
City of Charlotte, Michigan

**Annual Comprehensive Financial Report
with Supplemental Information
Prepared by the Office of Finance and Treasury
For the Fiscal Year Ended June 30, 2022**

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— THE CITY OF —
CHARLOTTE
— MICHIGAN —

October 26, 2022

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Charlotte:

The comprehensive annual financial report of the City of Charlotte for the year ended June 30, 2022 is hereby submitted as required by both local ordinances and state statutes. These ordinances and statutes require the City of Charlotte to annually issue a report on its financial position and activity, and that this report be audited by an independent firm of certified public accountants. Responsibility for both the accuracy of the data as well as the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the various funds and component units of the City of Charlotte. All disclosures necessary to enable the reader to gain an understanding of the City of Charlotte's activities have been included.

THE REPORTING ENTITY AND ITS SERVICES

The City of Charlotte is located in the heart of Michigan, 18 miles southwest of the capital city of Lansing. The City currently has a land area of approximately 5 ½ square miles and a population of 9,299 per 2020 Census. Charlotte is located on Interstate 69 and near its intersection with Interstates 94 and 96. Charlotte is also served by two state trunkline highways: M-50 and M-79. The City is also located on a rail line operated by the Canadian National Railway. These highways and rail routes provide excellent access to all major markets in Michigan, the Midwest, and Canada.

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

city. E.B. Bostwick, an early landowner, held the contract for all of Eaton County and suggested the city be named for his new bride, Charlotte (pronounced Shar-LOT).

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

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

For financial reporting purposes, this report includes all the funds of the City of Charlotte as well as its component units. Component units are legally separate entities for which the primary government is financially accountable. The City of Charlotte Downtown Development Authority (DDA), the Local Development Financing Authority (LDFA) and Brownfield Redevelopment Authority are reported as discretely presented component units. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations, and cash flows from those of the primary government.

ECONOMIC CONDITION AND OUTLOOK

The 2021-22 fiscal year saw an increase in property tax revenue, along with a slight increase in state-shared revenue, and a consistent level in grant revenues. The expenses realized a year-to-year decrease in overall governmental expenses and a decrease in business-type expenses.

In order to qualify for a share of the state budgeted statutory revenue sharing, the City must meet the requirements of the State of Michigan's "City, Village, and Township Revenue Sharing" (CVTRS) program. Under the CVTRS, the City is required to publish a citizen's guide and performance dashboard by December 1. The Citizen's Guide and Performance Dashboard are available for viewing on the City's website.

The City receives a portion of the state's gasoline tax to fund street operations and capital needs. After many years of stagnation in this revenue source, the state legislature passed increases to be phased in over several years. The City Council previously adopted a multi-year street reconstruction and rehabilitation plan that utilizes forecast increases resulting from this action. That plan is evaluated and adjusted annually as projections are compared to actual receipts.

The City received its eighth installment of Eaton County's 12-year dedicated street infrastructure millage, approved by voters in November 2014. The City received \$341 thousand from this source in the 21-22 fiscal year. Like those from increased state revenue

described above, these funds are dedicated to reconstruction and rehabilitation projects identified in the Council-adopted street improvement plan.

MAJOR INITIATIVES

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

Road Projects – The City completed the reconstruction of Harris Street from Cochran Road (M-50) to Lansing Road in downtown Charlotte. The City began engineering work for the reconstruction of Hall/Washington/McClure which is planned to commence in 2023 and partnered with the Eaton County Drain Commissioners Office to begin planning for infrastructure improvements and reconstruction of Island Highway in 2023.

Safe Routes to Schools – In partnership with the Charlotte Public Schools, Sparrow Hospital, and community groups, the City received conditional award for a \$1.3 million grant to install sidewalks and other public education initiatives as part of the Safe Routes to Schools program in 2022. The preliminary work is in-progress and construction is planned to commence in the spring of 2023.

Utility Systems – Aging water and sewer infrastructure was upgraded as part of reconstruction project on Harris Street. A utility pole was replaced which ensures well pump stations have reliable energy source.

Waste Water Treatment Plant Improvements – Investments in replacing aging equipment at the waste water treatment plant took place throughout the year, including replacement of a methane boiler.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

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

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with revenues being recorded when available and measurable and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's enterprise funds and internal service funds are maintained on the accrual basis. Assets used in governmental fund-type operations and

long-term liabilities expected to be financed from governmental funds are accounted for at the government-wide level, not in the governmental funds.

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

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

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

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

CASH MANAGEMENT AND INVESTMENTS

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

Of equal importance is the emphasis on investment portfolio management. During the year, the City's investment earnings were primarily attributable to the use of a sweep account, with additional earnings from 26-week CDARS. These investments are consistent with the City's policy to minimize credit and market risk while maintaining a competitive yield on its portfolio.

INDEPENDENT AUDIT

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

I want to thank the City's staff for their cooperation and assistance throughout the past year. Due to a number of transitions that occurred while still in the midst of a global pandemic, the staff has gone above and beyond to ensure we continued to maintain ongoing city operations. I also appreciate the support extended by the Mayor and City Council throughout the year.

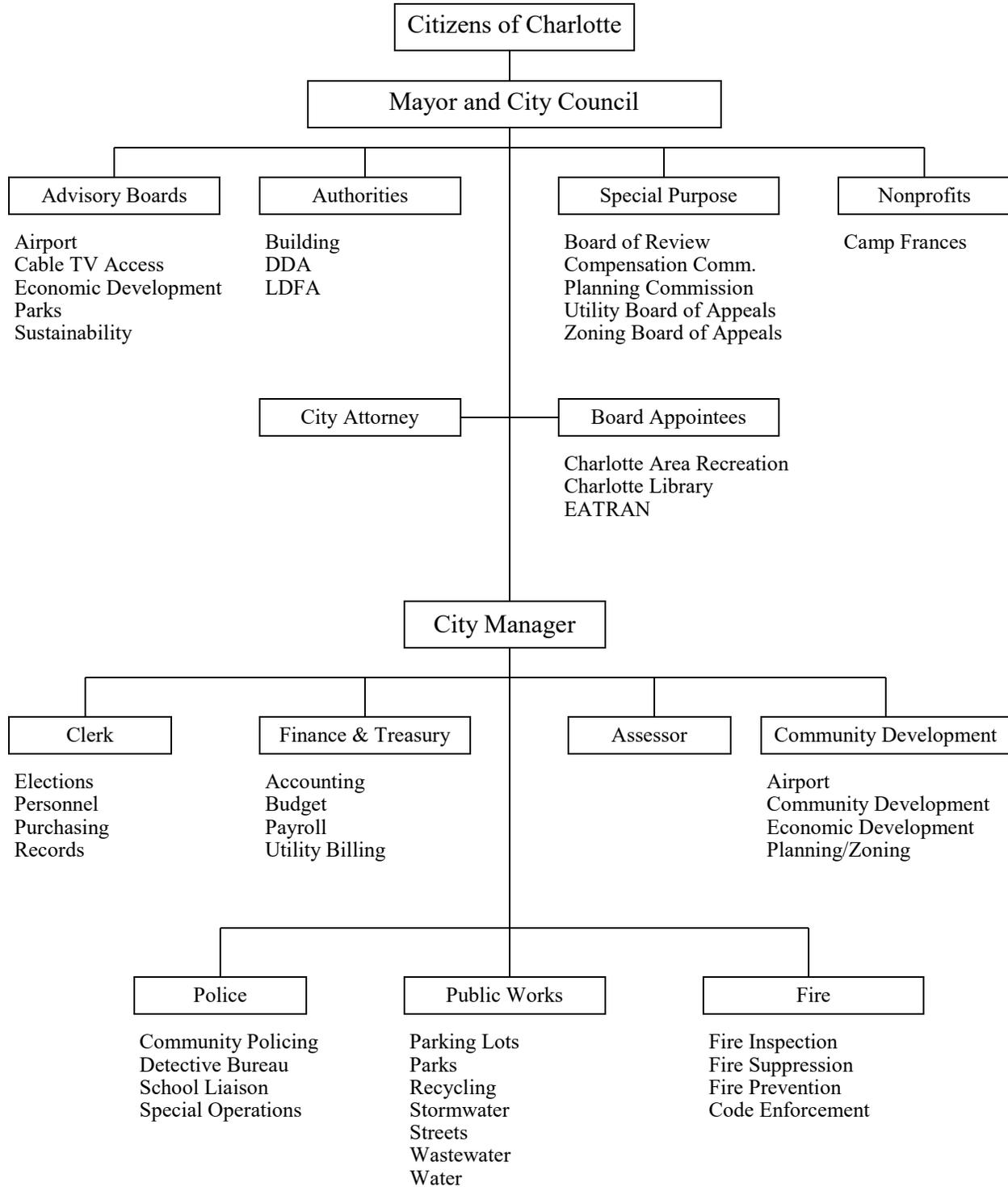
On behalf of the City of Charlotte, I respectfully submit this annual report.

Sincerely,

A handwritten signature in black ink, appearing to read "Erin E. LaPere", with a long horizontal flourish extending to the right.

Erin E. LaPere, MPAP
City Manager

CITY OF CHARLOTTE ORGANIZATION CHART



**List of Elected and Appointed Officials
June 30, 2022**

City Council:

Mayor	Michael Armitage
Mayor Pro-Tem	Tammy Weissenborn
Councilmember	Branden Dyer
Councilmember	Anthony Rodriguez
Councilmember	Adrienne VanLangevelde
Councilmember	Michael Duwek
Councilmember	Joseph Chin

Appointed Officials:

City Manager	Erin LaPere
Fire Chief	Mark Jordan
Assessor (Contract)	Randy Jewell
Finance Director/Treasurer	Eric Smith
City Clerk	Mary LaRocque
Director of Public Works	Amy Gilson
Police Chief	Paul Brentar
Community Development	Bryan Myrkle
City Attorney (Contract)	Thomas Hitch

Independent Auditor's Report

To the City Council
City of Charlotte, Michigan

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Charlotte, Michigan (the "City") as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying 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 as of June 30, 2022 and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the City and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the City Council
City of Charlotte, Michigan

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplemental Information

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

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

To the City Council
City of Charlotte, Michigan

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements or whether the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Plante & Moran, PLLC

October 26, 2022

As management of the City of Charlotte, Michigan (the "City"), we offer readers this narrative overview and analysis of the financial activities for the year ended June 30, 2022. Please read it in conjunction with the City's financial statements.

Financial Highlights

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$26.6 million (net position). Of this amount, \$(5.2) million was unrestricted net position.

During the year, the City received \$13.5 million in revenue and incurred \$10.8 million in expenses, resulting in an increase in net position of approximately \$2.7 million. Of the City's \$10.8 million expense total, \$3.7 million related to business-type expenses, and the balance of \$7.1 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 \$4.2 million, an increase of \$1.2 million from the prior year. Approximately 25 percent of this amount is unassigned and, therefore, available for spending at the government's discretion. Of the remaining 75 percent, 70 percent is restricted for special purposes, 26 percent is assigned for various purposes, and 4 percent is nonspendable.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,074,734, or 24 percent of the General Fund's total expenditures.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to City's basic financial statements. The City's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also includes supplemental information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private sector business. The statement of net position presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., the cost of pension and other postemployment benefits).

Government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, community and economic development, and culture and recreation. The business-type activities of the City include providing water and sewage disposal.

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City's funds can be divided into the following three categories:

- **Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements. The City adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget.
- **Proprietary Funds** - The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewage disposal and recycling activities. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for the management of its retained risks and for its fleet of vehicles. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.
- **Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City's fiduciary funds include custodial funds.

City of Charlotte, Michigan

Management's Discussion and Analysis (Continued)

Government-wide Overall Financial Analysis

The City's combined net position increased from \$24 million to \$26.6 million. The following table illustrates the varying results of the governmental activities and business-type activities that combine to capture the City's total net position:

The City's Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets						
Current and other assets	\$ 6,757,804	\$ 4,453,597	\$ 3,959,986	\$ 3,430,118	\$ 10,717,790	\$ 7,883,715
Capital assets	17,048,660	17,623,803	14,825,437	15,134,176	31,874,097	32,757,979
Total assets	23,806,464	22,077,400	18,785,423	18,564,294	42,591,887	40,641,694
Deferred Outflows of Resources						
	1,547,358	1,034,565	372,923	311,921	1,920,281	1,346,486
Liabilities						
Current liabilities	1,635,667	831,519	145,641	550,893	1,781,308	1,382,412
Noncurrent liabilities	11,931,466	12,562,631	2,991,718	3,657,750	14,923,184	16,220,381
Total liabilities	13,567,133	13,394,150	3,137,359	4,208,643	16,704,492	17,602,793
Deferred Inflows of Resources						
	958,238	376,304	207,668	90,252	1,165,906	466,556
Net Position						
Net investment in capital assets	15,329,601	15,731,917	13,897,019	13,759,049	29,226,620	29,490,966
Restricted	2,274,848	1,866,627	302,589	336,483	2,577,437	2,203,110
Unrestricted	(6,775,998)	(8,257,033)	1,613,711	481,788	(5,162,287)	(7,775,245)
Total net position	<u>\$ 10,828,451</u>	<u>\$ 9,341,511</u>	<u>\$ 15,813,319</u>	<u>\$ 14,577,320</u>	<u>\$ 26,641,770</u>	<u>\$ 23,918,831</u>

A substantial portion of the City's net position, \$29.2 million, 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, therefore, are not available for future spending.

An additional portion of the City's net position, \$2.6 million, represents resources that are subject to external restrictions on how they may be used.

The City reported an unrestricted deficit of \$5.2 million as a result of recognizing the net pension and OPEB liabilities in accordance with GASB Statement Nos. 68 and 75.

The City's governmental activities net position increased by approximately \$1.5 million, or 16 percent, to \$10.8 million during the fiscal year. This increase is primarily due to an increase in the City's grant revenue.

The City's business-type activities net position increased by 8.5 percent over the prior year, resulting in net position of \$15.8 million during the fiscal year. This increase is primarily due to an increase in charges for services revenue.

City of Charlotte, Michigan

Management's Discussion and Analysis (Continued)

The City's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenue						
Program revenue:						
Charges for services	\$ 517,853	\$ 475,746	\$ 4,815,959	\$ 4,666,407	\$ 5,333,812	\$ 5,142,153
Operating grants	1,251,731	1,328,827	128,368	27,981	1,380,099	1,356,808
Capital grants	36,370	997,269	-	-	36,370	997,269
General revenue:						
Property taxes	4,908,600	3,910,104	17,088	15,857	4,925,688	3,925,961
State-shared revenue	1,521,354	1,399,651	-	-	1,521,354	1,399,651
Investment earnings	3,849	3,914	2,885	3,153	6,734	7,067
Other revenue	325,362	211,564	-	-	325,362	211,564
Total revenue	8,565,119	8,327,075	4,964,300	4,713,398	13,529,419	13,040,473
Expenses						
General government	525,488	1,070,178	-	-	525,488	1,070,178
Public safety	4,028,306	3,492,251	-	-	4,028,306	3,492,251
Public works	1,856,696	2,042,552	-	-	1,856,696	2,042,552
Community and economic development	226,388	360,727	-	-	226,388	360,727
Recreation and culture	417,502	338,182	-	-	417,502	338,182
Debt service	23,799	52,182	-	-	23,799	52,182
Water supply and sewage disposal	-	-	3,668,179	3,870,293	3,668,179	3,870,293
Recycling	-	-	60,122	55,415	60,122	55,415
Total expenses	7,078,179	7,356,072	3,728,301	3,925,708	10,806,480	11,281,780
Change in Net Position	1,486,940	971,003	1,235,999	787,690	2,722,939	1,758,693
Net Position - Beginning of year	9,341,511	8,370,508	14,577,320	13,789,630	23,918,831	22,160,138
Net Position - End of year	\$ 10,828,451	\$ 9,341,511	\$ 15,813,319	\$ 14,577,320	\$ 26,641,770	\$ 23,918,831

Governmental Activities

The cost of all governmental activities this year was \$7 million. City taxpayers paid for \$4.9 million of these activities through city taxes. The beneficiaries of the City's programs paid for \$518 thousand of governmental activities through charges for services, while governments and organizations subsidized certain programs with grants and contributions of \$1.3 million.

The City's governmental activities revenue is composed predominantly of property taxes and state-shared revenue. The City has minimal control over both of these revenue sources. The City's ability to raise property tax revenue is limited by the levying constraints of both Proposal A and the Headlee amendment. In addition, the state Legislature controls the amount of nonconstitutional state revenue sharing the City receives.

A combined 89 percent of the City's governmental activities expenses are for public benefit services, such as fire protection, police protection, recreation, and public works.

Business-type Activities

The City's business type-activities of water supply, sewage disposal, and recycling realized an increase in net position of \$1.2 million for the year. The water supply and sewage disposal activity had operating revenue of \$4.9 million, operating expenses of \$3.6 million, and net nonoperating expenses of \$66.6 thousand, resulting in net income of \$1.2 million. The recycling activity realized a net income of approximately \$70 thousand.

Financial Analysis of Individual Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for discretionary use, as it represents the portion of the fund balance that has not yet been limited to use for a particular purpose by an external party. Uncommitted or unassigned fund balance provides further information about the resources that have not been constrained by either the City Council or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City Council.

