

City of Charlotte, Michigan

**Comprehensive Annual Financial Report
Prepared by the Office of Finance and Treasury
June 30, 2014**

Introductory Section

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

Financial Section

Report Letter	1-2
Management's Discussion and Analysis	3-10
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12-13
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	14
Reconciliation of the Balance Sheet to the Statement of Net Position	15
Statement of Revenue, Expenditures, and Changes in Fund Balances	16
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Proprietary Funds:	
Statement of Net Position	18
Statement of Revenue, Expenses, and Changes in Net Position	19
Statement of Cash Flows	20
Fiduciary Funds - Statement of Assets and Liabilities	21
Component Units:	
Statement of Net Position	22
Statement of Activities	23
Notes to Financial Statements	24-45

City of Charlotte, Michigan

Contents (Continued)

Required Supplemental Information	46
Budgetary Comparison Schedule - General Fund	47
Note to Required Supplemental Information	48
Pension System Schedule	49
OPEB System Schedule	50
Other Supplemental Information	51-52
Nonmajor Governmental Funds:	
Combining Balance Sheet	53-54
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	55-56
Budgetary Comparison	57-65
Agency Funds - Schedule of Changes in Assets and Liabilities	66
<u>Statistical Section</u>	67-68
Financial Trend Information:	69
Net Position by Component	70
Changes in Governmental Net Position	71
Changes in Business Type Net Position	72-73
Fund Balances, Governmental Funds	74-75
Changes in Fund Balances, Governmental Funds	76-77
Revenue Capacity Information:	78
Taxable Value and Actual Value of Taxable Property	79
Direct and Overlapping Property Tax Rates	80
Principal Property Taxpayers	81
Property Tax Levies and Collections	82
Debt Capacity Information:	83
Ratios of Outstanding Debt	84-85
Ratios of General Bonded Debt Outstanding	86-87
Direct and Overlapping Governmental Activities Debt	88
Pledged Revenue Coverage	89
Legal Debt Margin	90-91
Demographic and Economic Information:	92
Full-time Equivalent Government Employees	93
Principal Employers	94-95
Operating Information:	96
Full-time Equivalent Government Employees	97-98
Operating Indicators	99-100
Capital Asset Statistics	101-102

Introductory Section



CITY OF CHARLOTTE

October 23, 2014

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

The comprehensive annual financial report of the City of Charlotte for the year ending June 30, 2014 is hereby submitted as mandated by both local ordinances and State statutes. These ordinances and statutes require the City of Charlotte to annually issue a report on its financial position and activity, and that this report be audited by an independent firm of certified public accountants. Responsibility for both the accuracy of the data as well as the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the various funds and component units of the City of Charlotte. All disclosures necessary to enable the reader to gain an understanding of the City of Charlotte's activities have been included.

THE REPORTING ENTITY AND ITS SERVICES

The City of Charlotte is located in the heart of Michigan, 18 miles southwest of the capital city of Lansing. The City currently has a land area of approximately 5 ½ square miles and an estimated population of about 8,700. Charlotte is the hub of three interstate highways: Interstates 69, 96 and 94. These highways provide excellent access to all major markets in Michigan, the 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 ALIVE facility; and the developing Combs industrial park, which consists of 190 acres. Nine 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 is pro-active in using conservative budgeting practices in an effort to maintain sufficient fund balances. The State of Michigan's on-going economic recovery, as well as the impact of revisions to Michigan's personal property taxes were taken into consideration in developing the 2014/2015 fiscal year budget. Small businesses are exempt from the personal property tax in fiscal year 2014/2015. In addition, a ballot proposal will appear on the November 2014 ballot, that if approved by the voters, will lead to a gradual elimination of the tax over several years. This loss will be offset by other revenue sources but its full impact is difficult to quantify at this time.

The City has had little new construction to add to the property tax base over the last several years. We do not expect this trend to change in the near future as Michigan communities adjust to excessive inventory of commercial and industrial space. New residential construction was minimal in fiscal year 2013/2014. The City issued 124 residential remodel permits with a value of \$346 thousand. In addition, the city continues to realize a small amount of economic growth through commercial efforts.

For fiscal year 2014/2015, statutory revenue sharing payments to local governments were subject to participation in the Economic Vitality Incentive Program (EVIP) created by Public Act 63 of 2011. In order to qualify for a share of the state budgeted statutory

revenue sharing, the City had to meet the criteria established by the act in areas of: accountability and transparency, consolidation of services, and employee compensation (benefits). The City successfully completed all three criterion and submitted certification to the State by the due dates. The Citizen's Guide and Performance Dashboard are available for viewing on the City's website.

The City receives a portion of the State's gasoline tax to fund street operations and capital needs. The State imposes 19-cents per gallon on gasoline, which was last increased by 4-cents in 1997. This source of revenue has been eroded maintenance cost of inflation, as well as improved vehicle fuel efficiency, since the gasoline tax paid by the consumer is based on gallons sold and not on the price of the gasoline. It is unlikely that the state legislature will address the gasoline tax issue prior to the November 2014 election. As a consequence, the City does not expect additional state revenues to be available to fund our street infrastructure needs.

As you know, voters failed to approve an income tax that was designed to provide funds for street infrastructure in November 2013, as well as a designated street millage initiative in August 2014. Eaton County is placing a 12-year dedicated millage for street infrastructure on the November 2014 ballot. If the proposal passes, the City will receive approximately \$300 thousand per year for 12 years. This amount will help fund some of the City's infrastructure needs but in no way all of them.

MAJOR INITIATIVES

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

Airport Hangars – In furtherance of the City's long range plan of making the airport self sufficient, a 10 unit T-hangar project was completed during the year at a cost of \$452 thousand.

Fire Truck – The City purchased a new aerial fire truck during the year. The truck was paid for on a 50/50 cost sharing arrangement for capital equipment with the Rural Fire Association. Therefore, the City's cost was \$181 thousand.

Well #7 – The City began construction on a new \$360 thousand water well. A total of \$139 thousand was expended during the fiscal year.

Water Main – In conjunction with the M-50 road project, a new water main was installed at a cost of \$101 thousand.

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 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, 2013. 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 various city staff members 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, 2014

City Council:

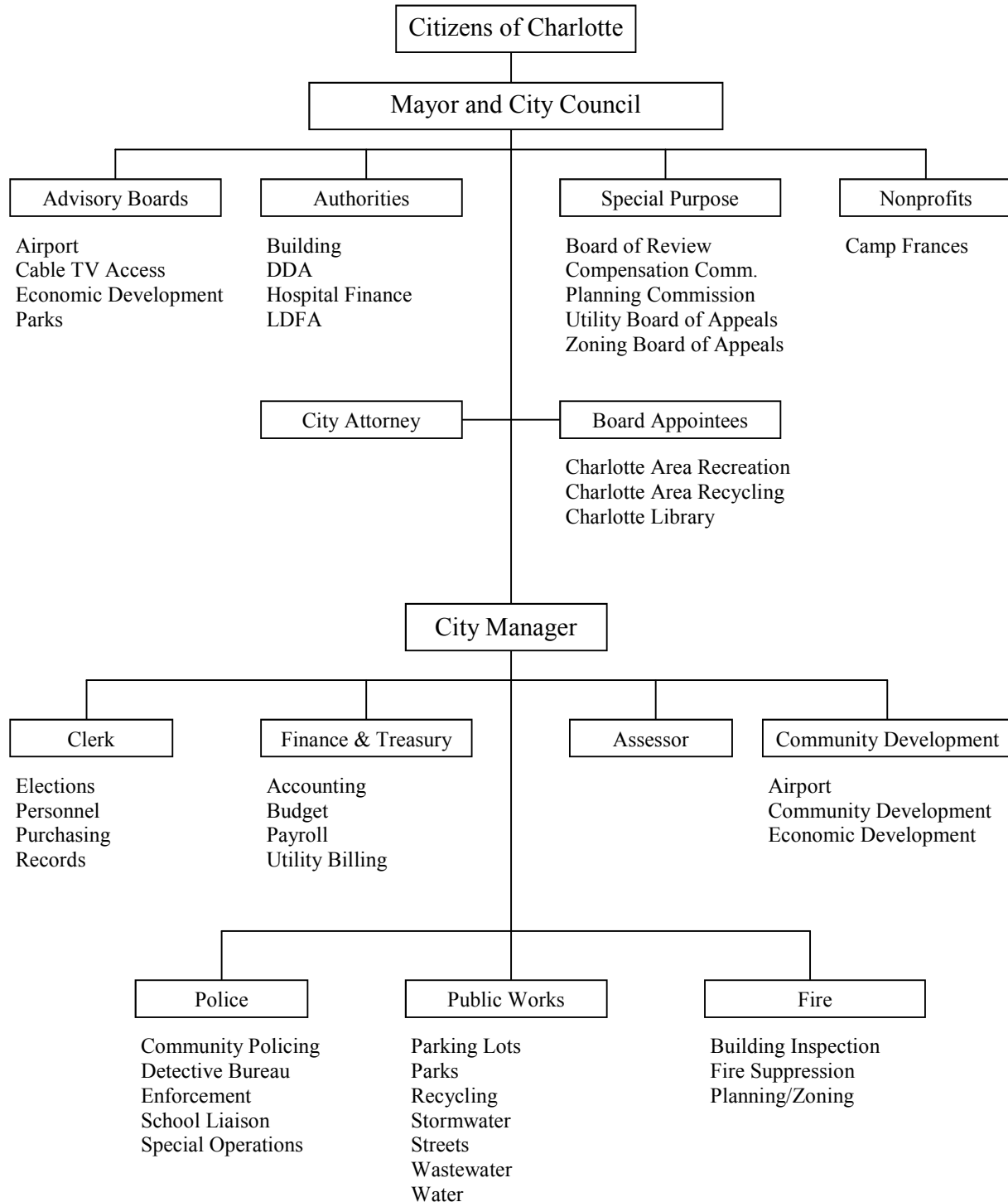
Mayor	Carrie Burch
Mayor Pro-Tem	Corey Sanders
Trustee	Mary Jean Baker
Trustee	Lloyd Conway
Trustee	Scott Cuttle
Trustee	Branden Dyer
Trustee	Yvonne Ridge

Appointed Officials:

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

City of Charlotte, Michigan

Organizational Chart





Government Finance Officers Association

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

Presented to

**City of Charlotte
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

Financial Section

Independent Auditor's Report

To the Board of Directors
City of Charlotte, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Charlotte, Michigan (the "City") as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the City of Charlotte, Michigan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Charlotte, Michigan as of June 30, 2014 and the respective changes in its financial position, and, where applicable, cash flows, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
City of Charlotte, Michigan

Emphasis of Matter

As discussed in Note 14 to the basic financial statements, the City adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, as of June 30, 2014. Our opinion is not modified with respect to this matter.

Required Supplemental Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Charlotte, Michigan's basic financial statements. The other supplemental information, introductory section, and statistical section are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The accompanying other supplemental information, as identified in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Plante & Moran, PLLC

October 23, 2014

City of Charlotte, Michigan

Management's Discussion and Analysis

The following discussion and analysis of the City of Charlotte, Michigan's (the "City") annual financial report presents our view of the City's financial performance during the fiscal year ended June 30, 2014. 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 \$30.2 million (net position). Of this amount, \$2.6 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

During the year, the City received \$9.2 million in revenue and incurred \$10.0 million in expenses, resulting in a decrease in net position of approximately \$0.8 million. Of the City's \$10.0 million expense total, \$3.2 million related to business-type expenses and the balance of \$6.8 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 \$2.7 million, an increase of \$0.2 million from the prior year. Approximately 45.7 percent of this amount is unassigned and therefore available for spending at the government's discretion. Of the remaining 54.3 percent, 38.3 percent is restricted for special purposes, 9.4 percent is assigned for various purposes, and 6.6 percent is nonspendable.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1.2 million or 23.8 percent of the General Fund's total expenditures.

Overview of the Financial Statements

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

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

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

City of Charlotte, Michigan

Management's Discussion and Analysis (Continued)

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

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

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

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

Government-wide Statements

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

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

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

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

City of Charlotte, Michigan

Management's Discussion and Analysis (Continued)

Fund Financial Statements

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

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

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

City of Charlotte, Michigan

Management's Discussion and Analysis (Continued)

Financial Analysis of the City as a Whole

The City's combined net position decreased from \$31.0 million to \$30.2 million. The following table illustrates the varying results of the governmental activities and business-type activities that combine to capture the City's total net position.

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
	(in thousands)					
Assets						
Current assets	\$ 3,666	\$ 3,514	\$ 2,943	\$ 2,722	\$ 6,609	\$ 6,236
Capital assets	<u>19,066</u>	<u>19,444</u>	<u>14,465</u>	<u>14,717</u>	<u>33,531</u>	<u>34,161</u>
Total assets	<u>22,732</u>	<u>22,958</u>	<u>17,408</u>	<u>17,439</u>	<u>40,140</u>	<u>40,397</u>
Deferred Outflows of Resources -						
Bond refunding loss being amortized	-	-	261	290	261	290
Liabilities						
Current liabilities	286	259	87	89	373	348
Long-term liabilities	<u>5,082</u>	<u>4,187</u>	<u>4,771</u>	<u>5,171</u>	<u>9,853</u>	<u>9,358</u>
Total liabilities	<u>5,368</u>	<u>4,446</u>	<u>4,858</u>	<u>5,260</u>	<u>10,226</u>	<u>9,706</u>
Net Position						
Net investment in capital assets	15,617	16,203	10,066	9,971	25,683	26,174
Restricted	1,077	1,015	860	748	1,937	1,763
Unrestricted	<u>670</u>	<u>1,294</u>	<u>1,885</u>	<u>1,750</u>	<u>2,555</u>	<u>3,044</u>
Total net position	<u>\$ 17,364</u>	<u>\$ 18,512</u>	<u>\$ 12,811</u>	<u>\$ 12,469</u>	<u>\$ 30,175</u>	<u>\$ 30,981</u>

A substantial portion of the City's net position (85.1 percent) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related outstanding debt used to acquire those assets. Such assets are used to provide services to the citizens of the City and are therefore not available for future spending.

