

# **City of Charlotte, Michigan**

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**Comprehensive Annual Financial Report  
Prepared by the Office of Finance and Treasury  
June 30, 2011**

# City of Charlotte, Michigan

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# City of Charlotte, Michigan

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## **Introductory Section**

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# City of Charlotte, Michigan

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## List of Elected and Appointed Officials June 30, 2010

### City Council:

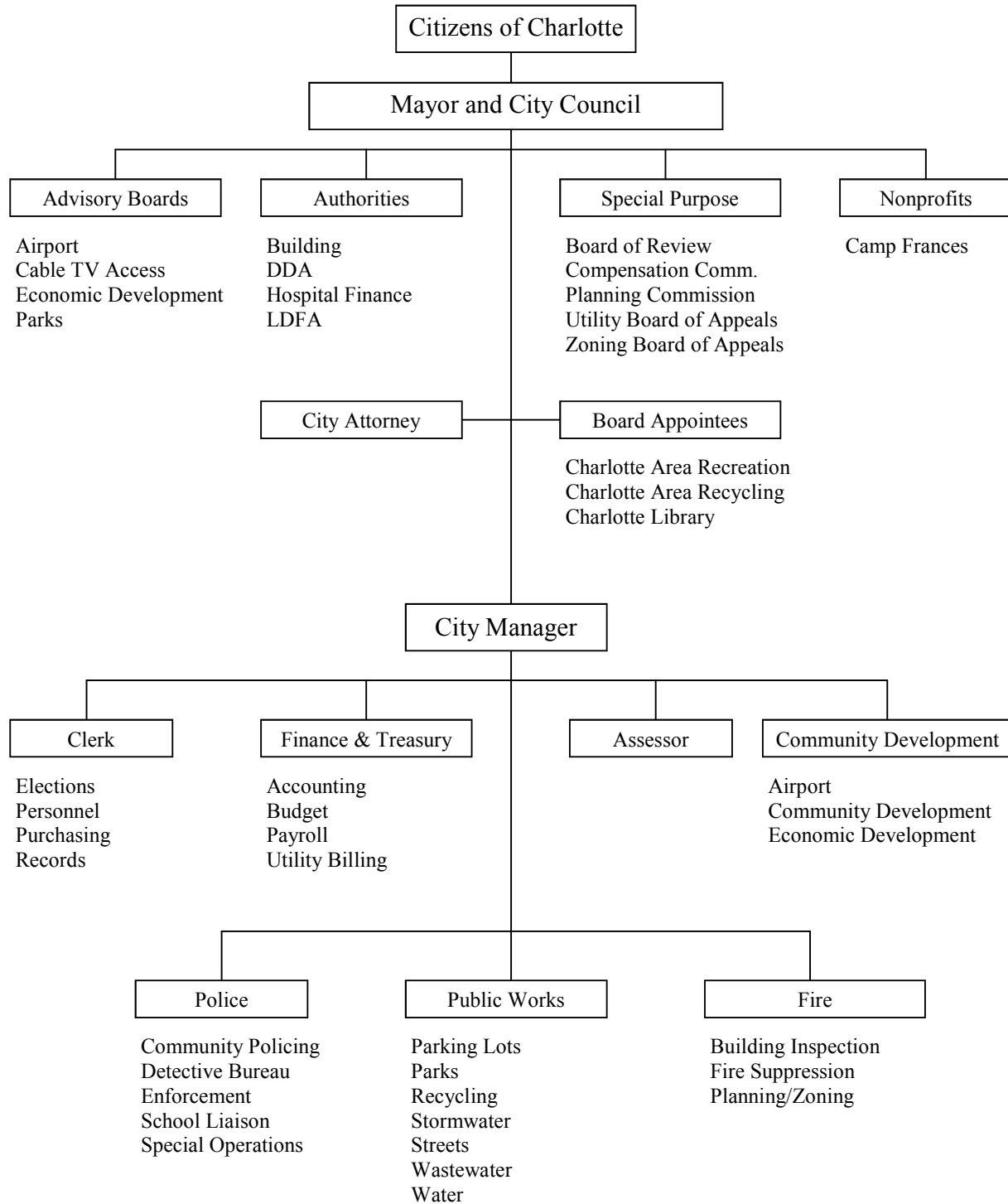
Mayor	Deleski Smith
Mayor Pro-Tem	Mary Jean Baker
Trustee	Corey Sanders
Trustee	Kevin Weissenborn
Trustee	Wayne Kruger
Trustee	Bill Arnold
Trustee	Scott Cuttle

### Appointed Officials:

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

# City of Charlotte, Michigan

## Organizational Chart



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Charlotte  
Michigan

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2010

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



President

Executive Director

## **Financial Section**

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## Independent Auditor's Report

To the City Council  
City of Charlotte, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Charlotte, Michigan (the "City") as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Charlotte, Michigan's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the City Council  
City of Charlotte, Michigan

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 introductory section, other supplemental information, and statistical section, as identified in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The introductory section and statistical section have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements, and accordingly, we express no opinion on them. The budgetary comparison schedules, combining balance sheet, and combining statement of revenue, expenditures, and changes in fund balances have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

During the year, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, as discussed in Note I. As a result of this required implementation, the Airport Fund has been consolidated with the General Fund. In addition, fund balance classifications in the governmental fund financial statements have been changed to reflect the five new classifications under GASB No. 54.

*Plante & Morse, PLLC*

November 7, 2011

# City of Charlotte, Michigan

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## 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, 2011. 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 \$30.9 million (net assets). Of this amount, \$2.3 million (unrestricted net assets) 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 assets 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 \$2.5 million, a decrease of \$0.2 million from the prior year. Approximately 40.2 percent of this amount is unassigned and therefore available for spending at the government's discretion. Of the remaining 59.8 percent, 44.4 percent is restricted for special purposes, 8.1 percent is assigned for retiree health benefits, and 7.4 percent is non-spendable.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1.0 million or 20.2 percent of the General Fund's total expenditures.

### Overview of the Financial Statements

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

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

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

# 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 fund.

### Government-wide Statements

The City's government-wide statements begin on page 11 of this report. These statements report information about the City as a whole under the accrual method of accounting, which is similar to the accounting used by most private sector companies. The statement of net assets includes both current and long-term assets and liabilities and the statement of activities includes all of the current year's 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 assets and how they have changed. The reporting of net assets is one way to measure the City's financial position.

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

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

# City of Charlotte, Michigan

## Management's Discussion and Analysis (Continued)

### Fund Financial Statements

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

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

- **Governmental Funds** - Most of the City's basic services are included in governmental funds. These funds focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end available for spending. These funds are reported using the modified accrual accounting method that measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Because governmental fund information has a short-term focus and the government-wide statement incorporates long-term information, we reconcile the differences at the bottom of the fund financial statements.
- **Proprietary Funds** - When the City charges customer fees for the services it provides, the fees are generally reported in proprietary funds. Similar to the reporting method used on the government-wide statements, proprietary funds provide both long- and short-term financial information.
  - In fact, the City's enterprise funds (Water Supply and Sewage Disposal Fund and Recycling Fund) are the business-type activities reported in the government-wide statements, but provide more detail in the proprietary 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 assets decreased from \$31.7 million to \$30.9 million. The following table illustrates the varying results of the governmental activities and business-type activities that combine to capture the City's total net assets.

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
	(in thousands)					
<b>Assets</b>						
Current assets	\$ 3,465	\$ 3,852	\$ 1,995	\$ 1,665	\$ 5,460	\$ 5,517
Noncurrent assets	20,396	21,095	15,454	16,040	35,850	37,135
Total assets	23,861	24,947	17,449	17,705	41,310	42,652
<b>Liabilities</b>						
Current liabilities	372	403	98	90	470	493
Long-term liabilities	4,377	4,338	5,532	6,081	9,909	10,419
Total liabilities	4,749	4,741	5,630	6,171	10,379	10,912
<b>Net Assets</b>						
Invested in capital assets -						
Net of related debt	16,746	17,424	10,056	10,130	26,802	27,554
Restricted	1,181	1,008	768	764	1,949	1,772
Unrestricted	1,185	1,774	995	640	2,180	2,414
Total net assets	<u>\$ 19,112</u>	<u>\$ 20,206</u>	<u>\$ 11,819</u>	<u>\$ 11,534</u>	<u>\$ 30,931</u>	<u>\$ 31,740</u>

A substantial portion of the City's net assets (86.6 percent) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related outstanding debt used to acquire those assets. Such assets are used to provide services to the citizens of the City and are therefore not available for future spending.

The City's governmental activities net assets decreased by 5.4 percent to \$19.1 million during the fiscal year. This decrease is due to expenses exceeding revenue for the year. The City's business-type activities experienced a 2.5 percent increase to \$11.8 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 assets:

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
	(in thousands)					
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 490	\$ 403	\$ 3,400	\$ 2,907	\$ 3,890	\$ 3,310
Operating grants	489	725	25	26	514	751
Capital grants	185	338	-	-	185	338
General revenue:						
Property taxes	3,548	3,570	-	-	3,548	3,570
State-shared revenue	749	773	-	-	749	773
Investment earnings	6	8	1	2	7	10
Transfers and other revenue	270	786	44	(2)	315	784
Total revenue	5,737	6,603	3,471	2,933	9,208	9,536
<b>Program Expenses</b>						
General government	816	787	-	-	816	787
Public safety	3,046	3,041	-	-	3,046	3,041
Public works	2,132	2,153	-	-	2,132	2,153
Community and economic development	276	328	-	-	276	328
Recreation and cultural	401	371	-	-	401	371
Interest on long-term debt	160	167	-	-	160	167
Recycling	-	-	92	57	92	57
Water and sewer	-	-	3,094	2,953	3,094	2,953
Total expenses	6,831	6,847	3,186	3,010	10,017	9,857
<b>Change in Net Assets</b>	<b>\$ (1,094)</b>	<b>\$ (244)</b>	<b>\$ 285</b>	<b>\$ (77)</b>	<b>\$ (809)</b>	<b>\$ (321)</b>

### Governmental Activities

- 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 \$3.5 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 (61.8 percent and 13.1 percent, respectively). The City has minimal control over either of these revenue sources. The City's ability to raise property tax revenue is limited by the levying constraints of both Proposal A and the Headlee amendment. In addition, state budgetary constraints resulted in the legislature cutting state revenue-sharing amounts during the fiscal year.
- A combined 75.8 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.

# City of Charlotte, Michigan

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## Management's Discussion and Analysis (Continued)

### Business-type Activities

The City's business-type activities of water supply, sewage disposal, and recycling realized an increase in net assets 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 \$0.2 million, resulting in net income of \$0.3 million. The recycling activity realized a net loss of \$20 thousand.

### 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 decrease to \$2.5 million. This 9.9 percent decrease is partially attributable to the \$.25 million transfer out to the Major and Local Streets Funds for street improvement projects. The remaining decrease is attributable to expenses exceeding revenue.

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 assets of \$0.3 million and had unrestricted net assets at the end of the year of \$1.0 million. The Recycling Fund had a decrease in net assets of \$20 thousand for total unrestricted net assets at year end of \$33 thousand.

### General Fund Budgetary Highlights

There was a \$356 thousand increase between the original budget and the final amended budget. This increase is attributable to unanticipated increases in both retirement costs and health insurance expenditures for general government and public safety department appropriations. However, only \$82 thousand of this increase was spent because of savings realized within these departments of other budgetary line items, as well as a significant offset due to a decrease in General Fund capital outlay expenditures during the fiscal year.



