expenditures | 1.05% | 0.83% | 2.09% | 2.96% |

Notes: Years 2000-2003 presented in pre-GASB 34 implementation format

* Note public safety expenditures include a portion of total capital outlay expenditures

Changes in Fund Balances, Governmental Funds Last Ten Fiscal Years

| Year Ended June 30 | | | | | | |
|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|---|
| 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | |
| \$ 2,500,705 | \$ 2,648,761 | \$ 2,742,872 | \$ 2,939,421 | \$ 3,083,511 | \$ 3,402,511 | |
| 33,043 | 27,958 | 22,793 | 14,256 | 14,775 | 19,893 | |
| 124,241 | 59,018 | 55,985 | 90,065 | 115,929 | 71,916 | |
| - | - | - | - | - | - | |
| 1,525,538 | 1,638,075 | 1,770,652 | 1,496,886 | 1,970,670 | 2,981,392 | |
| 200,333 | 187,685 | - | 506,027 | 164,068 | 14,503 | |
| 273,456 | 207,947 | 210,051 | 229,701 | 273,285 | 302,187 | |
| 33,293 | 29,075 | 29,207 | 31,532 | 33,183 | 36,438 | |
| 256,123 | 229,674 | 195,088 | 383,706 | 310,877 | 496,327 | |
| <u>4,946,732</u> | <u>5,028,193</u> | <u>5,026,648</u> | <u>5,691,594</u> | <u>5,966,298</u> | <u>7,325,167</u> | |
| 528,737 | 605,052 | 595,040 | 550,204 | 603,192 | 622,713 | |
| 2,307,638 | 2,405,193 | 2,496,011 | 2,511,489 | 3,885,138 | 2,787,931 | * |
| 1,100,758 | 1,011,859 | 1,045,120 | 1,581,050 | 1,258,963 | 1,284,442 | |
| 155,220 | 168,718 | 154,971 | 175,392 | 249,435 | 187,754 | |
| 177,282 | 113,200 | 143,715 | 657,815 | 337,074 | 316,075 | |
| 1,050,552 | 484,274 | 212,746 | 83,404 | 688,516 | 3,338,894 | |
| 75,000 | 80,000 | 80,000 | 90,000 | 117,745 | 115,000 | |
| 65,235 | 62,155 | 58,885 | 55,406 | 51,512 | 155,994 | |
| <u>5,460,422</u> | <u>4,930,451</u> | <u>4,786,488</u> | <u>5,704,760</u> | <u>7,191,575</u> | <u>8,808,803</u> | |
| (513,690) | 97,742 | 240,160 | (13,166) | (1,225,277) | (1,483,636) | |
| - | - | - | - | 3,000,000 | - | |
| - | - | - | - | - | - | |
| 316,242 | 302,814 | 339,686 | 430,556 | 323,912 | 231,880 | |
| (292,794) | (280,014) | (317,416) | (407,185) | (301,165) | (208,122) | |
| <u>23,448</u> | <u>22,800</u> | <u>22,270</u> | <u>23,371</u> | <u>3,022,747</u> | <u>23,758</u> | |
| - | - | - | - | - | - | |
| (490,242) | 120,542 | 262,430 | 10,205 | 1,797,470 | (1,459,878) | |
| <u>3,032,334</u> | <u>2,542,092</u> | <u>2,662,634</u> | <u>2,925,064</u> | <u>2,935,269</u> | <u>4,732,739</u> | |
| <u>\$ 2,542,092</u> | <u>\$ 2,662,634</u> | <u>\$ 2,925,064</u> | <u>\$ 2,935,269</u> | <u>\$ 4,732,739</u> | <u>\$ 3,272,861</u> | |
| 3.28% | 3.30% | 3.13% | 2.66% | 2.67% | 5.21% | |