The City's governmental activities net position decreased by 6.2 percent to \$17.4 million during the fiscal year. This decrease is due to expenses exceeding revenues for the year. The City's business-type activities experienced a 2.7 percent increase to \$12.8 million during the fiscal year. This increase is due to revenue exceeding expenses for the year.

City of Charlotte, Michigan

Management's Discussion and Analysis (Continued)

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
	(in thousands)					
Revenue						
Program revenue:						
Charges for services	\$ 612	\$ 404	\$ 3,466	\$ 3,500	\$ 4,078	\$ 3,904
Operating grants	605	549	37	31	642	580
Capital grants	-	139	-	-	-	139
General revenue:						
Property taxes	3,384	3,495	-	-	3,384	3,495
State-shared revenue	846	846	-	-	846	846
Investment earnings	7	2	2	-	9	2
Transfers and other revenue	267	279	-	-	267	279
Total revenue	5,721	5,714	3,505	3,531	9,226	9,245
Program Expenses						
General government	565	738	-	-	565	738
Public safety	2,936	2,946	-	-	2,936	2,946
Public works	2,696	2,091	-	-	2,696	2,091
Community and economic development	144	160	-	-	144	160
Recreation and cultural	371	406	-	-	371	406
Interest on long-term debt	157	145	-	-	157	145
Recycling	-	-	77	64	77	64
Water and sewer	-	-	3,086	3,112	3,086	3,112
Total expenses	6,869	6,486	3,163	3,176	10,032	9,662
Change in Net Position	\$ (1,148)	\$ (772)	\$ 342	\$ 355	\$ (806)	\$ (417)

- The cost of all governmental activities this year was \$6.8 million.
- The amount that City taxpayers paid for these activities through City taxes was \$3.4 million.
- Some of the cost (\$1.2 million) was paid by the beneficiaries of the program's activities or by other governments and organizations that subsidized certain programs with grants and contributions.
- The City's governmental activities revenue is comprised predominantly of property taxes and state-shared revenue (59.1 percent and 14.8 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.

City of Charlotte, Michigan

Management's Discussion and Analysis (Continued)

- A combined 82.0 percent of the City's governmental activities expenses are for "public benefit" services such as fire protection, police protection, and city street maintenance and construction.

Business-type Activities

The City's business-type activities of water supply, sewage disposal, and recycling realized an increase in net position of \$0.3 million for the year. The water supply and sewage disposal activity had operating revenue of \$3.4 million, operating expenses of \$2.8 million, and net nonoperating expenses and transfers of \$0.3 million, resulting in net income of \$0.3 million. The recycling activity realized a net loss of \$12,000.

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 \$0.2 million combined fund balance increase to \$2.7 million. This 5.7 percent increase is attributable to revenues exceeding expenses.

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The Water Supply and Sewage Disposal Fund realized an increase in net position of \$0.3 million and had unrestricted net position at the end of the year of \$1.9 million. The Recycling Fund had a decrease in net position of \$12,000 for total unrestricted net position at year end of \$18,000.

General Fund Budgetary Highlights

There was a \$209,000 increase between the original budget and the final amended budget expenditures. This increase is attributable to anticipated overages of general government, community and economic development and capital outlay expenditures. However, the General Fund ended the year with total expenditures \$294,000 less than the amended budget. Most of this variance is attributable to lower than anticipated tax refunds under Michigan Tax Tribunal orders in the current year. In addition, public safety and public works expenditures were less than appropriated due to staff retirements and terminations.

City of Charlotte, Michigan

Management's Discussion and Analysis (Continued)

Capital Assets

At June 30, 2014, the City had invested approximately \$33.5 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	
	2014	2013	2014	2013	2014	2013
Land	\$ 2,039,472	\$ 1,980,808	\$ 104,995	\$ 104,995	\$ 2,144,467	\$ 2,085,803
Construction in progress	34,838	72,427	155,933	10,000	190,771	82,427
Easement	628,461	628,461	-	-	628,461	628,461
Infrastructure	27,016,364	26,949,036	-	-	27,016,364	26,949,036
Buildings and improvements	6,386,344	5,933,441	27,623,610	27,405,859	34,009,954	33,339,300
Vehicles	2,157,540	2,078,787	-	-	2,157,540	2,078,787
Equipment	3,629,646	3,233,225	-	-	3,629,646	3,233,225
Subtotal assets	41,892,665	40,876,185	27,884,538	27,520,854	69,777,203	68,397,039
Accumulated depreciation	22,827,202	21,431,782	13,419,804	12,804,175	36,247,006	34,235,957
Net capital assets	<u>\$ 19,065,463</u>	<u>\$ 19,444,403</u>	<u>\$ 14,464,734</u>	<u>\$ 14,716,679</u>	<u>\$ 33,530,197</u>	<u>\$ 34,161,082</u>

Governmental activities have construction in progress (CIP) which includes the engineering and design costs for various projects including the Parkland Drive and Lipsey Drive construction projects, UV project design and engineering, and installation of Well #7. The expansion of Parkland and Lipsey Drive, in the industrial park, is on hold pending approval of the environmental permits by the State of Michigan. More detailed information about the City's capital assets is presented in Note 6 to the financial statements.

Debt

At year end, the City had \$8.5 million in bonds, notes outstanding, and compensated absences. This represents no change from the previous year. More detailed information about the City's long-term liabilities is presented in Note 8 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 2014-2015 fiscal year is balanced with a property tax rate of 14.2913 mills. Property tax revenue is expected to remain constant for fiscal year 2014-2015. As stated earlier, the City's General Fund revenue is comprised predominantly of property taxes and state-shared revenue. The City has seen a leveling off of state-shared revenue receipts since fiscal year 2001-2002 due to state budget shortfalls. Beginning in fiscal year 2011-2012, the State of Michigan passed Public Act 63, the Economic Vitality Incentive Program (EVIP). Under EVIP, the City was required to meet, annually, specific requirements in three distinct categories to receive all allowable statutory revenue-sharing payments. The City satisfied all category requirements in fiscal year 2013-2014. For fiscal year 2014-2015, the legislature established the City, Village, and Township Revenue Program (CVTRS), a simplified version of EVIP. The City anticipates satisfying all CVTRS requirements in fiscal year 2014-2015. This reduction in state-shared revenue, coupled with minimal property tax growth, has hindered the City's ability to realize revenue adequate enough to maintain current services and yet meet the demands of escalating employee benefit and operating expenditures. As a result, the City eliminated contributions from the General Fund to the Major Street and Local Street Funds for street reconstruction projects. Total expenses in the General Fund for fiscal year 2014-2015 are estimated to be \$5.2 million. The public safety departments represent the single largest component of overall budget expenditures with a total estimated cost of \$2.8 million.

Contacting the City's Financial Management

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

City of Charlotte, Michigan

Statement of Net Position June 30, 2014

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 4)	\$ 2,850,892	\$ 1,292,351	\$ 4,143,243	\$ 849,378
Receivables - Net (Note 5)	629,451	690,020	1,319,471	3,241
Prepaid expenses and other assets	185,986	100,775	286,761	-
Restricted assets - Cash and investments (Notes 4 and 9)	-	860,060	860,060	-
Capital assets - Net (Note 6):				
Assets not subject to depreciation	2,702,771	260,928	2,963,699	214,777
Assets subject to depreciation	16,362,692	14,203,806	30,566,498	-
Note receivable	-	-	-	572,794
Total assets	22,731,792	17,407,940	40,139,732	1,640,190
Deferred Outflows of Resources - Bond refunding loss being amortized				
	-	260,831	260,831	-
Liabilities				
Accounts payable	175,364	47,912	223,276	1,592
Accrued liabilities and other	110,477	38,892	149,369	-
Noncurrent liabilities:				
Due within one year (Note 8)	508,993	446,764	955,757	10,176
Due in more than one year:				
Provision for claims	600,000	-	600,000	-
Net OPEB obligation (Note 13)	709,329	-	709,329	-
Long-term debt (Note 8)	3,263,831	4,324,462	7,588,293	65,470
Total liabilities	5,367,994	4,858,030	10,226,024	77,238
Net Position				
Net investment in capital assets	15,617,415	10,065,565	25,682,980	139,131
Restricted for:				
Streets and highways	992,657	-	992,657	-
Debt service	23,867	629,753	653,620	-
Police training	8,904	-	8,904	-
Industrial park	40,767	-	40,767	-
Drug enforcement	10,468	-	10,468	-
Operation and maintenance fund imposed by creditors	-	230,307	230,307	-
Unrestricted	669,720	1,885,116	2,554,836	1,423,821
Total net position	\$ 17,363,798	\$ 12,810,741	\$ 30,174,539	\$ 1,562,952

City of Charlotte, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 564,566	\$ 172,113	\$ -	\$ -
Public safety	2,936,410	440,168	-	-
Public works	2,696,273	-	605,143	-
Community and economic development	143,934	-	-	-
Recreation and culture	371,489	-	-	-
Interest on long-term debt	157,312	-	-	-
Total governmental activities	6,869,984	612,281	605,143	-
Business-type activities:				
Water supply and sewage disposal	3,085,542	3,435,486	1,891	-
Recycling	77,491	30,687	34,984	-
Total business-type activities	3,163,033	3,466,173	36,875	-
Total primary government	\$ 10,033,017	\$ 4,078,454	\$ 642,018	\$ -
Component units:				
Downtown Development Authority	\$ 39,252	\$ -	\$ -	\$ -
Local Development Financing Authority	24,754	-	-	-
Total component units	\$ 64,006	\$ -	\$ -	\$ -

General revenue:
 Property taxes
 Unrestricted state-shared revenue
 Unrestricted investment income
 Other miscellaneous income
 Total general revenue

Change in Net Position

Net Position - Beginning of year

Net Position - End of year

Statement of Activities
Year Ended June 30, 2014

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (392,453)	\$ -	\$ (392,453)	\$ -
(2,496,242)	-	(2,496,242)	-
(2,091,130)	-	(2,091,130)	-
(143,934)	-	(143,934)	-
(371,489)	-	(371,489)	-
(157,312)	-	(157,312)	-
(5,652,560)	-	(5,652,560)	-
-	351,835	351,835	-
-	(11,820)	(11,820)	-
-	340,015	340,015	-
(5,652,560)	340,015	(5,312,545)	-
-	-	-	(39,252)
-	-	-	(24,754)
-	-	-	(64,006)
3,384,261	-	3,384,261	50,008
846,007	-	846,007	-
6,644	1,618	8,262	543
267,542	-	267,542	56,359
4,504,454	1,618	4,506,072	106,910
(1,148,106)	341,633	(806,473)	42,904
18,511,904	12,469,108	30,981,012	1,520,048
\$ 17,363,798	\$ 12,810,741	\$ 30,174,539	\$ 1,562,952

City of Charlotte, Michigan

Governmental Funds Balance Sheet June 30, 2014

	General Fund	Nonmajor Funds	Total
Assets			
Cash and investments (Note 4)	\$ 1,434,992	\$ 941,451	\$ 2,376,443
Receivables - Net (Note 5)	486,807	142,501	629,308
Prepays and other assets	174,100	2,968	177,068
	<u>\$ 2,095,899</u>	<u>\$ 1,086,920</u>	<u>\$ 3,182,819</u>
Total assets			
Liabilities			
Accounts payable	\$ 141,438	\$ 7,839	\$ 149,277
Accrued liabilities and other	82,486	2,418	84,904
	<u>223,924</u>	<u>10,257</u>	<u>234,181</u>
Total liabilities			
Deferred Inflows of Resources -			
Unavailable revenue	229,383	50,388	279,771
Fund Balances			
Nonspendable:			
Inventory	27,141	-	27,141
Prepays	146,959	2,968	149,927
Restricted:			
Major streets	-	478,380	478,380
Police training	-	8,904	8,904
Industrial park	-	40,767	40,767
Local streets	-	460,921	460,921
Drug enforcement	-	10,468	10,468
Building authority bond	-	36	36
Facility building bond	-	23,831	23,831
Assigned:			
Retiree health benefits	200,000	-	200,000
Corral parking lot	50,000	-	50,000
Unassigned	1,218,492	-	1,218,492
	<u>1,642,592</u>	<u>1,026,275</u>	<u>2,668,867</u>
Total fund balances			
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,095,899</u>	<u>\$ 1,086,920</u>	<u>\$ 3,182,819</u>

City of Charlotte, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2014

Fund Balance Reported in Governmental Funds	\$ 2,668,867
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	18,515,375
Other receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds	229,383
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	50,388
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(3,772,824)
Accrued interest is not due and payable in the current period and is not reported in the funds	(19,816)
Provision for claims is not due and payable in the current period and are not reported in the funds	(600,000)
Other liabilities are not due and payable in the current period and are not reported in the funds	(4,500)
Liabilities for postemployment obligations do not present a claim on current financial resources and are not reported as fund liabilities	(709,329)
Internal service funds are included as part of governmental activities	<u>1,006,254</u>
Net Position of Governmental Activities	<u>\$ 17,363,798</u>