# City of Charlotte, Michigan

## Management's Discussion and Analysis (Continued)

### Capital Assets

At June 30, 2011, the City had invested approximately \$35.8 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	
	2011	2010	2011	2010	2011	2010
Land	\$ 1,944,459	\$ 1,927,919	\$ 104,995	\$ 104,995	\$ 2,049,454	\$ 2,032,914
Construction in progress	34,838	202,838	36,553	36,553	71,391	239,391
Infrastructure	26,187,633	25,919,416	-	-	26,187,633	25,919,416
Buildings and improvements	5,778,002	5,747,227	27,081,045	27,077,471	32,859,047	32,824,698
Vehicles	2,261,746	2,131,368	-	-	2,261,746	2,131,368
Equipment	3,158,812	2,780,809	-	-	3,158,812	2,780,809
Subtotal assets	39,365,490	38,709,577	27,222,593	27,219,019	66,588,083	65,928,596
Accumulated depreciation	18,969,790	17,614,622	11,769,056	11,179,228	30,738,846	28,793,850
Net capital assets	<u>\$ 20,395,700</u>	<u>\$ 21,094,955</u>	<u>\$ 15,453,537</u>	<u>\$ 16,039,791</u>	<u>\$ 35,849,237</u>	<u>\$ 37,134,746</u>

Governmental activities have construction in progress (CIP) which includes the engineering and design costs for the Parkland Drive and Lipsey Drive construction projects. The expansion of Parkland and Lipsey Drive, in the industrial park, is on hold pending approval of the environmental permits by the State of Michigan. The business-type activities had construction in progress for the installation of Water Well #6. 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 \$9.6 million in bonds, notes outstanding, and compensated absences. This represents a \$0.7 million decrease 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**

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## **Management's Discussion and Analysis (Continued)**

### **Economic Factors and Next Year's Budget and Rates**

The City's budget for the 2011-2012 fiscal year is balanced with a property tax rate of 14.2913 mills. Property tax revenue is expected to decrease by approximately \$80 thousand. This decrease is primarily the result of declining taxable values. 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 FY 2011-2012, the State of Michigan passed Public Act 63, the Economic Vitality Incentive Program (EVIP), which establishes requirements. Under EVIP, the City will need to meet specific requirements for three distinct categories in order to receive all allowable statutory revenue-sharing payments. The City anticipates meeting all EVIP requirements. 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 again limited its General Fund capital outlay expenditures for fiscal year 2011-2012 as well as eliminating one full-time support staff position funded by the General Fund. Total expenses in the General Fund for fiscal year 2011-2012 are estimated to be \$5.1 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 Assets June 30, 2011

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments (Note 4)	\$ 2,694,213	\$ 453,621	\$ 3,147,834	\$ 1,122,269
Receivables - Net (Note 5)	554,151	620,738	1,174,889	3,620
Prepaid expenses and other assets	214,732	152,404	367,136	-
Restricted assets - Cash and investments (Notes 4 and 9)	2,360	768,020	770,380	-
Capital assets - Net (Note 6):				
Assets not subject to depreciation	1,979,297	141,548	2,120,845	183,777
Assets subject to depreciation	18,416,403	15,311,989	33,728,392	-
Note receivable	-	-	-	205,000
Total assets	<u>23,861,156</u>	<u>17,448,320</u>	<u>41,309,476</u>	<u>1,514,666</u>
<b>Liabilities</b>				
Accounts payable	164,050	38,955	203,005	1,070
Accrued liabilities and other	208,515	58,880	267,395	-
Noncurrent liabilities:				
Due within one year (Note 8)	333,797	398,873	732,670	9,590
Due in more than one year:				
Net OPEB obligation (Note 13)	303,743	-	303,743	-
Long-term debt (Note 8)	<u>3,739,333</u>	<u>5,132,747</u>	<u>8,872,080</u>	<u>95,410</u>
Total liabilities	<u>4,749,438</u>	<u>5,629,455</u>	<u>10,378,893</u>	<u>106,070</u>
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	16,745,700	10,055,513	26,801,213	78,777
Restricted for:				
Streets and highways	1,029,567	-	1,029,567	-
Debt service	41,266	629,740	671,006	-
Other purposes	109,800	138,280	248,080	-
Unrestricted	<u>1,185,385</u>	<u>995,332</u>	<u>2,180,717</u>	<u>1,329,819</u>
Total net assets	<u>\$ 19,111,718</u>	<u>\$ 11,818,865</u>	<u>\$ 30,930,583</u>	<u>\$ 1,408,596</u>

# 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	\$ 816,352	\$ 165,902	\$ -	\$ -
Public safety	3,046,302	324,425	1,804	-
Public works	2,131,513	-	486,994	8,194
Community and economic development	276,337	-	-	177,010
Recreation and culture	401,156	-	-	-
Interest on long-term debt	159,409	-	-	-
Total governmental activities	6,831,069	490,327	488,798	185,204
Business-type activities:				
Water supply and sewage disposal	3,093,684	3,352,409	3,063	-
Recycling	91,951	47,132	23,076	-
Total business-type activities	3,185,635	3,399,541	26,139	-
Total primary government	<b>\$ 10,016,704</b>	<b>\$ 3,889,868</b>	<b>\$ 514,937</b>	<b>\$ 185,204</b>
Component units:				
Downtown Development Authority	\$ 67,015	\$ -	\$ -	\$ -
Local Development Financing Authority	23,274	-	-	-
Total component units	<b>\$ 90,289</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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

## Transfers

## Change in Net Assets

Net Assets - Beginning of year

Net Assets - End of year

**Statement of Activities**  
**Year Ended June 30, 2011**

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (650,450)	\$ -	\$ (650,450)	\$ -
(2,720,073)	-	(2,720,073)	-
(1,636,325)	-	(1,636,325)	-
(99,327)	-	(99,327)	-
(401,156)	-	(401,156)	-
(159,409)	-	(159,409)	-
(5,666,740)	-	(5,666,740)	-
-	261,788	261,788	-
-	(21,743)	(21,743)	-
-	240,045	240,045	-
(5,666,740)	240,045	(5,426,695)	-
-	-	-	(67,015)
-	-	-	(23,274)
-	-	-	(90,289)
3,548,240	-	3,548,240	166,381
748,562	-	748,562	-
6,075	938	7,013	2,023
247,522	66,363	313,885	9,378
4,550,399	67,301	4,617,700	177,782
22,290	(22,290)	-	-
(1,094,051)	285,056	(808,995)	87,493
20,205,769	11,533,809	31,739,578	1,321,103
<b>\$ 19,111,718</b>	<b>\$ 11,818,865</b>	<b>\$ 30,930,583</b>	<b>\$ 1,408,596</b>

# City of Charlotte, Michigan

## Governmental Funds Balance Sheet June 30, 2011

	General Fund	Nonmajor Funds	Total
<b>Assets</b>			
Cash and investments (Note 4)	\$ 1,325,577	\$ 1,028,136	\$ 2,353,713
Receivables - Net (Note 5)	396,919	157,232	554,151
Prepaid expenses and other assets	178,081	4,151	182,232
Restricted assets - Cash and investments (Notes 4 and 9)	-	2,360	2,360
	<b>\$ 1,900,577</b>	<b>\$ 1,191,879</b>	<b>\$ 3,092,456</b>
Total assets			
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 159,522	\$ 1,281	\$ 160,803
Accrued liabilities and other	172,964	9,446	182,410
Deferred revenue (Note 5)	196,659	80,022	276,681
	529,145	90,749	619,894
Total liabilities			
<b>Fund Balances</b>			
Nonspendable:			
Inventory	13,966	-	13,966
Prepays	164,115	4,151	168,266
Restricted:			
Major streets	-	635,419	635,419
Police training	-	20,638	20,638
Industrial park	-	79,431	79,431
Local streets	-	310,494	310,494
Drug enforcement	-	9,731	9,731
Michigan transportation bond	-	83	83
Building authority bond	-	2,277	2,277
Facility building bond	-	38,906	38,906
Assigned - Retiree health benefits	200,000	-	200,000
Unassigned	993,351	-	993,351
	1,371,432	1,101,130	2,472,562
Total fund balances			
Total liabilities and fund balances	<b>\$ 1,900,577</b>	<b>\$ 1,191,879</b>	<b>\$ 3,092,456</b>

# City of Charlotte, Michigan

## Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Assets Year Ended June 30, 2011

<b>Fund Balance Reported in Governmental Funds</b>	\$ 2,472,562
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	19,708,529
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	276,681
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(4,073,130)
Accrued interest is not due and payable in the current period and is not reported in the funds	(23,638)
Governmental funds report bond issuance costs as expenditures; these costs are allocated over the related bond term as interest expense	24,415
Liabilities for postemployment obligations do not present a claim on current financial resources and are not reported as fund liabilities	(303,743)
Internal service funds are included as part of governmental activities	1,030,042
<b>Net Assets of Governmental Activities</b>	<b><u>\$ 19,111,718</u></b>

# City of Charlotte, Michigan

## Governmental Funds

### Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2011

	General Fund	Nonmajor Funds	Total
<b>Revenue</b>			
Property taxes	\$ 3,365,422	\$ 182,818	\$ 3,548,240
Licenses and permits	31,651	-	31,651
State and local sources	839,534	628,752	1,468,286
Charges for services	365,929	-	365,929
Fines and forfeitures	31,767	-	31,767
Investment income	4,462	1,613	6,075
Other revenue	261,692	18,462	280,154
	4,900,457	831,645	5,732,102
<b>Expenditures - Current</b>			
General government	597,981	-	597,981
Public safety	2,908,710	52,788	2,961,498
Public works	750,509	403,763	1,154,272
Community and economic development	99,517	47,477	146,994
Recreation and culture	252,384	-	252,384
Capital outlay	331,744	349,843	681,587
Debt service:			
Principal	-	170,000	170,000
Interest on long-term debt	-	160,431	160,431
	4,940,845	1,184,302	6,125,147
<b>Excess of Expenditures Over Revenue</b>	(40,388)	(352,657)	(393,045)
<b>Other Financing Sources (Uses)</b>			
Face value of debt issue	100,000	-	100,000
Transfers in (Note 7)	30,000	588,625	618,625
Transfers out (Note 7)	(369,955)	(226,380)	(596,335)
	(239,955)	362,245	122,290
<b>Net Change in Fund Balances</b>	(280,343)	9,588	(270,755)
<b>Fund Balances - Beginning of year</b>	1,651,775	1,091,542	2,743,317
<b>Fund Balances - End of year</b>	\$ 1,371,432	\$ 1,101,130	\$ 2,472,562



# 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, 2011

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ (270,755)
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	575,535
Depreciation expense	(1,287,891)
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	(4,680)
Bond costs are an expenditure in the governmental funds; in the statement of activities, these costs are allocated over the life of the related debt	(1,110)
Proceeds from notes are not recorded as revenue in the statement of activities but at the fund level	(100,000)
State-shared Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds (GASB No. 33)	(34,690)
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)	187,874
Change in accrued interest payable and other	1,022
Reduction 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	(126,421)
Internal service funds are included as part of governmental activities	(32,935)
<b>Change in Net Assets of Governmental Activities</b>	<b>\$ (1,094,051)</b>

# City of Charlotte, Michigan

## Proprietary Funds Statement of Net Assets June 30, 2011

	Business-type Activities			Governmental Activities
	Major Fund	Nonmajor Fund		
	Water Supply and Sewage Disposal	Recycling	Total	Internal Service Fund - Motor Pool
<b>Assets</b>				
Current assets:				
Cash and cash equivalents (Note 4)	\$ 420,610	\$ 33,011	\$ 453,621	\$ 340,500
Receivables - Net (Note 5)	620,738	-	620,738	-
Prepaid expenses and other assets	150,285	2,119	152,404	8,085
Total current assets	1,191,633	35,130	1,226,763	348,585
Noncurrent assets:				
Restricted assets - Cash and investments (Notes 4 and 9)	768,020	-	768,020	-
Net capital assets (Note 6)	15,453,537	-	15,453,537	687,171
Total noncurrent assets	16,221,557	-	16,221,557	687,171
Total assets	17,413,190	35,130	17,448,320	1,035,756
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	38,146	809	38,955	3,247
Accrued liabilities and other	57,253	1,627	58,880	2,467
Current portion of long-term debt (Note 8)	398,873	-	398,873	-
Total current liabilities	494,272	2,436	496,708	5,714
Noncurrent liabilities - Long-term debt - Net of current portion (Note 8)	5,132,747	-	5,132,747	-
Total liabilities	5,627,019	2,436	5,629,455	5,714
<b>Net Assets</b>				
Invested in capital assets - Net of related debt Restricted (Note 9):	10,055,513	-	10,055,513	687,171
Debt service	629,740	-	629,740	-
Other purposes	138,280	-	138,280	-
Unrestricted	962,638	32,694	995,332	342,871
Total net assets	<u>\$ 11,786,171</u>	<u>\$ 32,694</u>	<u>\$ 11,818,865</u>	<u>\$ 1,030,042</u>

# City of Charlotte, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2011

	Business-type Activities			Governmental
	Major Fund	Nonmajor Fund	Total	Internal Service
	Water Supply and Sewage Disposal	Recycling		Fund - Motor Vehicle Pool
<b>Operating Revenue</b>				
Sale of water	\$ 1,261,528	\$ -	\$ 1,261,528	\$ -
Sewage charges	2,090,881	-	2,090,881	-
Recycling fees	-	47,132	47,132	-
Charges for services	-	-	-	386,208
Total operating revenue	3,352,409	47,132	3,399,541	386,208
<b>Operating Expenses</b>				
Cost of services	2,166,904	-	2,166,904	289,018
Recycling	-	91,951	91,951	-
Depreciation	636,044	-	636,044	133,893
Total operating expenses	2,802,948	91,951	2,894,899	422,911
<b>Operating Income (Loss)</b>	549,461	(44,819)	504,642	(36,703)
<b>Nonoperating Revenue (Expenses)</b>				
Investment income	876	62	938	568
Interest expense	(290,736)	-	(290,736)	-
Gain on sale of assets	-	-	-	3,200
Grants	3,063	23,076	26,139	-
Other nonoperating general revenue	64,714	1,649	66,363	-
<b>Income (Loss) - Before transfers</b>	327,378	(20,032)	307,346	(32,935)
<b>Transfers Out</b> (Note 7)	(22,290)	-	(22,290)	-
<b>Change in Net Assets</b>	305,088	(20,032)	285,056	(32,935)
<b>Net Assets - Beginning of year</b>	11,481,083	52,726	11,533,809	1,062,977
<b>Net Assets - End of year</b>	<b>\$ 11,786,171</b>	<b>\$ 32,694</b>	<b>\$ 11,818,865</b>	<b>\$ 1,030,042</b>