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 | | | | | Total Value | Tax Rate (Mills) | Estimated Actual Value | Taxable Value as a Percentage of Actual |
|----------|---------------------------|--------------------------------|---------------|--------------|-------------------|----------------|-------------|------------------|------------------------|-----------------------------------------|
| | | Real Property | | | Personal Property | | | | | |
| | | Residential | Commercial | Industrial | | | | | | |
| 1999 | 2000 | \$ 78,487,100 | \$ 25,210,800 | \$ 8,985,400 | \$ 17,849,100 | \$ 130,532,400 | 13.6270 | \$ 289,232,600 | 45.13 | |
| 2000 | 2001 | 82,934,900 | 28,476,700 | 9,401,700 | 16,238,900 | 137,052,200 | 13.6354 | 311,911,800 | 43.94 | |
| 2001 | 2002 | 88,124,400 | 34,928,400 | 10,704,800 | 19,604,500 | 153,362,100 | 13.6423 | 347,415,400 | 44.14 | |
| 2002 | 2003 | 94,504,600 | 43,511,800 | 10,644,000 | 20,600,100 | 169,260,500 | 13.6462 | 388,903,800 | 43.52 | |
| 2003 | 2004 | 100,636,600 | 43,820,200 | 10,773,100 | 19,897,500 | 175,127,400 | 13.6481 | 432,925,600 | 40.45 | |
| 2004 | 2005 | 108,569,100 | 45,344,800 | 10,363,900 | 19,095,200 | 183,373,000 | 13.4170 | 464,476,200 | 39.48 | |
| 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 | 126,326,300 | 48,195,100 | 11,090,100 | 21,936,400 | 207,547,900 | 13.4173 | 559,869,452 | 37.07 | |
| 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 | 13.4173 | 562,708,830 | 40.26 | |

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

| Millage Rates - Direct City Taxes | | | Overlapping Taxes | | | | | Total Tax Rate | | |
|--------------------------------------|----------------------|--------|-------------------|---------------------------|---------------------------------|--------------------------------------------|-----------------------------------------------|---------------------|-----------|-------------------|
| Tax Year | General Operating | Debt | County | State Education Tax | Intermediate School District | Charlotte Public Schools - Homestead | Charlotte Public Schools - Nonhomestead | District Library | Homestead | Non- homestead |
| 1999 | 13.6270 | - | 7.4921 | 6.0000 | 4.0638 | 7.0000 | 25.0000 | 0.8982 | 39.0811 | 57.0811 |
| 2000 | 13.6354 | - | 7.4921 | 6.0000 | 4.0311 | 7.0000 | 25.0000 | 0.8916 | 39.0502 | 57.0502 |
| 2001 | 13.6423 | - | 7.3935 | 6.0000 | 3.9858 | 7.0000 | 25.0000 | 0.8847 | 38.9063 | 56.9063 |
| 2002 | 13.6462 | - | 7.4167 | 6.0000 | 3.9704 | 7.5504 | 25.5504 | 0.8808 | 39.4645 | 57.4645 |
| 2003 | 13.6481 | - | 7.3876 | 6.0000 | 3.9457 | 7.5900 | 25.5900 | 0.8789 | 39.4503 | 57.4503 |
| 2004 | 13.4170 | - | 7.8012 | 5.0000 | 3.7350 | 7.5900 | 25.5900 | 0.8758 | 38.4190 | 56.4190 |
| 2005 | 13.4170 | - | 7.7634 | 6.0000 | 3.8896 | 7.5900 | 25.5900 | 0.8758 | 39.5358 | 57.5358 |
| 2006 | 13.4173 | - | 7.7507 | 6.0000 | 3.8778 | 7.5900 | 25.5900 | 0.8567 | 39.4925 | 57.4925 |
| 2007 | 13.4346 | - | 7.6279 | 6.0000 | 3.8778 | 7.5900 | 25.5900 | 0.8568 | 39.3871 | 57.3871 |
| 2008 | 13.4346 | 0.7500 | 7.6279 | 6.0000 | 3.8778 | 7.5900 | 25.5900 | 0.9000 | 40.1803 | 58.1803 |