City of Charlotte, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2014

	General Fund	Nonmajor Funds	Total
Revenue			
Property taxes	\$ 3,179,557	\$ 204,704	\$ 3,384,261
Licenses and permits	28,256	-	28,256
State and local sources	857,920	632,959	1,490,879
Charges for services	492,972	-	492,972
Fines and forfeitures	37,478	-	37,478
Investment income	5,708	936	6,644
Other revenue	226,207	64,095	290,302
	4,828,098	902,694	5,730,792
Expenditures - Current			
General government	497,398	-	497,398
Public safety	2,667,863	9,805	2,677,668
Public works	538,719	487,479	1,026,198
Community and economic development	161,666	2,416	164,082
Recreation and culture	271,677	-	271,677
Capital outlay	956,456	45,476	1,001,932
Debt service:			
Principal	27,378	210,000	237,378
Interest on long-term debt	1,632	134,840	136,472
	5,122,789	890,016	6,012,805
Total expenditures			
	(294,691)	12,678	(282,013)
Excess of Revenue (Under) Over Expenditures			
Other Financing Sources (Uses)			
Face value of debt issue	426,000	-	426,000
Transfers in (Note 7)	-	139,648	139,648
Transfers out (Note 7)	(66,800)	(72,848)	(139,648)
	359,200	66,800	426,000
Total other financing sources			
Net Change in Fund Balances	64,509	79,478	143,987
Fund Balances - Beginning of year	1,578,083	946,797	2,524,880
Fund Balances - End of year	\$ 1,642,592	\$ 1,026,275	\$ 2,668,867

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, 2014

Net Change in Fund Balances - Total Governmental Funds	\$ 143,987
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	960,677
Depreciation expense	(1,374,591)
Other revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end	8,728
Special assessment revenue is recorded in the statement of activities when the assessment is set; it is not reported in the funds until collected or collectible within 60 days of year end	(17,642)
Bond proceeds provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position	(426,000)
Repayment of bond principal and agreements is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	237,378
Change in accrued interest payable and other	(20,840)
Change in provision for claims does not require the use of current resources and therefore is not reported in the fund statements until it becomes due for payment	(600,000)
Change in accumulated employee sick and vacation pay, OPEB obligation, and other similar expenses reported in the statement of activities do not require the use of current resources and therefore are not reported in the fund statements until they come due for payment	(106,624)
Other liabilities are not due and payable in the current period and are not reported in the funds	55,500
Internal service funds are included as part of governmental activities	(8,679)
Change in Net Position of Governmental Activities	<u>\$ (1,148,106)</u>

City of Charlotte, Michigan

Proprietary Funds Statement of Net Position June 30, 2014

	Business-type Activities			Governmental
	Major Fund -	Nonmajor Fund -	Total	Activities
	Water Supply and Sewage Disposal	Recycling		Internal Service Fund - Motor Vehicle Pool
Assets				
Current assets:				
Cash and cash equivalents (Note 4)	\$ 1,275,403	\$ 16,948	\$ 1,292,351	\$ 474,449
Receivables - Net (Note 5)	690,015	5	690,020	143
Prepaid expenses and other assets	98,057	2,718	100,775	8,918
Total current assets	<u>2,063,475</u>	<u>19,671</u>	<u>2,083,146</u>	<u>483,510</u>
Noncurrent assets:				
Restricted assets - Cash and investments (Notes 4 and 9)	860,060	-	860,060	-
Capital assets (Note 6):				
Assets not subject to depreciation	260,928	-	260,928	-
Assets subject to depreciation	14,195,256	8,550	14,203,806	550,088
Total noncurrent assets	<u>15,316,244</u>	<u>8,550</u>	<u>15,324,794</u>	<u>550,088</u>
Total assets	<u>17,379,719</u>	<u>28,221</u>	<u>17,407,940</u>	<u>1,033,598</u>
Deferred Outflows of Resources - Bond refunding loss being amortized	260,831	-	260,831	-
Liabilities				
Current liabilities:				
Accounts payable	47,245	667	47,912	26,087
Accrued liabilities and other	37,557	1,335	38,892	1,257
Current portion of long-term debt (Note 8)	446,764	-	446,764	-
Total current liabilities	<u>531,566</u>	<u>2,002</u>	<u>533,568</u>	<u>27,344</u>
Noncurrent liabilities - Long-term debt - Net of current portion (Note 8)	<u>4,324,462</u>	<u>-</u>	<u>4,324,462</u>	<u>-</u>
Total noncurrent liabilities	<u>4,324,462</u>	<u>-</u>	<u>4,324,462</u>	<u>-</u>
Total liabilities	<u>4,856,028</u>	<u>2,002</u>	<u>4,858,030</u>	<u>27,344</u>
Net Position				
Net investment in capital assets	10,057,015	8,550	10,065,565	550,088
Restricted: (Note 9)				
Debt service	629,753	-	629,753	-
Operation and maintenance fund imposed by creditors	230,307	-	230,307	-
Unrestricted	1,867,447	17,669	1,885,116	456,166
Total net position	<u>\$ 12,784,522</u>	<u>\$ 26,219</u>	<u>\$ 12,810,741</u>	<u>\$ 1,006,254</u>

City of Charlotte, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2014

	Business-type Activities			Governmental Activities
	Major Fund	Nonmajor Fund	Total	Internal Service Fund - Motor Vehicle Pool
	Water Supply and Sewage Disposal	Recycling		
Operating Revenue				
Sale of water	\$ 1,459,366	\$ -	\$ 1,459,366	\$ -
Sewage charges	1,954,933	-	1,954,933	-
Recycling fees	-	25,067	25,067	-
Other	21,187	5,620	26,807	-
Charges for services	-	-	-	363,278
Total operating revenue	3,435,486	30,687	3,466,173	363,278
Operating Expenses				
Cost of services	2,167,010	-	2,167,010	284,498
Recycling	-	76,541	76,541	-
Depreciation	619,522	950	620,472	106,216
Total operating expenses	2,786,532	77,491	2,864,023	390,714
Operating Income (Loss)	648,954	(46,804)	602,150	(27,436)
Nonoperating Revenue (Expense)				
Investment income	1,600	18	1,618	2,228
Interest expense	(299,010)	-	(299,010)	-
Gain on sale of assets	-	-	-	16,529
Grants	1,891	34,984	36,875	-
Total nonoperating (expense) revenue	(295,519)	35,002	(260,517)	18,757
Change in Net Position	353,435	(11,802)	341,633	(8,679)
Net Position - Beginning of year	12,431,087	38,021	12,469,108	1,014,933
Net Position - End of year	<u>\$ 12,784,522</u>	<u>\$ 26,219</u>	<u>\$ 12,810,741</u>	<u>\$ 1,006,254</u>

City of Charlotte, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2014

	Business-type Activities			Governmental Activities
	Major Fund	Nonmajor Fund	Total	Internal Service Fund - Motor Vehicle Pool
	Water Supply and Sewage Disposal	Recycling		
Cash Flows from Operating Activities				
Receipts from customers	\$ 3,405,123	\$ 33,612	\$ 3,438,735	\$ 363,135
Payments to suppliers	(1,244,355)	(35,626)	(1,279,981)	(180,739)
Payments to employees	(952,585)	(43,284)	(995,869)	(81,033)
Net cash provided by (used in) operating activities	1,208,183	(45,298)	1,162,885	101,363
Cash Flows from Noncapital Financing Activities - Grants	1,891	34,984	36,875	-
Cash Flows from Capital and Related Financing Activities				
Proceeds from sales of capital assets	-	-	-	16,529
Purchase of capital assets	(359,027)	(9,500)	(368,527)	(141,190)
Principal and interest paid on capital debt	(581,310)	-	(581,310)	-
Net cash used in capital and related financing activities	(940,337)	(9,500)	(949,837)	(124,661)
Cash Flows from Investing Activities - Interest received on investments	1,600	18	1,618	2,228
Net Increase (Decrease) in Cash and Cash Equivalents	271,337	(19,796)	251,541	(21,070)
Cash and Cash Equivalents - Beginning of year	1,864,126	36,744	1,900,870	495,519
Cash and Cash Equivalents - End of year	\$ 2,135,463	\$ 16,948	\$ 2,152,411	\$ 474,449
Balance Sheet Classification of Cash and Cash Equivalents				
Cash and investments	\$ 1,275,403	\$ 16,948	\$ 1,292,351	\$ 474,449
Restricted cash	860,060	-	860,060	-
Total cash and cash equivalents	\$ 2,135,463	\$ 16,948	\$ 2,152,411	\$ 474,449
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating income (loss)	\$ 648,954	\$ (46,804)	\$ 602,150	\$ (27,436)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation and amortization	619,522	950	620,472	106,216
Changes in assets and liabilities:				
Receivables	(30,363)	2,925	(27,438)	(143)
Prepaid and other assets	(6,980)	159	(6,821)	737
Accounts payable	(6,270)	(3,439)	(9,709)	21,847
Accrued liabilities and other	(16,680)	911	(15,769)	142
Net cash provided by (used in) operating activities	\$ 1,208,183	\$ (45,298)	\$ 1,162,885	\$ 101,363

Noncash Investing, Capital, and Financing Activities - During the year ended June 30, 2014, the Water Supply and Sewage Disposal Fund incurred \$28,715 of amortization on capital debt bond refunding. Additionally, in accordance with GASB Statement No. 65, bond issuance costs of \$65,233 were written off in the Water Supply and Sewage Disposal Fund.

City of Charlotte, Michigan

Fiduciary Funds Statement of Assets and Liabilities June 30, 2014

	<u>Agency Funds</u>
Assets - Cash and cash equivalents (Note 4)	<u>\$ 166,454</u>
Liabilities - Due to other governmental units	<u>\$ 166,454</u>

City of Charlotte, Michigan

Component Units Statement of Net Position June 30, 2014

	Downtown Development Authority	Local Development Financing Authority	Total
Assets			
Cash and investments (Note 4)	\$ 89,301	\$ 760,077	\$ 849,378
Receivables - Net	3,110	131	3,241
Capital assets (Note 6)	214,777	-	214,777
Note receivable (Note 1)	-	572,794	572,794
Total assets	307,188	1,333,002	1,640,190
Liabilities			
Accounts payable	1,592	-	1,592
Current portion of long-term debt (Note 8)	10,176	-	10,176
Long-term debt (Note 8)	65,470	-	65,470
Total liabilities	77,238	-	77,238
Net Position			
Net investment in capital assets	139,131	-	139,131
Unrestricted	90,819	1,333,002	1,423,821
Total net position	\$ 229,950	\$ 1,333,002	\$ 1,562,952

City of Charlotte, Michigan

Component Units Statement of Activities Year Ended June 30, 2014

	Expenses	Net (Expense) Revenue and Changes in Net Position		
		Downtown Development Authority	Local Development Financing Authority	Total
Functions/Programs				
Downtown Development Authority	\$ 39,252	\$ (39,252)	\$ -	\$ (39,252)
Local Development Financing Authority	24,754	-	(24,754)	(24,754)
Total component units	\$ 64,006	(39,252)	(24,754)	(64,006)
Property taxes		50,008	-	50,008
Interest		94	449	543
Other miscellaneous income		53,011	3,348	56,359
Total general revenue		103,113	3,797	106,910
Change in Net Position		63,861	(20,957)	42,904
Net Position - Beginning of year		166,089	1,353,959	1,520,048
Net Position - End of year		\$ 229,950	\$ 1,333,002	\$ 1,562,952

Note I - Summary of Significant Accounting Policies

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

Reporting Entity

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

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

Discretely Presented Component Units

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

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

Accounting and Reporting Principles

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

Note I - Summary of Significant Accounting Policies (Continued)

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual based presentation found in the fund-based statements.

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

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

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

Fund Accounting

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

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

Note I - Summary of Significant Accounting Policies (Continued)

- **Combining General Fund** - The Combining General Fund includes both the General Fund and the Airport Fund. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Airport Fund is used to control the expenditures of fuel sales, hangar rentals, and grant funds, which are earmarked for airport purposes.

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

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

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

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

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

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

Note I - Summary of Significant Accounting Policies (Continued)

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

Basis of Accounting

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

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

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

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

Specific Balances and Transactions

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

Note I - Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

Notes Receivable - The LDFA provided two loans to the General Fund. The outstanding balances at June 30, 2014 were \$72,048 and \$105,000 maturing in 2021 and 2024, respectively. The LDFA provided a loan to the Airport Fund maturing in 2019 with a balance of \$321,000 remaining at June 30, 2014. The LDFA also provided a loan to the DDA with a balance of \$75,646 remaining at June 30, 2014.

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

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

Note I - Summary of Significant Accounting Policies (Continued)

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category. It is the deferred bond refunding loss reported in the government-wide statement of net position. A deferred bond refunding loss results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Note I - Summary of Significant Accounting Policies (Continued)

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

Net Position Flow Assumption

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

Fund Balance Flow Assumption

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

Fund Balance Policies

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

Note I - Summary of Significant Accounting Policies (Continued)

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

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

Property Tax Revenue

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

The City's 2013 tax is levied and collectible on July 1, 2013 and is recognized as revenue in the year ended June 30, 2014, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2013 taxable valuation of the City totaled \$213,228,195 (a portion of which is captured by the DDA), on which taxes levied consisted of 14.2913 mills for operating purposes, .9500 mills for debt service, and .1000 mills for waste collection. This resulted in \$3,036,842 for operating, \$204,704 for debt service, and \$21,512 for waste collection purposes. These amounts are recognized in the respective General and Debt Service Fund financial statements as tax revenue.

Note I - Summary of Significant Accounting Policies (Continued)

Pension and Other Postemployment Benefit Costs - The City offers both pension and retiree health care benefits to retirees. The City receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the pension obligation over the remaining amortization period. The City internally calculates the ARC necessary to fund the other postemployment benefits over the remaining amortization period. In the governmental funds, pension and OPEB costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the City reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any. Typically, the General Fund and other nonmajor governmental funds will be used to liquidate the other postemployment obligation.