# City of Charlotte, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2011

	Business-type Activities			Governmental
	Major Fund	Nonmajor Fund		Activities
	Water Supply and Sewage Disposal	Recycling	Total	Internal Service Fund - Motor Vehicle Pool
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 3,366,134	\$ 47,147	\$ 3,413,281	\$ 400,650
Receipts from interfund services and reimbursements	-	-	-	(14,336)
Payments to suppliers	(1,223,254)	(62,132)	(1,285,386)	(208,592)
Payments to employees	(971,762)	(29,805)	(1,001,567)	(78,881)
Net cash provided by (used in) operating activities	1,171,118	(44,790)	1,126,328	98,841
<b>Cash Flows from Noncapital Financing Activities</b>				
Grants	3,063	23,076	26,139	-
Transfers to other funds	(22,290)	-	(22,290)	-
Net cash (used in) provided by noncapital financing activities	(19,227)	23,076	3,849	-
<b>Cash Flows from Capital and Related Financing Activities</b>				
Other nonoperating revenue - General	64,714	1,649	66,363	-
Proceeds from sales of capital assets	-	-	-	3,200
Purchase of capital assets	(49,790)	-	(49,790)	(146,994)
Principal and interest paid on capital debt	(802,021)	-	(802,021)	-
Net cash (used in) provided by capital and related financing activities	(787,097)	1,649	(785,448)	(143,794)
<b>Cash Flows from Investment Activities - Interest received on investments</b>	876	62	938	568
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	365,670	(20,003)	345,667	(44,385)
<b>Cash and Cash Equivalents - Beginning of year</b>	822,960	53,014	875,974	384,885
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 1,188,630</b>	<b>\$ 33,011</b>	<b>\$ 1,221,641</b>	<b>\$ 340,500</b>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>				
Cash and investments	\$ 420,610	\$ 33,011	\$ 453,621	\$ 340,500
Restricted cash	768,020	-	768,020	-
Total cash and cash equivalents	<b>\$ 1,188,630</b>	<b>\$ 33,011</b>	<b>\$ 1,221,641</b>	<b>\$ 340,500</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>				
Operating income (loss)	\$ 549,461	\$ (44,819)	\$ 504,642	\$ (36,703)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation and amortization	636,044	-	636,044	133,893
Changes in assets and liabilities:				
Receivables	13,725	15	13,740	106
Prepaid and other assets	3,358	(695)	2,663	2,190
Accounts payable	5,129	194	5,323	(402)
Accrued liabilities and other	(36,599)	515	(36,084)	(243)
Net cash provided by (used in) operating activities	<b>\$ 1,171,118</b>	<b>\$ (44,790)</b>	<b>\$ 1,126,328</b>	<b>\$ 98,841</b>

**Noncash Investing, Capital, and Financing Activities** - During the year ended June 30, 2011, the water supply and sewage disposal fund incurred \$28,715 of amortization on capital debt bond refunding.

# City of Charlotte, Michigan

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## Fiduciary Funds Statement of Assets and Liabilities June 30, 2011

	<u>Agency Funds</u>
<b>Assets</b> - Cash and cash equivalents (Note 4)	<u>\$ 2,575</u>
<b>Liabilities</b> - Due to other governmental units	<u>\$ 2,575</u>

# City of Charlotte, Michigan

## Component Units Statement of Net Assets June 30, 2011

	Downtown Development Authority	Local Development Financing Authority	Total
<b>Assets</b>			
Cash and investments (Note 4)	\$ 41,178	\$ 1,081,091	\$ 1,122,269
Accrued interest receivables	3,620	-	3,620
Capital assets (Note 6)	183,777	-	183,777
Note receivable	-	205,000	205,000
Total assets	<u>228,575</u>	<u>1,286,091</u>	<u>1,514,666</u>
<b>Liabilities</b>			
Accounts payable	670	400	1,070
Current portion of long-term debt (Note 8)	9,590	-	9,590
Long-term debt (Note 8)	<u>95,410</u>	<u>-</u>	<u>95,410</u>
<b>Net Assets</b>			
Invested in capital assets - Net of related debt	78,777	-	78,777
Unrestricted	<u>44,128</u>	<u>1,285,691</u>	<u>1,329,819</u>
Total net assets	<u><u>\$ 122,905</u></u>	<u><u>\$ 1,285,691</u></u>	<u><u>\$ 1,408,596</u></u>

# City of Charlotte, Michigan

## Component Units Statement of Activities Year Ended June 30, 2011

	Expenses	Net (Expense) Revenue and Changes in Net Assets		
		Downtown Development Authority	Local Development Financing Authority	Total
<b>Functions/Programs</b>				
Downtown Development Authority	\$ 67,015	\$ (67,015)	\$ -	\$ (67,015)
Local Development Financing Authority	23,274	-	(23,274)	(23,274)
Total component units	<b>\$ 90,289</b>	(67,015)	(23,274)	(90,289)
Property taxes		65,975	100,406	166,381
Interest		-	2,023	2,023
Other miscellaneous income		9,378	-	9,378
Total general revenue		75,353	102,429	177,782
<b>Change in Net Assets</b>		8,338	79,155	87,493
<b>Net Assets - Beginning of year</b>		114,567	1,206,536	1,321,103
<b>Net Assets - End of year</b>		<b>\$ 122,905</b>	<b>\$ 1,285,691</b>	<b>\$ 1,408,596</b>

### **Note I - Nature of Business and Significant Accounting Policies**

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

#### **Reporting Entity**

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

**Blended Component Unit** - The Building Authority is governed by a board that is appointed by City Council. Although it is legally separate from the City, it 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** - The following component units are reported within the component units column in the statement of net assets. They are reported in a separate column to emphasize that they are legally separate from the City. More detailed information on each component unit is disclosed in the component unit statement of net assets.

**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.



### **Note I - Nature of Business and Significant Accounting Policies (Continued)**

#### **Government-wide and Fund Financial Statements**

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

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

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

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, fiduciary fund, and component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if it is collected within 30-60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, 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 a "deferred revenue" liability.

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

The City reports the following major governmental fund:

**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.

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

**Internal Service Funds** - The internal service funds 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.

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

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

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

When an expense is incurred for purposes for which both restricted and unrestricted net assets or fund balance are available, the City's policy is to first apply restricted resources. When an expense is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the City's policy to spend funds in this order: committed, assigned, and then unassigned. When an expense is incurred for purposes for which both restricted and unrestricted net assets or fund balance are available, the City's policy is to first apply restricted resources.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The water and sewer fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

#### **Property Tax Revenue**

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

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

The City's 2009 tax is levied and collectible on July 1, 2010 and is recognized as revenue in the year ended June 30, 2011, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2010 taxable valuation of the City of Charlotte, Michigan totaled \$230,174,961 (a portion of which is captured by the LDFA and DDA), on which taxes levied consisted of 13.9144 mills for operating purposes and .8000 mills for debt service and resulted in \$3,202,746 and \$184,140 for operating and debt service purposes, respectively. These amounts are recognized in the General Fund and Debt Service Fund financial statements, respectively, as tax revenue.

#### **Assets, Liabilities, and Net Assets or Equity**

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

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

All trade and property tax receivables are shown as net of allowance 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's water and sewer lines.

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

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

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

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

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

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

**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. Typically, the General Fund has been used to liquidate the liability for compensated absences in prior years.

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Pension and Other Postemployment Benefit Costs** - The City offers both pension and retiree healthcare benefits to retirees. The City internally calculates the annual required contribution (ARC) necessary to fund the obligation 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.

**Fund Equity** - In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications - nonspendable, restricted, committed, assigned, and unassigned. The City implemented Statement No. 54 during the year. The implementation also caused the City to be required to combine the Airport Fund into the General Fund. This combination caused the fiscal year 2011 beginning fund balance in the General Fund to increase from \$1,632,512 to \$1,651,775, which is related to the beginning fund balance of the Airport Fund of \$19,263.

In the fund financial statements, governmental funds report the following components of fund balance:

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

- **Nonspendable:** Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- **Restricted:** Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- **Committed:** Amounts that have been formally set aside by the City Council for specific purposes. Commitments are made and can be rescinded only via resolution of the City Council.
- **Assigned:** Intent to spend resources on specific purposes expressed by the governing body, or city manager or finance director, who are authorized by a resolution approved by the governing body to make assignments
- **Unassigned:** Amounts that do not fall into any other category above. This is the residual classification for amounts in the Combining General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

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

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

### **Note 2 - Upcoming Accounting Pronouncements**

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity Omnibus*. This pronouncement, which is an amendment to Statement 14 and Statement 34, modifies certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Lastly, the statement also clarifies the reporting of equity interests in legally separate organizations. The City is currently evaluating the impact this standard will have on the financial statements when adopted, during the City's 2012-2013 fiscal year.

### Note 2 - Upcoming Accounting Pronouncements (Continued)

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in FASB statements and interpretations, APB opinions, and accounting research bulletins of the AICPA Committee on Accounting Procedure. The City is currently evaluating the impact this standard will have on the financial statements when adopted, during the City's 2012-2013 fiscal year.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement will be effective for the City's 2012-2013 fiscal year. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Once implemented, this statement will impact the format and reporting of the balance sheet at the government-wide level and also at the fund level.

### 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, 2010	\$ (1,081,278)
Current year permit revenue	17,090
Direct and estimated indirect costs	<u>235,445</u>
Current year shortfall	<u>(218,355)</u>
Cumulative shortfall at June 30, 2011	<u>\$ (1,299,633)</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.



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

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 activity level.

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

A comparison of the budget with statement of 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.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - The City had significant expenditures over the appropriated budget amount as follows:

	<u>Budget</u>	<u>Actual</u>
General Fund - Recreation and culture	\$ 100,390	\$ 120,764

### 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.

# City of Charlotte, Michigan

## Notes to Financial Statements June 30, 2011

### Note 4 - Deposits and Investments (Continued)

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

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$2,779,787 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.

The component units' deposits had a bank balance of \$1,156,550, of which \$193,114 was covered by federal depository insurance and \$963,436 was uninsured and uncollateralized.

**Credit Risk** - As of year end, the City had \$677,722 invested in bank investment pools with a rating of AAA by Standard & Poor's and an average maturity of 44 days. The City's investment policy does not limit credit risk beyond that imposed by state law.

### Note 5 - Receivables and Deferred Revenue

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	Water Supply and Sewage Disposal	Total
Receivables:				
Special assessments receivable	\$ -	\$ 80,022	\$ -	\$ 80,022
Accounts and other	150,684	-	620,738	771,422
Intergovernmental	246,235	77,210	-	323,445
Net receivables	<u>\$ 396,919</u>	<u>\$ 157,232</u>	<u>\$ 620,738</u>	<u>\$ 1,174,889</u>

# City of Charlotte, Michigan

## Notes to Financial Statements June 30, 2011

### Note 5 - Receivables and Deferred Revenue (Continued)

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

	<u>Unavailable</u>
Special assessments	\$ 80,022
State-shared revenue	119,112
Other	<u>77,547</u>
Total	<u>\$ 276,681</u>

### Note 6 - Capital Assets

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

	<u>Balance July 1, 2010</u>	<u>Transfers</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2011</u>
<b>Governmental Activities</b>					
Capital assets not being depreciated:					
Land	\$ 1,927,919	\$ -	\$ 16,540	\$ -	\$ 1,944,459
Construction in progress	202,838	(168,000)	-	-	34,838
Subtotal	2,130,757	(168,000)	16,540	-	1,979,297
Capital assets being depreciated:					
Infrastructure	25,919,416	-	268,217	-	26,187,633
Buildings and improvements	5,747,227	-	30,775	-	5,778,002
Vehicles	2,131,368	-	146,995	16,617	2,261,746
Equipment	2,780,809	168,000	260,003	50,000	3,158,812
Subtotal	36,578,820	168,000	705,990	66,617	37,386,193
Accumulated depreciation:					
Infrastructure	12,383,783	-	1,012,328	-	13,396,111
Buildings and improvements	1,633,882	-	118,011	50,000	1,701,893
Vehicles	1,457,298	-	133,894	16,617	1,574,575
Equipment	2,139,659	-	157,552	-	2,297,211
Subtotal	17,614,622	-	1,421,785	66,617	18,969,790
Net capital assets being depreciated	18,964,198	168,000	(715,795)	-	18,416,403
Net capital assets	<u>\$ 21,094,955</u>	<u>\$ -</u>	<u>\$ (699,255)</u>	<u>\$ -</u>	<u>\$ 20,395,700</u>