Within these governmental funds, the General Fund and the Major Street Fund are the most significant to understanding the City's financial activities. In addition, the Water Supply and Sewage Disposal Fund is a significant enterprise activity for the City. A brief analysis of each of those funds is presented below:

General Fund Budgetary Highlights

The General Fund (excluding airport operations and revolving fund activities) experienced an increase of \$875 thousand in fund balance for the fiscal year. The favorable budget increases were due to the award of ARPA funds along with reduced spending.

Major Street Fund

The Major Street Fund revenue increased by about \$38 thousand over the prior year. The pace of spending on capital projects slightly increased with \$836 thousand spent on street improvements compared to \$518 thousand in the prior year.

Water Supply and Sewage Disposal Fund

Water and sewer rates stayed flat during the fiscal year while the City is conducting a third-party rate study. This study will support efforts to understand the impact of investment in underground infrastructure driven by street reconstruction efforts and the replacement of gaining infrastructure at the wastewater treatment plant, factors that have had the effect of reducing cash on hand. This type of investment in upgrading physical assets of the utility system is expected to continue for the foreseeable future.

Capital Assets and Debt Administration

At June 30, 2022, the City had invested approximately \$32.1 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. More detailed information about the City's capital assets is presented in Note 5 to the financial statements.

At year end, the City had \$3.2 million in bonds, notes outstanding, and compensated absences. This represents a decrease of approximately \$661 thousand from the previous year or 17 percent. More detailed information about the City's long-term liabilities is presented in Note 7 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. The extent of the ultimate impact of the pandemic on the City's operational and financial performance will depend on various developments, including the duration and spread of the outbreak and its impact on employees, vendors, and taxpayers, all of which cannot be reasonably predicted at this time. In addition, it may place additional demands on the City for providing emergency services to its citizens. While management reasonably expects the COVID-19 outbreak to negatively impact the City's financial position; changes in financial position; and, where applicable, the timing and amounts of cash flows, the related financial consequences and duration are highly uncertain. In response to the ongoing pandemic, City Hall was closed to the public for approximately nine months and has fully reopened to pre-pandemic service hours.

In November 2017, voters approved an amendment to the City's charter establishing an internal revolving loan fund with \$800,000 of proceeds from a lawsuit decided in the City's favor in 2015. This amendment restricts the use of these funds to investments in capital assets and the repayment, at zero interest, within 10 years. The availability of these funds will help to ease cash flow issues when undertaking significant infrastructure projects or major equipment purchases. The first of such loans was obligated to pay for the costs of parking lot #1, and that loan is being repaid.

Tax rates are at their legal maximum levels. Management evaluates utility rates on an annual basis, taking into consideration planned capital investments, debt service requirements, and operational needs. Rates will be evaluated by a third-party comprehensive rate study in fiscal year 2022-2023. In July 2022, the City Council maintained the rates in effect as of July 1, 2020 for the upcoming fiscal year utility billing rates pending recommendations of that study.

In 2018, the City was notified by the Michigan Department of Treasury pursuant to Public Act 202 of 2017 that its pension and retiree health insurance programs had been determined to be underfunded. Various measures had been taken beginning in 2010 to address the costs of legacy benefit programs. In October 2019, the City Council approved a resolution adopting various additional measures to address funding needs in these programs. Specific actions, including establishment of a retiree health insurance program trust and proposing dedicated taxes or other revenue to address pension funding, were considered during 2020. In 2021, the City invested \$200,000 in a MERS retirement health funding vehicle. In fiscal year 2021-2022, the City invested an additional \$175,000 into the MERS retirement system to accelerate its efforts to address the underfunding of its pension liability.

In May 2021, the City Council also approved a city-wide Special Assessment District (SAD) under PA 33 of 1951 to defray 85 percent of the costs of providing fire services. The initial payment under the SAD began on the July 2021 tax roll, and the City has created a separate Fire Fund to budget and track the revenue and expenses related to fire protection operations and capital outlays beginning in fiscal year 2021-2022. This additional revenue provides dedicated funding to defray the costs of fire protection services and allows the city to begin to address its other financial constraints, including the underfunded pension liabilities, without cuts to public safety services.

Requests for Further Information

This financial report is intended to provide a general overview of the City's finances and demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk/treasurer's office at the City of Charlotte, Michigan, 111 E. Lawrence Ave., Charlotte, MI 48813.

June 30, 2022

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 5,964,506	\$ 2,388,364	\$ 8,352,870	\$ 1,252,853
Receivables - Net: (Note 4)				
Special assessments receivable	21,225	-	21,225	3,004
Other receivables	174,502	1,116,847	1,291,349	75
Due from other governments	440,009	-	440,009	-
Prepaid expenses and other assets	157,562	152,186	309,748	-
Restricted assets - Cash and investments (Notes 3 and 8)	-	302,589	302,589	-
Capital assets: (Note 5)				
Assets not subject to depreciation	3,040,419	133,315	3,173,734	214,777
Assets subject to depreciation - Net	14,008,241	14,692,122	28,700,363	-
Note receivable (Note 7)	-	-	-	56,413
Total assets	23,806,464	18,785,423	42,591,887	1,527,122
Deferred Outflows of Resources				
Deferred charges on bond refunding	22,827	46,582	69,409	-
Deferred pension costs (Note 10)	1,505,826	326,341	1,832,167	-
Deferred OPEB costs (Note 11)	18,705	-	18,705	-
Total deferred outflows of resources	1,547,358	372,923	1,920,281	-
Liabilities				
Accounts payable	244,080	94,256	338,336	92,749
Accrued liabilities and other	511,186	51,385	562,571	-
Unearned revenue	880,401	-	880,401	-
Noncurrent liabilities:				
Due within one year: (Note 7)				
Compensated absences	267,548	35,320	302,868	-
Current portion of long-term debt	172,250	480,000	652,250	-
Due in more than one year:				
Compensated absences	107,169	59,292	166,461	-
Net pension liability (Note 10)	8,869,119	1,922,106	10,791,225	-
Net OPEB liability (Note 11)	945,744	-	945,744	-
Long-term debt (Note 7)	1,569,636	495,000	2,064,636	-
Total liabilities	13,567,133	3,137,359	16,704,492	92,749
Deferred Inflows of Resources - Deferred pension cost reduction (Note 10)	958,238	207,668	1,165,906	-
Net Position				
Net investment in capital assets (Note 13)	15,329,601	13,897,019	29,226,620	214,777
Restricted:				
Streets and highways	2,047,024	-	2,047,024	-
Debt service	65,416	139,938	205,354	-
Police training	13,691	-	13,691	-
Industrial park	95,261	-	95,261	-
Drug enforcement	11,211	-	11,211	-
Bond reserve account	-	162,651	162,651	-
Camp Frances	20,962	-	20,962	-
Grants	21,283	-	21,283	-
Unrestricted	(6,775,998)	1,613,711	(5,162,287)	1,219,596
Total net position	\$ 10,828,451	\$ 15,813,319	\$ 26,641,770	\$ 1,434,373

City of Charlotte, Michigan

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 525,488	\$ 111,500	\$ 39,728	\$ -
Public safety	4,028,306	406,353	33,032	-
Public works	1,856,696	-	1,178,971	36,370
Community and economic development	226,388	-	-	-
Recreation and culture	417,502	-	-	-
Interest on long-term debt	23,799	-	-	-
Total governmental activities	7,078,179	517,853	1,251,731	36,370
Business-type activities:				
Water Supply and Sewage Disposal	3,668,179	4,765,368	97,164	-
Recycling	60,122	50,591	31,204	-
Total business-type activities	3,728,301	4,815,959	128,368	-
Total primary government	\$ 10,806,480	\$ 5,333,812	\$ 1,380,099	\$ 36,370
Component units:				
Downtown Development Authority	\$ 26,511	\$ -	\$ -	\$ -
Local Development Financing Authority	-	-	-	-
Brownfield Redevelopment Authority	89,432	-	-	-
Total component units	\$ 115,943	\$ -	\$ -	\$ -
General revenue:				
Property taxes				
Unrestricted state-shared revenue				
Unrestricted investment income				
Other miscellaneous income				
Total general revenue				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

Statement of Activities

Year Ended June 30, 2022

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (374,260)	\$ -	\$ (374,260)	\$ -
(3,588,921)	-	(3,588,921)	-
(641,355)	-	(641,355)	-
(226,388)	-	(226,388)	-
(417,502)	-	(417,502)	-
(23,799)	-	(23,799)	-
(5,272,225)	-	(5,272,225)	-
-	1,194,353	1,194,353	-
-	21,673	21,673	-
-	1,216,026	1,216,026	-
(5,272,225)	1,216,026	(4,056,199)	-
-	-	-	(26,511)
-	-	-	-
-	-	-	(89,432)
-	-	-	(115,943)
4,908,600	17,088	4,925,688	120,369
1,521,354	-	1,521,354	-
3,849	2,885	6,734	843
325,362	-	325,362	22,341
6,759,165	19,973	6,779,138	143,553
1,486,940	1,235,999	2,722,939	27,610
9,341,511	14,577,320	23,918,831	1,406,763
\$ 10,828,451	\$ 15,813,319	\$ 26,641,770	\$ 1,434,373

City of Charlotte, Michigan

**Governmental Funds
Balance Sheet**

June 30, 2022

	General Fund	Major Street Fund	Fire Fund	Nonmajor Funds	Total Governmental Funds
Assets					
Cash and investments (Note 3)	\$ 2,998,156	\$ 1,125,581	\$ 117,992	\$ 971,626	\$ 5,213,355
Receivables - Net (Note 4)	409,058	121,656	5,406	99,616	635,736
Due from other funds (Note 6)	-	-	10	-	10
Prepays and other assets	119,938	4,228	17,317	36	141,519
Total assets	\$ 3,527,152	\$ 1,251,465	\$ 140,725	\$ 1,071,278	\$ 5,990,620
Liabilities					
Accounts payable	\$ 87,447	\$ 31,941	\$ 84,379	\$ 3,592	\$ 207,359
Due to other funds (Note 6)	10	-	-	-	10
Accrued liabilities and other	428,991	6,100	56,346	6,262	497,699
Unearned revenue	880,401	-	-	-	880,401
Total liabilities	1,396,849	38,041	140,725	9,854	1,585,469
Deferred Inflows of Resources -					
Unavailable revenue	122,904	-	-	54,027	176,931
Total liabilities and deferred inflows of resources	1,519,753	38,041	140,725	63,881	1,762,400
Fund Balances					
Nonspendable:					
Inventory	18,315	-	-	-	18,315
Prepays	101,623	4,228	-	36	105,887
Restricted:					
Roads	-	1,209,196	-	-	1,209,196
Police training	-	-	-	13,691	13,691
Industrial park	-	-	-	60,056	60,056
Grants	-	-	-	21,283	21,283
Local streets	-	-	-	814,778	814,778
Drug enforcement	-	-	-	11,211	11,211
Camp Frances	-	-	-	20,926	20,926
Facility building bond	-	-	-	65,416	65,416
Assigned - Revolving Fund	812,727	-	-	-	812,727
Unassigned	1,074,734	-	-	-	1,074,734
Total fund balances	2,007,399	1,213,424	-	1,007,397	4,228,220
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,527,152	\$ 1,251,465	\$ 140,725	\$ 1,071,278	\$ 5,990,620

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2022

Fund Balances Reported in Governmental Funds	\$ 4,228,220
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	15,994,764
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	176,931
Deferred charges on refunding are amortized over the life of the bonds	22,827
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(1,741,886)
Accrued interest is not due and payable in the current period and is not reported in the funds	(8,000)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(374,717)
Pension benefits	(8,154,075)
Retiree health care benefits	(927,039)
Other liabilities are not due and payable in the current period and are not reported in the funds	(1,420)
Internal service funds are included as part of governmental activities:	
Capital asset-related items	1,053,896
All other items	558,950
Net Position of Governmental Activities	<u>\$ 10,828,451</u>

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2022

	General Fund	Major Street Fund	Fire Fund	Nonmajor Funds	Total Governmental Funds
Revenue					
Property taxes	\$ 3,539,173	\$ 341,271	\$ 817,801	\$ 210,355	\$ 4,908,600
Special assessments	-	-	-	4,738	4,738
Intergovernmental:					
Federal grants	69,728	-	33,032	-	102,760
State sources	1,470,250	835,716	-	323,067	2,629,033
Charges for services	84,730	-	406,353	-	491,083
Fines and forfeitures	14,663	-	-	-	14,663
Licenses and permits	12,107	-	-	-	12,107
Investment income	2,515	711	34	589	3,849
Other revenue	227,148	32,629	5	65,580	325,362
Total revenue	5,420,314	1,210,327	1,257,225	604,329	8,492,195
Expenditures					
Current services:					
General government	944,612	-	-	-	944,612
Public safety	2,247,863	-	1,469,900	3,679	3,721,442
Public works	594,326	281,159	-	320,005	1,195,490
Community and economic development	218,280	-	-	9,054	227,334
Recreation and culture	327,076	-	-	2,242	329,318
Capital outlay	109,234	554,703	-	53,936	717,873
Debt service:					
Principal	-	-	-	145,000	145,000
Interest on long-term debt	-	-	-	52,350	52,350
Total expenditures	4,441,391	835,862	1,469,900	586,266	7,333,419
Excess of Revenue Over (Under) Expenditures	978,923	374,465	(212,675)	18,063	1,158,776
Other Financing Sources (Uses)					
Transfers in (Note 6)	-	-	212,675	517,992	730,667
Transfers out (Note 6)	(230,675)	(499,992)	-	-	(730,667)
Total other financing (uses) sources	(230,675)	(499,992)	212,675	517,992	-
Net Change in Fund Balances	748,248	(125,527)	-	536,055	1,158,776
Fund Balances - Beginning of year	1,259,151	1,338,951	-	471,342	3,069,444
Fund Balances - End of year	<u>\$ 2,007,399</u>	<u>\$ 1,213,424</u>	<u>\$ -</u>	<u>\$ 1,007,397</u>	<u>\$ 4,228,220</u>

Governmental Funds

**Reconciliation of the Statement of Revenue, Expenditures, and Changes in
Fund Balances to the Statement of Activities**

Year Ended June 30, 2022

Net Change in Fund Balances Reported in Governmental Funds	\$ 1,158,776
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	753,566
Depreciation expense	(1,215,937)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	72,924
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)	172,827
Interest expense is recognized in the government-wide statements as it accrues	725
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	410,152
Internal service funds are included as part of governmental activities	<u>133,907</u>
Change in Net Position of Governmental Activities	<u><u>\$ 1,486,940</u></u>

Proprietary Funds
Statement of Net Position

June 30, 2022

	Business-type Activities			Governmental Activities
	Major Fund - Water Supply and Sewage Disposal	Nonmajor Fund - Recycling	Total	Internal Service Funds
Assets				
Current assets:				
Cash and cash equivalents (Note 3)	\$ 2,312,963	\$ 75,401	\$ 2,388,364	\$ 751,151
Receivables - Net (Note 4)	1,116,847	-	1,116,847	-
Prepaid expenses and other assets	151,568	618	152,186	16,043
Total current assets	3,581,378	76,019	3,657,397	767,194
Noncurrent assets:				
Restricted assets - Cash and investments (Notes 3 and 8)	302,589	-	302,589	-
Capital assets: (Note 5)				
Assets not subject to depreciation	133,315	-	133,315	31,500
Assets subject to depreciation - Net	14,692,122	-	14,692,122	1,022,396
Total noncurrent assets	15,128,026	-	15,128,026	1,053,896
Total assets	18,709,404	76,019	18,785,423	1,821,090
Deferred Outflows of Resources				
Deferred charges on bond refunding	46,582	-	46,582	-
Deferred pension costs (Note 10)	325,682	659	326,341	30,303
Total deferred outflows of resources	372,264	659	372,923	30,303
Liabilities				
Current liabilities:				
Accounts payable	93,902	354	94,256	36,721
Accrued liabilities and other	48,915	2,470	51,385	4,067
Compensated absences	35,320	-	35,320	-
Current portion of long-term debt (Note 7)	480,000	-	480,000	-
Total current liabilities	658,137	2,824	660,961	40,788
Noncurrent liabilities:				
Compensated absences	59,292	-	59,292	-
Net pension liability (Note 10)	1,918,220	3,886	1,922,106	178,476
Long-term debt (Note 7)	495,000	-	495,000	-
Total noncurrent liabilities	2,472,512	3,886	2,476,398	178,476
Deferred Inflows of Resources - Deferred pension cost reductions (Note 10)	207,248	420	207,668	19,283
Net Position				
Net investment in capital assets	13,897,019	-	13,897,019	1,053,896
Restricted: (Note 8)				
Debt service	139,938	-	139,938	-
Bond reserve account	162,651	-	162,651	-
Unrestricted	1,544,163	69,548	1,613,711	558,950
Total net position	<u>\$ 15,743,771</u>	<u>\$ 69,548</u>	<u>\$ 15,813,319</u>	<u>\$ 1,612,846</u>