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

Proprietary Funds Operating Classification - Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Fund and internal service funds are charges to customers for sales and services. The Water and Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Note 2 - Upcoming Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary, and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the year ending June 30, 2015.

Note 3 - Stewardship, Compliance, and Accountability

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

Cumulative shortfall at July 1, 2013	\$ (1,635,547)
Current year permit revenue	18,510
Direct and estimated indirect costs	<u>191,091</u>
Current year shortfall	<u>(172,581)</u>
Cumulative shortfall at June 30, 2014	<u>\$ (1,808,128)</u>

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund, Special Revenue Funds, and Debt Service Funds. All annual appropriations lapse at fiscal year end.

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

Note 3 - Stewardship, Compliance, and Accountability (Continued)

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

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

Note 4 - Deposits and Investments

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

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

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

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$3,675,585 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, 2014

Note 4 - Deposits and Investments (Continued)

The component units' deposits had a bank balance of \$881,550, of which \$163,441 was covered by federal depository insurance and \$718,109 was uninsured and uncollateralized.

Credit Risk - As of year end, the City had \$677,009 invested in bank investment pools with a rating of AAAM by Standard & Poor's. The City's investment policy does not limit credit risk beyond that imposed by state law.

Note 5 - 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	Nonmajor Funds and Internal Service Fund	Water Supply and Sewage Disposal	Recycling	Total	Component Units
Receivables:						
Special assessments receivable	\$ -	\$ 50,388	\$ -	\$ -	\$ 50,388	\$ 3,083
Accounts and other	208,602	569	690,015	5	899,191	158
Intergovernmental	278,205	91,687	-	-	369,892	-
Net receivables	<u>\$ 486,807</u>	<u>\$ 142,644</u>	<u>\$ 690,015</u>	<u>\$ 5</u>	<u>\$ 1,319,471</u>	<u>\$ 3,241</u>

City of Charlotte, Michigan

Notes to Financial Statements June 30, 2014

Note 6 - Capital Assets

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

	Balance July 1, 2013	Reclassifications	Additions	Disposals	Balance June 30, 2014
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 1,980,808	\$ -	\$ 58,664	\$ -	\$ 2,039,472
Construction in progress	72,427	(37,589)	-	-	34,838
Easement	628,461	-	-	-	628,461
Subtotal	2,681,696	(37,589)	58,664	-	2,702,771
Capital assets being depreciated:					
Infrastructure	26,949,036	-	67,328	-	27,016,364
Buildings and improvements	5,933,441	37,589	415,314	-	6,386,344
Vehicles	2,078,787	-	141,190	62,437	2,157,540
Equipment	3,233,225	-	419,371	22,950	3,629,646
Subtotal	38,194,489	37,589	1,043,203	85,387	39,189,894
Accumulated depreciation:					
Infrastructure	15,467,140	-	1,057,651	-	16,524,791
Buildings and improvements	1,749,548	-	133,632	-	1,883,180
Vehicles	1,563,673	-	106,216	62,437	1,607,452
Equipment	2,651,421	-	183,308	22,950	2,811,779
Subtotal	21,431,782	-	1,480,807	85,387	22,827,202
Net capital assets being depreciated	16,762,707	37,589	(437,604)	-	16,362,692
Net capital assets	\$ 19,444,403	\$ -	\$ (378,940)	\$ -	\$ 19,065,463

	Balance July 1, 2013	Reclassifications	Additions	Disposals	Balance June 30, 2014
Business-type Activities					
Capital assets not being depreciated:					
Land	\$ 104,995	\$ -	\$ -	\$ -	\$ 104,995
Construction in progress	10,000	(10,000)	155,933	-	155,933
Subtotal	114,995	(10,000)	155,933	-	260,928
Capital assets being depreciated -					
Buildings and systems	27,405,859	10,000	212,594	4,843	27,623,610
Accumulated depreciation - Buildings and systems					
	12,804,175	-	620,472	4,843	13,419,804
Net capital assets being depreciated	14,601,684	10,000	(407,878)	-	14,203,806
Net capital assets	\$ 14,716,679	\$ -	\$ (251,945)	\$ -	\$ 14,464,734

City of Charlotte, Michigan

Notes to Financial Statements June 30, 2014

Note 6 - Capital Assets (Continued)

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2014</u>
Component Units				
Capital assets not being depreciated -				
Land	\$ 183,777	\$ 31,000	\$ -	\$ 214,777

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

Governmental activities:

General government	\$ 47,512
Public safety	202,403
Public works	1,013,597
Recreation and culture	111,079
Internal service fund depreciation is charged to the various functions based on their usage of the asset	<u>106,216</u>
Total governmental activities	<u>\$ 1,480,807</u>

Business-type activities:

Water	\$ 142,703
Sewer	476,819
Recycling	<u>950</u>
Total business-type activities	<u>\$ 620,472</u>

Construction Commitments - The City has active construction projects at year end. At year end, the City's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Well #7	\$ 139,485	\$ 222,270

Note 7 - Interfund Transfers

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

<u>Fund Providing Resources</u>	<u>Fund Receiving Resources</u>	<u>Amount</u>
General Fund	Nonmajor special revenue funds	\$ 20,000
	Nonmajor debt service fund	<u>46,800</u>
	Total General Fund	66,800
Nonmajor special revenue funds	Nonmajor debt service funds	<u>72,848</u>
	Total	<u>\$ 139,648</u>

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

Note 8 - Long-term Debt

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

City of Charlotte, Michigan

Notes to Financial Statements June 30, 2014

Note 8 - Long-term Debt (Continued)

Long-term debt activity can be summarized as follows:

	Interest Rate Ranges	Maturing Through	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
General obligation bonds:							
Building Authority Bonds - Series 2001 (Limited Tax General Obligation) Bonds	4.8% - 5.1%	2016	\$ 190,000	\$ -	\$ 60,000	\$ 130,000	\$ 65,000
Michigan Transportation Fund Bonds - Series 2001 (Limited Tax General Obligation) Bonds	5.1% - 5.3%	2017	270,000	-	60,000	210,000	65,000
2008 Facility Building and Site Bonds (Unlimited Tax General Obligation)	4.125% - 4.25%	2032	2,700,000	-	90,000	2,610,000	95,000
Economic Development Agreement	-	2017	58,086	-	17,874	40,212	17,874
Total bonds payable			3,218,086	-	227,874	2,990,212	242,874
General obligation loans:							
Local Development Financing Authority loan # 1 to General Fund	2%	2021	81,552	-	9,504	72,048	9,692
Local Development Financing Authority loan #2 to General Fund	2%	2024	-	105,000	-	105,000	9,589
Local Development Financing Authority loan to Airport Fund	2%	2019	-	321,000	-	321,000	149,994
Other long-term obligations - Compensated absences	-	-	303,790	152,322	171,548	284,564	96,844
Total governmental activities			\$ 3,603,428	\$ 578,322	\$ 408,926	\$ 3,772,824	\$ 508,993
	Interest Rate Ranges	Maturing Through	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities							
2005 Revenue Refunding Bonds - Water Supply and Sewage Disposal System	4.0% - 4.25%	2024	\$ 5,035,000	\$ -	\$ 375,000	\$ 4,660,000	\$ 390,000
Compensated absences	-	-	135,083	65,463	89,320	111,226	56,764
Total business-type activities			\$ 5,170,083	\$ 65,463	\$ 464,320	\$ 4,771,226	\$ 446,764
	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Component Unit Activities							
General obligation loan - Local Development Financing Authority loan to Downtown Development Authority	2%	2021	\$ 85,630	\$ -	\$ 9,984	\$ 75,646	\$ 10,176

City of Charlotte, Michigan

Notes to Financial Statements June 30, 2014

Note 8 - Long-term Debt (Continued)

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

Years Ending June 30	Governmental Activities			Business-type Activities			Component Unit Activities		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 412,149	\$ 134,911	\$ 547,060	\$ 390,000	\$ 191,310	\$ 581,310	\$ 10,176	\$ 1,513	\$ 11,689
2016	425,534	120,830	546,364	405,000	175,710	580,710	10,380	1,310	11,690
2017	222,536	106,111	328,647	420,000	159,510	579,510	10,587	1,102	11,689
2018	130,461	99,049	229,510	435,000	142,710	577,710	10,799	890	11,689
2019	135,870	94,102	229,972	455,000	125,310	580,310	11,015	674	11,689
2020-2024	731,710	389,468	1,121,178	2,555,000	331,472	2,886,472	22,689	683	23,372
2025-2029	830,000	235,926	1,065,926	-	-	-	-	-	-
2030-2034	600,000	51,850	651,850	-	-	-	-	-	-
Total	\$ 3,488,260	\$ 1,232,247	\$ 4,720,507	\$ 4,660,000	\$ 1,126,022	\$ 5,786,022	\$ 75,646	\$ 6,172	\$ 81,818

Future Revenue Pledged for Debt Payment - The City has pledged substantially all revenue of the Water and Sewer Fund, net of operating expenses, to repay the above water and sewer revenue bonds. Proceeds from the bonds provided financing for the construction of the water supply and sewage disposal system. The bonds are payable solely from the net revenue of the water and sewer system. The remaining principal and interest to be paid on the bonds total \$5,786,022. During the current year, revenue of the system was \$3,435,486 compared to the annual debt requirement of \$645,295.

Note 9 - Restricted Net Position

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

	Business-type Activities
Operation and maintenance fund	\$ 230,307
Bond and interest redemption fund	48,443
Bond reserve account	<u>581,310</u>
Total restricted net position	<u>\$ 860,060</u>

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

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

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

Note 10 - Risk Management

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

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

Note 11 - Defined Benefit Pension Plan

Plan Description - The City participates in the Michigan Municipal Employees' Retirement System (the "MERS"), an agent multiple-employer defined benefit pension plan that covers all employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The City Council has the authority for establishing and amending benefits offered by the defined benefit plan. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the MERS. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, MI 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 ranging between 0 percent and 11 percent of gross wages, depending on the group.

Annual Pension Cost - For the year ended June 30, 2014, the City's annual pension cost of \$418,476 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2011, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) an 8.0 percent investment rate of return, (b) projected salary increases of 1.0 percent per year compounded annually, attributable to inflation, (c) additional projected salary increases of 0.0 percent to 13.0 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 10-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 27 years.

City of Charlotte, Michigan

Notes to Financial Statements June 30, 2014

Note 11 - Defined Benefit Pension Plan (Continued)

	Fiscal Year Ended June 30		
	2012	2013	2014
Annual pension cost (APC)	\$ 384,666	\$ 403,402	\$ 418,476
Percentage of APC contributed	100.0 %	100.0 %	100.0 %
Net pension obligation	\$ -	\$ -	\$ -

	Actuarial Valuation as of December 31		
	2011	2012	2013
Actuarial value of assets	\$ 13,031,499	\$ 13,101,512	\$ 13,246,058
Actuarial accrued liability (AAL)			
(entry age)	\$ 18,428,684	\$ 18,390,180	\$ 18,921,858
Unfunded AAL (UAAL)	\$ 5,397,185	\$ 5,288,668	\$ 5,675,800
Funded ratio	70.7 %	71.2 %	70.0 %
Covered payroll	\$ 2,566,502	\$ 2,381,969	\$ 2,337,878
UAAL as a percentage of covered payroll	210.3 %	222.0 %	242.8 %

Note 12 - Defined Contribution Pension Plan

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

The City's total payroll during the current year was \$2,552,624. The current year contribution was calculated based on covered payroll of \$618,680, resulting in an employer contribution of \$59,133 and employee contributions of \$0.

Note 13 - Other Postemployment Benefits

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

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

City of Charlotte, Michigan

Notes to Financial Statements June 30, 2014

Note 13 - Other Postemployment Benefits (Continued)

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

Annual required contribution	\$ 231,061
Interest on the prior year's net OPEB obligation	11,670
Less adjustment to the annual required contribution	<u>(21,610)</u>
Annual OPEB cost	221,121
Amounts contributed - Payments of current premiums	<u>(95,271)</u>
Increase in net OPEB obligation	125,850
OPEB obligation - Beginning of year	<u>583,479</u>
OPEB obligation - End of year	<u><u>\$ 709,329</u></u>

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

Fiscal Year Ended	Actuarial Valuation Date	Annual OPEB Costs	Percentage Contributed	Net OPEB Obligation
6/30/14	6/30/14	\$ 221,121	43.1 %	\$ 709,329
6/30/13	6/30/13	215,832	33.9 %	583,479
6/30/12	6/30/12	230,137	40.5 %	440,752

Amounts shown as of June 30, 2011, June 30, 2012, and June 30, 2013 are based on management's calculation; no actuarial calculation was performed.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Annual Covered Payroll (c)	Ratio of UAAL to Covered Payroll
6/30/14	\$ -	\$ 4,400,127	\$ 4,400,127	-	\$ 2,337,878	188.2
6/30/13	-	4,175,750	4,175,750	-	2,381,969	175.3
6/30/12	-	4,238,781	4,238,781	-	2,566,502	165.2

Note 13 - Other Postemployment Benefits (Continued)

In determination of the OPEB liability as of June 30, 2014, the following assumptions were used:

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented above, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

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

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

Mortality - Life expectancies were based on mortality tables from the National Center for Health Statistics. The 2002 United States Life Tables for Males and for Females were used.

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

Healthcare Cost Trend Rate - The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare and Medicaid Services. A rate of 7.40 percent initially, reduced to an ultimate rate of 6.70 percent after six years, was used.