# City of Charlotte, Michigan

## Notes to Financial Statements June 30, 2011

### Note 6 - Capital Assets (Continued)

	Balance July 1, 2010	Additions	Disposals	Balance June 30, 2011
<b>Business-type Activities</b>				
Capital assets not being depreciated:				
Land	\$ 104,995	\$ -	\$ -	\$ 104,995
Construction in progress	36,553	-	-	36,553
Subtotal	141,548	-	-	141,548
Capital assets being depreciated -				
Buildings and systems	27,077,471	49,790	46,216	27,081,045
Accumulated depreciation - Buildings and systems	11,179,228	636,044	46,216	11,769,056
Net capital assets being depreciated	15,898,243	(586,254)	-	15,311,989
Net capital assets	<u>\$ 16,039,791</u>	<u>\$ (586,254)</u>	<u>\$ -</u>	<u>\$ 15,453,537</u>
	Balance July 1, 2010	Additions	Disposals	Balance June 30, 2011
<b>Component Units</b>				
Capital assets not being depreciated -				
Land	\$ -	\$ 183,777	\$ -	\$ 183,777

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

**Governmental activities:**

General government	\$ 52,613
Public safety	171,432
Public works	965,869
Recreation and culture	97,978
Internal service fund depreciation is charged to the various functions based on their usage of the asset	<u>133,893</u>
Total governmental activities	<u>\$ 1,421,785</u>

**Business-type activities:**

Water	\$ 136,353
Sewer	<u>499,691</u>
Total business-type activities	<u>\$ 636,044</u>

### Note 7 - Interfund Transfers

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

Fund Providing Resources	Fund Receiving Resources	Amount
General Fund	Nonmajor special revenue funds	\$ 324,700
	Nonmajor debt service fund	45,255
	Total General Fund	369,955
Nonmajor special revenue funds	Nonmajor debt service funds	76,380
	Nonmajor special revenue fund	150,000
	Total nonmajor special revenue funds	226,380
Water Supply and Sewage Disposal Fund	Nonmajor debt service fund	22,290
	Total	<u>\$ 618,625</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 transfers from the General Fund and water and sewer fund to the nonmajor debt service fund represent the movement of resources to be used to service the nonmajor debt service fund debt.

### Note 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, 2011

### Note 8 - Long-term Debt (Continued)

Long-term debt activity can be summarized as follows:

	<u>Interest Rate Ranges</u>	<u>Maturing Through</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>							
General obligation bonds:							
Building Authority Bonds - Series 2001 (Limited Tax General Obligation) Bonds	4.5% - 5.1%	2016	\$ 355,000	\$ -	\$ 50,000	\$ 305,000	\$ 55,000
Michigan Transportation Fund Bonds - Series 2001 (Limited Tax General Obligation) Bonds	4.7% - 5.3%	2017	440,000	-	55,000	385,000	55,000
2008 Facility Building and Site Bonds (Unlimited Tax General Obligation) - Net of bond issue costs of \$25,525	4.125% - 4.25%	2032	2,925,000	-	65,000	2,860,000	75,000
Economic Development Agreement	-	2017	111,708	-	17,874	93,834	17,874
Total bonds payable			3,831,708	-	187,874	3,643,834	202,874
General obligation loan - Local Development Financing Authority loan to General Fund	2%	2021	\$ -	\$ 100,000	\$ -	\$ 100,000	\$ 9,133
Other long-term obligations - Compensated absences	-	-	386,522	174,790	232,016	329,296	121,790
Total governmental activities			\$ 4,218,230	\$ 274,790	\$ 419,890	\$ 4,073,130	\$ 333,797
	<u>Interest Rate Ranges</u>	<u>Maturing Through</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Business-type Activities</b>							
County Bond Obligations - County of Eaton 1996 Water and Sewer Bonds - Net of bond issue costs of \$4,675	4.375%	2011	\$ 205,000	\$ -	\$ 205,000	\$ -	\$ -
2005 Revenue Refunding Bonds - Water Supply and Sewage Disposal System - Net of deferred amount on refunding of \$346,976	3.5% - 4.25%	2024	5,704,309	-	306,285	5,398,024	350,000
Total bonds payable			5,909,309	-	511,285	5,398,024	350,000
Compensated absences	-	-	171,738	54,586	92,728	133,596	48,873
Total business-type activities			\$ 6,081,047	\$ 54,586	\$ 604,013	\$ 5,531,620	\$ 398,873

### Note 8 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Component Unit Activities</b>							
General obligation loan -							
Local Development Financing							
Authority loan to Downtown							
Development Authority	2%	2021	\$ -	\$ 105,000	\$ -	\$ 105,000	\$ 9,590

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
2012	\$ 212,007	\$ 154,783	\$ 366,790	\$ 350,000	\$ 231,160	\$ 581,160	\$ 9,590	\$ 2,100	\$ 11,690
2013	232,189	146,075	378,264	360,000	218,910	578,910	9,781	1,908	11,689
2014	237,376	136,472	373,848	375,000	206,310	581,310	9,977	1,713	11,690
2015	252,566	126,409	378,975	390,000	191,310	581,310	10,176	1,513	11,689
2016	262,759	115,520	378,279	405,000	175,710	580,710	10,380	1,310	11,690
2017-2021	706,937	464,897	1,171,834	2,270,000	622,024	2,892,024	55,096	3,349	58,445
2022-2026	720,000	330,194	1,050,194	1,595,000	136,978	1,731,978	-	-	-
2027-2031	910,000	164,263	1,074,263	-	-	-	-	-	-
2030-2032	210,000	8,925	218,925	-	-	-	-	-	-
Less unamortized loss on refunding	-	-	-	(346,976)	-	(346,976)	-	-	-
<b>Total</b>	<b>\$ 3,743,834</b>	<b>\$ 1,647,538</b>	<b>\$ 5,391,372</b>	<b>\$ 5,398,024</b>	<b>\$ 1,782,402</b>	<b>\$ 7,180,426</b>	<b>\$ 105,000</b>	<b>\$ 11,893</b>	<b>\$ 116,893</b>

**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 \$7,180,426. During the current year, revenue of the system was \$3,352,409 compared to the annual debt requirement of \$577,886.

### Note 9 - Restricted Net Assets

The balances of the restricted asset accounts are as follows:

	Governmental Activities	Business-type Activities
Operation and maintenance fund	\$ -	\$ 138,280
Bond and interest redemption fund	2,360	48,430
Bond reserve account	-	581,310
<b>Total restricted net assets</b>	<b>\$ 2,360</b>	<b>\$ 768,020</b>

### **Note 9 - Restricted Net Assets (Continued)**

**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 of 0.0 percent and 10.0 percent of gross wages for the various groups.



### Note 11 - Defined Benefit Pension Plan (Continued)

**Annual Pension Cost** - For the year ended June 30, 2011, the City's annual pension cost of \$406,818 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, 2008, 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 4.5 percent per year compounded annually, attributable to inflation, (c) additional projected salary increases of 0.0 percent to 8.40 percent per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will increase 2.5 percent per year after retirement, for persons selecting certain benefit options. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 28 years.

	Fiscal Year Ended June 30		
	2009	2010	2011
Annual pension cost (APC)	\$ 353,438	\$ 348,477	\$ 406,818
Percentage of APC contributed	100.0 %	100.0 %	100.0 %
Net pension obligation	-	-	-

	Actuarial Valuation as of December 31		
	2008	2009	2010
Actuarial value of assets	\$ 12,157,594	\$ 12,393,669	\$ 12,722,907
Actuarial accrued liability (AAL) (entry age)	\$ 16,351,726	\$ 16,698,529	\$ 17,697,293
Unfunded AAL (UAAL)	\$ 4,194,132	\$ 4,304,860	\$ 4,974,386
Funded ratio	74.4 %	74.2 %	71.9 %
Covered payroll	\$ 2,747,012	\$ 2,657,620	\$ 2,726,067
UAAL as a percentage of covered payroll	152.7 %	162.0 %	182.5 %

### 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 (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 13.88 percent of employees' gross earnings. Contributions for each employee plus interest are allocated to the employee's account. The city manager's plan has immediate vesting while department supervisors are fully vested after four years of service.

The City's total payroll during the current year was \$2,801,784. The current year contribution was calculated based on covered payroll of \$157,320, resulting in an employer contribution of \$18,604 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).

**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. This 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	\$ 300,165
Interest on the prior year's net OPEB obligation	<u>(2,873)</u>
Annual OPEB cost	297,292
Amounts contributed - Payments of current premiums	<u>(113,645)</u>
Increase in net OPEB obligation	183,647
OPEB obligation - Beginning of year	<u>120,096</u>
OPEB obligation - End of year	<u>\$ 303,743</u>

# City of Charlotte, Michigan

## Notes to Financial Statements June 30, 2011

### Note 13 - Other Postemployment Benefits (Continued)

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:

<u>Fiscal Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Annual OPEB Costs</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
6/30/11	6/30/11	\$ 297,292	38.2%	\$ 303,743
6/30/10	12/31/08	314,550	61.8	120,096

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (Percent) (a/b)</u>	<u>Annual Covered Payroll (c)</u>	<u>Ratio of UAAL to Covered Payroll</u>
6/30/11	\$ -	\$ 6,283,342	\$ 6,283,342	-	\$ 2,726,067	230.5
12/31/08	-	5,469,530	5,469,530	-	2,747,012	199.1

In determination of the OPEB liability as of June 30, 2011, 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.

### Note 13 - Other Postemployment Benefits (Continued)

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* - Non-group-specific age-based turnover data from GASB Statement No. 45 were 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 purposes 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 6.90 percent initially, reduced to an ultimate rate of 6.820 percent after six years, was used.

*Health insurance premiums* - 2011 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 the rate of inflation.

Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 2.39 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 an open basis. The remaining amortization period at June 30, 2011 was 30 years.

In determination of the OPEB liability as of June 30, 2010, the following assumptions were used:

### **Note 13 - Other Postemployment Benefits (Continued)**

**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.

In the December 31, 2008 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after 10 years. Both rates included a 4.5 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2008 was 30 years.

## **Required Supplemental Information**

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# City of Charlotte, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 3,342,400	\$ 3,342,400	\$ 3,365,422	\$ 23,022
Licenses and permits	32,275	32,275	31,651	(624)
State-shared revenue and grants	677,000	777,000	839,534	62,534
Charges for services	356,000	356,000	365,929	9,929
Fines and forfeitures	30,500	30,500	31,767	1,267
Investment income	15,000	15,000	4,462	(10,538)
Other	108,500	161,500	168,248	6,748
Total revenue	4,561,675	4,714,675	4,807,013	92,338
<b>Expenditures</b>				
Current:				
General government	572,743	660,743	597,981	62,762
Public safety	2,764,815	3,029,815	2,908,710	121,105
Public works	754,755	754,755	750,509	4,246
Community and economic development	100,894	103,894	99,517	4,377
Recreation and culture	100,390	100,390	120,764	(20,374)
Capital outlay	433,650	433,650	331,729	101,921
Total expenditures	4,727,247	5,083,247	4,809,210	274,037
<b>Excess of Expenditures Over Revenue</b>	(165,572)	(368,572)	(2,197)	366,375
<b>Other Financing Sources (Uses)</b>				
Face value of debt issue	87,000	100,000	100,000	-
Transfers out	(369,955)	(369,955)	(369,955)	-
Total other financing sources (uses)	(282,955)	(269,955)	(269,955)	-
<b>Net Change in Fund Balance</b>	(448,527)	(638,527)	(272,152)	366,375
<b>Fund Balance - Beginning of year</b>	1,632,512	1,632,512	1,632,512	-
<b>Fund Balance - End of year</b>	<u>\$ 1,183,985</u>	<u>\$ 993,985</u>	<u>\$ 1,360,360</u>	<u>\$ 366,375</u>

# City of Charlotte, Michigan

## Note to Required Supplemental Information Year Ended June 30, 2011

**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 changes in fund balance is as follows:

	<u>Total Revenue</u>	<u>Total Expenditures</u>	<u>Fund Balance</u>
City of Charlotte, Michigan			
General Fund	\$ 4,807,013	\$ 4,809,210	\$ 1,360,360
Airport Fund	<u>93,444</u>	<u>131,635</u>	<u>11,072</u>
Amounts per fund-based statement	<u>\$ 4,900,457</u>	<u>\$ 4,940,845</u>	<u>\$ 1,371,432</u>



## **Other Supplemental Information**

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# Nonmajor Governmental Funds

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**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.