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, 2009

| Taxpayer | 2009 | | 2000 | | 2000 Rank |
|----------------------------------|---------------|---------------------|---------------|---------------------|-----------|
| | Taxable Value | Percentage of Total | Taxable Value | Percentage of Total | |
| 1 Spartan Motors | \$ 13,799,218 | 6.09 | \$ 3,104,400 | 2.02 | 2 |
| 2 Owens-Illinois Glass Container | 7,976,906 | 3.52 | 2,178,700 | 1.42 | 4 |
| 3 Meijer Inc | 5,680,610 | 2.51 | - | - | - |
| 4 Consumers Energy | 3,864,015 | 1.71 | 2,637,800 | 1.72 | 3 |
| 5 Walmart | 3,497,519 | 1.54 | 1,258,200 | 0.82 | 6 |
| 6 Linn Products | 3,297,331 | 1.46 | - | - | - |
| 7 Legacy Parke Partners LLC | 2,104,653 | 0.93 | - | - | - |
| 8 T&WA of Lansing LLC | 2,099,686 | 0.93 | - | - | - |
| 9 Pro-Tec Equipment | 2,048,075 | 0.90 | - | - | - |
| 10 Wollin Products | 1,553,434 | 0.69 | - | - | - |
| Carefree Aluminum Products, Inc. | - | - | 3,499,900 | 2.28 | 1 |
| B.O.C. Group | - | - | 1,473,300 | 0.96 | 5 |
| Carters, Inc. | - | - | 1,183,600 | 0.77 | 8 |
| Felpausch | - | - | 1,206,700 | 0.78 | 7 |
| Butternut Apartments | - | - | 907,700 | 0.59 | 9 |
| Charlotte Plaza Association | - | - | 857,700 | 0.55 | 10 |

Source: Treasurer, City of Charlotte

City of Charlotte, Michigan

Property Tax Levies and Collections Last Ten Fiscal Years

| Tax Year | Fiscal Year | | Current Collections | Percent Collected | Delinquent Collections | Total Tax Collections | Percent of Levy Collected |
|-------------|------------------|--------------|------------------------|----------------------|---------------------------|--------------------------|---------------------------------|
| | Ended June 30 | Total Levy | | | | | |
| 1999 | 2000 | \$ 1,857,584 | \$ 1,776,857 | 95.65 | \$ 73,748 | \$ 1,850,605 | 99.62 |
| 2000 | 2001 | 2,009,531 | 1,881,107 | 93.61 | 86,106 | 1,967,213 | 97.89 |
| 2001 | 2002 | 2,203,973 | 2,093,338 | 94.98 | 56,723 | 2,150,061 | 97.55 |
| 2002 | 2003 | 2,288,957 | 2,178,869 | 95.19 | 96,088 | 2,274,957 | 99.39 |
| 2003 | 2004 | 2,537,236 | 2,438,280 | 96.10 | 87,553 | 2,525,833 | 99.55 |
| 2004 | 2005 | 2,608,282 | 2,491,117 | 95.51 | 110,407 | 2,601,524 | 99.74 |
| 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 |

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

| | 2000 | 2001 | 2002 | 2003 |
|----------------------------------------|----------------------|----------------------|----------------------|----------------------|
| Governmental Activities | | | | |
| General obligation bonds | \$ - | \$ 735,000 | \$ 1,475,000 | \$ 1,405,000 |
| Loans payable | - | - | 11,037 | - |
| Land contract | 53,045 | 34,138 | 14,065 | - |
| Economic development agreement | - | - | - | 114,491 |
| Total | 53,045 | 769,138 | 1,500,102 | 1,519,491 |
| Business-type Activities | | | | |
| General obligation bonds | 1,895,000 | 1,765,000 | 1,630,000 | 1,485,000 |
| Loans payable | 128,477 | 74,440 | 10,000 | - |
| Revenue bonds | 8,032,675 | 7,862,461 | 7,682,354 | 7,492,247 |
| Total | 10,056,152 | 9,701,901 | 9,322,354 | 8,977,247 |
| Total debt of the government | \$ 10,109,197 | \$ 10,471,039 | \$ 10,822,456 | \$ 10,496,738 |
| Total residential personal income | \$ 2,668,226 | \$ 2,803,549 | \$ 2,860,581 | \$ 2,927,320 |
| Ratio of total debt to personal income | 378.87% | 373.49% | 378.33% | 358.58% |
| Total population | 8,389 | 8,389 | 8,389 | 8,389 |
| Total debt per capita | \$ 1,205 | \$ 1,248 | \$ 1,290 | \$ 1,251 |