Note 13 - Other Postemployment Benefits (Continued)

Health Insurance Premiums - 2014 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

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

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

Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 2.0 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2014 was 27 years.

Note 14 - Change in Accounting

During the current year, the City adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The objective of this statement is to establish standards that reclassify certain items that were previously reported as assets and liabilities and instead to classify them as deferred inflows of resources, deferred outflows of resources, or as outflows of resources.

As a result of implementing this statement, the following assets and liabilities have been reclassified, as indicated:

Item	Amount	Prior reporting classification/treatment	New classification after adoption of GASB 65
Deferred amounts on debt refundings	\$ 260,831	Adjustment to the bonds payable liability	Deferred outflow of resources
Bond issuance costs	87,428	Asset	Outflow of resources (an expense)
Revenue in governmental funds not collected within 60 days of year end	279,771	Liability	Deferred inflow of resources

Note 15 - Contingent Liabilities

The City has been named as a defendant in a lawsuit for a disability discrimination claim. It was determined that an unfavorable outcome in the amount of \$600,000 was probable. This amount has been recorded as a liability within the governmental activities.

Required Supplemental Information

City of Charlotte, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 3,157,200	\$ 3,157,200	\$ 3,179,557	\$ 22,357
Licenses and permits	8,400	8,400	28,256	19,856
State-shared revenue and grants	838,000	838,000	857,920	19,920
Charges for services	398,000	475,000	492,972	17,972
Fines and forfeitures	29,200	29,200	37,478	8,278
Investment income	1,000	1,000	5,708	4,708
Other	99,800	99,800	84,122	(15,678)
Total revenue	4,531,600	4,608,600	4,686,013	77,413
Expenditures				
Current:				
General government	518,680	548,680	508,121	40,559
Public safety	3,088,970	3,242,970	3,136,561	106,409
Public works	712,100	712,100	609,448	102,652
Community and economic development	142,100	167,100	163,925	3,175
Recreation and culture	128,000	128,000	86,460	41,540
Debt service	29,030	29,030	29,010	20
Total expenditures	4,618,880	4,827,880	4,533,525	294,355
Excess of Expenditures (Under) Over Revenue	(87,280)	(219,280)	152,488	371,768
Other Financing Sources (Uses)				
Face value of debt issue	105,000	105,000	105,000	-
Transfers out	(61,800)	(66,800)	(66,800)	-
Total other financing sources	43,200	38,200	38,200	-
Net Change in Fund Balance	(44,080)	(181,080)	190,688	371,768
Fund Balance - Beginning of year	1,608,454	1,608,454	1,608,454	-
Fund Balance - End of year	<u>\$ 1,564,374</u>	<u>\$ 1,427,374</u>	<u>\$ 1,799,142</u>	<u>\$ 371,768</u>

City of Charlotte, Michigan

Note to Required Supplemental Information Year Ended June 30, 2014

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

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

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

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

	<u>Total Revenue</u>	<u>Total Expenditures</u>	<u>Fund Balance</u>
City of Charlotte, Michigan			
General Fund	\$ 4,686,013	\$ 4,533,525	\$ 1,799,142
Airport Fund	<u>142,085</u>	<u>589,264</u>	<u>(156,550)</u>
Amounts per fund-based statement	<u>\$ 4,828,098</u>	<u>\$ 5,122,789</u>	<u>\$ 1,642,592</u>

City of Charlotte, Michigan

Required Supplemental Information Pension System Schedule Year Ended June 30, 2014

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
12/31/13	\$ 13,246,058	\$ 18,920,858	\$ 5,674,800	70.0	\$ 2,337,878	242.7
12/31/12	13,101,512	18,390,180	5,288,668	71.2	2,381,969	222.0
12/31/11	13,031,499	18,428,684	5,397,185	70.7	2,566,502	210.3

City of Charlotte, Michigan

Required Supplemental Information OPEB System Schedule Year Ended June 30, 2014

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/14	\$ -	\$ 4,400,127	\$ 4,400,127	-	\$ 2,337,878	188.2
6/30/13	-	4,175,750	4,175,750	-	2,381,969	175.3
6/30/12	-	4,238,781	4,238,781	-	2,566,502	165.2

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed
6/30/14	6/30/14	\$ 231,061	41.2
6/30/13	6/30/13	222,758	32.8
6/30/12	6/30/12	229,032	40.7

Other Supplemental Information

Nonmajor Governmental Funds

Major Streets 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.

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

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

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

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

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

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

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

City of Charlotte, Michigan

		Special Revenue Funds				
		Major Streets Fund	Local Streets	Industrial Park	Police Training	Drug Enforcement
Assets						
Cash and investments		\$ 418,655	\$ 438,380	\$ 40,911	\$ 8,931	\$ 10,707
Receivables - Net		66,513	75,973	12	-	3
Prepays and other assets		1,272	1,696	-	-	-
	Total assets	<u>\$ 486,440</u>	<u>\$ 516,049</u>	<u>\$ 40,923</u>	<u>\$ 8,931</u>	<u>\$ 10,710</u>
Liabilities						
Accounts payable		\$ 5,585	\$ 1,829	\$ 156	\$ 27	\$ 242
Accrued liabilities and other		1,203	1,215	-	-	-
	Total liabilities	6,788	3,044	156	27	242
Deferred Inflows of Resources						
Unavailable revenue		-	50,388	-	-	-
Fund Balances						
Nonspendable - Prepaid assets		1,272	1,696	-	-	-
Restricted:						
Major streets		478,380	-	-	-	-
Police training		-	-	-	8,904	-
Industrial park		-	-	40,767	-	-
Local streets		-	460,921	-	-	-
Drug enforcement		-	-	-	-	10,468
Building authority bond		-	-	-	-	-
Facility building bond		-	-	-	-	-
	Total fund balances	<u>479,652</u>	<u>462,617</u>	<u>40,767</u>	<u>8,904</u>	<u>10,468</u>
	Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 486,440</u>	<u>\$ 516,049</u>	<u>\$ 40,923</u>	<u>\$ 8,931</u>	<u>\$ 10,710</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014**

Debt Service Funds			Total
Building Authority Bond	Michigan Transportation Bond	Facility Building Bond	Nonmajor Governmental Funds
\$ 36	\$ -	\$ 23,831	\$ 941,451
-	-	-	142,501
-	-	-	2,968
\$ 36	\$ -	\$ 23,831	\$ 1,086,920
\$ -	\$ -	\$ -	\$ 7,839
-	-	-	2,418
-	-	-	10,257
-	-	-	50,388
-	-	-	2,968
-	-	-	478,380
-	-	-	8,904
-	-	-	40,767
-	-	-	460,921
-	-	-	10,468
36	-	-	36
-	-	23,831	23,831
36	-	23,831	1,026,275
\$ 36	\$ -	\$ 23,831	\$ 1,086,920

City of Charlotte, Michigan

Special Revenue Funds					
	Major Streets	Local Streets	Industrial Park	Police Training	Drug Enforcement
Revenue					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	452,109	177,878	-	2,972	-
Investment income	430	452	43	-	11
Other revenue:					
Special assessments	-	17,642	-	-	-
Other miscellaneous income	11,913	1,682	9,830	-	-
Total revenue	464,452	197,654	9,873	2,972	11
Expenditures - Current					
Public safety	-	-	-	9,805	-
Public works	234,453	253,026	-	-	-
Community and economic development	-	-	1,341	-	-
Capital outlay	45,476	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest on long-term debt	-	-	-	-	-
Total expenditures	279,929	253,026	1,341	9,805	-
Excess of Revenue Over (Under) Expenditures	184,523	(55,372)	8,532	(6,833)	11
Other Financing Sources (Uses)					
Transfers in	-	15,000	-	5,000	-
Transfers out	(43,708)	(29,140)	-	-	-
Total other financing (uses) sources	(43,708)	(14,140)	-	5,000	-
Net Change in Fund Balances	140,815	(69,512)	8,532	(1,833)	11
Fund Balances - Beginning of year	338,837	532,129	32,235	10,737	10,457
Fund Balances - End of year	\$ 479,652	\$ 462,617	\$ 40,767	\$ 8,904	\$ 10,468

City of Charlotte, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2014

Debt Service Funds			Total
Building Authority Bond	Michigan Transportation Bond	Facility Building Bond	Nonmajor Governmental Funds
\$ -	\$ -	\$ 204,704	\$ 204,704
-	-	-	632,959
-	-	-	936
-	-	-	17,642
<u>23,028</u>	<u>-</u>	<u>-</u>	<u>46,453</u>
23,028	-	204,704	902,694
-	-	-	9,805
-	-	-	487,479
287	288	500	2,416
-	-	-	45,476
60,000	60,000	90,000	210,000
9,505	12,560	112,775	134,840
<u>69,792</u>	<u>72,848</u>	<u>203,275</u>	<u>890,016</u>
(46,764)	(72,848)	1,429	12,678
46,800	72,848	-	139,648
-	-	-	(72,848)
<u>46,800</u>	<u>72,848</u>	<u>-</u>	<u>66,800</u>
36	-	1,429	79,478
-	-	22,402	946,797
<u>\$ 36</u>	<u>\$ -</u>	<u>\$ 23,831</u>	<u>\$ 1,026,275</u>

City of Charlotte, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Major Streets Budgetary Comparison Schedule Year Ended June 30, 2014

	Original Budget (unaudited)	Amended Budget (unaudited)	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 421,000	\$ 421,000	\$ 452,109	\$ 31,109
Investment income	400	400	430	30
Other miscellaneous income	8,000	8,000	11,913	3,913
Total revenue	429,400	429,400	464,452	35,052
Expenditures				
Current - Public works	271,215	271,215	234,453	36,762
Capital outlay	60,000	60,000	45,476	14,524
Total expenditures	331,215	331,215	279,929	51,286
Excess of Revenue Over Expenditures	98,185	98,185	184,523	86,338
Other Financing Uses - Transfers out	(43,700)	(43,700)	(43,708)	8
Net Change in Fund Balance	54,485	54,485	140,815	86,346
Fund Balance - Beginning of year	338,837	338,837	338,837	-
Fund Balance - End of year	<u>\$ 393,322</u>	<u>\$ 393,322</u>	<u>\$ 479,652</u>	<u>\$ 86,330</u>

City of Charlotte, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Local Streets Budgetary Comparison Schedule Year Ended June 30, 2014

	Original Budget (unaudited)	Amended Budget (unaudited)	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 157,000	\$ 157,000	\$ 177,878	\$ 20,878
Investment income	400	400	452	52
Other revenue:				
Special assessments	6,000	6,000	17,642	11,642
Other miscellaneous income	2,000	2,000	1,682	(318)
Total revenue	165,400	165,400	197,654	32,254
Expenditures - Current - Public works -				
Street maintenance	308,910	308,910	253,026	55,884
Excess of Expenditures Over Revenue	(143,510)	(143,510)	(55,372)	88,138
Other Financing Sources (Uses)				
Transfers in	15,000	15,000	15,000	-
Transfers out	(29,135)	(29,135)	(29,140)	5
Total other financing sources	(14,135)	(14,135)	(14,140)	5
Net Change in Fund Balance	(157,645)	(157,645)	(69,512)	88,143
Fund Balance - Beginning of year	532,129	532,129	532,129	-
Fund Balance - End of year	<u>\$ 374,484</u>	<u>\$ 374,484</u>	<u>\$ 462,617</u>	<u>\$ 88,133</u>

City of Charlotte, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Industrial Park Budgetary Comparison Schedule Year Ended June 30, 2014

	Original Budget (unaudited)	Amended Budget (unaudited)	Actual	Variance with Amended Budget
Revenue				
Investment income	\$ 30	\$ 30	\$ 43	\$ 13
Other revenue	6,880	6,880	9,830	2,950
Total revenue	6,910	6,910	9,873	2,963
Expenditures - Current -				
Community and economic development	5,250	5,250	1,341	3,909
Net Change in Fund Balance	1,660	1,660	8,532	6,872
Fund Balance - Beginning of year	32,235	32,235	32,235	-
Fund Balance - End of year	\$ 33,895	\$ 33,895	\$ 40,767	\$ 6,872

City of Charlotte, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Police Training Budgetary Comparison Schedule Year Ended June 30, 2014

	Original Budget (unaudited)	Amended Budget (unaudited)	Actual	Variance with Amended Budget
Revenue - State sources	\$ 2,500	\$ 12,500	\$ 2,972	\$ (9,528)
Expenditures - Current -				
Public safety - Police	<u>4,250</u>	<u>14,250</u>	<u>9,805</u>	<u>4,445</u>
Excess of Revenue Over Expenditures	(1,750)	(1,750)	(6,833)	(5,083)
Other Financing Sources -				
Transfers in	<u>-</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Net Change in Fund Balance	(1,750)	3,250	(1,833)	(5,083)
Fund Balance - Beginning of year	<u>10,737</u>	<u>10,737</u>	<u>10,737</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 8,987</u></u>	<u><u>\$ 13,987</u></u>	<u><u>\$ 8,904</u></u>	<u><u>\$ (5,083)</u></u>

City of Charlotte, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Drug Enforcement Budgetary Comparison Schedule Year Ended June 30, 2014

	Original Budget <u>(unaudited)</u>	Amended Budget <u>(unaudited)</u>	Actual	Variance with Amended Budget
Revenue				
Investment income	\$ 20	\$ 20	\$ 11	\$ (9)
Other	<u>500</u>	<u>500</u>	<u>-</u>	<u>(500)</u>
Total revenue	520	520	11	(509)
Expenditures - Current -				
Public safety - Police	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Net Change in Fund Balance	(480)	(480)	11	491
Fund Balance - Beginning of year	<u>10,457</u>	<u>10,457</u>	<u>10,457</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 9,977</u></u>	<u><u>\$ 9,977</u></u>	<u><u>\$ 10,468</u></u>	<u><u>\$ 491</u></u>