Proprietary Funds
Statement of Revenue, Expenses, and Changes in Net Position

Year Ended June 30, 2022

	Business-type Activities			Governmental Activities
	Major Fund - Water Supply and Sewage Disposal	Nonmajor Fund - Recycling	Total	Internal Service Funds
Operating Revenue				
Sale of water	\$ 1,798,004	\$ -	\$ 1,798,004	\$ -
Sewage charges	2,907,693	-	2,907,693	-
Recycling fees	-	34,417	34,417	-
Other	59,671	16,174	75,845	14,476
Charges to other funds	-	-	-	864,576
Total operating revenue	4,765,368	50,591	4,815,959	879,052
Operating Expenses				
Cost of services	2,995,435	-	2,995,435	580,504
Recycling	-	60,122	60,122	-
Depreciation	606,103	-	606,103	164,818
Total operating expenses	3,601,538	60,122	3,661,660	745,322
Operating Income (Loss)	1,163,830	(9,531)	1,154,299	133,730
Nonoperating Revenue (Expense)				
Property tax revenue	-	17,088	17,088	-
Investment income	2,845	40	2,885	177
Interest expense	(66,641)	-	(66,641)	-
Grants	97,164	31,204	128,368	-
Total nonoperating revenue	33,368	48,332	81,700	177
Change in Net Position	1,197,198	38,801	1,235,999	133,907
Net Position - Beginning of year	14,546,573	30,747	14,577,320	1,478,939
Net Position - End of year	\$ 15,743,771	\$ 69,548	\$ 15,813,319	\$ 1,612,846

Proprietary Funds
Statement of Cash Flows

Year Ended June 30, 2022

	Business-type Activities			Governmental Activities
	Major Fund - Water Supply and Sewage Disposal	Nonmajor Fund - Recycling	Total	Internal Service Funds
Cash Flows from Operating Activities				
Receipts from customers	\$ 5,152,172	\$ 50,591	\$ 5,202,763	\$ -
Receipts from interfund services and reimbursements	-	-	-	1,008,662
Payments to suppliers	(2,381,135)	(12,025)	(2,393,160)	(410,122)
Payments to employees and fringes	(1,266,139)	(47,079)	(1,313,218)	(125,246)
Net cash provided by (used in) operating activities	1,504,898	(8,513)	1,496,385	473,294
Cash Flows Provided by Noncapital Financing Activities - Grants and subsidies	97,164	31,204	128,368	-
Cash Flows from Capital and Related Financing Activities				
Property taxes	-	17,088	17,088	-
Purchase of capital assets	(297,364)	-	(297,364)	(52,046)
Principal and interest paid on capital debt	(513,350)	-	(513,350)	-
Net cash (used in) provided by capital and related financing activities	(810,714)	17,088	(793,626)	(52,046)
Cash Flows Provided by Investing Activities -				
Interest received on investments	2,845	40	2,885	177
Net Increase in Cash and Cash Equivalents	794,193	39,819	834,012	421,425
Cash and Cash Equivalents - Beginning of year	1,821,359	35,582	1,856,941	329,726
Cash and Cash Equivalents - End of year	\$ 2,615,552	\$ 75,401	\$ 2,690,953	\$ 751,151
Classification of Cash and Cash Equivalents				
Cash and investments	\$ 2,312,963	\$ 75,401	\$ 2,388,364	\$ 751,151
Restricted cash	302,589	-	302,589	-
Total cash and cash equivalents	\$ 2,615,552	\$ 75,401	\$ 2,690,953	\$ 751,151

Proprietary Funds
Statement of Cash Flows (Continued)

Year Ended June 30, 2022

	Business-type Activities			Governmental Activities
	Major Fund - Water Supply and Sewage Disposal	Nonmajor Fund - Recycling	Total	Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating income (loss)	\$ 1,163,830	\$ (9,531)	\$ 1,154,299	\$ 133,730
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	606,103	-	606,103	164,818
Changes in assets and liabilities:				
Receivables	389,496	-	389,496	-
Due to and from other funds	-	-	-	129,610
Prepaid and other assets	(22,007)	49	(21,958)	235
Net pension liability and related deferrals	(166,024)	1,194	(164,830)	21,169
Accounts payable	(466,500)	(225)	(466,725)	23,732
Total adjustments	<u>341,068</u>	<u>1,018</u>	<u>342,086</u>	<u>339,564</u>
Net cash provided by (used in) operating activities	<u><u>\$ 1,504,898</u></u>	<u><u>\$ (8,513)</u></u>	<u><u>\$ 1,496,385</u></u>	<u><u>\$ 473,294</u></u>

Fiduciary Funds
Statement of Fiduciary Net Position

June 30, 2022

	Other Employee Benefit Trust Fund - Retiree Health Care	Custodial Fund - Tax Collection
Assets		
Cash and cash equivalents	\$ -	\$ 53,544
Investment in MERS pooled account	203,632	-
Total assets	203,632	53,544
Liabilities - Due to other governmental units	-	53,544
Net Position - Restricted for postemployment benefits other than pensions	\$ 203,632	\$ -

Fiduciary Funds
Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2022

	Other Employee Benefit Trust Fund - Retiree Health Care	Custodial Fund - Tax Collection
Additions		
Investment loss - Net decrease in fair value of investments	\$ (18,295)	\$ -
Contributions - Employer contributions	95,045	-
Property tax collections	-	8,309,946
Total additions	76,750	8,309,946
Deductions		
Benefit payments	95,045	-
Administrative expenses	399	-
Property tax distributions	-	8,309,946
Total deductions	95,444	8,309,946
Net Decrease in Fiduciary Net Position	(18,694)	-
Net Position - Beginning of year	222,326	-
Net Position - End of year	\$ 203,632	\$ -

**Component Units
Statement of Net Position**

June 30, 2022

	Downtown Development Authority	Local Development Financing Authority	Brownfield Redevelopment Authority	Total
Assets				
Cash and investments (Note 3)	\$ 9,082	\$ 1,111,539	\$ 132,232	\$ 1,252,853
Receivables - Net	3,079	-	-	3,079
Capital assets - Net (Note 5)	214,777	-	-	214,777
Note receivable (Note 1)	-	56,413	-	56,413
Total assets	226,938	1,167,952	132,232	1,527,122
Liabilities - Accounts payable	3,316	-	89,433	92,749
Net Position				
Net investment in capital assets	214,777	-	-	214,777
Unrestricted	8,845	1,167,952	42,799	1,219,596
Total net position	\$ 223,622	\$ 1,167,952	\$ 42,799	\$ 1,434,373

Component Units
Statement of Activities

Year Ended June 30, 2022

	Expenses	Net (Expense) Revenue and Changes in Net Position			Total
		Downtown Development Authority	Local Development Financing Authority	Brownfield Redevelopment Authority	
Functions/Programs					
Downtown Development Authority	\$ 26,511	\$ (26,511)	\$ -	\$ -	\$ (26,511)
Local Development Financing Authority	-	-	-	-	-
Brownfield Redevelopment Authority	89,432	-	-	(89,432)	(89,432)
Total component units	\$ 115,943	(26,511)	-	(89,432)	(115,943)
General revenue:					
Property taxes		22,910	-	97,459	120,369
Unrestricted investment income		10	758	75	843
Other miscellaneous income		20,121	2,220	-	22,341
Total general revenue		43,041	2,978	97,534	143,553
Change in Net Position		16,530	2,978	8,102	27,610
Net Position -					
Beginning of year		207,092	1,164,974	34,697	1,406,763
Net Position - End of year		\$ 223,622	\$ 1,167,952	\$ 42,799	\$ 1,434,373

Note 1 - Significant Accounting Policies

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

Report Entity

The City is governed by an elected seven-member City Council administered by an appointed city manager. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units are, in substance, part of the City's operations, even though they are separate legal entities. Thus, blended component units are appropriately presented as funds of the City. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City (see discussion below for description).

Blended Component Units

The Building Authority

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

Camp Frances

The Camp Frances Educational and Recreational Center (Camp Frances) is a municipal nonprofit corporation formed in 2009 pursuant to the Home Rule City Act as a single-member corporation. The City Council is the single member and appoints a board of trustees to manage the operations. Camp Frances does not issue separate financial statements.

Discretely Presented Component Units

Downtown Development Authority

The Downtown Development Authority (the "DDA") was established pursuant to P.A. 197 of 1975 for the purpose of revitalizing the downtown business district. The DDA's governing body, which consists of nine individuals, is appointed by the City Council. In addition, the DDA's annual budget is subject to review and approval by the City Council. The DDA does not issue separate financial statements.

Local Development Financing Authority

The Local Development Financing Authority (the "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 six 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 does not issue separate financial statements.

Brownfield Redevelopment Authority

The Brownfield Redevelopment Authority (the "Brownfield") was established pursuant to P.A. 381 of 1996 to encourage the redevelopment of environmentally distressed properties. The Brownfield's governing body, which consists of six individuals, is appointed by the City Council. The Brownfield does not issue separate financial statements.

Accounting and Reporting Principles

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

Note 1 - Significant Accounting Policies (Continued)

Report Presentation

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

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

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

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

Fund Accounting

The City accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the City to show the particular expenditures for which specific revenue is used. The various funds are aggregated into three broad fund types:

Governmental Funds

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

- *General Fund* - The General Fund includes the General Fund, the Airport Fund, and the Revolving 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 Revolving Fund is to be utilized for future unforeseen expenses or capital improvements.
- *Major Street Fund* - The Major Street Fund is a special revenue fund that accounts for the resources of state gas and weight tax revenue that is restricted for use on major streets.
- *Fire Fund* - This fund is a special revenue fund that accounts for property taxes and charges for service that are restricted for providing fire protection services.

Note 1 - Significant Accounting Policies (Continued)

Proprietary Funds

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

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

The City's internal service funds are used to account for major machinery and equipment purchases and maintenance, risk management services provided to other departments of the City on a cost-reimbursement basis, the provision of technical support to city departments, and the maintenance and replacement of the City's technology infrastructure.

Fiduciary Funds

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts are not used to operate the City's programs. Activities that are reported as fiduciary include the following:

- *Retiree Health Care Fund* - The plan accumulates resources for future retiree health care payments to retirees.
- *Custodial Fund* - The Custodial Fund is used to account for the collection of property taxes and other cash receipts due to other jurisdictions that will be subsequently transferred to third parties.

Interfund Activity

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

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

Basis of Accounting

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

Note 1 - Significant Accounting Policies (Continued)

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

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

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

Specific Balances and Transactions

Cash, Cash Equivalents, and Investments

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

Receivables and Payables

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

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

Inventories and Prepaid Items

Inventories are valued at cost on a first-in, first-out basis. Inventories 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, when applicable, and are recorded as expenditures based on the consumption method.

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.

Notes Receivable

The LDFA provided two loans to the General Fund. The outstanding balances at June 30, 2022 were \$22,698 and \$33,715 maturing in 2024 and 2025, respectively.

Note 1 - 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 acquisition value at the date of donation.

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

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

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

Long-term Obligations

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then.

The City has three items that qualify for reporting in this category. One is the deferred charge on bond refunding, which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other two are deferred outflows related to the defined benefit pension plan, and the OPEB plan, as described in Notes 10 and 11.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

Note 1 - Significant Accounting Policies (Continued)

The City has two items that qualify for reporting in this category. One is deferred inflows of resources related to unavailable revenue. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from three sources: state-shared revenue, special assessments, and outstanding fines. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other is a deferred inflow related to the defined benefit pension plan described in Note 10.

Net Position

Net position of the City is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

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

Note 1 - Significant Accounting Policies (Continued)

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

Property Tax Revenue

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

The City's 2021 property tax revenue was levied and collectible on July 1, 2021 and is recognized as revenue in the year ended June 30, 2022 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2021 taxable valuation of the City totaled \$234,908,197 (a portion of which is captured by the DDA), on which taxes levied consisted of 14.2524 mills for operating purposes, 0.9000 mills for debt service, 0.1800 mills for waste collection, 0.073 mills for recycling collection, and 3.745 for fire protection. This resulted in \$3,317,028 for operating, \$210,355 for debt service, \$41,891 for waste collection purposes, \$17,088 recycling collection, and \$817,791 for fire.. These amounts are recognized in the respective General Fund and debt service fund financial statements as tax revenue and the fire fund for fire revenue.

In addition, Eaton County, Michigan levies a tax of 1.5000 mills for rehabilitation, restoration, and resurfacing of streets. The City receives a distribution from this millage, which amounted to \$341,271 and is recognized in the Major Street Fund.

Pension

The City offers a defined benefit pension plan to its employees, as described in Note 10. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The General Fund is generally used to liquidate the governmental pension liability.

Other Postemployment Benefit Costs

The City offers retiree health care benefits to retirees. The City records a net OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported in the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The General Fund is generally used to liquidate the OPEB liability.

June 30, 2022

Note 1 - Significant Accounting Policies (Continued)**Compensated Absences (Vacation and Sick Leave)**

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

Proprietary Funds Operating Classification

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

Use of Estimates

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

Upcoming Accounting Pronouncements

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies the existing definition of conduit debt, provides a single method of reporting conduit debt obligations by issuers, and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. As a result, issuers should not recognize a liability for items meeting the definition of conduit debt; however, a liability should be recorded for additional or voluntary commitments to support debt service if certain recognition criteria are met. The standard also addresses the treatment of arrangements where capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by a third-party obligor. The provisions of this statement were originally effective for the City's financial statements for the year ended June 30, 2019 but were extended to June 30, 2020 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, to bring a uniform guidance on how to report public-private and public-public partnership arrangements. As a result, transferors in public-private or public-public arrangements will recognize receivables for installment payments; deferred inflows of resources; and, when applicable, capital assets. Operators will recognize liabilities for installment payments and intangible right-to-use assets and, when applicable, deferred outflows of resources and liabilities for assets being transferred. This statement also provides guidance for accounting and financial reporting for availability payment arrangements in which a government compensates an operator for services, such as designing, constructing, financing, maintaining, or operating an underlying asset for a period of time in an exchange or exchange-like transaction. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2023.

Note 1 - Significant Accounting Policies (Continued)

In May 2020, the Governmental Accounting Standards Board issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2023.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections*, to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Further, the standard addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplemental information and supplemental information. The provisions of this statement are effective for the Authority's financial statements for the year ending June 30, 2024.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*, to update the recognition and measurement guidance for compensated absences by aligning the guidance under a unified model and by amending certain previously required disclosures. The provisions of this statement are effective for the Authority's financial statements for the year ending June 30, 2025.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund, special revenue funds, and debt service funds. All annual appropriations lapse at fiscal year end.

Charter provisions require department head budget submissions by the second Monday in February, submission of the budget to the 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 function level.

State law requires the City to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. There were no significant amendments during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders or contracts) are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Construction Code Fees

Effective in April 2021, Eaton County took over 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. Fees are charged 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, 2021	\$ (3,147,923)
Current year permit revenue	<u>20</u>
Cumulative shortfall at June 30, 2022	<u>\$ (3,147,903)</u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures no more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that 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 Retiree Health Care Fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The City has designated two 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's deposits and investments are in accordance with statutory authority. The City has no formal policy relating to interest rate risk.

The City's cash and investments are subject to risk, which is 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 bank deposits of \$8,501,744 (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The City believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The component units' deposits had bank deposits of \$1,223,037 that were uninsured and uncollateralized.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. At June 30, 2022, the City does not have investments with custodial credit risk.

Note 3 - Deposits and Investments (Continued)

Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. The City's investment in the MERS Total Market Portfolio of \$203,632 are valued at net asset value. At June 30, 2022, there were no unfunded commitments or redemption restrictions.

The MERS Total Market Portfolio is a fully diversified portfolio combining traditional stocks and bonds with alternative asset classes, including real estate, private equity, and commodities. The objective is to provide current income and capital appreciation while minimizing the volatility of the capital markets. The Municipal Employees' Retirement System (MERS) manages the asset allocation and monitors the underlying investment managers.