Note: 2000-2009 population based on 2000 census figures

N/A = Information not available

**Ratios of Outstanding Debt
Last Ten Fiscal Years**

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|----|-----------------------------|----------------------------|----------------------------|----------------------------|-----------------------------|-----------------------------|
| \$ | 1,330,000 | \$ 1,250,000 | \$ 1,170,000 | \$ 1,080,000 | \$ 3,990,000 | \$ 3,875,000 |
| | - | - | - | - | - | - |
| | - | - | - | - | - | - |
| | <u>242,983</u> | <u>229,102</u> | <u>183,204</u> | <u>165,330</u> | <u>147,456</u> | <u>129,582</u> |
| | 1,572,983 | 1,479,102 | 1,353,204 | 1,245,330 | 4,137,456 | 4,004,582 |
| | 1,330,000 | 1,165,000 | 990,000 | 805,000 | 610,000 | 410,000 |
| | - | - | - | - | - | - |
| | <u>7,292,140</u> | <u>7,077,033</u> | <u>6,799,449</u> | <u>6,548,164</u> | <u>6,281,879</u> | <u>6,000,594</u> |
| | <u>8,622,140</u> | <u>8,242,033</u> | <u>7,789,449</u> | <u>7,353,164</u> | <u>6,891,879</u> | <u>6,410,594</u> |
| | <u>\$ 10,195,123</u> | <u>\$ 9,721,135</u> | <u>\$ 9,142,653</u> | <u>\$ 8,598,494</u> | <u>\$ 11,029,335</u> | <u>\$ 10,415,176</u> |
| \$ | 3,064,536 | \$ 3,083,449 | \$ 3,136,018 | N/A | N/A | N/A |
| | 332.68% | 315.27% | 291.54% | N/A | N/A | N/A |
| | 8,389 | 8,389 | 8,389 | 8,389 | 8,389 | 8,389 |
| \$ | 1,215 | \$ 1,159 | \$ 1,090 | \$ 1,025 | \$ 1,315 | \$ 1,242 |

City of Charlotte, Michigan

| Fiscal Year | Tax-limited General Obligation Bonds (LTGO) | Tax- supported Bonds (UTGO) | Less Pledged Debt Service Funds | Other General Obligation Debt | Net General Bonded Debt |
|-------------|---------------------------------------------------------|--------------------------------------|---------------------------------------------|----------------------------------------|----------------------------------|
| 2000 | \$ - | \$ - | \$ - | \$ 53,045 | \$ 53,045 |
| 2001 | 735,000 | - | - | 34,138 | 769,138 |
| 2002 | 1,475,000 | - | - | 25,102 | 1,500,102 |
| 2003 | 1,405,000 | - | - | 114,491 | 1,519,491 |
| 2004 | 1,330,000 | - | - | 242,983 | 1,572,983 |
| 2005 | 1,250,000 | - | - | 229,102 | 1,479,102 |
| 2006 | 1,170,000 | - | - | 183,204 | 1,353,204 |
| 2007 | 1,080,000 | - | - | 165,330 | 1,245,330 |
| 2008 | 3,990,000 | - | - | 147,456 | 4,137,456 |
| 2009 | 3,875,000 | - | - | 129,582 | 4,004,582 |

(1) Estimates not available; amount from 2000 census used.

**Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years**

| | Taxable Value | Debt as a Percentage of Taxable Value | Population | Debt per Capita |
|----|------------------|------------------------------------------------|------------|--------------------|
| \$ | 120,532,400 | 0.04 | 8,389 (1) | \$ 6 |
| | 125,770,400 | 0.61 | 8,389 (1) | 92 |
| | 130,532,400 | 1.15 | 8,389 (1) | 179 |
| | 137,052,200 | 1.11 | 8,389 (1) | 181 |
| | 153,362,100 | 1.03 | 8,389 (1) | 188 |
| | 169,260,500 | 0.87 | 8,389 (1) | 176 |
| | 175,127,400 | 0.77 | 8,389 (1) | 161 |
| | 207,547,900 | 0.60 | 8,389 (1) | 148 |
| | 219,554,135 | 1.88 | 8,389 (1) | 493 |
| | 226,547,223 | 1.77 | 8,389 (1) | 477 |

City of Charlotte, Michigan

Direct and Overlapping Governmental Activities Debt June 30, 2009

| Governmental Unit | Debt Outstanding | Estimated Percent Applicable | Estimated Share of Overlapping Debt |
|------------------------------------|------------------------------|------------------------------------|----------------------------------------------|
| Eaton County | \$ 35,710,430 | 6.51 | \$ 2,324,749 |
| Eaton Intermediate School District | 1,520,000 | 8.36 | 127,072 |
| Charlotte Public Schools | <u>59,121,939</u> | 41.68 | <u>24,642,024</u> |
| Total overlapping debt | 96,352,369 | | 27,093,845 |
| Direct City debt | <u>4,004,582</u> | 100.00 | <u>4,004,582</u> |
| Total direct and overlapping debt | <u>\$ 100,356,951</u> | | <u>\$ 31,098,427</u> |

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

City of Charlotte, Michigan

Pledged Revenue Coverage Last Ten Fiscal Years

| Fiscal Year | Water and Sewer Revenue Bonds | | | | | | | Coverage (Percent) |
|----------------|-------------------------------|------------------------|-----------------|--------------|------------|------------|--------|-----------------------|
| | Gross Revenues | Applicable Expenses | Net Revenues | Debt Service | | | | |
| | | | | Principal | Interest | Total | | |
| 2000 | \$ 2,726,734 | \$ 1,619,150 | \$ 1,107,584 | \$ 120,000 | \$ 445,172 | \$ 565,172 | 195.97 | |
| 2001 | 3,216,643 | 1,447,704 | 1,768,939 | 310,000 | 523,723 | 833,723 | 212.17 | |
| 2002 | 3,125,906 | 1,599,276 | 1,526,630 | 297,284 | 187,788 | 485,072 | 314.72 | |
| 2003 | 2,860,608 | 1,641,493 | 1,219,115 | 335,107 | 502,283 | 837,390 | 145.59 | |
| 2004 | 2,906,173 | 1,739,638 | 1,166,535 | 355,107 | 482,854 | 837,961 | 139.21 | |
| 2005 | 2,869,560 | 1,734,836 | 1,134,724 | 380,107 | 462,249 | 842,356 | 134.71 | |
| 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 | |

City of Charlotte, Michigan

| | 2000 | 2001 | 2002 | 2003 |
|---------------------------------------------------------------|-------------------|------------------|------------------|------------------|
| Calculation of Debt Limit | | | | |
| State equalized valuation | \$ 144,616,300 | \$ 155,955,900 | \$ 173,707,700 | \$ 173,707,700 |
| 10% of taxable value | 14,461,630 | 15,595,590 | 17,370,770 | 17,370,770 |
| Calculation of Debt Subject to Limit | | | | |
| Total debt | 10,109,197 | 10,471,039 | 10,822,456 | 10,496,738 |
| Less debt not subject to limit - Revenue bonds | <u>10,056,152</u> | <u>9,701,901</u> | <u>9,322,354</u> | <u>8,977,247</u> |
| Net debt subject to limit | 53,045 | 769,138 | 1,500,102 | 1,519,491 |
| Legal Debt Margin | 14,408,585 | 14,826,452 | 15,870,668 | 15,851,279 |
| Net Debt Subject to Limit as Percent of Debt Limit | 0.37% | 5.19% | 9.45% | 9.59% |

