
City of Charlotte, Michigan

**Comprehensive Annual Financial Report
with Supplemental Information
Prepared by the Office of Finance and Treasury
For the Fiscal Year Ended June 30, 2019**

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City of CHARLOTTE

November 14, 2019

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

The comprehensive annual financial report of the City of Charlotte for the year ended June 30, 2019 is hereby submitted as mandated by both local ordinances and State statutes. These ordinances and statutes require the City of Charlotte to annually issue a report on its financial position and activity, and that this report be audited by an independent firm of certified public accountants. Responsibility for both the accuracy of the data as well as the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the various funds and component units of the City of Charlotte. All disclosures necessary to enable the reader to gain an understanding of the City of Charlotte's activities have been included.

THE REPORTING ENTITY AND ITS SERVICES

The City of Charlotte is located in the heart of Michigan, 18 miles southwest of the capital city of Lansing. The City currently has a land area of approximately 5 ½ square miles and an estimated population of 9,088. Charlotte is located on Interstate 69 and near its intersection with Interstates 94 and 96. Charlotte is also served by two state trunkline highways: M50 and M79. 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.

111 East Lawrence Avenue, Charlotte, Michigan 48813
517-543-2750 (voice) 517-543-8845 (fax) www.charlottemi.org

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

For financial reporting purposes, this report includes all the funds of the City of Charlotte, as well as its component units. Component units are legally separate entities for which the primary government is financially accountable. The City of Charlotte Downtown Development Authority (DDA), 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 City Council is proactive in using conservative budgeting practices in an effort to maintain sufficient fund balances. The 2018-19 fiscal year budget saw a modest increase in property tax revenue and state-shared revenue, coupled with wage increases consistent with general price inflation.

The City witnessed new residential construction during the year including the addition of 40 units of housing for elderly adjacent to the downtown. A modest number of new single-family homes were also started. In addition, the City continues to realize a small amount of economic growth through commercial efforts. Private sector employment has remained at levels comparable to the last several years.

Prior to fiscal year 2014/2015, statutory revenue sharing payments to local governments were subject to participation in the Economic Vitality Incentive Program (EVIP) created by Public Act 63 of 2011. In order to qualify for a share of the state budgeted statutory revenue sharing, the City must now 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 has 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. During the 2018-19 fiscal year, a \$2 million reconstruction of one major collector route was completed and work begun on the reconstruction of several blocks of a street in downtown.

The City received its fifth installment of Eaton County's 12-year dedicated street infrastructure millage, approved by voters in November 2014. The City received \$313 thousand from this source in the current 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:

Finance Department Reorganization – Following the resignation of the finance director in 2018, city management eliminated the department, combining the clerk and treasurer functions and contracting for general ledger, payroll and accounts payable services. Accounting software was upgraded during the 2018-19 fiscal year.

2018-19 Road Projects – The City completed the reconstruction of the State-Lincoln collector route and began reconstruction of the 100 - 300 blocks of W. Lovett Street in downtown Charlotte, a project completed subsequent to the end of the fiscal year. The latter project was paid for part by a grant obtained through the Michigan Department of Transportation

Fire Truck Purchase – The City took delivery of a new \$800,000 mini-pumper to replace an aging piece of equipment. The cost of this purchase was shared equally between the City and the Rural Fire Association.

Pocket Park Construction – Design and initial construction of a small park in downtown Charlotte was initiated with work to be completed in the 2019-20 fiscal year

Utility Systems. – Aging water and sewer infrastructure was upgraded as part of reconstruction projects on Lincoln Street, State Street and W. Lovett Street.

Waste Water Treatment Plant Improvements – Investments in replacing aging equipment at the waste water treatment plant took place throughout the year.

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. To facilitate better cash management and security of funds, management consolidated all funds in a

single bank during the previous fiscal year. During the year, the City's investment earnings were attributable to the use of 26-week CDARS and a sweep account. These investments are consistent with the City's policy to minimize credit and market risk while maintaining a competitive yield on its portfolio.