Note 4 - Receivables

Receivables as of June 30, 2022 for the City's individual major funds and nonmajor funds are as follows:

	General Fund	Major Street Fund	Nonmajor Funds	Fire Fund	Water Supply and Sewage Disposal Fund	Total
Receivables:						
Special assessments receivable	\$ -	\$ -	\$ 21,225	\$ -	\$ -	\$ 21,225
Other receivables	137,240	100	31,756	5,406	1,116,847	1,291,349
Due from other governments	271,818	121,556	46,635	-	-	440,009
Net receivables	<u>\$ 409,058</u>	<u>\$ 121,656</u>	<u>\$ 99,616</u>	<u>\$ 5,406</u>	<u>\$ 1,116,847</u>	<u>\$ 1,752,583</u>

June 30, 2022

Note 5 - Capital Assets

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

Governmental Activities

	Balance July 1, 2021	Reclassifications	Additions	Disposals	Balance June 30, 2022
Capital assets not being depreciated:					
Land	\$ 2,149,641	\$ -	\$ -	\$ (33,828)	\$ 2,115,813
Construction in progress	669,588	(572,982)	152,090	-	248,696
Easement	628,461	-	47,449	-	675,910
Subtotal	3,447,690	(572,982)	199,539	(33,828)	3,040,419
Capital assets being depreciated:					
Infrastructure	32,229,043	572,982	498,008	-	33,300,033
Buildings and improvements	6,943,135	-	-	-	6,943,135
Vehicles and equipment	8,297,012	-	141,892	-	8,438,904
Subtotal	47,469,190	572,982	639,900	-	48,682,072
Accumulated depreciation:					
Infrastructure	24,062,101	-	861,274	-	24,923,375
Building and improvements	2,886,394	-	151,140	-	3,037,534
Vehicles and equipment	6,344,582	-	368,340	-	6,712,922
Subtotal	33,293,077	-	1,380,754	-	34,673,831
Net capital assets being depreciated	14,176,113	572,982	(740,854)	-	14,008,241
Net governmental activities capital assets	<u>\$ 17,623,803</u>	<u>\$ -</u>	<u>\$ (541,315)</u>	<u>\$ (33,828)</u>	<u>\$ 17,048,660</u>

Business-type Activities

	Balance July 1, 2021	Reclassifications	Additions	Disposals	Balance June 30, 2022
Capital assets not being depreciated:					
Land	\$ 104,995	\$ -	\$ -	\$ -	\$ 104,995
Construction in progress	405,406	(405,406)	28,320	-	28,320
Subtotal	510,401	(405,406)	28,320	-	133,315
Capital assets being depreciated -					
Buildings and systems	32,584,604	405,406	269,044	-	33,259,054
Accumulated depreciation -					
Buildings and systems	17,960,829	-	606,103	-	18,566,932
Net capital assets being depreciated	14,623,775	405,406	(337,059)	-	14,692,122
Net business-type activities capital assets	<u>\$ 15,134,176</u>	<u>\$ -</u>	<u>\$ (308,739)</u>	<u>\$ -</u>	<u>\$ 14,825,437</u>

June 30, 2022

Note 5 - Capital Assets (Continued)

Capital asset activity for the City's component units for the year ended June 30, 2022 was as follows:

Component Units

	Balance July 1, 2021	Reclassifications	Additions	Disposals	Balance June 30, 2022
Capital assets not being depreciated - Land	\$ 214,777	\$ -	\$ -	\$ -	\$ 214,777

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

Governmental activities:	
General government	\$ 35,854
Public safety	240,637
Public works	807,895
Recreation and culture	131,550
Internal service fund depreciation is charged to the various functions based on their usage of the asset	<u>164,818</u>
Total governmental activities	<u>\$ 1,380,754</u>
Business-type activities - Water and Sewer	\$ 606,103

Construction Commitments

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

	Spent to Date	Remaining Commitment
Road Project - Safe Routes to School	\$ 139,501	\$ 195,799
Road Project - Hall Washington	<u>122,400</u>	<u>2,662,879</u>
Total	<u>\$ 261,901</u>	<u>\$ 2,858,678</u>

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Fire Fund	General Fund	\$ 10

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

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Nonmajor special revenue funds	\$ 18,000
	Fire Fund	<u>212,675</u>
	Total General Fund	230,675
Major Street Fund	Nonmajor special revenue fund	<u>499,992</u>
	Total	<u>\$ 730,667</u>

June 30, 2022

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

The transfers from the General Fund to the nonmajor special revenue funds and the Fire Fund represent the use of unassigned resources to finance those programs in accordance with budgetary authorizations. The transfer from the Major Street Fund to the nonmajor special revenue fund (Local Street Fund) represents an allowable transfer of resources to fund local street projects.

Note 7 - Long-term Debt

Long-term debt activity for the year ended June 30, 2022 can be summarized as follows:

Governmental Activities

	Interest Rate Ranges	Maturing Through	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:							
Other debt:							
2017 General Obligation Unlimited Tax Refunding Bonds	2.0% - 3.0%	2031	\$ 1,745,000	\$ -	\$ (145,000)	\$ 1,600,000	\$ 150,000
Unamortized bond premiums			94,021	-	(8,548)	85,473	-
Total other debt			1,839,021	-	(153,548)	1,685,473	150,000
Direct borrowings and direct placements:							
Local Development Financing Authority loan #2 to General Fund	2.0	2024	33,713	-	(11,015)	22,698	11,235
Local Development Financing Authority loan #3 to General Fund	2.0	2025	44,515	-	(10,800)	33,715	11,015
Total direct borrowings and direct placements			78,228	-	(21,815)	56,413	22,250
Total bonds and contracts payable			1,917,249	-	(175,363)	1,741,886	172,250
Compensated absences			390,786	272,910	(288,979)	374,717	267,548
Total governmental activities long- term debt			<u>\$ 2,308,035</u>	<u>\$ 272,910</u>	<u>\$ (464,342)</u>	<u>\$ 2,116,603</u>	<u>\$ 439,798</u>

Note 7 - Long-term Debt (Continued)

Business-type Activities

	Interest Rate Ranges	Maturing Through	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable -							
Other debt - 2015 Revenue							
Refunding Bonds - Water							
Supply and Sewage							
Disposal System	2.0% - 3.0%	2024	\$ 1,445,000	\$ -	\$ (470,000)	\$ 975,000	\$ 480,000
Compensated absences			94,186	35,746	(35,320)	94,612	35,320
Total business-type							
activities long-							
term debt			<u>\$ 1,539,186</u>	<u>\$ 35,746</u>	<u>\$ (505,320)</u>	<u>\$ 1,069,612</u>	<u>\$ 515,320</u>

General Obligation Bonds and Contracts

The City issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligations have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City.

Other Long-term Liabilities

Compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund. Compensated absences attributable to the business-type activities will be liquidated by the fund to which the absences relate.

Note 7 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

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

Years Ending June 30	Governmental Activities				
	Other Debt		Direct Borrowings and Direct Placements		Total
	Principal	Interest	Principal	Interest	
2023	\$ 150,000	\$ 48,000	\$ 22,250	\$ 1,128	\$ 221,378
2024	160,000	43,500	22,695	683	226,878
2025	165,000	38,700	11,468	341	215,509
2026	175,000	33,750	-	-	208,750
2027	175,000	28,500	-	-	203,500
2028-2032	775,000	59,100	-	-	834,100
Total	\$ 1,600,000	\$ 251,550	\$ 56,413	\$ 2,152	\$ 1,910,115

Years Ending June 30	Business-type Activities				
	Other Debt		Direct Borrowings and Direct Placements		Total
	Principal	Interest	Principal	Interest	
2023	\$ 480,000	\$ 29,250	\$ -	\$ -	\$ 509,250
2024	495,000	14,850	-	-	509,850
2025	-	-	-	-	-
2026	-	-	-	-	-
2027	-	-	-	-	-
2028-2032	-	-	-	-	-
Total	\$ 975,000	\$ 44,100	\$ -	\$ -	\$ 1,019,100

Future Revenue Pledged for Debt Payment

The City has pledged substantially all revenue of the Water Supply and Sewage Disposal 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 \$1,019,100. During the current year, net revenue of the system was \$1,767,731 compared to the annual debt requirement of \$513,350.

Note 8 - Restricted Net Position

Net position of the business-type activities has been restricted for the following purposes:

	Business-type Activities
Bond reserve account	\$ 162,651
Debt service	139,938
Total restricted net position	\$ 302,589

Note 8 - Restricted Net Position (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 Reserve Account

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

Note 9 - Risk Management

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

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

Note 10 - Pension Plans

Plan Description

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

The City also provides pension benefits to the city manager and department supervisors through a defined contribution plan administered by the Michigan Municipal Employees' Retirement System. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by MERS, the City contributes between 10.00 and 13.88 percent of employees' gross earnings. Contributions for each employee plus interest are allocated to the employee's account. The city manager's plan has immediate vesting, while department supervisors are fully vested after four years of service. The City's total payroll during the current year was \$3,198,778. The current year contribution was calculated based on covered payroll of \$2,475,617, resulting in an employer contribution of \$127,911 and employee contributions of \$0.

Benefits Provided

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

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

Note 10 - Pension Plans (Continued)

Retirement benefits for SEIU, DPW, and WWTP employees are calculated as the lesser of 2.25 percent of the employee's final 5-year average salary times the employee's years of service or 80 percent of the employee's final average compensation. Normal retirement age is 60 with early retirement at 55 with 25 years of service for unreduced benefits or 50 with 25 years of service or 55 with 15 years of service for reduced benefits. The vesting period is 10 years. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are always the larger of the benefit computed as a contingent survivor beneficiary or 85 percent of accrued retirement allowance benefit. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest. This division is closed to new hires.

Retirement benefits for police NSU and FOP supervisory employees are calculated as the lesser of 3.00 percent of the employee's final 5-year average salary times the employee's years of service or 80 percent of the employee's final average compensation. Normal retirement age is 60 with early retirement at 50 with 25 years of service for unreduced benefits or 55 with 15 years of service for reduced benefits. The vesting period is 10 years. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are always the larger of the benefit computed as a contingent survivor beneficiary or 85 percent of accrued retirement allowance benefit. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest. These divisions are closed to new hires.

Retirement benefits for nonunion employees are calculated as the lesser of 2.50 percent of the employee's final 5-year average salary times the employee's years of service or 80 percent of the employee's final average compensation. Normal retirement age is 60 with early retirement at 55 with 20 years of service for unreduced benefits or 50 with 25 years of service or 55 with 15 years of service for reduced benefits. The vesting period is 10 years. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are always the larger of the benefit computed as a contingent survivor beneficiary or 85 percent of accrued retirement allowance benefit. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest. This division is closed to new hires.

Retirement benefits for SEIU clerical employees are calculated as the lesser of 2.25 percent of the employee's final 5-year average salary times the employee's years of service or 80 percent of the employee's final average compensation. Normal retirement age is 60 with early retirement at 55 with 20 years of service for unreduced benefits or 50 with 25 years of service or 55 with 15 years of service for reduced benefits. The vesting period is 10 years. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are always the larger of the benefit computed as a contingent survivor beneficiary or 85 percent of accrued retirement allowance benefit. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest. This division is closed to new hires.

Retirement benefits for police union employees hired after July 1, 2012 and fire and police nonunion employees hired after April 1, 2013 are calculated as 1.75 percent of the employee's final 3-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 55 with 25 years of service for unreduced benefits. The vesting period is 6 years. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are always the larger of the benefit computed as a contingent survivor beneficiary or 85 percent of accrued retirement allowance benefit. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

Note 10 - Pension Plans (Continued)

Retirement benefits for SEIU union DPW and clerical employees hired after July 1, 2012 are calculated as 1.25 percent of the employee’s final 3-year average salary times the employee’s years of service. Normal retirement age is 60 with no early retirement. The vesting period is 6 years. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are always the larger of the benefit computed as a contingent survivor beneficiary or 85 percent of accrued retirement allowance benefit. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

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

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

Date of member count	December 31, 2021
Inactive plan members or beneficiaries currently receiving benefits	75
Inactive plan members entitled to but not yet receiving benefits	13
Active plan members	50
Total employees covered by MERS	138

Contributions

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

For the year ended June 30, 2022, the average active employee contribution rate was 4.19 percent of annual pay, and the City's contribution rate was \$84,315 on a monthly basis. In addition, the City made an additional \$175,000 voluntary contribution during the year.

Net Pension Liability

The net pension liability reported at June 30, 2022 was determined using a measure of the total pension liability and the pension net position as of December 31, 2021. The December 31, 2021 total pension liability was determined by an actuarial valuation performed as of that date.

Note 10 - Pension Plans (Continued)

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2020	\$ 24,333,180	\$ 13,381,396	\$ 10,951,784
Changes for the year:			
Service cost	269,768	-	269,768
Interest	1,793,017	-	1,793,017
Differences between expected and actual experience	(105,564)	-	(105,564)
Changes in assumptions	908,277	-	908,277
Contributions - Employer	-	1,011,779	(1,011,779)
Contributions - Employee	-	96,215	(96,215)
Net investment income	-	1,939,135	(1,939,135)
Benefit payments, including refunds	(1,751,483)	(1,751,483)	-
Administrative expenses	-	(21,072)	21,072
Net changes	1,114,015	1,274,574	(160,559)
Balance at December 31, 2021	<u>\$ 25,447,195</u>	<u>\$ 14,655,970</u>	<u>\$ 10,791,225</u>

The plan's fiduciary net position represents 58.0 percent of the total pension liability.

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

For the year ended June 30, 2022, the City recognized pension expense of \$1,208,321.

At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 14,670	\$ (96,364)
Changes in assumptions	1,162,106	-
Net difference between projected and actual earnings on pension plan investments	-	(1,069,542)
Employer contributions to the plan subsequent to the measurement date	655,391	-
Total	<u>\$ 1,832,167</u>	<u>\$ (1,165,906)</u>

Note 10 - Pension Plans (Continued)

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows (note that employer contributions subsequent to the measurement date will reduce the net pension liability and, therefore, will not be included in future pension expense):

Years Ending June 30	Amount
2023	\$ 386,768
2024	(79,730)
2025	(106,688)
2026	(189,480)
Total	<u>\$ 10,870</u>

Actuarial Assumptions

The total pension liability in the December 31, 2021 actuarial valuation was determined using an inflation assumption of 2.50 percent, assumed salary increases (including inflation) of 3.0 percent, an investment rate of return of 7.25 percent, and the Pub-2010 mortality tables.

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

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

Projected Cash Flows

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2021, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	60.00 %	4.50 %
Global fixed income	20.00	2.00
Private investments	20.00	7.00

Note 10 - Pension Plans (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.25 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.25%)	Current Discount Rate (7.25%)	1 Percentage Point Increase (8.25%)
Net pension liability of the City	\$ 13,727,038	\$ 10,791,225	\$ 8,337,456

Pension Plan Fiduciary Net Position

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

Assumption Changes

During the measurement year ended December 31, 2021, the investment rate of return went from 7.60 percent to 7.25 percent.

Note 11 - Other Postemployment Benefit Plan

Plan Description

The City provides retiree health care 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 a council-adopted policy provides OPEB for all employees who meet eligibility requirements. All investments are held in the MERS of Michigan Retiree Health Funding Vehicle. MERS issues a publicly available financial report, which includes an other postemployment benefits fund. This report can be obtained at www.mersofmich.com or in writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

Benefits Provided

The plan provides retiree health care benefits for eligible employees and their spouses. The plan is closed to new entrants. The City pays a percentage of the premium for group health insurance benefits for eligible retired employees and their spouses until the retired employee is eligible to receive Medicare benefits. When the retired employee is eligible to receive Medicare benefits, the City's payments of premiums will cease for group health coverage.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

Date of member count	June 30, 2022
Inactive plan members or beneficiaries currently receiving benefits	13

Note 11 - Other Postemployment Benefit Plan (Continued)

Contributions

Retiree health care costs are paid by the City on a pay-as-you-go basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. For the fiscal year ended June 30, 2022, the City made payments for postemployment health benefit premiums of \$95,045.

Net OPEB Liability

The City has chosen to use the June 30 measurement date as its measurement date for the net OPEB liability. The June 30, 2022 fiscal year end reported net OPEB liability was determined using a measure of the total OPEB liability and the OPEB net position as of the June 30, 2022 measurement date. The June 30, 2022 measurement date total OPEB liability was determined by an actuarial valuation as of June 30, 2022.

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

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance at June 30, 2021	\$ 1,643,701	\$ 222,325	\$ 1,421,376
Changes for the year:			
Interest	36,553	-	36,553
Differences between expected and actual experience	(226,361)	-	(226,361)
Changes in assumption	(209,473)	-	(209,473)
Contributions - Employer	-	95,045	(95,045)
Net investment income	-	(18,295)	18,295
Benefit payments, including refunds	(95,045)	(95,045)	-
Administrative expenses	-	(399)	399
Net changes	(494,326)	(18,694)	(475,632)
Balance at June 30, 2022	\$ 1,149,375	\$ 203,631	\$ 945,744

The plan's fiduciary net position represents 17.7 percent of the total OPEB liability.

OPEB Expense and Deferred Outflows of Resources

For the year ended June 30, 2022, the City recognized an OPEB expense recovery of \$(399,292).

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	\$ 18,705	\$ -

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future OPEB expense):

Note 11 - Other Postemployment Benefit Plan (Continued)

Years Ending June 30	Amount
2023	\$ 4,676
2024	4,676
2025	4,676
2026	4,677
Total	<u>\$ 18,705</u>

Actuarial Assumptions

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using an inflation assumption of 2.50 percent; an investment rate of return (net of investment expenses) of 7.0 percent; and using the Pub-2010 mortality tables with the MP-2021 improvement scale. For pre-65 medical benefits, a health care cost trend of 7.25 percent graded down to 4.5 percent by 0.25 percent per year was used.

Discount Rate

The discount rate used to measure the total OPEB liability was 4.18 percent. The investment rate of return on plan assets is 7.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Based on those assumptions, the OPEB plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees through 2024. Therefore, the discount rate was determined using the S&P muni bond grade rate index of 4.09 percent.

Investment Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return as of the June 30, 2022 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
Global equity	4.50 %
Global fixed income	2.00
Private Investments	7.00

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the City, calculated using the discount rate of 4.18 percent, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease	Current Discount Rate	1 Percentage Point Increase
Net OPEB liability of the OPEB plan	\$ 1,047,982	\$ 945,744	\$ 858,454

Note 11 - Other Postemployment Benefit Plan (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

The following presents the net OPEB liability of the City, calculated using the health care cost trend rate of 7.25 percent, as well as what the City's net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease	Current Health Care Cost Trend Rate	1 Percentage Point Increase
Net OPEB liability of the OPEB plan	\$ 927,458	\$ 945,744	\$ 965,595

Assumption Changes

The discount rate used to value OPEB liabilities changed from 2.29 percent as of June 30, 2021 to 4.18 percent as of June 30, 2022.

Investment Policy

The OPEB plan's policy in regard to the allocation of invested assets is established and may be amended by the City. It is the policy of the City to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The OPEB plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the OPEB plan's adopted asset allocation policy as of June 30, 2022:

Asset Class	Target Allocation
Global equity	60.00 %
Global fixed income	20.00
Private investments	20.00
Total	100.00 %

Rate of Return

For the year ended June 30, 2022, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was (8.24) percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 12 - Tax Abatements

The City uses the industrial facilities tax exemption (PA 198 of 1974) to enter into agreements with local businesses to construct new industrial facilities or rehabilitate historical facilities. Under the program, the City grants reductions of 50 percent of the property tax bill for new property (or freezes taxable values for rehabilitation properties).