**Legal Debt Margin
Last Ten Fiscal Years**

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|----|------------------|------------------|------------------|------------------|------------------|------------------|
| \$ | 194,451,900 | \$ 216,526,900 | \$ 232,238,100 | \$ 263,924,600 | \$ 276,376,798 | \$ 281,354,415 |
| | 19,445,190 | 21,652,690 | 23,223,810 | 26,392,460 | 27,637,680 | 28,135,442 |
| | 10,195,123 | 9,721,135 | 9,142,653 | 8,598,494 | 11,029,335 | 10,415,176 |
| | <u>8,622,140</u> | <u>8,242,033</u> | <u>7,789,449</u> | <u>7,353,164</u> | <u>6,891,879</u> | <u>6,410,594</u> |
| | 1,572,983 | 1,479,102 | 1,353,204 | 1,245,330 | 4,137,456 | 4,004,582 |
| | 17,872,207 | 20,173,588 | 21,870,606 | 25,147,130 | 23,500,224 | 24,130,860 |
| | 8.80% | 7.33% | 6.19% | 4.95% | 17.61% | 16.60% |

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

Demographic and Economic Statistics Last Ten Fiscal Years

| Fiscal Year | Population | Personal Income (in thousands)* | Per Capita Personal Income | Unemployment Rate** |
|-------------|------------|---------------------------------|----------------------------|---------------------|
| 2000 | 8,389 (1) | \$ 2,803,849 | \$ 334 | 3.20 |
| 2001 | 8,389 (1) | 2,860,581 | 341 | 3.20 |
| 2002 | 8,389 (1) | 2,927,320 | 349 | 3.20 |
| 2003 | 8,389 (1) | 3,042,007 | 363 | 4.00 |
| 2004 | 8,389 (1) | 3,078,203 | 367 | 4.70 |
| 2005 | 8,389 (1) | 3,112,418 | 371 | 6.20 |
| 2006 | 8,389 (1) | 3,267,409 | 389 | 5.20 |
| 2007 | 8,389 (1) | N/A | - | 6.20 |
| 2008 | 8,389 (1) | N/A | - | 6.70 |
| 2009 | 8,389 (1) | N/A | - | 11.60 |

(1) Estimates not available; amount from 2000 Census

N/A = Information not available

* Number represents all of Eaton County

** Represents all of Eaton County as of June 2009

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

Principal Employers June 30, 2009

| Employer | 2006 | | 2007 | | 2008 | | 2009 | |
|----------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | Number of Employees | Percentage of Total | Number of Employees | Percentage of Total | Number of Employees | Percentage of Total | Number of Employees | Percentage of Total |
| 1 Spartan Motors | 740 | 21.80 | 1,062 | 29.48 | 1,400 | 36.19 | 709 | 22.09 |
| 2 Hayes Green Beach Memorial Hospital | 477 | 14.05 | 490 | 13.60 | 458 | 11.84 | 455 | 14.17 |
| 3 Charlotte Public Schools | 510 | 15.02 | 502 | 13.94 | 470 | 12.15 | 440 | 13.71 |
| 4 County of Eaton | 400 | 11.78 | 400 | 11.10 | 380 | 9.82 | 385 | 11.99 |
| 5 Wal-Mart Stores, Inc. | 291 | 8.57 | 286 | 7.94 | 280 | 7.24 | 280 | 8.72 |
| 6 Meijer, Inc. | 280 | 8.25 | 275 | 7.63 | 275 | 7.11 | 263 | 8.19 |
| 7 Eaton Intermediate School District | 210 | 6.19 | 210 | 5.83 | 223 | 5.77 | 210 | 6.54 |
| 8 Peckham Vocational Industries | 190 | 5.60 | 200 | 5.55 | 192 | 4.96 | 200 | 6.23 |
| 9 Owens-Brockway Glass Container, Inc. | 188 | 5.54 | 177 | 4.91 | 190 | 4.91 | 147 | 4.58 |
| 10 Linn Products, Inc. | 109 | 3.21 | - | - | - | - | 121 | 3.77 |