City of Charlotte, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Building Authority Bond Budgetary Comparison Schedule Year Ended June 30, 2014

	Original Budget (unaudited)	Amended Budget (unaudited)	Actual	Variance with Amended Budget
Revenue - Other revenue	\$ 23,030	\$ 23,030	\$ 23,028	\$ (2)
Expenditures - Current				
Community and economic development	275	290	287	3
Debt service:				
Principal	60,000	60,000	60,000	-
Interest on long-term debt	9,505	9,505	9,505	-
Total expenditures	69,780	69,795	69,792	3
Other Financing Sources -				
Transfers in	46,750	46,800	46,800	-
Net Change in Fund Balance	-	35	36	1
Fund Balance - Beginning of year	-	-	-	-
Fund Balance - End of year	<u>\$ -</u>	<u>\$ 35</u>	<u>\$ 36</u>	<u>\$ 1</u>

City of Charlotte, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Michigan Transportation Bond Budgetary Comparison Schedule Year Ended June 30, 2014

	Original Budget (unaudited)	Amended Budget (unaudited)	Actual	Variance with Amended Budget
Expenditures - Current				
Community and economic development	\$ 275	\$ 290	\$ 288	\$ 2
Debt service:				
Principal	60,000	60,000	60,000	-
Interest on long-term debt	12,560	12,560	12,560	-
Total expenditures	72,835	72,850	72,848	2
Other Financing Sources - Transfers in	72,835	72,835	72,848	13
Net Change in Fund Balance	-	(15)	-	15
Fund Balance - Beginning of year	-	-	-	-
Fund Balance - End of year	<u>\$ -</u>	<u>\$ (15)</u>	<u>\$ -</u>	<u>\$ 15</u>

City of Charlotte, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Facility Building Bond Budgetary Comparison Schedule Year Ended June 30, 2014

	Original Budget (unaudited)	Amended Budget (unaudited)	Actual	Variance with Amended Budget
Revenue - Property taxes	\$ 200,000	\$ 200,000	\$ 204,704	\$ 4,704
Expenditures - Current				
Community and economic development	500	500	500	-
Debt service:				
Principal	90,000	90,000	90,000	-
Interest on long-term debt	112,776	112,776	112,775	1
Total expenditures	<u>203,276</u>	<u>203,276</u>	<u>203,275</u>	<u>1</u>
Net Change in Fund Balance	(3,276)	(3,276)	1,429	4,705
Fund Balance - Beginning of year	<u>22,402</u>	<u>22,402</u>	<u>22,402</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 19,126</u>	<u>\$ 19,126</u>	<u>\$ 23,831</u>	<u>\$ 4,705</u>

City of Charlotte, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Airport Budgetary Comparison Schedule Year Ended June 30, 2014

	Original Budget (unaudited)	Amended Budget (unaudited)	Actual	Variance with Amended Budget
Revenue				
Other miscellaneous income	\$ 119,550	\$ 119,550	\$ 142,085	\$ 22,535
Total revenue	119,550	119,550	142,085	22,535
Expenditures - Recreation and culture				
Airport	<u>792,670</u>	<u>792,670</u>	<u>589,264</u>	<u>203,406</u>
Excess of Revenue Under Expenditures	(673,120)	(673,120)	(447,179)	225,941
Other Financing Sources -				
Face value of debt issue	<u>650,000</u>	<u>650,000</u>	<u>321,000</u>	<u>(329,000)</u>
Net Change in Fund Balance	(23,120)	(23,120)	(126,179)	(103,059)
Fund Balance (Deficit) - Beginning of year	<u>(30,371)</u>	<u>(30,371)</u>	<u>(30,371)</u>	<u>-</u>
Fund Balance (Deficit) - End of year	<u>\$ (53,491)</u>	<u>\$ (53,491)</u>	<u>\$ (156,550)</u>	<u>\$ (103,059)</u>

The Airport Fund is included as part of the Combining General Fund as presented in the financial statements. The required supplemental information shows the budgetary comparison for the General Fund, excluding the Airport Fund (see page 46). The budgetary comparison for the Airport Fund is presented above.

City of Charlotte, Michigan

Other Supplemental Information Schedule of Changes in Assets and Liabilities Agency Funds June 30, 2014

	Balance at July 1, 2013	Additions	Reductions	Balance at June 30, 2014
Assets - Cash and cash equivalents	<u>\$ 124,083</u>	<u>\$ 10,467,465</u>	<u>\$ (10,425,094)</u>	<u>\$ 166,454</u>
Liabilities - Due to other governmental units	<u>\$ 124,083</u>	<u>\$ 10,467,465</u>	<u>\$ (10,425,094)</u>	<u>\$ 166,454</u>

Statistical Section

Statistical Section

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

The statistical section is organized into the following main categories:

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

Financial Trends

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

City of Charlotte, Michigan

Net Position by Component Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities										
Net investment in capital assets	\$ 17,874,974	\$ 17,277,656	\$ 16,888,466	\$ 17,429,185	\$ 17,712,356	\$ 17,423,981	\$ 16,745,700	\$ 16,859,400	\$ 16,202,851	\$ 15,617,415
Restricted	978,085	1,258,245	1,078,074	1,025,574	1,089,080	1,007,907	1,101,202	962,194	1,014,827	1,076,663
Unrestricted	1,756,948	1,570,373	1,785,177	1,562,327	1,647,707	1,773,881	1,264,816	1,462,522	1,294,226	669,720
Total net position	<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>	<u>\$ 20,205,769</u>	<u>\$ 19,111,718</u>	<u>\$ 19,284,116</u>	<u>\$ 18,511,904</u>	<u>\$ 17,363,798</u>
Business-type Activities										
Net investment in capital assets	\$ 9,533,904	\$ 9,534,564	\$ 9,926,516	\$ 9,985,503	\$ 9,942,237	\$ 10,130,482	\$ 10,055,513	\$ 9,968,706	\$ 9,971,225	\$ 10,065,565
Restricted	865,171	840,427	846,350	905,755	884,227	763,748	768,020	756,792	748,181	860,060
Unrestricted	760,980	1,132,623	1,195,405	1,112,076	784,174	639,579	995,332	1,388,827	1,749,702	1,885,116
Total net position	<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>	<u>\$ 11,533,809</u>	<u>\$ 11,818,865</u>	<u>\$ 12,114,325</u>	<u>\$ 12,469,108</u>	<u>\$ 12,810,741</u>
Primary Government in Total										
Net investment in capital assets	\$ 27,408,878	\$ 26,812,220	\$ 26,814,982	\$ 27,414,688	\$ 27,654,593	\$ 27,554,463	\$ 26,801,213	\$ 26,828,106	\$ 26,174,076	\$ 25,682,980
Restricted	1,843,256	2,098,672	1,924,424	1,931,329	1,973,307	1,771,655	1,869,222	1,718,986	1,763,008	1,936,723
Unrestricted	2,517,928	2,702,996	2,980,582	2,674,403	2,431,881	2,413,460	2,260,148	2,851,349	3,043,928	2,554,836
Total net position	<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>	<u>\$ 31,739,578</u>	<u>\$ 30,930,583</u>	<u>\$ 31,398,441</u>	<u>\$ 30,981,012</u>	<u>\$ 30,174,539</u>

City of Charlotte, Michigan

Changes in Governmental Net Position Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
General government	\$ 609,254	\$ 650,757	\$ 606,810	\$ 636,198	\$ 632,906	\$ 786,751	\$ 816,352	\$ 714,417	\$ 708,104	\$ 564,566
Public safety	2,542,149	2,612,572	2,647,674	2,836,299	2,933,665	3,041,186	3,046,302	2,676,328	2,946,200	2,936,410
Public works	1,930,962	1,811,206	1,789,658	1,846,761	1,928,332	2,152,815	2,131,513	1,990,798	2,090,492	2,696,273
Community and economic development	275,397	169,232	643,206	344,634	302,046	327,832	276,337	183,137	159,960	143,934
Recreation and culture	54,924	185,789	211,174	257,352	332,881	370,842	401,156	168,429	406,441	371,489
Interest on long-term debt	62,873	57,357	54,933	51,028	176,165	166,504	159,409	153,620	144,955	157,312
Total expenses	5,475,559	5,486,913	5,953,455	5,972,272	6,305,995	6,845,930	6,831,069	5,886,729	6,456,152	6,869,984
Program Revenue										
Charges for services:										
General government	160,466	225,066	218,433	274,564	245,582	101,663	165,902	165,723	162,947	172,113
Public safety	161,416	155,155	190,175	202,189	221,891	301,165	324,425	229,725	240,796	440,168
Public works	366,987	362,519	358,457	357,521	344,105	-	-	-	-	-
Total charges for services	688,869	742,740	767,065	834,274	811,578	402,828	490,327	395,448	403,743	612,281
Operating grants and contributions	68,890	36,461	487,270	683,776	1,505,415	725,303	488,798	548,263	548,968	605,143
Capital grants and contributions	562,252	203,004	14,256	193,580	101,343	337,707	185,204	651,271	139,011	-
Total program revenue	1,320,011	982,205	1,268,591	1,711,630	2,418,336	1,465,838	1,164,329	1,594,982	1,091,722	1,217,424
Net Expenses	(4,155,548)	(4,504,708)	(4,684,864)	(4,260,642)	(3,887,659)	(5,380,092)	(5,666,740)	(4,291,747)	(5,364,430)	(5,652,560)
General Revenue										
Property taxes	2,612,177	2,712,501	2,919,096	3,128,658	3,383,020	3,569,934	3,548,240	3,380,724	3,465,508	3,384,261
State-shared revenue	1,095,448	1,096,527	1,043,178	1,040,457	1,000,108	772,594	748,562	802,292	845,931	846,007
Investment earnings	41,934	113,513	178,226	159,880	99,745	7,953	6,075	1,905	2,267	6,644
Miscellaneous	119,310	56,164	166,436	174,269	373,085	203,202	247,522	256,798	278,512	267,542
Total general revenue	3,868,869	3,978,705	4,306,936	4,503,264	4,855,958	4,553,683	4,550,399	4,441,719	4,592,218	4,504,454
Transfers	22,800	22,270	23,371	22,747	23,758	23,035	22,290	22,426	-	-
Special Items	-	-	-	-	-	560,000	-	-	-	-
Change in Net Position	\$ (263,879)	\$ (503,733)	\$ (354,557)	\$ 265,369	\$ 992,057	\$ (243,374)	\$ (1,094,051)	\$ 172,398	\$ (772,212)	\$ (1,148,106)

City of Charlotte, Michigan

	2005	2006	2007	2008
Operating Revenue				
Water sales	\$ 898,846	\$ 930,983	\$ 912,385	\$ 917,463
Sewage charges	1,827,475	1,860,641	1,807,977	1,810,109
Tap fees	128,602	66,556	355,713	234,599
Recycling fees	14,855	15,645	20,278	35,769
Other	8,559	56,544	33,580	60,779
Total operating revenue	2,878,337	2,930,369	3,129,933	3,058,719
Operating Expenses				
Cost of services	1,734,836	1,764,385	1,905,570	2,039,009
Recycling	49,196	49,590	44,846	46,994
Depreciation	591,980	600,098	603,955	624,226
Total operating expenses	2,376,012	2,414,073	2,554,371	2,710,229
Operating Income (Loss)	502,325	516,296	575,562	348,490
Nonoperating Revenue (Expense)				
Investment income	25,632	77,501	83,352	66,848
Interest expense	(462,249)	(346,422)	(379,567)	(357,528)
Gain on disposal of assets	-	-	-	-
Other	-	-	-	-
Total nonoperating expense	(436,617)	(268,921)	(296,215)	(290,680)
Income (Loss) - Before contributions and other items	65,708	247,375	279,347	57,810
Capital Contributions	135,885	122,454	204,681	-
Transfers to Other Funds	(22,800)	(22,270)	(23,371)	(22,747)
Change in Net Position	\$ 178,793	\$ 347,559	\$ 460,657	\$ 35,063
Total Primary Government Revenue	\$ 8,225,902	\$ 8,036,003	\$ 8,933,512	\$ 9,296,360
Total Primary Government Expense	8,310,988	8,192,177	8,827,412	8,995,928
Total Primary Government Change in Net Position	\$ (85,086)	\$ (156,174)	\$ 106,100	\$ 300,432