For the fiscal year ended June 30, 2022, the City abated \$10,638 of taxes under this program. There are no provisions to recapture taxes; however, the abatement may be eliminated if taxes are not paid timely.

The City uses the Obsolete Property Rehabilitation Act (PA 146 of 2000) to encourage the redevelopment of blighted buildings. Under the program, the City freezes the existing taxable value on a designated facility for up to 12 years. In addition, the state treasurer may exempt one-half of the school millage for up to 6 years.

For the fiscal year ended June 30, 2022, the City abated \$0 of taxes under this program. There are no provisions to recapture taxes; however, the abatement may be eliminated if taxes are not paid timely.

Note 12 - Tax Abatements (Continued)

The City uses the payment in lieu of taxes (PILOT) on the housing for moderate- to low-income families act (PA 346 of 1966) to encourage affordable housing for low- to moderate-income families within the community. Under the program, the owner of a housing project exempt from taxation shall pay to the City an annual service charge for public services in lieu of all taxes. The amount to be paid as a service charge in lieu of taxes shall be for new construction projects the greater of, and for rehabilitation projects the lesser of, the tax on the property on which the project is located for the tax year before the date when construction or rehabilitation of the project was commenced or 10 percent of the annual shelter rents obtained from the project.

For the fiscal year ended June 30, 2022, the City abated \$13,110 of taxes under this program. There is no provisions to recapture taxes; however, the abatement may be eliminated if taxes are not paid timely.

The City uses the payment in lieu of taxes on housing for elderly or disabled families act (PA 206 of 1893) to encourage affordable housing for the elderly or disabled families within the community. Under the program, if property for which an exemption is claimed would have been subject to the collection of taxes if an abatement had not been granted, the state treasurer, upon verification, shall make a payment in lieu of taxes, which shall be in the following amount: (a) for property exempt under this section before January 1, 2009, the amount of taxes paid on that property for the 2008 tax year, excluding any mills that would have been levied under all of the following: (i) Section 1211 of the revised school code, 1976 PA 451, MCL 380.1211 or (ii) the state education tax act, 1993 PA 331, MCL 211.901 to 211.906 or (b) for property not exempt under this section before January 1, 2009 and for new construction to property exempt under this section before January 1, 2009, the local tax collecting unit shall calculate a payment calculated by multiplying the taxable value of the property in the first year for which the exemption is valid by the number of mills levied in that year by all taxing units in the local tax collecting unit, excluding any mills that would have been levied under all of the following: (i) Section 1211 of the revised school code, 1976 PA 451, MCL 380.1211 or (ii) the state education tax act, 1993 PA 331, MCL 211.901 to 211.906.

For the fiscal year ended June 30, 2022, the City abated \$285 of taxes under this program. There are no provisions to recapture taxes; however, the abatement may be eliminated if taxes are not paid timely.

The City uses the Brownfield Redevelopment Authority to encourage the redevelopment of properties that have environmental contamination, blighted structures, and the like by offsetting the cost of eligible activities to abate environmental conditions. Brownfield properties are those for which eligible activities are identified under a brownfield plan that was used or is currently used for commercial, industrial, public, or residential purposes, including personal property located on the property. Eligible activities include, by way of example, demolition of structures, lead, asbestos, or mold abatement; environmental assessments; site preparation; and other similar environmental activities.

For the fiscal year ended June 30, 2022, the City abated \$26,564 of taxes under this program. There are no provisions to recapture taxes; however, the abatement may be eliminated if taxes are not paid timely.

There are no significant abatements made by other governments that reduce the City’s tax revenue.

Note 13 - Net Investment in Capital Assets

At the end of the current fiscal year, the net investment in capital assets was calculated as follows:

	Governmental Activities	Business-type Activities
Capital assets	\$ 17,048,660	\$ 14,825,437
Less related debt	(1,741,886)	(975,000)
Add deferred charge on refunding	22,827	46,582
Net investment in capital assets	\$ 15,329,601	\$ 13,897,019

Required Supplemental Information

Required Supplemental Information
 Budgetary Comparison Schedule
 General Fund

Year Ended June 30, 2022

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 3,247,500	\$ 3,496,235	\$ 3,539,173	\$ 42,938
Intergovernmental	1,070,000	1,858,200	1,509,978	(348,222)
Charges for services	89,500	84,060	84,730	670
Fines and forfeitures	9,000	11,500	14,663	3,163
Licenses and permits	11,500	11,990	12,107	117
Investment income	-	2,300	2,197	(103)
Other revenue	21,000	107,910	139,620	31,710
Total revenue	4,448,500	5,572,195	5,302,468	(269,727)
Expenditures				
Current services:				
General government	714,444	1,485,445	944,612	540,833
Public safety	2,053,334	2,257,115	2,247,863	9,252
Public works	574,805	658,145	594,326	63,819
Community and economic development	269,680	332,680	218,280	114,400
Recreation and culture	101,028	86,023	82,813	3,210
Capital outlay	102,750	131,750	109,234	22,516
Total expenditures	3,816,041	4,951,158	4,197,128	754,030
Excess of Revenue Over Expenses	632,459	621,037	1,105,340	484,303
Other Financing Uses - Transfers out	(56,000)	(356,805)	(230,675)	126,130
Net Change in Fund Balance	576,459	264,232	874,665	610,433
Fund Balance - Beginning of year	600,892	600,892	600,892	-
Fund Balance - End of year	<u>\$ 1,177,351</u>	<u>\$ 865,124</u>	<u>\$ 1,475,557</u>	<u>\$ 610,433</u>

City of Charlotte, Michigan

Required Supplemental Information
 Budgetary Comparison Schedule - Major Special Revenue Funds
 Major Street Fund

Year Ended June 30, 2022

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 322,000	\$ 341,270	\$ 341,271	\$ 1
Intergovernmental	727,000	811,815	835,716	23,901
Investment income	5,000	900	711	(189)
Other revenue	38,000	32,625	32,629	4
Total revenue	1,092,000	1,186,610	1,210,327	23,717
Expenditures - Public works	385,533	891,600	835,862	55,738
Excess of Revenue Over Expenditures	706,467	295,010	374,465	79,455
Other Financing Uses	(500,000)	(500,000)	(499,992)	8
Net Change in Fund Balance	206,467	(204,990)	(125,527)	79,463
Fund Balance - Beginning of year	1,338,951	1,338,951	1,338,951	-
Fund Balance - End of year	<u>\$ 1,545,418</u>	<u>\$ 1,133,961</u>	<u>\$ 1,213,424</u>	<u>\$ 79,463</u>

City of Charlotte, Michigan

Required Supplemental Information
 Budgetary Comparison Schedule - Major Special Revenue Funds (Continued)
 Fire Fund

Year Ended June 30, 2022

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 828,615	\$ 817,780	\$ 817,801	\$ 21
Intergovernmental	-	33,030	33,032	2
Charges for services	424,285	405,180	406,353	1,173
Investment income	-	30	34	4
Other revenue	-	-	5	5
Total revenue	1,252,900	1,256,020	1,257,225	1,205
Expenditures - Current services - Public safety	1,288,720	1,456,580	1,469,900	(13,320)
Excess of Expenditures Over Revenue	(35,820)	(200,560)	(212,675)	(12,115)
Other Financing Sources - Transfers in	38,000	200,560	212,675	12,115
Net Change in Fund Balance	2,180	-	-	-
Fund Balance - Beginning of year	-	-	-	-
Fund Balance - End of year	<u>\$ 2,180</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Required Supplemental Information
Schedule of Changes in the Net Pension Liability and Related Ratios

Last Eight Plan Years Ended December 31

	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service cost	\$ 269,768	\$ 262,016	\$ 258,238	\$ 252,828	\$ 249,607	\$ 266,224	\$ 260,875	\$ 252,934
Interest	1,793,017	1,725,554	1,738,994	1,726,620	1,690,900	1,638,043	1,574,604	1,531,865
Differences between expected and actual experience	(105,564)	29,340	(68,761)	(192,904)	36,880	193,964	76,155	-
Changes in assumptions	908,277	597,096	729,401	-	-	-	820,049	-
Benefit payments, including refunds	(1,751,483)	(1,708,927)	(1,676,157)	(1,592,997)	(1,471,983)	(1,386,436)	(1,303,433)	(1,238,017)
Net Change in Total Pension Liability	1,114,015	905,079	981,715	193,547	505,404	711,795	1,428,250	546,782
Total Pension Liability - Beginning of year	24,333,180	23,428,101	22,446,386	22,252,839	21,747,435	21,035,640	19,607,390	19,060,608
Total Pension Liability - End of year	\$ 25,447,195	\$ 24,333,180	\$ 23,428,101	\$ 22,446,386	\$ 22,252,839	\$ 21,747,435	\$ 21,035,640	\$ 19,607,390
Plan Fiduciary Net Position								
Contributions - Employer	\$ 1,011,779	\$ 911,923	\$ 769,903	\$ 726,016	\$ 655,835	\$ 560,877	\$ 488,614	\$ 440,590
Contributions - Member	96,215	104,248	105,682	116,735	125,815	133,757	133,942	131,690
Net investment income (loss)	1,939,135	1,518,292	1,562,803	(488,939)	1,581,517	1,293,548	(180,906)	775,454
Administrative expenses	(21,072)	(24,579)	(26,889)	(25,054)	(25,097)	(25,570)	(26,884)	(28,352)
Benefit payments, including refunds	(1,751,483)	(1,708,927)	(1,676,157)	(1,592,997)	(1,471,983)	(1,386,436)	(1,303,433)	(1,238,017)
Other	-	(250)	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	1,274,574	800,707	735,342	(1,264,239)	866,087	576,176	(888,667)	81,365
Plan Fiduciary Net Position - Beginning of year	13,381,396	12,580,689	11,845,347	13,109,586	12,243,499	11,667,323	12,555,990	12,474,625
Plan Fiduciary Net Position - End of year	\$ 14,655,970	\$ 13,381,396	\$ 12,580,689	\$ 11,845,347	\$ 13,109,586	\$ 12,243,499	\$ 11,667,323	\$ 12,555,990
City's Net Pension Liability - Ending	\$ 10,791,225	\$ 10,951,784	\$ 10,847,412	\$ 10,601,039	\$ 9,143,253	\$ 9,503,936	\$ 9,368,317	\$ 7,051,400
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	57.59 %	54.99 %	53.70 %	52.77 %	58.91 %	56.30 %	55.46 %	64.04 %
Covered Payroll	\$ 3,164,998	\$ 2,756,466	\$ 2,772,764	\$ 2,682,635	\$ 2,469,416	\$ 2,580,947	\$ 2,443,516	\$ 2,344,781
City's Net Pension Liability as a Percentage of Covered Payroll	340.96 %	397.31 %	391.21 %	406.94 %	370.26 %	368.23 %	383.39 %	300.73 %

This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.

City of Charlotte, Michigan

Required Supplemental Information
Schedule of Changes in the Net OPEB Liability and Related Ratios

	Last Five Fiscal Years				
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability					
Service cost	\$ -	\$ 8,120	\$ 9,070	\$ 11,859	\$ 28,487
Interest	36,553	36,846	38,177	74,145	89,425
Differences between expected and actual experience	(226,361)	(59,773)	(167,455)	(29,410)	(546,884)
Changes in assumptions	(209,473)	-	-	55,136	(44,121)
Benefit payments, including refunds	<u>(95,045)</u>	<u>(107,146)</u>	<u>(87,100)</u>	<u>(84,759)</u>	<u>(99,785)</u>
Net Change in Total OPEB Liability	(494,326)	(121,953)	(207,308)	26,971	(572,878)
Total OPEB Liability - Beginning of year	<u>1,643,701</u>	<u>1,765,654</u>	<u>1,972,962</u>	<u>1,945,991</u>	<u>2,518,869</u>
Total OPEB Liability - End of year	<u>\$ 1,149,375</u>	<u>\$ 1,643,701</u>	<u>\$ 1,765,654</u>	<u>\$ 1,972,962</u>	<u>\$ 1,945,991</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 95,045	\$ 307,146	\$ -	\$ -	\$ -
Net investment (loss) income	(18,295)	22,673	-	-	-
Administrative expenses	(399)	(348)	-	-	-
Benefit payments, including refunds	<u>(95,045)</u>	<u>(107,146)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Plan Fiduciary Net Position	(18,694)	222,325	-	-	-
Plan Fiduciary Net Position - Beginning of year	<u>222,325</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan Fiduciary Net Position - End of year	<u>\$ 203,631</u>	<u>\$ 222,325</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB Liability - Ending	<u>\$ 945,744</u>	<u>\$ 1,421,376</u>	<u>\$ 1,765,654</u>	<u>\$ 1,972,962</u>	<u>\$ 1,945,991</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	17.72 %	13.53 %	- %	- %	- %

The OPEB plan has no active employees; therefore, no covered payroll is presented.

Required Supplemental Information
Schedule of OPEB Investment Returns

**Last Two Fiscal Years
Years Ended June 30**

	<u>2022</u>	<u>2021</u>
Annual money-weighted rate of return - Net of investment expense	(8.24)%	28.12 %

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 functional 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.

The Airport Fund and the Revolving Fund are included as part of the General Fund as presented in the financial statements. The required supplemental information shows the budgetary comparison for the General Fund, excluding the Airport and Revolving funds. The budgetary comparison for the Airport Fund and the Revolving Fund is presented in the other supplemental information. A reconciliation of the budgetary comparison schedule to the fund-based statement of revenue, expenditures, and changes in fund balances is as follows:

	Total Revenue	Total Expenditures	Transfers Out	Fund Balance
General Fund budget statement	\$ 5,302,468	\$ 4,197,128	\$ (230,675)	\$ 1,475,557
Airport Fund	117,528	244,263	-	(280,885)
Revolving Fund	318	-	-	812,727
Amounts per fund-based statement	<u>\$ 5,420,314</u>	<u>\$ 4,441,391</u>	<u>\$ (230,675)</u>	<u>\$ 2,007,399</u>

Pension Information

Changes in Assumptions

In the fiscal year ended June 30, 2020 (December 31, 2019 valuation), there were assumption changes that resulted in an increase in the calculated total pension liability for the union and supervisors pension plan. The assumptions changes during the year related to the investment rate of return and the inflation rate.

In the fiscal year ended June 30, 2016 (December 31, 2015 valuation), there were assumption changes that resulted in an increase in the calculated total pension liability for the union and supervisors pension plan. The assumptions changed during the year related to the investment rate of return, discount rate, and mortality tables.

In the fiscal year ended June 30, 2021 (December 31, 2020 valuation) there were assumption changes that resulted in an increase in the calculated total pension liability for the union and supervisors pension plan. The assumptions changed during the year related to mortality tables. There were no changes of benefit terms in 2021.

In the fiscal year ended June 30, 2022 (December 31, 2021 valuation) there were assumption changes that resulted in an increase in the calculated total pension liability for the union and supervisors pension plan. The assumptions changed during the year related to the investment rate of return. There were no changes of benefit terms in 2022.

OPEB Information

Changes in Assumptions

In the fiscal year ended June 30 2022 there were assumption changes that resulted in a decrease in the calculated total OPEB liability. The assumptions changed during the year related to mortality tables and the discount rate.

Other Supplemental Information

Local Street Fund

This fund is used to control the expenditure of motor fuel taxes, which are earmarked by law and the state constitution for local street and highway purposes.

Industrial Park Fund

This fund is used to control the expenditure of moneys earmarked for the City's industrial park.

Police Training Fund

This fund is used to control the expenditure of state grant moneys, which are earmarked for the continued training of police officers.

Drug Enforcement Fund

This fund is used to control the expenditures of moneys earmarked for the local D.A.R.E. program.

Camp Frances Fund

The Camp Frances Educational and Recreational Center is a municipal nonprofit corporation formed in 2009 pursuant to the Home Rule City Act as a single-member corporation. The City Council is the single member and appoints a board of trustees to manage a camp building and surrounding grounds in Bennett Park and to provide for educational and recreational activities there.

Grant Fund

This fund is used to control the expenditure of federal grant moneys, which are earmarked for certain projects within the community.