INDEPENDENT AUDIT

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

AWARDS & ACKNOWLEDGEMENTS

The Government Finance Officers Association's (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Charlotte for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2018. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized Comprehensive Annual Financial Report that satisfies both generally accepted accounting principles and applicable legal requirements.

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

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

CITY OF CHARLOTTE



Ginger L. Terpstra
City Clerk/Treasurer



Government Finance Officers Association

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

Presented to

**City of Charlotte
Michigan**

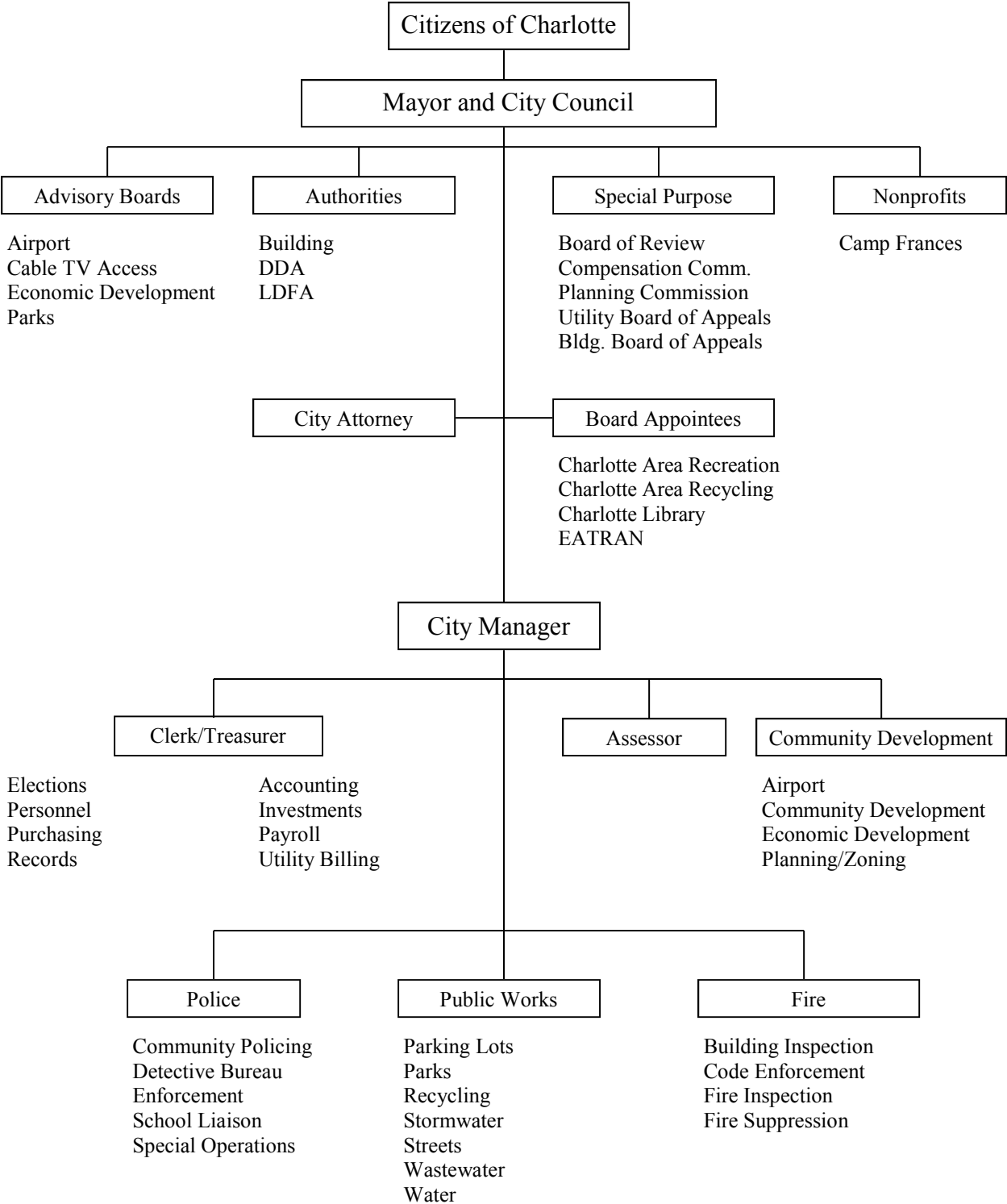
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrell

Executive Director/CEO

CITY OF CHARLOTTE ORGANIZATION CHART



**List of Elected and Appointed Officials
June 30, 2019**

City Council:

Mayor	Tim Lewis
Mayor Pro-Tem	L. Daryl Baker
Trustee	Bill Mitchell
Trustee	Yvonne Ridge
Trustee	Daniel Christian
Trustee	Anthony Russo
Trustee	Branden Dyer

Appointed Officials:

City Manager	Gregg Guetschow
Fire Chief (Contract)	Kevin Fullerton
Assessor (Contract)	Randy Jewell
Clerk/Treasurer	Ginger Terpstra
Director of Public Works	Amy Gilson
Police Chief	Lisa Sherman
Community Development	Bryan Myrkle
City Attorney (Contract)	Thomas Hitch

Independent Auditor's Report

To the City Council
City of Charlotte, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Charlotte, Michigan (the "City") as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise City of Charlotte, Michigan's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Charlotte, Michigan as of June 30, 2019 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the City Council
City of Charlotte, Michigan

Other Matters

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise City of Charlotte, Michigan's basic financial statements. The other supplemental information, as identified in the table of contents, and introductory section and statistical section are presented for the purpose of additional analysis and are not required parts of the basic financial statements.

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

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

Plante & Moran, PLLC

November 14, 2019

As management of City of Charlotte, Michigan (the "City"), we offer readers this narrative overview and analysis of the financial activities for the year ended June 30, 2019. 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 \$22.7 million (net position). Of this amount, \$(7.8) million was unrestricted net position.

During the year, the City received \$11.1 million in revenue and incurred \$11.6 million in expenses, resulting in a decrease in net position of approximately \$500 thousand. Of the City's \$11.6 million expense total, \$3.6 million related to business-type expenses and the balance of \$8.0 million related to governmental activities.

As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$3.7 million, a decrease of \$1.2 million from the prior year. Approximately 49 percent of this amount is unassigned and, therefore, available for spending at the government's discretion. Of the remaining 51 percent, 41 percent is restricted for special purposes, 5 percent is assigned for various purposes, and 5 percent is nonspendable.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1.8 million, or 30 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 agency funds.

Government-wide Overall Financial Analysis

The City's combined net position decreased from \$23.2 million to \$22.7 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	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets	\$ 4,370,056	\$ 5,666,534	\$ 2,251,079	\$ 2,552,975	\$ 6,621,135	\$ 8,219,509
Capital assets	17,287,581	16,392,073	15,619,775	15,436,795	32,907,356	31,828,868
Total assets	21,657,637	22,058,607	17,870,854	17,989,770	39,528,491	40,048,377
Deferred Outflows of Resources	1,115,459	601,100	378,501	280,336	1,493,960	881,436
Liabilities						
Current liabilities	358,818	434,399	238,627	382,269	597,445	816,668
Noncurrent liabilities	12,979,625	11,907,097	4,636,530	4,834,757	17,616,155	16,741,854
Total liabilities	13,338,443	12,341,496	4,875,157	5,217,026	18,213,600	17,558,522
Deferred Inflows of Resources	116,534	174,589	28,144	43,204	144,678	217,793
Net Position						
Net investment in capital assets	15,034,711	13,934,175	13,381,230	12,781,541	28,415,941	26,715,716
Restricted	1,537,149	2,154,766	506,988	471,890	2,044,137	2,626,656
Unrestricted	(7,253,741)	(5,945,319)	(542,164)	(243,555)	(7,795,905)	(6,188,874)
Total net position	<u>\$ 9,318,119</u>	<u>\$ 10,143,622</u>	<u>\$ 13,346,054</u>	<u>\$ 13,009,876</u>	<u>\$ 22,664,173</u>	<u>\$ 23,153,498</u>

A substantial portion of the City's net position, \$28 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 are, therefore, not available for future spending.