Changes in Business-type Net Position Last Ten Fiscal Years

2009	2010	2011	2012	2013	2014
\$ 868,475	\$ 971,735	\$ 1,261,528	\$ 1,320,804	\$ 1,502,614	\$ 1,459,366
1,755,366	1,905,010	2,090,881	2,051,739	1,944,182	1,954,933
11,500	-	-	-	-	-
29,151	30,625	47,132	50,384	36,712	25,067
97,907	-	33,995	33,995	16,030	26,807
<u>2,762,399</u>	<u>2,907,370</u>	<u>3,433,536</u>	<u>3,456,922</u>	<u>3,499,538</u>	<u>3,466,173</u>
2,134,963	2,011,008	2,166,904	2,218,281	2,252,478	2,167,010
54,790	57,305	91,951	62,913	63,540	76,541
621,126	630,817	636,044	616,247	606,948	620,472
<u>2,810,879</u>	<u>2,699,130</u>	<u>2,894,899</u>	<u>2,897,441</u>	<u>2,922,966</u>	<u>2,864,023</u>
(48,480)	208,240	538,637	559,481	576,572	602,150
14,423	1,779	938	1,081	452	1,618
(334,881)	(311,114)	(290,736)	(265,324)	(253,044)	(299,010)
-	-	-	-	-	-
-	47,301	58,507	22,648	30,803	36,875
<u>(320,458)</u>	<u>(262,034)</u>	<u>(231,291)</u>	<u>(241,595)</u>	<u>(221,789)</u>	<u>(260,517)</u>
(368,938)	(53,794)	307,346	317,886	354,783	341,633
-	-	-	-	-	-
<u>(23,758)</u>	<u>(23,035)</u>	<u>(22,290)</u>	<u>(22,426)</u>	<u>-</u>	<u>-</u>
<u>\$ (392,696)</u>	<u>\$ (76,829)</u>	<u>\$ 285,056</u>	<u>\$ 295,460</u>	<u>\$ 354,783</u>	<u>\$ 341,633</u>
\$ 10,060,451	\$ 9,509,926	\$ 9,170,554	\$ 9,516,049	\$ 9,183,478	\$ 9,188,051
9,461,090	9,830,129	9,979,549	9,048,191	9,600,907	9,994,524
<u>\$ 599,361</u>	<u>\$ (320,203)</u>	<u>\$ (808,995)</u>	<u>\$ 467,858</u>	<u>\$ (417,429)</u>	<u>\$ (806,473)</u>

City of Charlotte, Michigan

	As of June 30			
	2005	2006	2007	2008
General Fund:				
Reserved	\$ 150,598	\$ 163,656	\$ 161,392	\$ 136,346
Nonspendable	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Unreserved	<u>1,316,667</u>	<u>1,318,245</u>	<u>1,510,437</u>	<u>1,594,983</u>
Total General Fund	<u>\$ 1,467,265</u>	<u>\$ 1,481,901</u>	<u>\$ 1,671,829</u>	<u>\$ 1,731,329</u>
All other governmental funds:				
Reserved	\$ 18,722	\$ 20,971	\$ 26,184	\$ 32,001
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Unreserved - Reported in:				
Special revenue funds	1,176,647	1,422,192	1,237,256	1,188,888
Capital projects funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,780,521</u>
Total all other governmental funds	<u>\$ 1,195,369</u>	<u>\$ 1,443,163</u>	<u>\$ 1,263,440</u>	<u>\$ 3,001,410</u>

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

As of June 30					
2009	2010	2011	2012	2013	2014
\$ 199,070	\$ 174,608	\$ -	\$ -	\$ -	\$ -
-	-	178,081	170,337	167,078	174,100
-	-	200,000	320,000	320,000	250,000
-	-	993,351	664,286	1,091,005	1,218,492
1,920,296	1,457,904	-	-	-	-
<u>\$ 2,119,366</u>	<u>\$ 1,632,512</u>	<u>\$ 1,371,432</u>	<u>\$ 1,154,623</u>	<u>\$ 1,578,083</u>	<u>\$ 1,642,592</u>
\$ 74,292	\$ 87,849	\$ -	\$ -	\$ -	\$ -
-	-	4,151	3,217	1,774	2,968
-	-	1,096,979	886,612	945,023	1,023,307
966,465	973,930	-	-	-	-
112,738	49,026	-	-	-	-
<u>\$ 1,153,495</u>	<u>\$ 1,110,805</u>	<u>\$ 1,101,130</u>	<u>\$ 889,829</u>	<u>\$ 946,797</u>	<u>\$ 1,026,275</u>

City of Charlotte, Michigan

	Year Ended June 30			
	2005	2006	2007	2008
Revenue				
Property taxes	\$ 2,648,761	\$ 2,742,872	\$ 2,939,421	\$ 3,083,511
Special assessments	27,958	22,793	14,256	14,775
Licenses and permits	59,018	55,985	90,065	115,929
State and local sources	1,638,075	1,770,652	1,496,886	1,970,670
Federal grants	187,685	-	506,027	164,068
Charges for services	207,947	210,051	229,701	273,285
Fines and forfeitures	29,075	29,207	31,532	33,183
Other	229,674	195,088	383,706	310,877
Total revenue	5,028,193	5,026,648	5,691,594	5,966,298
Expenditures				
Current:				
General government	605,052	595,040	550,204	603,192
Public safety	2,405,193	2,496,011	2,511,489	3,885,138
Public works	1,011,859	1,045,120	1,581,050	1,258,963
Recreation and culture	168,718	154,971	175,392	249,435
Community and economic development	113,200	143,715	657,815	337,074
Capital outlay	484,274	212,746	83,404	688,516
Debt service principal	80,000	80,000	90,000	117,745
Debt service interest	62,155	58,885	55,406	51,512
Total expenditures	4,930,451	4,786,488	5,704,760	7,191,575
Excess of Revenue Over (Under) Expenditures	97,742	240,160	(13,166)	(1,225,277)
Other Financing Sources (Uses)				
Proceeds from long-term debt	-	-	-	3,000,000
Sale of fixed assets	-	-	-	-
Transfers in	302,814	339,686	430,556	323,912
Transfers out	(280,014)	(317,416)	(407,185)	(301,165)
Total other financing sources	22,800	22,270	23,371	3,022,747
Extraordinary Item	-	-	-	-
Net Change in Fund Balances	120,542	262,430	10,205	1,797,470
Fund Balances - Beginning of year	2,542,092	2,662,634	2,925,064	2,935,269
Fund Balances - End of year	\$ 2,662,634	\$ 2,925,064	\$ 2,935,269	\$ 4,732,739
Debt service as a percentage of noncapital expenditures	3.15%	3.02%	2.87%	3.29%

Changes in Fund Balances, Governmental Funds Last Ten Fiscal Years

		Year Ended June 30					
2009	2010	2011	2012	2013	2014		
\$ 3,402,511	\$ 3,582,643	\$ 3,548,240	\$ 3,531,834	\$ 3,466,618	\$ 3,384,261		
19,893	12,709	12,874	7,657	2,579	17,642		
71,916	30,657	31,651	26,741	26,586	28,256		
2,981,392	1,353,815	1,468,286	1,410,927	1,449,486	1,490,879		
14,503	244,457	-	2,097	607,800	-		
302,187	355,473	365,929	283,081	299,605	492,972		
36,438	29,712	31,767	32,567	31,713	37,478		
496,327	161,539	273,355	278,487	285,705	279,304		
<u>7,325,167</u>	<u>5,771,005</u>	<u>5,732,102</u>	<u>5,573,391</u>	<u>6,170,092</u>	<u>5,730,792</u>		
622,713	615,309	597,981	525,995	621,205	497,398		
2,787,931	2,910,550	2,961,498	2,615,436	2,699,043	2,677,668		
1,284,442	1,163,567	1,154,272	1,105,860	1,034,223	1,026,198		
187,754	260,343	252,384	317,892	296,248	271,677		
316,075	288,130	146,994	141,075	140,152	164,082		
3,338,894	763,240	681,587	950,880	520,344	1,001,932		
115,000	155,000	170,000	212,007	232,189	237,378		
155,994	167,445	160,431	154,782	146,260	136,472		
<u>8,808,803</u>	<u>6,323,584</u>	<u>6,125,147</u>	<u>6,023,927</u>	<u>5,689,664</u>	<u>6,012,805</u>		
(1,483,636)	(552,579)	(393,045)	(450,536)	480,428	(282,013)		
-	-	100,000	-	-	426,000		
-	-	-	-	-	-		
231,880	502,592	618,625	448,580	294,549	139,648		
(208,122)	(479,557)	(596,335)	(426,154)	(294,549)	(139,648)		
<u>23,758</u>	<u>23,035</u>	<u>122,290</u>	<u>22,426</u>	<u>-</u>	<u>426,000</u>		
-	-	-	-	-	-		
(1,459,878)	(529,544)	(270,755)	(428,110)	480,428	143,987		
<u>4,732,739</u>	<u>3,272,861</u>	<u>2,743,317</u>	<u>2,472,562</u>	<u>2,044,452</u>	<u>2,524,880</u>		
<u>\$ 3,272,861</u>	<u>\$ 2,743,317</u>	<u>\$ 2,472,562</u>	<u>\$ 2,044,452</u>	<u>\$ 2,524,880</u>	<u>\$ 2,668,867</u>		
5.07%	5.75%	5.95%	7.89%	7.36%	7.40%		

Revenue Capacity

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

City of Charlotte, Michigan

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

Tax Year	Fiscal Year Ended June 30	Taxable Value by Property Type			Taxable Value by Property Type			Tax Rate (Mills)	Estimated Actual Value	Taxable Value as a Percentage of Actual
		Real Property			Personal Property	Total Value				
		Residential	Commercial	Industrial						
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	126,326,100	48,982,926	11,090,100	21,540,000	207,939,126	13.4173	526,375,052	39.50	
2007	2008	133,041,385	51,239,598	13,185,395	22,167,435	219,633,813	13.4346	552,753,596	39.73	
2008	2009	136,523,686	53,187,155	13,723,601	23,112,781	226,547,223	13.4346	562,708,830	40.26	
2009	2010	139,205,817	56,165,540	16,258,861	26,742,215	238,372,433	13.4346	565,147,858	42.18	
2010	2011	133,068,308	53,984,883	14,830,119	26,677,190	228,560,500	13.9144	524,884,464	43.54	
2011	2012	128,150,064	52,942,360	16,943,880	27,919,048	225,955,352	14.2913	504,135,496	44.82	
2012	2013	121,858,020	51,216,664	16,192,747	29,116,426	218,383,857	14.2913	465,956,448	46.87	
2013	2014	120,431,096	51,142,861	15,181,108	25,704,005	212,459,070	14.2913	451,948,764	47.01	

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

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

Source: Treasurer, City of Charlotte

City of Charlotte, Michigan

Direct and Overlapping Property Tax Rates Last Ten Fiscal Years

Tax Year	Millage Rates - Direct City Taxes				Overlapping Taxes						Total Tax Rate	
	General Operating	Debt	Special purpose	Total direct taxes	State Education County	Intermediate School District	Charlotte Public Schools - Homestead	Charlotte Public Schools - Nonhomestead	District Library	Homestead	Non-homestead	
2004	13.4170	-	-	13.4170	7.8012	5.0000	3.7350	7.5900	25.5900	0.8758	38.4190	56.4190
2005	13.4170	-	-	13.4170	7.7634	6.0000	3.8896	7.5900	25.5900	0.8758	39.5358	57.5358
2006	13.4173	-	-	13.4173	7.7507	6.0000	3.8778	7.5900	25.5900	0.8567	39.4925	57.4925
2007	13.4346	-	-	13.4346	7.6279	6.0000	3.8778	7.5900	25.5900	0.8568	39.3871	57.3871
2008	13.4346	0.7500	-	14.1846	7.6279	6.0000	3.8778	7.5900	25.5900	0.9000	40.1803	58.1803
2009	13.4346	0.7500	-	14.1846	7.5868	6.0000	3.8778	7.5900	25.5900	0.9000	40.1392	58.1392
2010	13.9144	0.8000	-	14.7144	7.5868	6.0000	3.8778	7.5900	25.5900	0.9000	40.6690	58.6690
2011	14.2913	0.8500	0.1000	15.2413	7.5868	6.0000	3.8778	7.5900	25.5900	0.9000	41.1959	59.1959
2012	14.2913	0.8800	0.1000	15.2713	7.5899	6.0000	3.8778	8.0900	26.0900	0.9000	41.7290	59.7290
2013	14.2913	0.9500	0.1000	15.3413	7.5899	6.0000	3.8778	8.0900	26.0900	0.9000	41.7990	59.7990

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, 2014

Taxpayer	2013		2004		2003 Rank
	Taxable Value	Percentage of Total	Taxable Value	Percentage of Total	
1 Spartan Motors	\$ 16,405,602	7.72	\$ 2,362,000	1.29	6
2 Consumers Energy	4,908,206	2.31	4,112,800	2.24	2
3 Meijers Inc	4,619,304	2.17	5,773,800	3.15	1
4 Walmart	3,753,746	1.77	3,362,400	1.83	3
5 Linn Products	3,469,258	1.63	3,119,900	1.70	4
6 Enovapremier of Michigan LLC	2,662,412	1.25	831,600	0.45	10
7 Victorinox LLC	2,225,063	1.05	-	-	
8 Legacy Parke Partners LLC	2,104,653	0.99	2,104,700	1.15	7
9 Butternut Apartments	1,252,188	0.59	-	-	
10 Owens-Illinois Glass Container	1,200,000	0.56	-	-	
Philips Products, Inc	-	-	2,499,400	1.36	5
Wollin Products	-	-	1,389,500	0.76	8
T&WA of Lansing LLC	-	-	1,062,400	0.58	9

Source: Treasurer, City of Charlotte

City of Charlotte, Michigan

Property Tax Levies and Collections Last Ten Fiscal Years

Tax Year	Fiscal Year Ended June 30	Total Levy	Current Collections	Percent Collected	Delinquent Collections	Total Tax Collections	Percent of Levy Collected
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
2009	2010	3,531,534	3,321,744	94.06	171,001	3,492,745	98.90
2010	2011	3,495,219	3,327,452	95.20	137,995	3,465,447	99.15
2011	2012	3,448,580	3,325,405	96.43	119,496	3,444,901	99.89
2012	2013	3,334,687	3,202,434	96.03	129,197	3,331,631	99.91
2013	2014	3,259,064	3,149,553	96.64	106,719	3,256,272	99.91