Facility Building Bond Fund

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

City of Charlotte, Michigan

	Special Revenue Funds			
	Local Street	Industrial Park	Police Training	Drug Enforcement
Assets				
Cash and investments	\$ 774,500	\$ 63,946	\$ 13,691	\$ 11,783
Receivables	68,111	31,505	-	-
Prepays and other assets	-	-	-	-
Total assets	\$ 842,611	\$ 95,451	\$ 13,691	\$ 11,783
Liabilities				
Accounts payable	\$ 2,749	\$ 190	\$ -	\$ 572
Accrued liabilities and other	6,262	-	-	-
Total liabilities	9,011	190	-	572
Deferred Inflows of Resources - Unavailable revenue	18,822	35,205	-	-
Total liabilities and deferred inflows of resources	27,833	35,395	-	572
Fund Balances				
Nonspendable - Prepaid asset	-	-	-	-
Restricted:				
Police training	-	-	13,691	-
Industrial park	-	60,056	-	-
Grants	-	-	-	-
Local streets	814,778	-	-	-
Drug enforcement	-	-	-	11,211
Camp Frances	-	-	-	-
Facility building bond	-	-	-	-
Total fund balances	814,778	60,056	13,691	11,211
Total liabilities, deferred inflows of resources, and fund balances	\$ 842,611	\$ 95,451	\$ 13,691	\$ 11,783

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2022

Special Revenue Funds		Debt Service Fund		Total Nonmajor Governmental Funds
Camp Frances	Grant	Facility Building Bond		
\$ 21,007	\$ 21,283	\$ 65,416	\$ 971,626	
-	-	-	99,616	
36	-	-	36	
\$ 21,043	\$ 21,283	\$ 65,416	\$ 1,071,278	
\$ 81	\$ -	\$ -	\$ 3,592	
-	-	-	6,262	
81	-	-	9,854	
-	-	-	54,027	
81	-	-	63,881	
36	-	-	36	
-	-	-	13,691	
-	-	-	60,056	
-	21,283	-	21,283	
-	-	-	814,778	
-	-	-	11,211	
20,926	-	-	20,926	
-	-	65,416	65,416	
20,962	21,283	65,416	1,007,397	
\$ 21,043	\$ 21,283	\$ 65,416	\$ 1,071,278	

City of Charlotte, Michigan

	Special Revenue Funds			
	Local Street	Industrial Park	Police Training	Drug Enforcement
Revenue				
Property taxes	\$ -	\$ -	\$ -	\$ -
Special assessments	4,738	-	-	-
Intergovernmental - State sources	300,984	-	3,771	-
Investment income	377	39	9	8
Other revenue	50,170	11,600	-	-
Total revenue	356,269	11,639	3,780	8
Expenditures				
Current services:				
Public safety	-	-	3,107	572
Public works	319,959	46	-	-
Community and economic development	-	2,685	-	-
Recreation and culture	-	-	-	-
Capital outlay	53,936	-	-	-
Debt service:				
Principal	-	-	-	-
Interest on long-term debt	-	-	-	-
Total expenditures	373,895	2,731	3,107	572
Excess of Revenue (Under) Over Expenditures	(17,626)	8,908	673	(564)
Other Financing Sources - Transfers in	514,992	-	3,000	-
Net Change in Fund Balances	497,366	8,908	3,673	(564)
Fund Balances - Beginning of year	317,412	51,148	10,018	11,775
Fund Balances - End of year	\$ 814,778	\$ 60,056	\$ 13,691	\$ 11,211

Other Supplemental Information
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds

Year Ended June 30, 2022

Special Revenue Funds		Debt Service Fund		Total Nonmajor Governmental Funds
Camp Frances	Grant	Facility Building Bond		
\$ -	\$ -	\$ 210,355		\$ 210,355
-	-	-		4,738
-	6,370	11,942		323,067
14	24	118		589
3,810	-	-		65,580
3,824	6,394	222,415		604,329
-	-	-		3,679
-	-	-		320,005
-	6,369	-		9,054
2,242	-	-		2,242
-	-	-		53,936
-	-	145,000		145,000
-	-	52,350		52,350
2,242	6,369	197,350		586,266
1,582	25	25,065		18,063
-	-	-		517,992
1,582	25	25,065		536,055
19,380	21,258	40,351		471,342
\$ 20,962	\$ 21,283	\$ 65,416		\$ 1,007,397

Other Supplemental Information
Budgetary Comparison Schedule - Nonmajor Governmental Funds
Local Street

Year Ended June 30, 2022

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Special assessments	\$ 5,400	\$ 3,780	\$ 4,738	\$ 958
State and local sources	546,400	308,000	300,984	(7,016)
Investment income	4,500	400	377	(23)
Other revenue - Other miscellaneous income	47,540	50,135	50,170	35
Total revenue	603,840	362,315	356,269	(6,046)
Expenditures - Public works	1,117,160	430,105	373,895	56,210
Excess of Expenditures Over Revenue	(513,320)	(67,790)	(17,626)	50,164
Other Financing Sources - Transfers in	515,000	515,000	514,992	(8)
Net Change in Fund Balance	1,680	447,210	497,366	50,156
Fund Balance - Beginning of year	317,412	317,412	317,412	-
Fund Balance - End of year	<u>\$ 319,092</u>	<u>\$ 764,622</u>	<u>\$ 814,778</u>	<u>\$ 50,156</u>

City of Charlotte, Michigan

Other Supplemental Information
 Budgetary Comparison Schedule - Nonmajor Governmental Funds
 (Continued)
 Industrial Park

Year Ended June 30, 2022

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Investment income	\$ 40	\$ 40	\$ 39	\$ (1)
Other revenue	11,600	11,600	11,600	-
Total revenue	11,640	11,640	11,639	(1)
Expenditures - Current - Community and economic development	3,820	3,820	2,731	1,089
Excess of Revenue Over Expenditures	7,820	7,820	8,908	1,088
Fund Balance - Beginning of year	51,148	51,148	51,148	-
Fund Balance - End of year	<u>\$ 58,968</u>	<u>\$ 58,968</u>	<u>\$ 60,056</u>	<u>\$ 1,088</u>

City of Charlotte, Michigan

Other Supplemental Information
 Budgetary Comparison Schedule - Nonmajor Governmental Funds
 (Continued)
 Police Training

Year Ended June 30, 2022

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue - State sources	\$ 3,780	\$ 3,780	\$ 3,780	\$ -
Expenditures - Current - Public safety - Police	5,500	5,500	3,107	2,393
Excess of Revenue (Under) Over Expenditures	(1,720)	(1,720)	673	2,393
Other Financing Sources - Transfers in	3,000	3,000	3,000	-
Net Change in Fund Balance	1,280	1,280	3,673	2,393
Fund Balance - Beginning of year	10,018	10,018	10,018	-
Fund Balance - End of year	<u>\$ 11,298</u>	<u>\$ 11,298</u>	<u>\$ 13,691</u>	<u>\$ 2,393</u>

City of Charlotte, Michigan

Other Supplemental Information
 Budgetary Comparison Schedule - Nonmajor Governmental Funds
 (Continued)
 Drug Enforcement

Year Ended June 30, 2022

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Investment income	\$ 10	\$ 10	\$ 8	\$ (2)
Other revenue	1,490	1,490	-	(1,490)
Total revenue	1,500	1,500	8	(1,492)
Expenditures - Current - Public safety - Police	1,500	1,500	572	928
Net Change in Fund Balance	-	-	(564)	(564)
Fund Balance - Beginning of year	11,775	11,775	11,775	-
Fund Balance - End of year	<u>\$ 11,775</u>	<u>\$ 11,775</u>	<u>\$ 11,211</u>	<u>\$ (564)</u>

City of Charlotte, Michigan

Other Supplemental Information
 Budgetary Comparison Schedule - Nonmajor Governmental Funds
 (Continued)
 Facility Building Bond

Year Ended June 30, 2022

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Property taxes	\$ 210,355	\$ 210,355	\$ 210,355	\$ -
Intergovernmental	12,000	12,000	11,942	(58)
Investment income	150	150	118	(32)
Total revenue	<u>222,505</u>	<u>222,505</u>	<u>222,415</u>	<u>(90)</u>
Expenditures				
Current services - Community and economic development	500	500	-	500
Debt service:				
Principal	145,000	145,000	145,000	-
Interest on long-term debt	52,350	52,350	52,350	-
Total expenditures	<u>197,850</u>	<u>197,850</u>	<u>197,350</u>	<u>500</u>
Net Change in Fund Balance	24,655	24,655	25,065	410
Fund Balance - Beginning of year	<u>40,351</u>	<u>40,351</u>	<u>40,351</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 65,006</u></u>	<u><u>\$ 65,006</u></u>	<u><u>\$ 65,416</u></u>	<u><u>\$ 410</u></u>

City of Charlotte, Michigan

Other Supplemental Information
 Budgetary Comparison Schedule - Nonmajor Governmental Funds
 (Continued)
 Grant

Year Ended June 30, 2022

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Intergovernmental	\$ 6,370	\$ 6,370	\$ 6,370	\$ -
Investment income	25	25	24	(1)
Total revenue	6,395	6,395	6,394	(1)
Expenditures - Current services - Community and economic development	6,370	6,370	6,369	1
Net Change in Fund Balance	25	25	25	-
Fund Balance - Beginning of year	21,258	21,258	21,258	-
Fund Balance - End of year	<u>\$ 21,283</u>	<u>\$ 21,283</u>	<u>\$ 21,283</u>	<u>\$ -</u>

City of Charlotte, Michigan

Other Supplemental Information
Governmental Fund included in General Fund
Airport

Year Ended June 30, 2022

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue - Other	\$ 151,000	\$ 151,000	\$ 117,528	\$ (33,472)
Expenditures - Current - Recreation and culture	289,245	289,245	244,263	44,982
Excess of Expenditures Over Revenue	(138,245)	(138,245)	(126,735)	11,510
Other Financing Sources - Transfers in	138,245	138,245	-	(138,245)
Net Change in Fund Balance	-	-	(126,735)	(126,735)
Fund Balance (Deficit) - Beginning of year	(154,150)	(154,150)	(154,150)	-
Fund Balance (Deficit) - End of year	<u>\$ (154,150)</u>	<u>\$ (154,150)</u>	<u>\$ (280,885)</u>	<u>\$ (126,735)</u>

City of Charlotte, Michigan

**Other Supplemental Information
Governmental Fund included in General Fund
Revolving Fund**

Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Revenue - Investment income	\$ -	\$ -	\$ 318	\$ 318
Expenditures	-	-	-	-
Net Change in Fund Balance	-	-	318	318
Fund Balance - Beginning of year	812,409	812,409	812,409	-
Fund Balance - End of year	<u>\$ 812,409</u>	<u>\$ 812,409</u>	<u>\$ 812,727</u>	<u>\$ 318</u>

Other Supplemental Information
Combining Statement of Net Position
Internal Service Funds

June 30, 2022

	Motor Vehicle Pool	Information Technology Pool	Total Internal Service Funds
Assets			
Current assets:			
Cash and cash equivalents	\$ 520,002	\$ 231,149	\$ 751,151
Prepaid expenses and other assets	16,043	-	16,043
Total current assets	536,045	231,149	767,194
Noncurrent assets - Capital assets - Net	1,053,896	-	1,053,896
Total assets	1,589,941	231,149	1,821,090
Deferred Outflows of Resources - Deferred pension costs	30,303	-	30,303
Liabilities			
Current liabilities:			
Accounts payable	29,960	6,761	36,721
Accrued liabilities and other	4,067	-	4,067
Total current liabilities	34,027	6,761	40,788
Noncurrent liabilities - Net pension liability	178,476	-	178,476
Total liabilities	212,503	6,761	219,264
Deferred Inflows of Resources - Deferred pension cost reductions	19,283	-	19,283
Net Position			
Net investment in capital assets	1,053,896	-	1,053,896
Unrestricted	334,562	224,388	558,950
Total net position	\$ 1,388,458	\$ 224,388	\$ 1,612,846

City of Charlotte, Michigan

Other Supplemental Information
Combining Statement of Revenue, Expenses, and Changes in Net Position
Internal Service Funds

Year Ended June 30, 2022

	<u>Motor Vehicle Pool</u>	<u>Information Technology Pool</u>	<u>Total Internal Service Funds</u>
Operating Revenue			
Other	\$ 14,476	\$ -	\$ 14,476
Charges to other funds	564,576	300,000	864,576
Total operating revenue	579,052	300,000	879,052
Operating Expenses			
Cost of services	376,893	203,611	580,504
Depreciation	164,818	-	164,818
Total operating expenses	541,711	203,611	745,322
Operating Income	37,341	96,389	133,730
Nonoperating Revenue - Investment income	52	125	177
Change in Net Position	37,393	96,514	133,907
Net Position - Beginning of year	1,351,065	127,874	1,478,939
Net Position - End of year	<u>\$ 1,388,458</u>	<u>\$ 224,388</u>	<u>\$ 1,612,846</u>

Other Supplemental Information
Combining Statement of Cash Flows
Internal Service Funds

Year Ended June 30, 2022

	Motor Vehicle Pool	Information Technology Pool	Total Internal Service Funds
Cash Flows from Operating Activities			
Receipts from interfund services and reimbursements	\$ 708,662	\$ 300,000	\$ 1,008,662
Payments to suppliers	(206,530)	(203,592)	(410,122)
Payments to employees and fringes	(125,246)	-	(125,246)
Net cash and cash equivalents provided by operating activities	376,886	96,408	473,294
Cash Flows Used in Capital and Financing Activities -			
Purchase of capital assets	(52,046)	-	(52,046)
Cash Flows Provided by Investing Activities - Interest			
received on investments	52	125	177
Net Increase in Cash and Cash Equivalents	324,892	96,533	421,425
Cash and Cash Equivalents - Beginning of year	195,110	134,616	329,726
Cash and Cash Equivalents - End of year	\$ 520,002	\$ 231,149	\$ 751,151
Reconciliation of Operating Income to Net Cash from Operating Activities			
Operating income	\$ 37,341	\$ 96,389	\$ 133,730
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation	164,818	-	164,818
Changes in assets and liabilities:			
Due to and from other funds	129,610	-	129,610
Prepaid and other assets	235	-	235
Net pension and accrued liabilities	21,169	-	21,169
Accounts payable	23,713	19	23,732
Total adjustments	339,545	19	339,564
Net cash and cash equivalents provided by operating activities	\$ 376,886	\$ 96,408	\$ 473,294

Statistical Section

This part of the Annual Comprehensive 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

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year. The City implemented GASB Statement 34 in 2004; schedules presenting government-wide information include information beginning in that year.

Financial Trends

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

City of Charlotte, Michigan

	As of June 30,			
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Governmental Activities:				
Net investment in capital assets	\$ 16,202,851	\$ 15,617,415	\$ 15,365,101	\$ 14,928,939
Restricted	1,014,827	1,076,663	1,449,173	1,665,202
Unrestricted	<u>1,294,226</u>	<u>669,720</u>	<u>(3,478,998)</u>	<u>(3,756,822)</u>
Total net position	<u>\$ 18,511,904</u>	<u>\$ 17,363,798</u>	<u>\$ 13,335,276</u>	<u>\$ 12,837,319</u>
Business Type Activities:				
Net investment in capital assets	\$ 9,971,225	\$ 10,065,565	\$ 11,186,706	\$ 11,317,330
Restricted	748,181	860,060	583,803	550,448
Unrestricted	<u>1,749,702</u>	<u>1,885,116</u>	<u>31,249</u>	<u>476,108</u>
Total net position	<u>\$ 12,469,108</u>	<u>\$ 12,810,741</u>	<u>\$ 11,801,758</u>	<u>\$ 12,343,886</u>
Primary government in total:				
Net investment in capital assets	\$ 26,174,076	\$ 25,682,980	\$ 26,551,807	\$ 26,246,269
Restricted	1,763,008	1,936,723	2,032,976	2,215,650
Unrestricted	<u>3,043,928</u>	<u>2,554,836</u>	<u>(3,447,749)</u>	<u>(3,280,714)</u>
Total net position	<u>\$ 30,981,012</u>	<u>\$ 30,174,539</u>	<u>\$ 25,137,034</u>	<u>\$ 25,181,205</u>

Net Position by Component

Last Ten Fiscal Years

June 30, 2022

As of June 30,					
2017	2018	2019	2020	2021	2022
\$ 14,741,754	\$ 13,934,175	\$ 15,034,711	\$ 15,334,364	\$ 15,731,917	\$ 15,329,601
1,773,032	2,137,526	1,537,149	1,496,722	1,866,627	2,274,848
(4,443,793)	(5,945,945)	(7,253,741)	(8,460,578)	(8,257,033)	(6,775,998)
<u>\$ 12,070,993</u>	<u>\$ 10,125,756</u>	<u>\$ 9,318,119</u>	<u>\$ 8,370,508</u>	<u>\$ 9,341,511</u>	<u>\$ 10,828,451</u>
\$ 12,018,103	\$ 12,781,541	\$ 13,381,230	\$ 13,409,769	\$ 13,759,049	\$ 13,897,019
443,321	471,890	506,988	416,441	336,483	302,589
344,157	(243,555)	(542,164)	(36,580)	481,788	1,613,711
<u>\$ 12,805,581</u>	<u>\$ 13,009,876</u>	<u>\$ 13,346,054</u>	<u>\$ 13,789,630</u>	<u>\$ 14,577,320</u>	<u>\$ 15,813,319</u>
\$ 26,759,857	\$ 26,715,716	\$ 28,415,941	\$ 28,744,133	\$ 29,490,966	\$ 29,226,620
2,216,353	2,609,416	2,044,137	1,913,163	2,203,110	2,577,437
(4,099,636)	(6,189,500)	(7,795,905)	(8,497,158)	(7,775,245)	(5,162,287)
<u>\$ 24,876,574</u>	<u>\$ 23,135,632</u>	<u>\$ 22,664,173</u>	<u>\$ 22,160,138</u>	<u>\$ 23,918,831</u>	<u>\$ 26,641,770</u>