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

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

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

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

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

# City of Charlotte, Michigan

	Special Revenue Funds					
	Major Streets Fund	Local Streets	Industrial Park	Police Training	Drug Enforcement	Grant
<b>Assets</b>						
Cash and investments	\$ 584,525	\$ 292,934	\$ 81,398	\$ 20,638	\$ 9,735	\$ -
Receivables - Net	55,344	101,888	-	-	-	-
Prepaid expenses and other assets	1,557	2,075	519	-	-	-
Restricted assets - Cash and investments	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 641,426</b>	<b>\$ 396,897</b>	<b>\$ 81,917</b>	<b>\$ 20,638</b>	<b>\$ 9,735</b>	<b>\$ -</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 923	\$ 350	\$ 4	\$ -	\$ 4	\$ -
Accrued liabilities and other	3,527	3,956	1,963	-	-	-
Deferred revenue	-	80,022	-	-	-	-
<b>Total liabilities</b>	<b>4,450</b>	<b>84,328</b>	<b>1,967</b>	<b>-</b>	<b>4</b>	<b>-</b>
<b>Fund Balances</b>						
Nonspendable - Prepays	1,557	2,075	519	-	-	-
Restricted:						
Major streets	635,419	-	-	-	-	-
Police training	-	-	-	20,638	-	-
Industrial park	-	-	79,431	-	-	-
Local streets	-	310,494	-	-	-	-
Drug enforcement	-	-	-	-	9,731	-
Michigan transportation bond	-	-	-	-	-	-
Building authority bond	-	-	-	-	-	-
Facility building bond	-	-	-	-	-	-
<b>Total fund balances</b>	<b>636,976</b>	<b>312,569</b>	<b>79,950</b>	<b>20,638</b>	<b>9,731</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 641,426</b>	<b>\$ 396,897</b>	<b>\$ 81,917</b>	<b>\$ 20,638</b>	<b>\$ 9,735</b>	<b>\$ -</b>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2011**

Debt Service Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
Building Authority Bond	Michigan Transportation Bond	Facility Building Bond	Building Fund	
\$ -	\$ -	\$ 38,906	\$ -	\$ 1,028,136
-	-	-	-	157,232
-	-	-	-	4,151
<u>2,277</u>	<u>83</u>	<u>-</u>	<u>-</u>	<u>2,360</u>
<b><u>\$ 2,277</u></b>	<b><u>\$ 83</u></b>	<b><u>\$ 38,906</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,191,879</u></b>
\$ -	\$ -	\$ -	\$ -	\$ 1,281
-	-	-	-	9,446
-	-	-	-	80,022
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,749</u>
-	-	-	-	4,151
-	-	-	-	635,419
-	-	-	-	20,638
-	-	-	-	79,431
-	-	-	-	310,494
-	-	-	-	9,731
-	83	-	-	83
<u>2,277</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,277</u>
<u>-</u>	<u>-</u>	<u>38,906</u>	<u>-</u>	<u>38,906</u>
<u>2,277</u>	<u>83</u>	<u>38,906</u>	<u>-</u>	<u>1,101,130</u>
<b><u>\$ 2,277</u></b>	<b><u>\$ 83</u></b>	<b><u>\$ 38,906</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,191,879</u></b>

# City of Charlotte, Michigan

	Special Revenue Funds				
	Major Streets	Local Streets	Industrial Park	Police Training	Drug Enforcement
<b>Revenue</b>					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	351,469	135,525	-	-	-
Investment income	1,081	353	162	-	17
Other revenue:					
Special assessments	-	12,874	-	-	-
Other miscellaneous income	3,184	2,404	-	-	-
Total revenue	355,734	151,156	162	-	17
<b>Expenditures - Current</b>					
Public safety	-	-	-	3,762	-
Public works	176,993	226,770	-	-	-
Community and economic development	-	-	46,427	-	-
Capital outlay	117,552	90,533	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest on long-term debt	-	-	-	-	-
Total expenditures	294,545	317,303	46,427	3,762	-
<b>Excess of Revenue Over (Under) Expenditures</b>	61,189	(166,147)	(46,265)	(3,762)	17
<b>Other Financing Sources (Uses)</b>					
Transfers in	131,900	312,800	-	-	-
Transfers out	(195,828)	(30,552)	-	-	-
Total other financing (uses) sources	(63,928)	282,248	-	-	-
<b>Net Change in Fund Balances</b>	(2,739)	116,101	(46,265)	(3,762)	17
<b>Fund Balances - Beginning of year</b>	639,715	196,468	126,215	24,400	9,714
<b>Fund Balances - End of year</b>	<u>\$ 636,976</u>	<u>\$ 312,569</u>	<u>\$ 79,950</u>	<u>\$ 20,638</u>	<u>\$ 9,731</u>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and**  
**Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2011**

Special Revenue Funds	Debt Service Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
Grant	Building Authority Bond	Michigan Transportation Bond	Facility Building Bond	Building Fund	
\$ -	\$ -	\$ -	\$ 182,818	\$ -	\$ 182,818
141,758	-	-	-	-	628,752
-	-	-	-	-	1,613
-	-	-	-	-	12,874
-	-	-	-	-	5,588
<u>141,758</u>	<u>-</u>	<u>-</u>	<u>182,818</u>	<u>-</u>	<u>831,645</u>
-	-	-	-	49,026	52,788
-	-	-	-	-	403,763
-	275	275	500	-	47,477
141,758	-	-	-	-	349,843
-	50,000	55,000	65,000	-	170,000
-	17,270	21,105	122,056	-	160,431
<u>141,758</u>	<u>67,545</u>	<u>76,380</u>	<u>187,556</u>	<u>49,026</u>	<u>1,184,302</u>
-	(67,545)	(76,380)	(4,738)	(49,026)	(352,657)
-	67,545	76,380	-	-	588,625
-	-	-	-	-	(226,380)
-	67,545	76,380	-	-	362,245
-	-	-	(4,738)	(49,026)	9,588
-	2,277	83	43,644	49,026	1,091,542
<u>\$ -</u>	<u>\$ 2,277</u>	<u>\$ 83</u>	<u>\$ 38,906</u>	<u>\$ -</u>	<u>\$ 1,101,130</u>

# City of Charlotte, Michigan

## Other Supplemental Information Nonmajor Governmental Fund - Major Streets Budgetary Comparison Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
State-shared revenue and grants	\$ 363,000	\$ 363,000	\$ 351,469	\$ (11,531)
Investment income	10,000	10,000	1,081	(8,919)
Other miscellaneous income	6,200	6,200	3,184	(3,016)
Total revenue	379,200	379,200	355,734	(23,466)
<b>Expenditures</b>				
Current - Public works	247,025	247,025	176,993	70,032
Capital outlay	151,000	151,000	117,552	33,448
Total expenditures	398,025	398,025	294,545	103,480
<b>Excess of Revenue (Under) Over Expenditures</b>	(18,825)	(18,825)	61,189	80,014
<b>Other Financing Sources (Uses)</b>				
Transfers in	131,900	131,900	131,900	-
Transfers out	(45,828)	(195,828)	(195,828)	-
<b>Net Change in Fund Balance</b>	67,247	(82,753)	(2,739)	80,014
<b>Fund Balance - Beginning of year</b>	639,715	639,715	639,715	-
<b>Fund Balance - End of year</b>	<b>\$ 706,962</b>	<b>\$ 556,962</b>	<b>\$ 636,976</b>	<b>\$ 80,014</b>

# City of Charlotte, Michigan

## Other Supplemental Information Nonmajor Governmental Fund - Local Streets Budgetary Comparison Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
State-shared revenue and grants	\$ 131,000	\$ 131,000	\$ 135,525	\$ 4,525
Investment income	5,000	5,000	353	(4,647)
Other revenue:				
Special assessments	13,400	13,400	12,874	(526)
Other miscellaneous income	5,600	5,600	2,404	(3,196)
Total revenue	155,000	155,000	151,156	(3,844)
<b>Expenditures - Current</b>				
Public works - Street maintenance	284,685	284,685	226,770	57,915
Capital outlay	109,000	109,000	90,533	18,467
Total expenditures	393,685	393,685	317,303	76,382
<b>Excess of Expenditures Over Revenue</b>	(238,685)	(238,685)	(166,147)	72,538
<b>Other Financing Sources (Uses)</b>				
Transfers in	162,800	312,800	312,800	-
Transfers out	(30,552)	(30,552)	(30,552)	-
<b>Net Change in Fund Balance</b>	(106,437)	43,563	116,101	72,538
<b>Fund Balance - Beginning of year</b>	196,468	196,468	196,468	-
<b>Fund Balance - End of year</b>	<b>\$ 90,031</b>	<b>\$ 240,031</b>	<b>\$ 312,569</b>	<b>\$ 72,538</b>



# City of Charlotte, Michigan

## Other Supplemental Information Nonmajor Governmental Fund - Industrial Park Budgetary Comparison Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b> - Investment income	\$ -	\$ -	\$ 162	\$ 162
<b>Expenditures</b> - Current - Community and economic development	50,820	50,820	46,427	4,393
<b>Net Change in Fund Balance</b>	(50,820)	(50,820)	(46,265)	4,555
<b>Fund Balance</b> - Beginning of year	126,215	126,215	126,215	-
<b>Fund Balance</b> - End of year	<u>\$ 75,395</u>	<u>\$ 75,395</u>	<u>\$ 79,950</u>	<u>\$ 4,555</u>

# City of Charlotte, Michigan

## Other Supplemental Information Nonmajor Governmental Fund - Police Training Budgetary Comparison Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b> - State sources	\$ 3,681	\$ 3,681	\$ -	\$ (3,681)
<b>Expenditures</b> - Current - Public safety - Police	<u>6,000</u>	<u>6,000</u>	<u>3,762</u>	<u>2,238</u>
<b>Net Change in Fund Balance</b>	(2,319)	(2,319)	(3,762)	(1,443)
<b>Fund Balance</b> - Beginning of year	<u>24,400</u>	<u>24,400</u>	<u>24,400</u>	<u>-</u>
<b>Fund Balance</b> - End of year	<u><u>\$ 22,081</u></u>	<u><u>\$ 22,081</u></u>	<u><u>\$ 20,638</u></u>	<u><u>\$ (1,443)</u></u>

# City of Charlotte, Michigan

## Other Supplemental Information Nonmajor Governmental Fund - Drug Enforcement Budgetary Comparison Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Investment income	\$ -	\$ -	\$ 17	\$ 17
Other	200	200	-	(200)
Total revenue	200	200	17	(183)
<b>Expenditures - Current -</b>				
Public safety - Police	700	700	-	700
<b>Net Change in Fund Balance</b>	(500)	(500)	17	517
<b>Fund Balance - Beginning of year</b>	9,714	9,714	9,714	-
<b>Fund Balance - End of year</b>	<b>\$ 9,214</b>	<b>\$ 9,214</b>	<b>\$ 9,731</b>	<b>\$ 517</b>

# City of Charlotte, Michigan

## Other Supplemental Information Nonmajor Governmental Fund - Grant Budgetary Comparison Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue - State sources</b>	\$ -	\$ 141,758	\$ 141,758	\$ -
<b>Expenditures - Current - Capital outlay</b>	-	141,758	141,758	-
<b>Net Change in Fund Balance</b>	-	-	-	-
<b>Fund Balance - Beginning of year</b>	-	-	-	-
<b>Fund Balance - End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

# City of Charlotte, Michigan

## Other Supplemental Information Nonmajor Governmental Fund - Building Authority Bond Budgetary Comparison Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>	\$ -	\$ -	\$ -	\$ -
<b>Expenditures - Current</b>				
Community and economic development	275	275	275	-
Debt service:				
Principal	50,000	50,000	50,000	-
Interest on long-term debt	17,270	17,270	17,270	-
Total expenditures	<u>67,545</u>	<u>67,545</u>	<u>67,545</u>	<u>-</u>
<b>Excess of Expenditures Over Revenue</b>	(67,545)	(67,545)	(67,545)	-
<b>Other Financing Sources -</b>				
Transfers in	67,545	67,545	67,545	-
<b>Fund Balance - Beginning of year</b>	<u>2,277</u>	<u>2,277</u>	<u>2,277</u>	<u>-</u>
<b>Fund Balance - End of year</b>	<u><u>\$ 2,277</u></u>	<u><u>\$ 2,277</u></u>	<u><u>\$ 2,277</u></u>	<u><u>\$ -</u></u>

# City of Charlotte, Michigan

## Other Supplemental Information Nonmajor Governmental Fund - Michigan Transportation Bond Budgetary Comparison Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>	\$ -	\$ -	\$ -	\$ -
<b>Expenditures - Current</b>				
Community and economic development	275	275	275	-
Debt service:				
Principal	55,000	55,000	55,000	-
Interest on long-term debt	21,105	21,105	21,105	-
Total expenditures	<u>76,380</u>	<u>76,380</u>	<u>76,380</u>	<u>-</u>
<b>Excess of Expenditures Over Revenue</b>	(76,380)	(76,380)	(76,380)	-
<b>Other Financing Sources -</b>				
Transfers in	76,380	76,380	76,380	-
<b>Fund Balance - Beginning of year</b>	<u>83</u>	<u>83</u>	<u>83</u>	<u>-</u>
<b>Fund Balance - End of year</b>	<u><u>\$ 83</u></u>	<u><u>\$ 83</u></u>	<u><u>\$ 83</u></u>	<u><u>\$ -</u></u>