Information for years prior to fiscal year 2005-2006 is not available.

Source: Treasurer, City of Charlotte

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 | 2000 | 2001 | 2002 | 2003 |
|------------------------------------|-----------|-----------|-----------|-----------|
| 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 | 20 | 20 | 20 | 21 |
| Fire - Full-time | 7 | 7 | 7 | 7 |
| Fire - Volunteer | 25 | 25 | 24 | 25 |
| Building inspection | - | - | 1 | 1 |
| Public works: | | | | |
| DPW | 16 | 14 | 13 | 13 |
| Water and sewer | 6 | 6 | 8 | 8 |
| Community and economic development | 1 | 1 | 1 | 1 |
| Total | <u>83</u> | <u>81</u> | <u>82</u> | <u>84</u> |

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

| 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|-----------|-----------|-----------|-----------|-----------|-----------|
| 2 | 2 | 2 | 2 | 2 | 2 |
| 2 | 2 | 2 | 2 | 2 | 2 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 3 | 3 | 3 | 3 | 3 | 3 |
| 21 | 21 | 21 | 19 | 19 | 20 |
| 7 | 7 | 7 | 7 | 7 | 7 |
| 24 | 26 | 27 | 29 | 25 | 28 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 13 | 13 | 13 | 12 | 13 | 12 |
| 8 | 8 | 8 | 8 | 8 | 7 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 83 | 85 | 86 | 85 | 82 | 84 |

City of Charlotte, Michigan

| Function/Program | 2000 | 2001 | 2002 | 2003 |
|------------------------------------------------------|-----------|-----------|-----------|---------|
| Election data: | | | | |
| Registered voters | 5,665 | 5,840 | 5,959 | 5,857 |
| Voters (at the polls or absentee) | 1,414 | 3,281 | 1,345 | 2,528 |
| Percent voting | 24.96% | 56.18% | 22.57% | 43.16% |
| Police: | | | | |
| Physical arrests | 719 | 800 | 692 | 745 |
| Traffic violations | 1,473 | 1,936 | 2,020 | 1,414 |
| Investigations | 1,236 | 3,058 | 1,114 | 2,390 |
| Fire: | | | | |
| Fire runs | 446 | 403 | 397 | 373 |
| Emergency medical runs | 134 | 117 | 129 | 132 |
| Inspections | 163 | 110 | 212 | 215 |
| Public works - Miles of street resurfaced | 0.92 | 1.81 | 0.43 | 1.13 |
| Parks and recreation - Recreation program attendance | N/A | N/A | N/A | N/A |
| Water: | | | | |
| Number of customers billed | 3,350 | 3,353 | 3,804 | 3,593 |
| Total daily consumption | 1,090,000 | 1,033,500 | 1,064,000 | 967,806 |
| Average consumption per user | 325 | 308 | 280 | 269 |
| Sewer - Average daily sewage treatment | 1,100,000 | 971,400 | 975,000 | 964,450 |