City of Charlotte, Michigan

	Fiscal Years Ended June 30,			
	2013	2014	2015	2016
Expenses				
General Government	\$ 708,104	\$ 564,566	\$ 801,558	\$ 719,069
Public Safety	2,946,200	2,936,410	2,920,571	3,555,820
Public Works	2,090,492	2,696,273	2,060,914	2,087,823
Community and economic development	159,960	143,934	152,457	578,019
Recreation and culture	406,441	371,489	389,838	410,365
Interest on long-term debt	144,955	157,312	137,936	121,406
Total governmental activities	6,456,152	6,869,984	6,463,274	7,472,502
Program revenue				
Charges for services:				
General Government	162,947	172,113	129,051	63,599
Public Safety	240,796	440,168	426,886	301,696
Public Works	-	-	-	-
Total charges for services	403,743	612,281	555,937	365,295
Operating grants and contributions	548,968	605,143	632,492	705,354
Capital grants and contributions	139,011	-	1,324	752,267
Total program revenue	1,091,722	1,217,424	1,189,753	1,822,916
Net (expense) revenue	\$ (5,364,430)	\$ (5,652,560)	\$ (5,273,521)	\$ (5,649,586)
General Revenues				
Property taxes	3,465,508	3,384,261	3,667,494	3,689,202
State shared revenue	845,931	846,007	899,907	995,879
Investment earnings	2,267	6,644	7,718	9,666
Miscellaneous	278,512	267,542	879,737	456,882
Total general revenues	4,592,218	4,504,454	5,454,856	5,151,629
Transfers	-	-	-	-
Special items	-	-	935,266	-
Changes in Net Position	\$ (772,212)	\$ (1,148,106)	\$ 1,116,601	\$ (497,957)

Changes in Governmental Net Position

Last Ten Fiscal Years

June 30, 2022

Fiscal Years Ended June 30,					
2017	2018	2019	2020	2021	2022
\$ 773,727	\$ 659,443	\$ 1,004,556	\$ 824,742	\$ 1,070,178	\$ 525,488
3,541,230	3,476,023	3,837,799	3,926,436	3,492,251	4,028,306
2,305,536	2,371,108	2,312,824	2,324,473	2,042,552	1,856,696
393,845	288,705	247,201	221,846	360,727	226,388
319,348	419,589	420,460	352,839	338,182	417,502
107,323	79,878	59,830	55,866	52,182	23,799
<u>7,441,009</u>	<u>7,294,746</u>	<u>7,882,670</u>	<u>7,706,202</u>	<u>7,356,072</u>	<u>7,078,179</u>
155,466	167,781	161,225	228,377	171,780	111,500
299,771	322,185	329,642	327,395	303,966	406,353
-	-	-	-	-	-
<u>455,237</u>	<u>489,966</u>	<u>490,867</u>	<u>555,772</u>	<u>475,746</u>	<u>517,853</u>
699,468	897,919	896,463	936,311	1,328,827	1,251,731
334,589	186,040	125,381	1,142	997,269	36,370
1,489,294	1,573,925	1,512,711	1,493,225	2,801,842	1,805,954
<u>\$ (5,951,715)</u>	<u>\$ (5,720,821)</u>	<u>\$ (6,369,959)</u>	<u>\$ (6,212,977)</u>	<u>\$ (4,554,230)</u>	<u>\$ (5,272,225)</u>
3,674,424	3,651,312	3,687,465	3,779,354	3,910,104	4,908,600
1,129,391	1,255,119	1,284,001	1,199,319	1,399,651	1,521,354
13,087	27,550	53,208	59,258	3,914	3,849
376,242	366,018	546,748	239,639	211,564	325,362
5,193,144	5,299,999	5,571,422	5,277,570	5,525,233	6,759,165
(7,755)	(8,736)	(9,100)	(12,204)	-	-
-	-	-	-	-	-
<u>\$ (766,326)</u>	<u>\$ (429,558)</u>	<u>\$ (807,637)</u>	<u>\$ (947,611)</u>	<u>\$ 971,003</u>	<u>\$ 1,486,940</u>

City of Charlotte, Michigan

	Fiscal Years Ended June 30,			
	2013	2014	2015	2016
Operating Revenue				
Sale of water	1,502,614	1,459,366	1,440,924	1,501,145
Sewage disposal charges	1,944,182	1,954,933	1,950,610	2,101,169
Tap fees	-	-	-	-
Recycling fees	36,712	25,067	30,600	27,526
Other	16,030	26,807	22,820	53,720
Total operating revenue	3,499,538	3,466,173	3,444,954	3,683,560
Operating Expenses				
Cost of services	2,252,478	2,167,010	2,352,465	2,291,681
Recycling	63,540	76,541	72,473	66,360
Depreciation	606,948	620,472	644,123	667,423
Total operating expenses	2,922,966	2,864,023	3,069,061	3,025,464
Net (expense) revenue	\$ 576,572	\$ 602,150	\$ 375,893	\$ 658,096
Nonoperating Revenue (Expenses)				
Interest income	452	1,618	2,115	3,025
Interest expense	(253,044)	(299,010)	(183,388)	(132,528)
Gain (loss) on disposal of assets	-	-	-	(2,612)
Other	30,803	36,875	28,871	21,947
Income (Loss) - Before contributions	354,783	341,633	223,491	547,928
Capital Contributions	-	-	-	-
Transfers (to) from other funds	-	-	-	-
Change in Net Position	\$ 354,783	\$ 341,633	\$ 223,491	\$ 547,928
Total Primary Government Revenue	9,183,478	9,188,051	11,024,829	10,658,105
Total Primary Government Expense	9,600,907	9,994,524	9,684,737	10,608,134
Total Primary Government Change in Net Position	\$ (417,429)	\$ (806,473)	\$ 1,340,092	\$ 49,971

Changes in Business Type Net Position

Last Ten Fiscal Years

June 30, 2022

Fiscal Years Ended June 30,					
2017	2018	2019	2020	2021	2022
1,557,821	1,549,416	1,587,517	1,527,886	1,793,030	1,798,004
2,171,562	2,137,049	2,193,108	2,325,035	2,775,613	2,907,693
-	-	-	-	-	-
30,365	23,806	16,160	8,996	16,594	34,417
35,567	22,870	118,453	68,271	81,170	75,845
<u>3,795,315</u>	<u>3,733,141</u>	<u>3,915,238</u>	<u>3,930,188</u>	<u>4,666,407</u>	<u>4,815,959</u>
2,527,059	2,673,925	2,789,095	2,721,632	3,153,766	2,995,435
67,391	67,102	63,191	62,855	55,415	60,122
672,430	661,732	699,425	686,817	640,756	606,103
3,266,880	3,402,759	3,551,711	3,471,304	3,849,937	3,661,660
<u>\$ 528,435</u>	<u>\$ 330,382</u>	<u>\$ 363,527</u>	<u>\$ 458,884</u>	<u>\$ 816,470</u>	<u>\$ 1,154,299</u>
5,498	7,750	29,912	16,804	3,153	2,885
(110,741)	(108,104)	(87,778)	(84,841)	(75,841)	(66,641)
-	-	-	-	70	-
24,948	27,776	21,417	40,525	43,838	145,456
448,140	257,804	327,078	431,372	787,690	1,235,999
-	-	-	-	-	-
7,755	8,736	9,100	12,204	-	-
<u>\$ 455,895</u>	<u>\$ 266,540</u>	<u>\$ 336,178</u>	<u>\$ 443,576</u>	<u>\$ 787,690</u>	<u>\$ 1,235,999</u>
10,469,998	10,598,329	11,050,700	10,758,312	13,040,543	13,529,419
10,780,429	10,761,347	11,522,159	11,262,347	11,281,850	10,806,480
<u>\$ (310,431)</u>	<u>\$ (163,018)</u>	<u>\$ (471,459)</u>	<u>\$ (504,035)</u>	<u>\$ 1,758,693</u>	<u>\$ 2,722,939</u>

City of Charlotte, Michigan

	As of June 30,			
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund:				
Reserved	\$ -	\$ -	\$ -	\$ -
Nonspendable	167,078	174,100	147,829	165,380
Assigned	320,000	250,000	350,000	445,000
Unassigned	1,091,005	1,218,492	1,992,621	2,289,441
Unreserved	-	-	-	-
Total general fund	<u>\$ 1,578,083</u>	<u>\$ 1,642,592</u>	<u>\$ 2,490,450</u>	<u>\$ 2,899,821</u>
All other governmental funds:				
Reserved	-	-	-	-
Nonspendable	1,774	2,968	3,185	2,758
Assigned	-	-	63	70
Restricted	945,023	1,023,307	1,398,780	1,618,516
Unreserved/Unassigned - Report in:				
Special revenue funds	-	-	-	(133,225)
Capital projects funds	-	-	-	-
Total all other governmental funds	<u>946,797</u>	<u>1,026,275</u>	<u>1,402,028</u>	<u>1,488,119</u>
Total of all governmental funds	<u>\$ 2,524,880</u>	<u>\$ 2,668,867</u>	<u>\$ 3,892,478</u>	<u>\$ 4,387,940</u>

Fund Balances, Governmental Funds

Last Ten Fiscal Years

June 30, 2022

As of June 30,					
2017	2018	2019	2020	2021	2022
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
177,540	190,095	178,658	130,650	110,125	119,938
380,000	200,000	200,000	1,012,030	812,409	812,727
2,026,452	2,398,531	1,774,512	301,422	336,617	1,074,734
-	-	-	-	-	-
\$ 2,583,992	\$ 2,788,626	\$ 2,153,170	\$ 1,444,102	\$ 1,259,151	\$ 2,007,399
-	-	-	-	-	-
2,199	7,056	6,437	4,042	2,136	4,264
-	-	-	-	-	-
1,731,971	2,095,920	1,499,435	1,432,389	1,808,157	2,216,557
(171,328)	(57,454)	-	-	-	-
-	-	-	-	-	-
1,562,842	2,045,522	1,505,872	1,436,431	1,810,293	2,220,821
\$ 4,146,834	\$ 4,834,148	\$ 3,659,042	\$ 2,880,533	\$ 3,069,444	\$ 4,228,220

City of Charlotte, Michigan

	Fiscal Year Ended June 30,			
	2013	2014	2015	2016
Revenue				
Property taxes	\$ 3,466,618	\$ 3,384,261	\$ 3,667,494	\$ 3,708,172
Special assessments	2,579	17,642	3,974	3,280
Licenses and permits	26,586	28,256	27,043	36,963
State and local sources	1,449,486	1,490,879	1,533,161	1,695,569
Federal grants	607,800	-	1,324	444,341
Charges for services	299,605	492,972	492,245	359,754
Fines and forfeitures	31,713	37,478	30,126	29,025
Other	285,705	279,304	287,455	466,548
Total revenue	6,170,092	5,730,792	6,042,822	6,743,652
Expenditures				
Current:				
General government	621,205	497,398	477,808	515,507
Public safety	2,699,043	2,677,668	2,672,781	2,810,223
Public works	1,034,223	1,026,198	1,009,081	1,170,416
Recreation and culture	296,248	271,677	263,382	258,361
Community and economic development	140,152	164,082	138,268	303,085
Capital outlay	520,344	1,001,932	746,603	632,544
Debt service - Principal	232,189	237,378	412,155	435,131
Debt service - Interest	146,260	136,472	139,399	122,923
Total expenditures	5,689,664	6,012,805	5,859,477	6,248,190
Excess of Revenue (Under) Over Expenditures	480,428	(282,013)	183,345	495,462
Other Financing Sources (Uses)				
Proceeds from long-term debt	-	426,000	105,000	-
Debt Premium	-	-	-	-
Payment to bond refunding escrow agent	-	-	-	-
Sale of fixed assets	-	-	-	-
Transfers in	294,549	139,648	142,812	142,090
Transfers out	(294,549)	(139,648)	(142,812)	(142,090)
Total other financing sources (uses)	-	426,000	105,000	-
Extraordinary Item	-	-	935,266	-
Net change in fund balances	480,428	143,987	1,223,611	495,462
Fund Balances - Beginning of year	2,044,452	2,524,880	2,668,867	3,892,478
Fund Balances - End of year	\$ 2,524,880	\$ 2,668,867	\$ 3,892,478	\$ 4,387,940
Debt service as a percentage of noncapital expenditures	7.36%	7.40%	10.62%	9.82%

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

June 30, 2022

Fiscal Year Ended June 30,						
2017	2018	2019	2020	2021	2022	
\$ 3,655,814	\$ 3,651,312	\$ 3,687,465	\$ 3,779,354	\$ 3,910,104	\$ 4,908,600	
5,066	4,312	3,273	5,550	4,924	4,738	
40,748	96,792	45,774	51,384	74,747	12,107	
1,822,953	2,146,430	2,180,464	2,136,680	2,457,736	2,629,033	
14,875	186,040	125,381	733	694,013	102,760	
353,019	370,334	814,712	454,321	383,419	491,083	
26,732	19,030	22,841	13,112	13,455	14,663	
389,329	393,568	201,206	298,897	215,478	329,211	
<u>6,308,536</u>	<u>6,867,818</u>	<u>7,081,116</u>	<u>6,740,031</u>	<u>7,753,876</u>	<u>8,492,195</u>	
516,184	736,848	742,585	823,829	1,288,430	944,612	
2,907,375	2,878,350	3,005,216	3,215,858	3,222,683	3,721,442	
1,240,303	1,245,922	1,400,675	1,378,203	1,362,995	1,195,490	
219,043	243,776	190,075	230,177	204,445	329,318	
293,356	270,809	223,450	216,133	353,867	227,334	
1,025,280	621,692	2,452,783	1,408,124	896,333	717,873	
232,312	140,444	166,046	171,668	177,292	145,000	
108,034	85,620	66,292	62,344	58,920	52,350	
<u>6,541,887</u>	<u>6,223,461</u>	<u>8,247,122</u>	<u>7,506,336</u>	<u>7,564,965</u>	<u>7,333,419</u>	
(233,351)	644,357	(1,166,006)	(766,305)	188,911	1,158,776	
-	2,165,000	-	-	-	-	
-	119,664	-	-	-	-	
-	(2,232,971)	-	-	-	-	
-	-	-	-	-	-	
95,968	24,504	126,600	155,504	142,992	730,667	
<u>(103,723)</u>	<u>(33,240)</u>	<u>(135,700)</u>	<u>(167,708)</u>	<u>(142,992)</u>	<u>(730,667)</u>	
(7,755)	42,957	(9,100)	(12,204)	-	-	
-	-	-	-	-	-	
(241,106)	687,314	(1,175,106)	(778,509)	188,911	1,158,776	
<u>4,387,940</u>	<u>4,146,834</u>	<u>4,834,148</u>	<u>3,659,042</u>	<u>2,880,533</u>	<u>3,069,444</u>	
\$ 4,146,834	\$ 4,834,148	\$ 3,659,042	\$ 2,880,533	\$ 3,069,444	\$ 4,228,220	
6.32%	3.88%	3.09%	3.45%	3.45%	2.98%	

Revenue Capacity

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

City of Charlotte, Michigan

Taxable Value by Property Type:

Tax Year	Fiscal Year	Real Property				Personal Property	Total Taxable Value
		Residential	Commercial	Industrial			
2012	2013	\$ 121,858,020	\$ 51,216,664	\$ 16,192,747	\$ 29,116,426	\$ 218,383,857	
2013	2014	120,431,096	51,142,861	15,181,108	25,704,005	212,459,070	
2014	2015	121,005,296	47,611,439	16,250,418	23,134,416	208,001,569	
2015	2016	121,749,189	47,002,265	15,862,719	23,410,295	208,024,468	
2016	2017	121,590,703	47,219,379	15,890,865	17,786,590	202,487,537	
2017	2018	124,048,791	47,889,627	17,604,889	18,104,711	207,648,018	
2018	2019	127,420,647	49,992,014	17,562,619	17,299,537	212,274,817	
2019	2020	131,976,362	51,006,917	17,854,239	16,245,900	217,083,418	
2020	2021	136,365,151	51,180,885	20,998,175	15,726,400	224,270,611	
2021	2022	141,412,759	53,100,771	23,757,728	15,389,800	233,661,058	

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

Taxable Value and Actual Value of Taxable Property

Last Ten Fiscal Years

Total Direct Tax Rate (mills)		Estimated Actual Value	As a Percent of Actual Value
15.24	\$	504,135,496	43.32%
15.27		465,956,448	45.60%
15.34		451,948,764	46.02%
15.34		442,609,990	47.00%
15.35		450,801,676	44.92%
15.35		453,133,610	45.82%
15.29		477,341,156	44.47%
15.41		503,585,046	43.11%
15.36		538,404,566	41.65%
19.15		566,043,144	41.28%

City of Charlotte, Michigan

Tax Year	Millage Rates - Direct City			Total direct taxes	Overlapping taxes	
	General - Operating	Debt	Special Purpose		County	State Education Tax
2021	14.25	.90	4.00	19.15	9.08	6.0000
2020	14.28	.90	.18	15.36	9.08	6.0000
2019	14.29	0.94	0.18	15.41	9.09	6.0000
2018	14.29	0.90	0.10	15.29	9.09	6.0000
2017	14.29	1.00	0.10	15.39	9.09	6.0000
2016	14.29	0.96	0.10	15.35	9.09	6.0000
2015	14.29	0.96	0.10	15.35	9.09	6.0000
2014	14.29	0.95	0.10	15.34	9.09	6.0000
2013	14.29	0.95	0.10	15.34	7.59	6.0000
2012	14.29	0.88	0.10	15.27	7.59	6.0000

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

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years

Overlapping taxes				Total Tax Rate	
District Library	Intermediate School District	Public Schools -	Public Schools -	Homestead	Non-homestead
		Homestead	Nonhomestead		
1.3885	3.7441	8.0900	26.0900	47.4535	65.4535
1.3951	3.7582	8.0900	26.0900	43.6834	61.6834
1.4000	3.8788	8.0900	26.0900	43.8650	61.8650
1.4000	3.8788	8.0900	26.0900	43.7500	61.7500
0.9000	3.8778	8.0900	26.0900	43.3490	61.3490
0.9000	3.8778	8.0900	26.0900	43.3090	61.3090
0.9000	3.8778	8.0900	26.0900	43.3090	61.3090
0.9000	3.8778	8.0900	26.0900	43.2990	61.2990
0.9000	3.8778	8.0900	26.0900	41.7990	59.7990
0.9000	3.8778	8.0900	26.0900	41.7290	59.7290