Note: Delinquent collections reported are related to the tax year

Debt Capacity

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

City of Charlotte, Michigan

	2005	2006	2007	2008
Governmental Activities				
General obligation bonds	\$ 1,250,000	\$ 1,170,000	\$ 1,080,000	\$ 3,990,000
Loans payable	-	-	-	-
Land contract	-	-	-	-
Economic development agreement	<u>229,102</u>	<u>183,204</u>	<u>165,330</u>	<u>147,456</u>
Total	1,479,102	1,353,204	1,245,330	4,137,456
Business-type Activities				
General obligation bonds	1,165,000	990,000	805,000	610,000
Loans payable	-	-	-	-
Revenue bonds	<u>7,077,033</u>	<u>6,799,449</u>	<u>6,548,164</u>	<u>6,281,879</u>
Total	<u>8,242,033</u>	<u>7,789,449</u>	<u>7,353,164</u>	<u>6,891,879</u>
Total debt of the government	<u>\$ 9,721,135</u>	<u>\$ 9,142,653</u>	<u>\$ 8,598,494</u>	<u>\$ 11,029,335</u>
Total residential personal income	\$ 3,083,449	\$ 3,136,018	N/A	N/A
Ratio of total debt to personal income	31.72%	34.30%	N/A	N/A
Total population*	8,389	8,389	8,389	8,389
Total debt per capita	\$ 1,159	\$ 1,090	\$ 1,025	\$ 1,315

* 2004-2009 population based on 2000 census figures
2011-2013 population based on 2010 census figures

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

	2009	2010	2011	2012	2013	2014
\$	3,875,000	\$ 3,720,000	\$ 3,550,000	\$ 3,365,000	\$ 3,160,000	\$ 2,950,000
	-	-	-	90,867	81,552	498,048
	-	-	-	-	-	-
	<u>129,582</u>	<u>111,708</u>	<u>93,834</u>	<u>75,960</u>	<u>58,086</u>	<u>40,212</u>
	4,004,582	3,831,708	3,643,834	3,531,827	3,299,638	3,488,260
	410,000	205,000	-	-	-	-
	-	-	-	-	-	-
	<u>6,000,594</u>	<u>5,704,309</u>	<u>5,398,024</u>	<u>5,076,739</u>	<u>4,745,454</u>	<u>4,399,169</u>
	<u>6,410,594</u>	<u>5,909,309</u>	<u>5,398,024</u>	<u>5,076,739</u>	<u>4,745,454</u>	<u>4,399,169</u>
\$	<u>10,415,176</u>	<u>9,741,017</u>	<u>9,041,858</u>	<u>8,608,566</u>	<u>8,045,092</u>	<u>7,887,429</u>
	N/A	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A	N/A	N/A
	8,389	9,074	9,074	9,074	9,074	9,074
\$	1,242	\$ 1,074	\$ 996	\$ 949	\$ 887	\$ 869

City of Charlotte, Michigan

Fiscal Year	Tax-limited General Obligation Bonds (LTGO)	Tax- supported Bonds (UTGO)	Less Pledged Debt Service Funds	Net General Bonded Debt	Taxable Value
2005	\$ 1,250,000	\$ -	\$ -	\$ 1,250,000	\$ 183,373,000
2006	1,170,000	-	-	1,170,000	196,457,200
2007	1,080,000	-	-	1,080,000	207,939,126
2008	3,990,000	-	-	3,990,000	219,633,813
2009	3,875,000	-	-	3,875,000	226,547,223
2010	3,720,000	-	-	3,720,000	238,372,433
2011	3,550,000	-	-	3,550,000	228,560,500
2012	3,365,000	-	-	3,365,000	225,955,352
2013	3,160,000	-	22,402	3,137,598	218,383,857
2014	2,950,000	-	23,867	2,926,133	212,459,070

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

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

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

Debt as a Percentage of Taxable Value	Population	Debt per Capita
0.68	8,389 (1)	149
0.60	8,389 (1)	139
0.52	8,389 (1)	129
1.82	8,389 (1)	476
1.71	8,389 (1)	462
1.56	9,074	410
1.55	9,074 (2)	391
1.49	9,074 (2)	371
1.44	9,074 (2)	346
1.38	9,074 (2)	322

City of Charlotte, Michigan

Direct and Overlapping Governmental Activities Debt June 30, 2014

Governmental Unit	Debt Outstanding	Estimated Percent Applicable	Estimated Share of Overlapping Debt
Eaton County	\$ 37,852,323	6.55	\$ 2,479,327
Eaton Intermediate School District	925,000	8.36	77,330
Charlotte Public Schools	<u>75,579,372</u>	39.79	<u>30,073,032</u>
Total overlapping debt	114,356,695		32,629,689
Direct City debt	<u>2,926,133</u>	100.00	<u>2,926,133</u>
Total direct and overlapping debt	<u>\$ 117,282,828</u>		<u>\$ 35,555,822</u>

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

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

City of Charlotte, Michigan

Pledged Revenue Coverage Last Ten Fiscal Years

Fiscal Year	Water and Sewer Revenue Bonds							Coverage (Percent)
	Gross Revenues	Applicable Expenses	Net Revenues	Debt Service				
				Principal	Interest	Total		
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	
2010	2,899,874	2,011,008	888,866	501,285	311,114	812,399	109.41	
2011	3,421,062	2,166,904	1,254,158	511,285	290,736	802,021	156.37	
2012	3,408,800	2,218,281	1,190,519	321,285	231,160	552,445	215.50	
2013	3,470,864	2,252,478	1,218,386	331,285	218,910	550,195	221.45	
2014	3,438,977	2,167,010	1,271,967	375,000	206,310	581,310	218.81	

City of Charlotte, Michigan

	2005	2006	2007	2008
Calculation of Debt Limit				
State equalized valuation	\$ 216,526,900	\$ 232,238,100	\$ 263,924,600	\$ 276,376,798
10% of taxable value	21,652,690	23,223,810	26,392,460	27,637,680
Calculation of Debt Subject to Limit				
Total debt	9,721,135	9,142,653	8,598,494	11,029,335
Less debt not subject to limit - Revenue bonds	<u>8,242,033</u>	<u>7,789,449</u>	<u>7,353,164</u>	<u>6,891,879</u>
Net debt subject to limit	1,479,102	1,353,204	1,245,330	4,137,456
Legal Debt Margin	20,173,588	21,870,606	25,147,130	23,500,224
Net Debt Subject to Limit as Percent of Debt Limit	7.33%	6.19%	4.95%	17.61%

**Legal Debt Margin
Last Ten Fiscal Years**

	2009		2010		2011		2012		2013		2014
\$	281,354,415	\$	282,573,929	\$	262,442,232	\$	252,067,748	\$	232,978,224	\$	225,974,382
	28,135,442		28,257,393		26,244,223		25,206,775		23,297,822		22,597,438
	10,415,176		9,741,017		9,041,858		8,608,566		8,045,092		7,887,429
	6,410,594		5,909,309		5,398,024		5,076,739		4,745,454		4,399,169
	4,004,582		3,831,708		3,643,834		3,531,827		3,299,638		3,488,260
	24,130,860		24,425,685		22,600,389		21,674,948		19,998,184		19,109,178
	16.60%		15.69%		16.12%		16.29%		16.50%		18.25%

Demographics and Economic Information

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

City of Charlotte, Michigan

Demographics and Economic Statistics Last Ten Fiscal Years

Fiscal Year	Population	Personal Income (in thousands)*	Per Capita Personal Income	Unemployment Rate**
2005	8,389 (1)	\$ 3,116,067	371	5.40
2006	8,389 (1)	3,267,424	389	5.20
2007	8,389 (1)	3,429,425	409	5.10
2008	8,389 (1)	3,563,811	425	6.20
2009	8,389 (1)	3,546,095	423	10.10
2010	9,074	N/A	-	9.00
2011	9,074 (2)	N/A	-	N/A
2012	9,074 (2)	N/A	-	N/A
2013	9,074 (2)	N/A	-	N/A
2014	9,074 (2)	N/A	-	N/A

(1) Estimates not available; amount from 2000 Census

(2) Estimates not available; amount from 2010 Census

N/A = Information not available

* Number represents all of Eaton County

** Represents all of Eaton County

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

City of Charlotte, Michigan

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

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

Source: Treasurer, City of Charlotte

Principal Employers June 30, 2014

<u>2010</u>		<u>2011</u>		<u>2012</u>		<u>2013</u>		<u>2014</u>	
Number of Employees	Percentage of Total	Number of Employees	Percentage of Total	Number of Employees	Percentage of Total	Number of Employees	Percentage of Total	Number of Employees	Percentage of Total
709	22.23	596	19.85	563	20.67	623	21.67	550	21.14
453	14.20	451	15.02	466	17.11	475	16.52	307	11.80
437	13.70	445	14.82	370	13.58	322	11.20	344	13.22
383	12.01	405	13.49	360	13.22	391	13.60	380	14.60
260	8.15	259	8.62	100	3.67	275	9.57	263	10.11
283	8.87	250	8.33	255	9.36	255	8.87	221	8.49
300	9.40	222	7.39	184	6.75	184	6.40	180	6.92
185	5.80	200	6.66	255	9.36	170	5.91	145	5.57
180	5.64	175	5.83	171	6.28	180	6.26	212	8.15
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-

Operating Information

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

City of Charlotte, Michigan

Function/Program	2005	2006	2007	2008
General government:				
City manager	2	2	2	2
Clerk	2	2	2	2
Assessor	1	1	1	1
Finance and treasury	3	3	3	3
Public safety:				
Police	21	21	20	20
Fire - Full-time	7	7	7	7
Fire - Volunteer	26	27	29	27
Building inspection	1	1	1	1
Public works:				
DPW	13	13	12	13
Water and sewer	8	8	8	8
Community and economic development	1	1	1	1
Total	<u>85</u>	<u>86</u>	<u>86</u>	<u>85</u>

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

2009	2010	2011	2012	2013	2014
2	1	1	1	1	1
2	2	2	2	2	2
1	1	1	1	1	1
3	3	3	3	3	2
20	19	18	17	17	17
7	7	7	6	5	6
28	28	30	28	30	30
1	1	1	1	1	1
12	12	12	11	12	11
7	7	7	7	7	8
1	1	1	1	1	1
84	82	83	78	80	80

City of Charlotte, Michigan

Function/Program	2005	2006	2007	2008
Election data:				
Registered voters	5,908	6,014	6,033	6,106
Voters (at the polls or absentee)	3,937	1,333	3,246	1,536
Percent voting	66.64%	22.16%	53.80%	25.16%
Police:				
Physical arrests	775	758	668	642
Traffic violations	1,253	1,133	928	1,227
Crimes Reported	3,204	2,730	2,626	2,642
Fire:				
Fire runs	541	550	507	472
Emergency medical runs	204	219	192	212
Inspections	162	96	105	135
Public works - Miles of street resurfaced				
	-	0.73	-	0.50
Water:				
Number of customers billed	3,614	3,703	3,716	3,763
Total daily consumption	967,806	976,435	1,069,000	1,090,000
Average consumption per user	268	264	288	290
Sewer - Average daily sewage treatment				
	978,422	963,250	944,000	941,000

**Operating Indicators
Last Ten Fiscal Years**

2009	2010	2011	2012	2013	2014
6,277	6,172	6,262	6,348	6,309	6,236
4,089	1,038	2,968	1,389	3,762	2,539
65.14%	16.82%	47.40%	21.88%	59.63%	40.72%
638	620	671	623	655	600
1,179	1,391	1,260	1,190	1,243	1,211
2,460	2,753	2,770	3,083	3,132	2,631
386	357	300	286	316	394
258	238	276	218	220	293
110	164	150	85	25	156
0.99	2.21	1.53	1.20	0.25	0.21
3,747	3,791	3,731	3,682	3,769	3,764
965,900	928,300	908,700	909,600	886,000	881,800
258	245	244	247	235	234
941,000	850,000	818,000	802,250	770,000	770,000

City of Charlotte, Michigan

Function/Program	2005	2006	2007	2008
Police:				
Stations	1	1	1	1
Patrol units	8	10	10	10
Fire:				
Stations	1	1	1	1
Fire response vehicles	8	8	8	8
Emergency response vehicles	1	1	1	1
Public works:				
Streets (miles):				
Major streets	11.45	11.41	11.41	11.91
Local streets	26.26	26.26	26.26	25.91
Sidewalks	N/A	N/A	N/A	N/A
Streetlights	488	490	509	510
Traffic signals	7	7	7	7
Parks and recreation:				
Acreage	199	199	199	199
Developed parks/playgrounds	7	8	8	8
Libraries - Branches	1	1	1	1
Water:				
Mains (miles)	52.6	52.9	53.0	53.0
Fire hydrants	469	471	471	471
Storage capacity	1,150,000	1,150,000	1,150,000	1,150,000
Sewer:				
Miles of sanitary sewers	42.0	42.0	42.0	42.0
Miles of storm sewers	31.5	31.5	31.5	31.5
Treatment capacity	1,800,000	1,800,000	1,800,000	1,800,000

**Capital Asset Statistics
Last Ten Fiscal Years**

2009	2010	2011	2012	2013	2014
1	1	1	1	1	1
10	9	9	9	9	9
2	2	2	2	2	2
8	8	8	7	7	7
1	1	1	1	1	1
11.91	11.91	11.91	11.91	12.17	12.17
25.91	25.91	25.91	25.91	25.65	25.65
43.74	44.03	44.16	44.16	44.16	44.85
513	513	514	514	507	507
7	7	7	7	7	7
199	199	199	199	199	199
8	8	8	8	8	8
1	1	1	1	1	1
53.0	53.0	53.0	53.0	53.0	53.0
471	471	471	471	471	471
1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000
42.0	42.0	42.0	42.0	42.0	42.0
31.5	31.5	31.5	31.5	31.5	31.5
1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000