N/A = Information not available

**Operating Indicators
Last Ten Fiscal Years**

| 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---------|---------|---------|-----------|-----------|---------|
| 5,579 | 5,908 | 6,033 | 6,108 | 6,144 | 5,908 |
| 1,206 | 3,937 | 1,393 | 837 | 857 | 3,937 |
| 21.62% | 66.64% | 23.09% | 13.70% | 13.95% | 66.64% |
| 775 | 758 | 668 | 642 | 638 | 620 |
| 1,253 | 1,133 | 928 | 1,227 | 1,179 | 1,391 |
| 3,204 | 2,730 | 2,626 | 2,642 | 2,460 | 2,753 |
| 483 | 541 | 550 | 507 | 472 | 386 |
| 176 | 204 | 219 | 192 | 212 | 258 |
| 153 | 162 | 96 | 105 | 135 | 110 |
| - | - | 0.73 | - | 0.50 | 0.99 |
| N/A | N/A | 60 | 56 | 56 | 53 |
| 3,614 | 3,614 | 3,703 | 3,716 | 3,763 | 3,747 |
| 967,806 | 967,806 | 976,435 | 1,069,000 | 1,090,000 | 965,900 |
| 268 | 268 | 264 | 288 | 290 | 258 |
| 964,450 | 978,422 | 963,250 | 944,000 | 941,000 | 941,000 |

City of Charlotte, Michigan

| Function/Program | 2000 | 2001 | 2002 | 2003 |
|-------------------------------------------|-----------|-----------|-----------|-----------|
| Police: | | | | |
| Stations | 1 | 1 | 1 | 1 |
| Patrol units | 5 | 5 | 7 | 7 |
| Fire: | | | | |
| Stations | 1 | 1 | 1 | 1 |
| Fire response vehicles | 7 | 7 | 7 | 7 |
| Emergency response vehicles | - | - | - | 1 |
| Public works: | | | | |
| Streets (miles): | | | | |
| Major streets | 11.33 | 11.33 | 11.33 | 11.45 |
| Local streets | 24.38 | 24.38 | 24.38 | 26.05 |
| Sidewalks | | | | |
| Streetlights | 353 | 353 | 353 | 353 |
| Traffic signals | 5 | 6 | 6 | 6 |
| Parks and recreation: | | | | |
| Acreage | 180 | 199 | 199 | 199 |
| Developed parks/playgrounds | 7 | 7 | 7 | 7 |
| Developed fields (soccer, baseball, etc.) | - | - | - | - |
| Libraries - Branches | 1 | 1 | 1 | 1 |
| Water: | | | | |
| Mains (miles) | 47 | 51 | 51 | 52 |
| Fire hydrants | 360 | 397 | 400 | 413 |
| Storage capacity | 233,090 | 233,090 | 460,800 | 460,800 |
| Sewer: | | | | |
| Miles of sanitary sewers | 39 | 40 | 40 | 41 |
| Miles of storm sewers | 30 | 30 | 30 | 31 |
| Treatment capacity | 1,200,000 | 1,200,000 | 1,800,000 | 1,800,000 |

**Capital Asset Statistics
Last Ten Fiscal Years**

| 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|------------------------|------------------------|------------------------|------------------------|------------------------|-------------------------|
| 1 7 | 1 8 | 1 10 | 1 10 | 1 10 | 1 10 |
| 1 7 1 | 1 8 1 | 1 8 1 | 1 8 1 | 1 8 1 | 2 8 1 |
| 11.45 26.05 | 11.45 26.26 | 11.41 26.26 | 11.41 26.26 | 11.91 25.91 | 11.91 25.91 43.74 |
| 353 7 | 353 7 | 353 7 | 353 7 | 373 7 | 513 7 |
| 199 7 - 1 | 199 7 - 1 | 199 8 - 1 | 199 8 - 1 | 199 8 - 1 | 199 8 - 1 |
| 52 429 1,150,000 | 52 431 1,150,000 | 52 433 1,150,000 | 52 433 1,150,000 | 52 433 1,150,000 | 53 433 1,150,000 |
| 41 31 1,800,000 | 41 31 1,800,000 | 41 31 1,800,000 | 41 31 1,800,000 | 41 31 1,800,000 | 42 31 1,800,000 |