Principal Property Taxpayers

	Taxpayer	2021 Taxable Value	Percentage of Total	2012 Taxable Value	Percentage of Total	2012 Rank
1	Shyft Group/Spartan Motors	\$ 12,685,316	6.11	\$ 16,639,062	7.34	1
2	Consumers Energy	7,246,613	3.49	4,775,749	2.11	4
3	Meijer, Inc.	4,479,076	2.16	6,832,984	3.02	2
4	Wal-Mart Stores, Inc.	4,105,574	1.98	4,792,745	2.12	3
5	500 Packard Highway LLC	3,364,196	1.62			
6	Victorinox LLC	3,277,932	1.58			
7	The Carrington Company	2,911,870	1.40			
8	Legacy Parke Partners LLC	2,375,184	1.14	2,098,339	0.93	7
9	Alro Steel Corporation	1,861,526	0.90			
10	Butternut Creek Apartments	1,413,142	0.68	1,170,789		9
	Linn Products, Inc.			3,575,463	1.58	5
	Owens-Illinois Glass Container			2,933,697	3.40	6
	Enovapremier of Michigan LLC			1,585,854	0.70	8
	Sulai Hospitality, Inc			1,160,695		10
	Total	\$ 43,720,429		\$ 45,565,377		

Property Tax Levies and Collections

Last Ten Fiscal Years

Tax Year	Fiscal Year	Total Tax Levy	Current Collections	Percent Collected	Delinquent Collections	Total Tax Collections	Percent Collected
2012	2013	\$ 3,334,687	\$ 3,202,434	96.03	\$ 129,197	\$ 3,331,631	99.91
2013	2014	3,259,064	3,149,553	96.64	106,719	3,256,272	99.91
2014	2015	3,190,864	3,081,281	96.57	107,499	3,188,780	99.93
2015	2016	3,192,615	3,082,696	96.56	108,822	3,191,518	99.97
2016	2017	3,108,121	3,006,852	96.74	85,776	3,092,628	99.50
2017	2018	3,249,045	3,128,735	96.30	119,934	3,248,669	99.99
2018	2019	3,278,529	3,176,132	96.88	99,529	3,275,661	99.91
2019	2020	3,393,913	3,296,164	97.12	91,971	3,388,136	99.83
2020	2021	3,525,635	3,403,585	96.54	114,600	3,518,186	99.79
2021	2022	4,019,599	3,926,933	97.69	89,026	4,015,959	99.91

Note: Delinquent collections reported are related to the tax year

Debt Capacity

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

City of Charlotte, Michigan

	As of June 30,			
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Governmental Activities:				
General obligation bonds	\$ 3,160,000	\$ 2,950,000	\$ 2,725,000	\$ 2,490,000
Loans payable	81,552	497,148	433,767	251,512
Economic development agreement	58,086	40,212	22,338	4,464
Total	<u>3,299,638</u>	<u>3,487,360</u>	<u>3,181,105</u>	<u>2,745,976</u>
Business Type Activities:				
General obligation bonds	-	-	-	-
Loans payable	-	-	-	-
Revenue bonds	4,745,454	4,399,169	4,050,000	3,650,000
Total	<u>4,745,454</u>	<u>4,399,169</u>	<u>4,050,000</u>	<u>3,650,000</u>
Total debt of the government	<u>\$ 8,045,092</u>	<u>\$ 7,886,529</u>	<u>\$ 7,231,105</u>	<u>\$ 6,395,976</u>
Total residential personal income	N/A	N/A	N/A	N/A
Ratio of total debt to personal income	N/A	N/A	N/A	N/A
Total Population *	9,074	9,085	9,073	9,094
Total debt per capita	887	868	797	703

* 2013-2019 population estimates from Census.Gov, 2020 estimate by City

Ratios of Outstanding Debt

Last Ten Fiscal Years

As of June 30,						
2017	2018	2019	2020	2021	2022	
\$ 2,310,000	\$ 2,165,000	\$ 2,030,000	\$ 1,890,000	\$ 1,745,000	\$ 1,600,000	
203,672	173,237	142,188	110,525	78,228	56,413	
-	-	-	-	-	-	
<u>2,513,672</u>	<u>2,338,237</u>	<u>2,172,188</u>	<u>2,000,525</u>	<u>1,823,228</u>	<u>1,656,413</u>	
-	-	-	-	-	-	
-	-	-	-	-	-	
<u>3,225,000</u>	<u>2,795,000</u>	<u>2,355,000</u>	<u>1,905,000</u>	<u>1,445,000</u>	<u>975,000</u>	
<u>3,225,000</u>	<u>2,795,000</u>	<u>2,355,000</u>	<u>1,905,000</u>	<u>1,445,000</u>	<u>975,000</u>	
<u>\$ 5,738,672</u>	<u>\$ 5,133,237</u>	<u>\$ 4,527,188</u>	<u>\$ 3,905,525</u>	<u>\$ 3,268,228</u>	<u>\$ 2,631,413</u>	
N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A
9,079	9,068	9,090	9,090	9,134	9,134	9,134
632	566	498	430	358	288	288

City of Charlotte, Michigan

Fiscal Year	Tax-limited General Obligation Bonds (LTGO)	Tax-supported Bonds (UTGO)	Less Pledged Debt Service Funds	Net General Bonded Debt
2013	460,000	2,700,000	-	(2,240,000)
2014	340,000	2,610,000	-	(2,270,000)
2015	210,000	2,515,000	-	(2,305,000)
2016	75,000	2,415,000	-	(2,340,000)
2017	-	2,310,000	-	(2,310,000)
2018	-	2,165,000	-	(2,165,000)
2019	-	2,030,000	-	(2,030,000)
2020	-	1,890,000	-	(1,890,000)
2021	-	1,745,000	-	(1,745,000)
2022	-	1,600,000	-	(1,600,000)

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

Taxable Value	Debt as a Percentage of Taxable Value	Population	Debt per Capita
218,383,857	(1.03)	9,080	(247)
212,459,070	(1.07)	9,074	(250)
208,001,569	(1.11)	9,085	(254)
208,024,468	(1.12)	9,073	(258)
202,487,537	(1.14)	9,094	(254)
207,648,018	(1.04)	9,079	(238)
212,274,817	(0.96)	9,068	(224)
217,083,418	(0.87)	9,090	(208)
224,270,611	(0.78)	9,134	(191)
233,661,058	(0.68)	9,134	(175)

City of Charlotte, Michigan

Direct and Overlapping Governmental Activities Debt

June 30, 2022

Governmental Unit	Debt Outstanding	Estimated Percent Applicable (1)	Direct and Estimated Overlapping Debt
Eaton County	\$ 18,107,188	5.89	\$ 1,066,513
Eaton Intermediate School District	2,910,000	8.41	244,731
Charlotte Public Schools	<u>86,975,000</u>	38.39	<u>33,389,703</u>
	³		
Total overlapping debt	107,992,188		34,700,947
Direct City debt	<u>1,823,228</u>	100.00	<u>1,823,228</u>
Total direct and overlapping debt	<u>\$ 109,815,416</u>		<u>\$ 36,524,175</u>

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

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

Pledged-Revenue Coverage
Last Ten Fiscal Years

Water and Sewer Revenue Bonds

Fiscal Year	Gross Revenues	Applicable Expenses	Net Revenues	Debt Service		Total	Coverage
				Principal	Interest		
2013	\$ 3,470,864	\$ 2,252,478	\$ 1,218,386	\$ 331,285	\$ 218,910	\$ 550,195	221.45
2014	3,438,977	2,167,010	1,271,967	375,000	206,310	581,310	218.81
2015	3,412,887	2,352,465	1,060,422	390,000	183,388	573,388	184.94
2016	3,647,908	2,291,681	1,356,227	400,000	132,528	532,528	254.68
2017	3,753,039	2,527,059	1,225,980	425,000	87,450	512,450	239.24
2018	3,700,087	2,594,020	1,106,067	430,000	78,950	508,950	217.32
2019	3,881,921	2,784,765	1,097,156	440,000	70,350	510,350	214.98
2020	3,909,274	2,721,632	1,187,642	450,000	61,550	511,550	232.17
2021	4,623,575	3,133,073	1,490,502	460,000	75,841	535,841	278.16
2022	4,765,368	2,997,637	1,767,731	470,000	66,641	536,641	329.41

City of Charlotte, Michigan

	As of June 30,			
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Calculation of debt limit				
Assessed value	\$ 232,978,224	\$ 225,974,382	\$ 221,304,995	\$ 225,400,838
10% of assessed value	23,297,822	22,597,438	22,130,500	22,540,084
Calculation of debt subject to limit				
Total debt	8,045,092	7,886,529	7,231,105	6,395,976
Less debt not subject to limit:				
Revenue bonds	<u>4,745,454</u>	<u>4,399,169</u>	<u>4,050,000</u>	<u>3,650,000</u>
Net debt subject to limit	3,299,638	3,487,360	3,181,105	2,745,976
Legal debt margin	19,998,184	19,110,078	18,949,395	19,794,108
Net debt subject to limit as a percentage of debt limit	16.50%	18.25%	16.79%	13.87%

Legal Debt Margin

Last Ten Fiscal Years

		As of June 30,									
		2017	2018	2019	2020	2021	2022				
\$	226,566,805	\$	234,751,772	\$	238,670,578	\$	251,792,523	\$	269,202,283	\$	283,021,572
	22,656,681		23,475,177		23,867,058		25,179,252		26,920,228		28,302,157
	5,738,672		5,133,237		4,527,188		3,905,525		3,268,228		2,631,413
	<u>3,225,000</u>		<u>2,795,000</u>		<u>2,355,000</u>		<u>1,905,000</u>		<u>1,445,000</u>		<u>975,000</u>
	2,513,672		2,338,237		2,172,188		2,000,525		1,823,228		1,656,413
	20,143,009		21,136,940		21,694,870		23,178,727		25,097,000		26,645,744
	12.48%		11.06%		10.01%		8.63%		7.26%		6.22%

Demographics and Economic Information

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

Fiscal Year	Population	Personal Income (in thousands)*	Per Capita Personal Income**	Unemployment Rate***
2013	9,077	3,825,703	35,376	7.2
2014	9,088	3,959,158	36,498	5.9
2015	9,077	4,193,923	38,677	4.9
2016	9,097	4,332,441	39,803	4.3
2017	9,088	4,446,552	40,784	4.8
2018	9,088	4,668,757	42,693	3.7
2019	9,088	4,781,770	43,365	3.6
2020	N/A	N/A	N/A	11.2
2021	N/A	N/A	N/A	13.1
2022	N/A	N/A	N/A	4.5

N/A = Information not available

* Number represents all of Eaton County

** Represents all of Eaton County

*** 2020 statistic is for Lansing/East Lansing Metro Area

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

City of Charlotte, Michigan

Employer	2013		2014		2015		2016	
	Number of	Percentage						
	Employees	of Total						
1 Shyft Group (formerly Spartan Motors)	623	21.67	550	19.96	635	22.14	708	24.09
2 Sparrow Health Systems (formerly HGB)	475	16.52	460	16.70	448	15.62	452	15.38
3 County of Eaton	391	13.60	380	13.79	383	13.35	342	11.64
4 Charlotte Public Schools	322	11.20	344	12.49	350	12.20	387	13.17
5 Linn Products, Inc.	180	6.26	212	7.70	231	8.05	231	7.86
6 Meijer, Inc.	275	9.57	263	9.55	261	9.10	260	8.85
7 Eaton Intermediate School District	170	5.91	145	5.26	152	5.30	254	8.64
8 Wal-Mart Stores, Inc.	255	8.87	221	8.02	227	7.91	153	5.21
9 Peckham Vocational Industries	184	6.40	180	6.53	181	6.31	152	5.17

Source: Treasurer, City of Charlotte

Principal Employers

2017		2018		2019		2020		2021		2022	
Number of Employees	Percentage of Total										
671	23.05	660	22.86	830	26.66	n/a	n/a	1,102	33	1,189	35.10
450	15.46	455	15.76	500	16.06	n/a	n/a	435	13	462	13.64
360	12.37	360	12.47	360	11.56	356	19.70	356	10.79	348	10.27
337	11.58	323	11.19	326	10.47	326	18.04	359	10.88	343	10.13
265	9.10	270	9.35	320	10.28	335	18.54	260	7.88	300	8.86
240	8.24	240	8.31	239	7.68	230	12.73	230	6.97	220	6.50
207	7.11	211	7.31	200	6.42	200	11.07	205	6.21	200	5.90
244	8.38	238	8.24	185	5.94	200	11.07	197	5.97	185	5.46
137	4.71	130	4.50	153	4.91	160	8.85	155	4.70	140	4.13

Operating Information

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

City of Charlotte, Michigan

<u>Function/ program:</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General government:				
City manager	1	1	1	1
Clerk	2	2	2	2
Assessor	1	1	1	1
Finance and treasury	3	2	3	3
Public Safety:				
Police	17	17	17	15
Fire - Full-time	5	6	5	6
Fire - Volunteer	30	30	30	28
Building Inspection	1	1	1	-
Public Works				
DPW	12	11	11	11
Water and Sewer	<u>7</u>	<u>8</u>	<u>7</u>	<u>7</u>
Community and Economic Development	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Total	<u>80</u>	<u>80</u>	<u>79</u>	<u>75</u>

*Building Inspections are performed by the full-time fire department employees.

Full-Time Equivalent Government Employees

Last Ten Fiscal Years

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
1	1	1	1	1	1
2	2	2	2	2	2
1	1	1	1	1	1
3	3	1	1	3	3
15	15	15	15	16	17
6	6	6	6	6	6
28	28	26	26	19	22
-		-	-	-	-
11	10	12	12	11	11
<u>7</u>	<u>8</u>	<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>
<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>2</u>
<u><u>75</u></u>	<u><u>75</u></u>	<u><u>74</u></u>	<u><u>74</u></u>	<u><u>69</u></u>	<u><u>74</u></u>

Function/ program	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Election data:										
Registered voters	6,309	6,236	6,159	6,171	6,332	6,335	6,397	6,570	6,882	6,870
Voters (at polls or absentee)	3,762	2,539	2,745	1,435	3,904	3,507	1,695	1,965	1,124	1,989
Percent voting	59.63%	40.72%	44.57%	23.25%	61.66%	55.36%	26.50%	29.91%	16.33%	28.95%
Police:										
Physical Arrests	655	600	520	479	511	387	344	313	160	286
Traffic violations	1,243	1,211	808	822	786	603	508	407	270	460
Crimes reported	3,132	2,631	2,457	2,319	2,566	2,663	2,476	2,403	2,510	2,430
Fire:										
Fire runs	316	394	328	343	380	418	405	435	347	399
Emergency medical runs	220	293	238	257	233	396	421	341	401	657
Inspections	25	156	124	127	135	204	327	182	-	20
Public Works - Miles of street resurfaced	0.25	0.21	0.21	0.55	0.99	0.07	0.92	0.19	1.01	0.26
Water:										
Number of customers billed	3,769	3,764	3,777	3,799	3,844	3,906	3,388	3,399	3,431	3,455
Total daily consumption	886,000	881,800	861,000	838,750	861,605	868,600	864,192	850,364	921,547	907,723
Average consumption per year	235	234	228	221	224	222	255	250	283	263
Sewer - Average daily sewage treatment	770,000	770,000	761,000	769,417	791,715	876,995	893,340	883,937	828,658	861,008

City of Charlotte, Michigan

<u>Function/ program</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Police				
Stations	1	1	1	1
Patrol units	9	9	9	9
Fire				
Stations	2	2	2	2
Fire response vehicles	7	7	7	7
Emergency response vehicles	1	1	1	1
Public works				
Streets (miles):				
Major streets	12.2	12.2	12.2	12.2
Local streets	25.7	25.7	25.7	25.7
Sidewalks	44	45	45	45
Street lights	507	507	507	507
Traffic signals	7	7	7	7
Parks and recreation				
Acreage	199	199	199	199
Developed parks/playgrounds	8.00	8.00	8.00	8.00
Libraries - Branches	1	1	1	1
Water				
Mains (miles)	53.0	53.0	53.0	53.0
Fire hydrants	471	471	471	471
Storage capacity	1,150,000	1,150,000	1,150,000	1,150,000
Sewer				
Miles of sanitary sewers	42.0	42.0	42.0	42.0
Miles of storm sewers	31.5	31.5	31.5	31.5
Treatment capacity	1,800,000	1,800,000	1,800,000	1,800,000

Capital Asset Information

Last Ten Fiscal Years

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
1	1	1	1	1	1
9	9	8	8	9	9
2	2	2	2	2	2
7	7	7	7	7	7
2	2	1	1	1	1
12.2	12.2	12.2	12.2	12.2	12.2
25.7	25.7	25.8	25.8	25.8	25.8
45	45	46	46	45	45
509	509	509	509	509	509
7	7	7	7	7	7
199	199	199	199	199	199
8.00	8.00	8.00	8.15	8.00	8.00
1	1	1	1	1	1
53.0	53.0	52.7	52.7	52.8	52.8
471	471	470	470	472	472
1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000
42.0	42.0	42.1	42.1	42.1	42.1
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