# City of Charlotte, Michigan

## Other Supplemental Information Nonmajor Governmental Fund - Facility Building Bond Budgetary Comparison Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b> - Property taxes	\$ 189,800	\$ 189,800	\$ 182,818	\$ (6,982)
<b>Expenditures</b> - Current				
Community and economic development	1,000	1,000	500	500
Debt service:				
Principal	65,000	65,000	65,000	-
Interest on long-term debt	122,056	122,056	122,056	-
Total expenditures	<u>188,056</u>	<u>188,056</u>	<u>187,556</u>	<u>500</u>
<b>Net Change in Fund Balance</b>	1,744	1,744	(4,738)	(6,482)
<b>Fund Balance</b> - Beginning of year	<u>43,644</u>	<u>43,644</u>	<u>43,644</u>	<u>-</u>
<b>Fund Balance</b> - End of year	<u><u>\$ 45,388</u></u>	<u><u>\$ 45,388</u></u>	<u><u>\$ 38,906</u></u>	<u><u>\$ (6,482)</u></u>

# City of Charlotte, Michigan

## Other Supplemental Information Nonmajor Governmental Fund - Building Budgetary Comparison Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>	\$ -	\$ -	\$ -	\$ -
<b>Expenditures - Current -</b>				
Public safety	36,238	49,026	49,026	-
<b>Net Change in Fund Balance</b>	(36,238)	(49,026)	(49,026)	-
<b>Fund Balance - Beginning of year</b>	49,026	49,026	49,026	-
<b>Fund Balance - End of year</b>	<u>\$ 12,788</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



# City of Charlotte, Michigan

## Other Supplemental Information Schedule of Changes in Assets and Liabilities Agency Funds June 30, 2011

	Balance at July 1, 2010	Additions	Reductions	Balance at June 30, 2011
<b>Assets -</b>				
Cash and cash equivalents	<u>\$ 117,090</u>	<u>\$ 11,164,548</u>	<u>\$ (11,279,063)</u>	<u>\$ 2,575</u>
<b>Liabilities</b>				
Due to other governmental units	\$ 109,409	\$ 12,524,124	\$ (12,630,958)	\$ 2,575
Escrow withholding	<u>7,681</u>	<u>-</u>	<u>(7,681)</u>	<u>-</u>
Total liabilities	<u>\$ 117,090</u>	<u>\$ 12,524,124</u>	<u>\$ (12,638,639)</u>	<u>\$ 2,575</u>

## **Statistical Section**

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## **Statistical Section**

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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**

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

# City of Charlotte, Michigan

## Net Assets by Component Last Eight Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011
<b>Governmental Activities</b>								
Invested in capital assets - Net								
of related debt	\$ 18,452,965	\$ 17,874,974	\$ 17,277,656	\$ 16,888,466	\$ 17,429,185	\$ 17,712,356	\$ 17,423,981	\$ 16,745,700
Restricted	824,648	978,085	1,258,245	1,078,074	1,025,574	1,089,080	1,007,907	1,101,202
Unrestricted	<u>1,596,273</u>	<u>1,756,948</u>	<u>1,570,373</u>	<u>1,785,177</u>	<u>1,562,327</u>	<u>1,647,707</u>	<u>1,773,881</u>	<u>1,264,816</u>
Total net assets	<u>\$ 20,873,886</u>	<u>\$ 20,610,007</u>	<u>\$ 20,106,274</u>	<u>\$ 19,751,717</u>	<u>\$ 20,017,086</u>	<u>\$ 20,449,143</u>	<u>\$ 20,205,769</u>	<u>\$ 19,111,718</u>
<b>Business-type Activities</b>								
Invested in capital assets - Net								
of related debt	\$ 9,365,591	\$ 9,533,904	\$ 9,534,564	\$ 9,926,516	\$ 9,985,503	\$ 9,942,237	\$ 10,130,482	\$ 10,055,513
Restricted	918,355	865,171	840,427	846,350	905,755	884,227	763,748	768,020
Unrestricted	<u>697,316</u>	<u>760,980</u>	<u>1,132,623</u>	<u>1,195,405</u>	<u>1,112,076</u>	<u>784,174</u>	<u>639,579</u>	<u>995,332</u>
Total net assets	<u>\$ 10,981,262</u>	<u>\$ 11,160,055</u>	<u>\$ 11,507,614</u>	<u>\$ 11,968,271</u>	<u>\$ 12,003,334</u>	<u>\$ 11,610,638</u>	<u>\$ 11,533,809</u>	<u>\$ 11,818,865</u>
<b>Primary Government in Total</b>								
Invested in capital assets - Net								
of related debt	\$ 27,818,556	\$ 27,408,878	\$ 26,812,220	\$ 26,814,982	\$ 27,414,688	\$ 27,654,593	\$ 27,554,463	\$ 26,801,213
Restricted	1,743,003	1,843,256	2,098,672	1,924,424	1,931,329	1,973,307	1,771,655	1,869,222
Unrestricted	<u>2,293,589</u>	<u>2,517,928</u>	<u>2,702,996</u>	<u>2,980,582</u>	<u>2,674,403</u>	<u>2,431,881</u>	<u>2,413,460</u>	<u>2,260,148</u>
Total net assets	<u>\$ 31,855,148</u>	<u>\$ 31,770,062</u>	<u>\$ 31,613,888</u>	<u>\$ 31,719,988</u>	<u>\$ 32,020,420</u>	<u>\$ 32,059,781</u>	<u>\$ 31,739,578</u>	<u>\$ 30,930,583</u>

Note: The City implemented GASB No. 34 in 2004; therefore, net assets for governmental activities are not available before 2004.

# City of Charlotte, Michigan

## Changes in Governmental Net Assets Last Eight Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011
<b>Expenses</b>								
General government	\$ 592,841	\$ 609,254	\$ 650,757	\$ 606,810	\$ 636,198	\$ 632,906	\$ 786,751	\$ 816,352
Public safety	2,384,339	2,542,149	2,612,572	2,647,674	2,836,299	2,933,665	3,041,186	3,046,302
Public works	2,043,849	1,930,962	1,811,206	1,789,658	1,846,761	1,928,332	2,152,815	2,131,513
Community and economic development	182,540	275,397	169,232	643,206	344,634	302,046	327,832	276,337
Recreation and culture	224,200	54,924	185,789	211,174	257,352	332,881	370,842	401,156
Interest on long-term debt	64,845	62,873	57,357	54,933	51,028	176,165	166,504	159,409
Total expenses	5,492,614	5,475,559	5,486,913	5,953,455	5,972,272	6,305,995	6,845,930	6,831,069
<b>Program Revenue</b>								
Charges for services:								
General government	233,134	160,466	225,066	218,433	274,564	245,582	101,663	165,902
Public safety	220,660	161,416	155,155	190,175	202,189	221,891	301,165	324,425
Public works	380,681	366,987	362,519	358,457	357,521	344,105	-	-
Total charges for services	834,475	688,869	742,740	767,065	834,274	811,578	402,828	490,327
Operating grants and contributions	11,906	68,890	36,461	487,270	683,776	1,505,415	725,303	488,798
Capital grants and contributions	385,150	562,252	203,004	14,256	193,580	101,343	337,707	185,204
Total program revenue	1,231,531	1,320,011	982,205	1,268,591	1,711,630	2,418,336	1,465,838	1,164,329
<b>Net Expenses</b>	(4,261,083)	(4,155,548)	(4,504,708)	(4,684,864)	(4,260,642)	(3,887,659)	(5,380,092)	(5,666,740)
<b>General Revenue</b>								
Property taxes	2,491,783	2,612,177	2,712,501	2,919,096	3,128,658	3,383,020	3,569,934	3,548,240
State-shared revenue	1,301,276	1,095,448	1,096,527	1,043,178	1,040,457	1,000,108	772,594	748,562
Investment earnings	30,308	41,934	113,513	178,226	159,880	99,745	7,953	6,075
Miscellaneous	47,825	119,310	56,164	166,436	174,269	373,085	203,202	247,522
Total general revenue	3,871,192	3,868,869	3,978,705	4,306,936	4,503,264	4,855,958	4,553,683	4,550,399
<b>Transfers</b>	23,448	22,800	22,270	23,371	22,747	23,758	23,035	22,290
<b>Special Items</b>	-	-	-	-	-	-	560,000	-
<b>Change in Net Assets</b>	<b>\$ (366,443)</b>	<b>\$ (263,879)</b>	<b>\$ (503,733)</b>	<b>\$ (354,557)</b>	<b>\$ 265,369</b>	<b>\$ 992,057</b>	<b>\$ (243,374)</b>	<b>\$ (1,094,051)</b>

Note: The City implemented GASB No. 34 in 2004; therefore, net assets for governmental activities are not available before 2004.

# City of Charlotte, Michigan

	2002	2003	2004	2005
<b>Operating Revenue</b>				
Water sales	\$ 867,471	\$ 874,286	\$ 871,133	\$ 898,846
Sewage charges	1,787,920	1,763,688	1,751,363	1,827,475
Tap fees	351,595	198,448	261,613	128,602
Recycling fees	22,401	16,532	14,011	14,855
Other	49,184	37,240	40,553	8,559
Total operating revenue	3,078,571	2,890,194	2,938,673	2,878,337
<b>Operating Expenses</b>				
Cost of services	1,599,276	1,641,493	1,739,638	1,734,836
Recycling	44,076	45,861	55,816	49,196
Depreciation	387,858	554,626	567,541	591,980
Total operating expenses	2,031,210	2,241,980	2,362,995	2,376,012
<b>Operating Income (Loss)</b>	1,047,361	648,214	575,678	502,325
<b>Nonoperating Revenue (Expense)</b>				
Investment income	94,161	24,942	11,856	25,632
Interest expense	(187,788)	(502,283)	(482,854)	(462,249)
Other	-	-	-	-
Total nonoperating expense	(93,627)	(477,341)	(470,998)	(436,617)
<b>Income (Loss) - Before contributions and other items</b>	953,734	170,873	104,680	65,708
<b>Capital Contributions</b>	566,614	598,458	441,300	135,885
<b>Transfers to Other Funds</b>	(23,468)	(22,092)	(23,448)	(22,800)
<b>Change in Net Assets</b>	<b>\$ 1,496,880</b>	<b>\$ 747,239</b>	<b>\$ 522,532</b>	<b>\$ 178,793</b>
<b>Total Primary Government Revenue</b>	N/A	N/A	\$ 8,506,144	\$ 8,225,902
<b>Total Primary Government Expense</b>	N/A	N/A	8,350,055	8,310,988
<b>Total Primary Government Change in Net Assets</b>	N/A	N/A	<b>\$ 156,089</b>	<b>\$ (85,086)</b>

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

2006	2007	2008	2009	2010	2011
\$ 930,983	\$ 912,385	\$ 917,463	\$ 868,475	\$ 971,735	\$ 1,261,528
1,860,641	1,807,977	1,810,109	1,755,366	1,905,010	2,090,881
66,556	355,713	234,599	11,500	-	-
15,645	20,278	35,769	29,151	30,625	47,132
<u>56,544</u>	<u>33,580</u>	<u>60,779</u>	<u>97,907</u>	<u>-</u>	<u>-</u>
2,930,369	3,129,933	3,058,719	2,762,399	2,907,370	3,399,541
1,764,385	1,905,570	2,039,009	2,134,963	2,011,008	2,166,904
49,590	44,846	46,994	54,790	57,305	91,951
<u>600,098</u>	<u>603,955</u>	<u>624,226</u>	<u>621,126</u>	<u>630,817</u>	<u>636,044</u>
2,414,073	2,554,371	2,710,229	2,810,879	2,699,130	2,894,899
516,296	575,562	348,490	(48,480)	208,240	504,642
77,501	83,352	66,848	14,423	1,779	938
(346,422)	(379,567)	(357,528)	(334,881)	(311,114)	(290,736)
-	-	-	-	<u>47,301</u>	<u>92,502</u>
<u>(268,921)</u>	<u>(296,215)</u>	<u>(290,680)</u>	<u>(320,458)</u>	<u>(262,034)</u>	<u>(197,296)</u>
247,375	279,347	57,810	(368,938)	(53,794)	307,346
122,454	204,681	-	-	-	-
<u>(22,270)</u>	<u>(23,371)</u>	<u>(22,747)</u>	<u>(23,758)</u>	<u>(23,035)</u>	<u>(22,290)</u>
<b><u>\$ 347,559</u></b>	<b><u>\$ 460,657</u></b>	<b><u>\$ 35,063</u></b>	<b><u>\$ (392,696)</u></b>	<b><u>\$ (76,829)</u></b>	<b><u>\$ 285,056</u></b>
\$ 8,036,003	\$ 8,933,512	\$ 9,296,360	\$ 10,060,451	\$ 9,509,926	\$ 9,136,559
<u>8,192,177</u>	<u>8,827,412</u>	<u>8,995,928</u>	<u>9,461,090</u>	<u>9,830,129</u>	<u>9,945,554</u>
<b><u>\$ (156,174)</u></b>	<b><u>\$ 106,100</u></b>	<b><u>\$ 300,432</u></b>	<b><u>\$ 599,361</u></b>	<b><u>\$ (320,203)</u></b>	<b><u>\$ (808,995)</u></b>