An additional portion of the City's net position, \$2 million, represents resources that are subject to external restrictions on how they may be used.

The City reported an unrestricted deficit of \$7.8 million as a result of recognizing the net pension and OPEB liabilities in accordance with GASB Nos. 68 and 75.

The City's governmental activities net position decreased by approximately \$800 thousand, or 8 percent, to \$9.3 million during the fiscal year. This decrease is primarily due to an increase in the City's pension liability caused by fluctuating market conditions.

The City's business-type activities increased 4 percent over the prior year, resulting in net position of \$13.3 million during the fiscal year. This increase is due to revenue exceeding expenditures for the year.

City of Charlotte, Michigan

Management's Discussion and Analysis (Continued)

The City's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenue						
Program revenue:						
Charges for services	\$ 490,867	\$ 495,101	\$ 3,915,238	\$ 3,733,141	\$ 4,406,105	\$ 4,228,242
Operating grants	896,463	897,919	21,417	27,776	917,880	925,695
Capital grants	125,381	186,040	-	-	125,381	186,040
General revenue:						
Property taxes	3,687,465	3,651,312	-	-	3,687,465	3,651,312
State-shared revenue	1,284,001	1,255,119	-	-	1,284,001	1,255,119
Investment earnings	53,208	27,679	29,912	7,750	83,120	35,429
Other revenue	546,748	354,262	-	-	546,748	354,262
Total revenue	7,084,133	6,867,432	3,966,567	3,768,667	11,050,700	10,636,099
Expenses						
General government	1,004,556	659,443	-	-	1,004,556	659,443
Public safety	3,837,799	3,476,023	-	-	3,837,799	3,476,023
Public works	2,312,824	2,371,108	-	-	2,312,824	2,371,108
Community and economic development	247,201	263,709	-	-	247,201	263,709
Recreation and culture	420,460	431,276	-	-	420,460	431,276
Debt service	59,830	79,878	-	-	59,830	79,878
Water supply and sewage disposal	-	-	3,575,348	3,441,861	3,575,348	3,441,861
Recycling	-	-	64,141	69,002	64,141	69,002
Total expenses	7,882,670	7,281,437	3,639,489	3,510,863	11,522,159	10,792,300
Transfers	(9,100)	(8,736)	9,100	8,736	-	-
Change in Net Position	(807,637)	(422,741)	336,178	266,540	(471,459)	(156,201)
Net Position - Beginning of year	10,125,756	10,566,363	13,009,876	12,743,336	23,135,632	23,309,699
Net Position - End of year	<u>\$ 9,318,119</u>	<u>\$ 10,143,622</u>	<u>\$ 13,346,054</u>	<u>\$ 13,009,876</u>	<u>\$ 22,664,173</u>	<u>\$ 23,153,498</u>

Governmental Activities

The cost of all governmental activities this year was \$7.9 million. City taxpayers paid for \$3.7 million of these activities through city taxes. The beneficiaries of the City's programs paid for \$500 thousand of governmental activities through charges for services, while governments and organizations subsidized certain programs with grants and contributions of \$1.0 million.

The City's governmental activities revenue is composed predominantly of property taxes and state-shared revenue (52 and 18 percent, respectively). 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 78 percent of the City's governmental activities expenses are for "public benefit" services, such as fire protection, police protection, and city street maintenance and construction.

Business-type Activities

The City's business-type activities of water supply, sewage disposal, and recycling realized an increase in net position of \$336 thousand for the year. The water supply and sewage disposal activity had operating revenue of \$3.9 million, operating expenses of \$3.5 million, and net nonoperating expenses of \$60 thousand, resulting in net income of \$336 thousand. The recycling activity realized a net loss of \$293.

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 is 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) experienced a decrease of nearly \$600 thousand in fund balance for the fiscal year. This decrease was due in large measure to the City's payment of approximately \$400 thousand, its share of the cost of a fire truck purchase. The decrease in fund balance was 50 percent greater than budgeted, as debt financing for this purchase did not take place as originally planned.