# City of Charlotte, Michigan

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	As of June 30			
	2002	2003	2004	2005
General Fund:				
Reserved	\$ 27,098	\$ 141,700	\$ 191,642	\$ 150,598
Nondisposable	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Unreserved	<u>1,860,717</u>	<u>1,818,495</u>	<u>1,351,022</u>	<u>1,316,667</u>
Total General Fund	<u><b>\$ 1,887,815</b></u>	<u><b>\$ 1,960,195</b></u>	<u><b>\$ 1,542,664</b></u>	<u><b>\$ 1,467,265</b></u>
All other governmental funds:				
Reserved	\$ 2,205	\$ 6,204	\$ 9,894	\$ 18,722
Nondisposable	-	-	-	-
Restricted	-	-	-	-
Unreserved - Reported in:				
Special revenue funds	977,365	941,315	989,534	1,176,647
Capital projects funds	<u>440,506</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u><b>\$ 1,420,076</b></u>	<u><b>\$ 947,519</b></u>	<u><b>\$ 999,428</b></u>	<u><b>\$ 1,195,369</b></u>

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

As of June 30					
2006	2007	2008	2009	2010	2011
\$ 163,656	\$ 161,392	\$ 136,346	\$ 199,070	\$ 174,608	\$ -
-	-	-	-	-	178,081
-	-	-	-	-	200,000
-	-	-	-	-	993,351
1,318,245	1,510,437	1,594,983	1,920,296	1,457,904	-
<b><u>\$ 1,481,901</u></b>	<b><u>\$ 1,671,829</u></b>	<b><u>\$ 1,731,329</u></b>	<b><u>\$ 2,119,366</u></b>	<b><u>\$ 1,632,512</u></b>	<b><u>\$ 1,371,432</u></b>
\$ 20,971	\$ 26,184	\$ 32,001	\$ 74,292	\$ 87,849	\$ -
-	-	-	-	-	4,151
-	-	-	-	-	1,096,979
1,422,192	1,237,256	1,188,888	966,465	973,930	-
-	-	1,780,521	112,738	49,026	-
<b><u>\$ 1,443,163</u></b>	<b><u>\$ 1,263,440</u></b>	<b><u>\$ 3,001,410</u></b>	<b><u>\$ 1,153,495</u></b>	<b><u>\$ 1,110,805</u></b>	<b><u>\$ 1,101,130</u></b>

# City of Charlotte, Michigan

	Year Ended June 30			
	2002	2003	2004	2005
<b>Revenue</b>				
Property taxes	\$ 2,341,020	\$ 2,473,208	\$ 2,500,705	\$ 2,648,761
Special assessments	-	-	33,043	27,958
Licenses and permits	66,440	70,640	124,241	59,018
Intergovernmental	1,589,887	1,642,310	-	-
State and local sources	-	-	1,525,538	1,638,075
Federal grants	-	-	200,333	187,685
Charges for services	253,258	231,706	273,456	207,947
Fines and forfeitures	29,039	29,270	33,293	29,075
Other	205,655	812,942	256,123	229,674
<b>Total revenue</b>	<b>4,485,299</b>	<b>5,260,076</b>	<b>4,946,732</b>	<b>5,028,193</b>
<b>Expenditures</b>				
Current:				
General government	108,591	792,475	528,737	605,052
Public safety	2,378,798	2,378,867	2,307,638	2,405,193
Public works	2,131,877	1,971,359	1,100,758	1,011,859
Recreation and culture	-	-	155,220	168,718
Community and economic development	226,720	376,863	177,282	113,200
Capital outlay	-	-	1,050,552	484,274
Debt service principal	65,566	95,102	75,000	80,000
Debt service interest	35,592	68,429	65,235	62,155
<b>Total expenditures</b>	<b>4,947,144</b>	<b>5,683,095</b>	<b>5,460,422</b>	<b>4,930,451</b>
<b>Excess of Revenue (Under) Over Expenditures</b>	<b>(461,845)</b>	<b>(423,019)</b>	<b>(513,690)</b>	<b>97,742</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from long-term debt	764,503	-	-	-
Sale of fixed assets	-	-	-	-
Transfers in	303,607	278,011	316,242	302,814
Transfers out	(271,139)	(255,169)	(292,794)	(280,014)
<b>Total other financing sources</b>	<b>796,971</b>	<b>22,842</b>	<b>23,448</b>	<b>22,800</b>
<b>Extraordinary Item</b>	<b>297,806</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>632,932</b>	<b>(400,177)</b>	<b>(490,242)</b>	<b>120,542</b>
<b>Fund Balances - Beginning of year</b>	<b>2,674,959</b>	<b>3,307,891</b>	<b>3,032,334</b>	<b>2,542,092</b>
<b>Fund Balances - End of year</b>	<b>\$ 3,307,891</b>	<b>\$ 2,907,714</b>	<b>\$ 2,542,092</b>	<b>\$ 2,662,634</b>
Debt service as a percentage of noncapital expenditures	2.09%	2.96%	3.28%	3.30%

Notes: Years 2001-2003 presented in pre-GASB No. 34 implementation format

## Changes in Fund Balances, Governmental Funds Last Ten Fiscal Years

		Year Ended June 30									
		2006	2007	2008	2009	2010	2011				
\$	2,742,872	\$	2,939,421	\$	3,083,511	\$	3,402,511	\$	3,582,643	\$	3,548,240
	22,793		14,256		14,775		19,893		12,709		12,874
	55,985		90,065		115,929		71,916		30,657		31,651
	-		-		-		-		-		-
	1,770,652		1,496,886		1,970,670		2,981,392		1,353,815		1,468,286
	-		506,027		164,068		14,503		244,457		-
	210,051		229,701		273,285		302,187		355,473		365,929
	29,207		31,532		33,183		36,438		29,712		31,767
	195,088		383,706		310,877		496,327		161,539		273,355
	<u>5,026,648</u>		<u>5,691,594</u>		<u>5,966,298</u>		<u>7,325,167</u>		<u>5,771,005</u>		<u>5,732,102</u>
	595,040		550,204		603,192		622,713		615,309		597,981
	2,496,011		2,511,489		3,885,138		2,787,931		2,910,550		2,961,498
	1,045,120		1,581,050		1,258,963		1,284,442		1,163,567		1,154,272
	154,971		175,392		249,435		187,754		260,343		252,384
	143,715		657,815		337,074		316,075		288,130		146,994
	212,746		83,404		688,516		3,338,894		763,240		681,587
	80,000		90,000		117,745		115,000		155,000		170,000
	58,885		55,406		51,512		155,994		167,445		160,431
	<u>4,786,488</u>		<u>5,704,760</u>		<u>7,191,575</u>		<u>8,808,803</u>		<u>6,323,584</u>		<u>6,125,147</u>
	240,160		(13,166)		(1,225,277)		(1,483,636)		(552,579)		(393,045)
	-		-		3,000,000		-		-		100,000
	-		-		-		-		-		-
	339,686		430,556		323,912		231,880		502,592		618,625
	(317,416)		(407,185)		(301,165)		(208,122)		(479,557)		(596,335)
	22,270		23,371		3,022,747		23,758		23,035		122,290
	-		-		-		-		-		-
	262,430		10,205		1,797,470		(1,459,878)		(529,544)		(270,755)
	<u>2,662,634</u>		<u>2,925,064</u>		<u>2,935,269</u>		<u>4,732,739</u>		<u>3,272,861</u>		<u>2,743,317</u>
<b>\$</b>	<b><u>2,925,064</u></b>	<b>\$</b>	<b><u>2,935,269</u></b>	<b>\$</b>	<b><u>4,732,739</u></b>	<b>\$</b>	<b><u>3,272,861</u></b>	<b>\$</b>	<b><u>2,743,317</u></b>	<b>\$</b>	<b><u>2,472,562</u></b>
	3.13%		2.66%		2.67%		5.21%		6.10%		6.51%

## **Revenue Capacity**

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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			Estimated Actual Value	Taxable Value as a Percentage of Actual
		Real Property			Personal Property	Total Value	Tax Rate (Mills)		
		Residential	Commercial	Industrial					
2002	2003	\$ 94,504,600	\$ 43,511,800	\$ 10,644,000	\$ 20,600,100	\$ 169,260,500	13.6462	\$ 388,903,800	43.52
2003	2004	100,636,600	43,820,200	10,773,100	19,897,500	175,127,400	13.6481	432,925,600	40.45
2004	2005	108,569,100	45,344,800	10,363,900	19,095,200	183,373,000	13.4170	464,476,200	39.48
2005	2006	117,280,300	45,897,900	11,137,800	22,141,200	196,457,200	13.4170	527,849,200	37.22
2006	2007	126,326,100	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

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	Total Direct Taxes	County	State	Intermediate School District	Charlotte Public	Charlotte Public	District Library	Homestead	Non-homestead
					Education Tax		Schools - Homestead	Schools - Nonhomestead			
2002	13.6462	-	13.6462	7.4167	6.0000	3.9704	7.5504	25.5504	0.8808	39.4645	57.4645
2003	13.6481	-	13.6481	7.3876	6.0000	3.9457	7.5900	25.5900	0.8789	39.4503	57.4503
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

Note: Michigan law restricts the maximum millage that may be levied by the City without a vote of our residents at 14.2928 mills for general operations.

# City of Charlotte, Michigan

## Principal Property Taxpayers June 30, 2011

Taxpayer	2011 Taxable Value	Percentage of Total	2001 Taxable Value	Percentage of Total	2001 Rank
1 Spartan Motors	\$ 16,639,052	7.28	\$ 2,020,800	1.47	4
2 Owens-Illinois Glass Container*	7,919,395	3.46	2,248,400	1.64	3
3 Meijer Inc	6,832,984	2.99	3,237,600	2.36	2
4 Consumers Energy	4,775,749	2.09	7,382,700	5.39	1
5 Walmart	4,792,745	2.10	1,298,400	0.95	8
6 Linn Products	3,575,463	1.56	-	-	-
7 Butternut Apartments	2,577,641	1.13	-	-	-
8 Legacy Parke Partners LLC	2,098,339	0.92	-	-	-
9 Saddleback LLC	1,209,215	0.53	-	-	-
10 Sulai Hospitality, Inc	1,160,695	0.51	-	-	-
Philips Products, Inc	-	-	1,740,200	1.27	5
Philips Products, Inc	-	-	1,398,600	1.02	6
B.O.C. Group	-	-	1,384,300	1.01	7
Felpausch	-	-	1,245,100	0.91	9
Carters, Inc.	-	-	1,221,400	0.89	10

Source: Treasurer, City of Charlotte



# City of Charlotte, Michigan

## Property Tax Levies and Collections Last Ten Fiscal Years

Tax Year	Fiscal Year		Current Collections	Percent Collected	Delinquent Collections	Total Tax Collections	Percent of Levy Collected
	Ended June 30	Total Levy					
2001	2002	\$ 2,203,973	\$ 2,093,338	94.98	\$ 56,723	\$ 2,150,061	97.55
2002	2003	2,288,957	2,178,869	95.19	96,088	2,274,957	99.39
2003	2004	2,537,236	2,438,280	96.10	87,553	2,525,833	99.55
2004	2005	2,608,282	2,491,117	95.51	110,407	2,601,524	99.74
2005	2006	2,764,603	2,653,564	95.98	88,988	2,742,552	99.20
2006	2007	2,914,966	2,773,843	95.16	137,439	2,911,282	99.87
2007	2008	3,064,999	2,892,417	94.37	137,919	3,030,336	98.87
2008	2009	3,361,125	3,154,712	93.86	176,003	3,330,715	99.10
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

## **Debt Capacity**

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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

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	2002	2003	2004	2005
<b>Governmental Activities</b>				
General obligation bonds	\$ 1,475,000	\$ 1,405,000	\$ 1,330,000	\$ 1,250,000
Loans payable	11,037	-	-	-
Land contract	14,065	-	-	-
Economic development agreement	-	114,491	242,983	229,102
Total	1,500,102	1,519,491	1,572,983	1,479,102
<b>Business-type Activities</b>				
General obligation bonds	1,630,000	1,485,000	1,330,000	1,165,000
Loans payable	10,000	-	-	-
Revenue bonds	7,682,354	7,492,247	7,292,140	7,077,033
Total	9,322,354	8,977,247	8,622,140	8,242,033
Total debt of the government	<b><u>\$ 10,822,456</u></b>	<b><u>\$ 10,496,738</u></b>	<b><u>\$ 10,195,123</u></b>	<b><u>\$ 9,721,135</u></b>
Total residential personal income	\$ 2,860,581	\$ 2,927,320	\$ 3,064,536	\$ 3,083,449
Ratio of total debt to personal income	26.43%	27.89%	30.06%	31.72%
Total population*	8,389	8,389	8,389	8,389
Total debt per capita	\$ 1,290	\$ 1,251	\$ 1,215	\$ 1,159

## Ratios of Outstanding Debt Last Ten Fiscal Years

	2006	2007	2008	2009	2010	2011
\$	1,170,000	\$ 1,080,000	\$ 3,990,000	\$ 3,875,000	\$ 3,720,000	\$ 3,550,000
	-	-	-	-	-	-
	-	-	-	-	-	-
	183,204	165,330	147,456	129,582	111,708	93,834
	1,353,204	1,245,330	4,137,456	4,004,582	3,831,708	3,643,834
	990,000	805,000	610,000	410,000	205,000	-
	-	-	-	-	-	-
	6,799,449	6,548,164	6,281,879	6,000,594	5,704,309	5,398,024
	7,789,449	7,353,164	6,891,879	6,410,594	5,909,309	5,398,024
<b>\$</b>	<b><u>9,142,653</u></b>	<b><u>8,598,494</u></b>	<b><u>11,029,335</u></b>	<b><u>10,415,176</u></b>	<b><u>9,741,017</u></b>	<b><u>9,041,858</u></b>
\$	3,136,018	N/A	N/A	N/A	N/A	N/A
	34.30%	N/A	N/A	N/A	N/A	N/A
	8,389	8,389	8,389	8,389	9,074	9,074
\$	1,090	\$ 1,025	\$ 1,315	\$ 1,242	\$ 1,074	\$ 996

# City of Charlotte, Michigan

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Fiscal Year	Tax-limited General Obligation Bonds (LTGO)	Tax- supported Bonds (UTGO)	Less Pledged Debt Service Funds	Other General Obligation Debt	Net General Bonded Debt	Taxable Value
2002	\$ 1,475,000	\$ -	\$ -	\$ 25,102	\$ 1,500,102	\$ 153,362,100
2003	1,405,000	-	-	114,491	1,519,491	169,260,500
2004	1,330,000	-	-	242,983	1,572,983	175,127,400
2005	1,250,000	-	-	229,102	1,479,102	183,373,000
2006	1,170,000	-	-	183,204	1,353,204	196,457,200
2007	1,080,000	-	-	165,330	1,245,330	207,939,126
2008	3,990,000	-	-	147,456	4,137,456	219,633,813
2009	3,875,000	-	-	129,582	4,004,582	226,547,223
2010	3,720,000	-	-	111,708	3,831,708	238,372,433
2011	3,550,000	-	-	93,834	3,643,834	228,560,500

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

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

Debt as a Percentage of Taxable Value	Population	Debt per Capita
0.98	8,389 (1)	\$ 179
0.90	8,389 (1)	181
0.90	8,389 (1)	188
0.81	8,389 (1)	176
0.69	8,389 (1)	161
0.60	8,389 (1)	148
1.88	8,389 (1)	493
1.77	8,389 (1)	477
1.61	9,074	422
1.59	9,074 (2)	402

# City of Charlotte, Michigan

## Direct and Overlapping Governmental Activities Debt June 30, 2011

Governmental Unit	Debt Outstanding	Estimated Percent Applicable	Estimated Share of Overlapping Debt
Eaton County	\$ 35,357,095	6.82	\$ 2,411,354
Eaton Intermediate School District	1,275,000	8.73	111,308
Charlotte Public Schools	<u>79,350,000</u>	42.53	<u>33,747,555</u>
Total overlapping debt	115,982,095		36,270,217
Direct City debt	<u>3,643,834</u>	100.00	<u>3,643,834</u>
Total direct and overlapping debt	<u><b>\$ 119,625,929</b></u>		<u><b>\$ 39,914,051</b></u>

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

# City of Charlotte, Michigan

## Pledged Revenue Coverage Last Ten Fiscal Years

Fiscal Year	Water and Sewer Revenue Bonds							Coverage (Percent)
	Gross Revenue	Applicable Expenses	Net Revenue	Debt Service				
				Principal	Interest	Total		
2001	\$ 3,216,643	\$ 1,447,704	\$ 1,768,939	\$ 310,000	\$ 523,723	\$ 833,723	212.17	
2002	3,125,906	1,599,276	1,526,630	297,284	187,788	485,072	314.72	
2003	2,860,608	1,641,493	1,219,115	335,107	502,283	837,390	145.59	
2004	2,906,173	1,739,638	1,166,535	355,107	482,854	837,961	139.21	
2005	2,869,560	1,734,836	1,134,724	380,107	462,249	842,356	134.71	
2006	2,965,448	1,764,385	1,201,063	452,584	346,422	799,006	150.32	
2007	3,167,495	1,905,570	1,261,925	436,285	379,567	815,852	154.68	
2008	3,061,303	2,039,009	1,022,294	461,285	357,528	818,813	124.85	
2009	2,706,114	2,134,963	571,151	481,285	334,881	816,166	69.98	
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	



# City of Charlotte, Michigan

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	2002	2003	2004	2005
<b>Calculation of Debt Limit</b>				
State equalized valuation	\$ 173,707,200	\$ 173,707,700	\$ 194,451,900	\$ 216,526,900
10% of taxable value	17,370,720	17,370,770	19,445,190	21,652,690
<b>Calculation of Debt Subject to Limit</b>				
Total debt	10,822,456	10,496,738	10,195,123	9,721,135
Less debt not subject to limit - Revenue bonds	<u>9,322,354</u>	<u>8,977,247</u>	<u>8,622,140</u>	<u>8,242,033</u>
Net debt subject to limit	1,500,102	1,519,491	1,572,983	1,479,102
<b>Legal Debt Margin</b>	15,870,618	15,851,279	17,872,207	20,173,588
<b>Net Debt Subject to Limit as Percent of Debt Limit</b>	9.45%	9.59%	8.80%	7.33%

**Legal Debt Margin  
Last Ten Fiscal Years**

	2006	2007	2008	2009	2010	2011
\$	232,238,100	\$ 263,924,600	\$ 276,376,798	\$ 281,354,415	\$ 282,573,929	\$ 262,442,232
	23,223,810	26,392,460	27,637,680	28,135,442	28,257,393	26,244,223
	9,142,653	8,598,494	11,029,335	10,415,176	9,741,017	9,041,858
	<u>7,789,449</u>	<u>7,353,164</u>	<u>6,891,879</u>	<u>6,410,594</u>	<u>5,909,309</u>	<u>5,398,024</u>
	1,353,204	1,245,330	4,137,456	4,004,582	3,831,708	3,643,834
	21,870,606	25,147,130	23,500,224	24,130,860	24,425,685	22,600,389
	6.19%	4.95%	17.61%	16.60%	15.69%	16.12%

## **Demographics and Economic Information**

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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**
2002	8,389 (1)	\$ 2,943,606	\$ 351	4.10%
2003	8,389 (1)	3,072,388	366	4.90
2004	8,389 (1)	3,111,308	371	5.30
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

(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

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Employer	2006		2007	
	Number of Employees	Percentage of Total	Number of Employees	Percentage of Total
1 Spartan Motors	740	21.80	1,062	27.64
2 Hayes Green Beach Memorial Hospital	477	14.05	490	12.75
3 Charlotte Public Schools	510	15.02	502	13.07
4 County of Eaton	400	11.78	400	10.41
5 Meijer, Inc.	280	8.25	275	7.16
6 Wal-Mart Stores, Inc.	291	8.57	286	7.44
7 Peckham Vocational Industries	190	5.60	200	5.21
8 Eaton Intermediate School District	210	6.19	210	5.47
9 Linn Products, Inc.	109	3.21	-	-
10 Owens-Brockway Glass Container, Inc.	188	5.54	177	4.61
11 Thomas Redmer Group	-	-	240	6.25

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

Source: Treasurer, City of Charlotte

**Principal Employers  
June 30, 2011**

2008		2009		2010		2011	
Number of Employees	Percentage of Total	Number of Employees	Percentage of Total	Number of Employees	Percentage of Total	Number of Employees	Percentage of Total
1,400	34.20	709	22.09	709	22.23	596	19.85
458	11.19	455	14.17	453	14.20	451	15.02
470	11.48	440	13.71	437	13.70	445	14.82
380	9.28	385	11.99	383	12.01	405	13.49
275	6.72	263	8.19	260	8.15	259	8.62
280	6.84	280	8.72	283	8.87	250	8.33
192	4.69	200	6.23	300	9.40	222	7.39
223	5.45	210	6.54	185	5.80	200	6.66
-	-	121	3.77	180	5.64	175	5.83
190	4.64	147	4.58	-	-	-	-
225	5.50	-	-	-	-	-	-

## **Operating Information**

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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

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Function/Program	2002	2003	2004	2005
<b>General government:</b>				
City manager	2	2	2	2
Clerk	2	2	2	2
Assessor	1	1	1	1
Finance and treasury	3	3	3	3
<b>Public safety:</b>				
Police	20	21	21	21
Fire - Full-time	7	7	7	7
Fire - Volunteer	24	25	24	26
Building inspection	1	1	1	1
<b>Public works:</b>				
DPW	13	13	13	13
Water and sewer	8	8	8	8
Community and economic development	1	1	1	1
<b>Total</b>	<b>82</b>	<b>84</b>	<b>83</b>	<b>85</b>



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

2006	2007	2008	2009	2010	2011
2	2	2	2	1	1
2	2	2	2	2	2
1	1	1	1	1	1
3	3	3	3	3	3
21	20	20	20	19	18
7	7	7	7	7	6
27	29	27	28	28	30
1	1	1	1	1	1
13	12	13	12	12	12
8	8	8	7	7	7
1	1	1	1	1	1
<b>86</b>	<b>86</b>	<b>85</b>	<b>84</b>	<b>82</b>	<b>82</b>

# City of Charlotte, Michigan

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Function/Program	2002	2003	2004	2005
Election data:				
Registered voters	5,959	5,857	5,579	5,908
Voters (at the polls or absentee)	1,345	2,528	1,206	3,937
Percent voting	22.57%	43.16%	21.62%	66.64%
Police:				
Physical arrests	692	745	775	758
Traffic violations	2,020	1,414	1,253	1,133
Crimes reported	1,114	2,390	3,204	2,730
Fire:				
Fire runs	397	373	483	541
Emergency medical runs	129	132	176	204
Inspections	212	215	153	162
Public works - Miles of street resurfaced				
	0.43	1.13	-	-
Water:				
Number of customers billed	3,804	3,593	3,614	3,614
Total daily consumption	1,064,000	967,806	967,806	967,806
Average consumption per user	280	270	268	268
Sewer - Average daily sewage treatment				
	975,000	964,450	964,450	978,422

N/A = Information not available

**Operating Indicators  
Last Ten Fiscal Years**

2006	2007	2008	2009	2010	2011
6,033	6,108	6,144	5,908	6,262	6,346
1,393	837	857	3,937	1,703	2,968
23.09%	13.70%	13.95%	66.64%	27.20%	46.77%
668	642	638	620	671	705
928	1,227	1,179	1,391	1,260	1,088
2,626	2,642	2,460	2,753	2,770	2,910
550	507	472	386	357	300
219	192	212	258	238	276
96	105	135	110	164	150
0.73	-	0.50	0.99	2.21	1.53
3,703	3,716	3,763	3,747	3,791	3,731
976,435	1,069,000	1,090,000	965,900	928,300	908,700
264	288	290	258	245	244
963,250	944,000	941,000	941,000	850,000	818,000

# City of Charlotte, Michigan

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Function/Program	2002	2003	2004	2005
<b>Police:</b>				
Stations	1	1	1	1
Patrol units	7	7	7	8
<b>Fire:</b>				
Stations	1	1	1	1
Fire response vehicles	7	7	7	8
Emergency response vehicles	-	1	1	1
<b>Public works:</b>				
Streets (miles):				
Major streets	11.33	11.45	11.45	11.45
Local streets	24.38	26.05	26.05	26.26
Sidewalks	N/A	N/A	N/A	N/A
Streetlights	475	478	481	488
Traffic signals	6	6	7	7
<b>Parks and recreation:</b>				
Acreage	199	199	199	199
Developed parks/playgrounds	7	7	7	7
Libraries - Branches	1	1	1	1
<b>Water:</b>				
Mains (miles)	51.2	51.8	52.3	52.6
Fire hydrants	400	413	429	431
Storage capacity	460,800	460,800	1,150,000	1,150,000
<b>Sewer:</b>				
Miles of sanitary sewers	40.2	41.0	41.5	42.0
Miles of storm sewers	30.4	30.8	31.2	31.5
Treatment capacity	1,800,000	1,800,000	1,800,000	1,800,000

**Capital Asset Statistics  
Last Ten Fiscal Years**

2006	2007	2008	2009	2010	2011
1	1	1	1	1	1
10	10	10	10	9	9
1	1	1	2	2	2
8	8	8	8	8	8
1	1	1	1	1	1
11.41	11.41	11.91	11.91	11.91	11.91
26.26	26.26	25.91	25.91	25.91	25.91
N/A	N/A	N/A	43.74	44.03	44.16
490	509	510	513	513	514
7	7	7	7	7	
199	199	199	199	199	199
8	8	8	8	8	8
1	1	1	1	1	1
52.9	53.0	53.0	53.0	53.0	53.0
433	433	433	433	433	433
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