Major Street Fund

The Major Street Fund saw an increase in revenue over the prior year due to an increase in state funding resulting from legislative action to increase gas and weight taxes. Increased funds from this and other sources were invested in a multiyear street reconstruction and rehabilitation program formulated to begin addressing a backlog of street improvement projects.

Water Supply and Sewage Disposal Fund

No increase in water and sewer rates was required during the fiscal year. A rate increase was implemented subsequent to fiscal year end. This increase reflected the impact of investment in underground infrastructure driven by street reconstruction efforts and the replacement of gaining infrastructure at the waste water treatment plant, factors which 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, 2019, the City had invested approximately \$32.9 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. Governmental activities have construction in progress (CIP), which includes the engineering and design costs for various projects, including East Lovett Street, the downtown pocket park, and a new baseball field located in the Combs Industrial Park. Business-type activities CIP included engineering costs for the ferric chloride project. More detailed information about the City's capital assets is presented in Note 5 to the financial statements.

At year end, the City had \$5.0 million in bonds, notes outstanding, and compensated absences. This represents a decrease of \$610 thousand from the previous year or 11 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

Michigan and the Charlotte area continued their steady recovery from the "one state recession" of the early 2000s and the Great Recession of 2008. As the statistical portion of the financial report shows, unemployment remains low and employment by major employers held fairly constant. The City has witnessed new small business start ups in the central business district in recent years. Construction of 40 units of housing for the elderly near downtown commenced in 2018 and occupancy began in early 2019. The only significant available industrial building - the former Owens Brockway plant - was sold and the new owner has begun upgrading the facility to accommodate warehousing and future industrial production.

The unprecedented duration of the current U.S. economic expansion has caused management to take a cautious approach to forecasting revenue for the next few fiscal years. Three-year labor agreements with employee unions were concluded in 2017. These provided for only modest increases in wages for the period, providing a significant measure of stability on the cost side of the budget.

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.

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 had remained unchanged for several years. Management proposed an increase in utility rates, the first half of which was implemented in October 2019. Council will consider implementation of the second half of the proposed increase as part of the 2020-2021 budget review and approval process.

During the year, 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, will be considered during 2020.

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.

Statement of Net Position

June 30, 2019

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 2,737,422	\$ 792,648	\$ 3,530,070	\$ 1,022,005
Receivables - Net: (Note 4)				
Special assessments receivable	31,277	-	31,277	-
Other receivables	1,084,582	830,416	1,914,998	3,673
Due from other governmental units	314,274	-	314,274	4,910
Prepays and other assets	202,501	121,027	323,528	-
Restricted assets - Cash and investments (Notes 3 and 8)	-	506,988	506,988	-
Capital assets: (Note 5)				
Assets not subject to depreciation	2,993,147	416,907	3,410,054	214,777
Assets subject to depreciation - Net	14,294,434	15,202,868	29,497,302	-
Note receivable (Note 1)	-	-	-	142,182
Total assets	21,657,637	17,870,854	39,528,491	1,387,547
Deferred Outflows of Resources				
Deferred charges on bond refunding	30,435	116,455	146,890	-
Deferred pension costs (Note 10)	1,085,024	262,046	1,347,070	-
Total deferred outflows of resources	1,115,459	378,501	1,493,960	-
Liabilities				
Accounts payable	152,566	201,588	354,154	4,582
Accrued liabilities and other	206,252	37,039	243,291	-
Noncurrent liabilities:				
Due within one year: (Note 7)				
Compensated absences	116,013	33,879	149,892	-
Current portion of long-term debt	171,880	450,000	621,880	-
Due in more than one year:				
Compensated absences	204,283	49,674	253,957	-
Total OPEB liability (Note 11)	1,837,206	135,756	1,972,962	-
Net pension liability (Note 10)	8,538,818	2,062,221	10,601,039	-
Long-term debt (Note 7)	2,111,425	1,905,000	4,016,425	-
Total liabilities	13,338,443	4,875,157	18,213,600	4,582
Deferred Inflows of Resources - Deferred pension cost reduction (Note 10)	116,534	28,144	144,678	-
Net Position				
Net investment in capital assets (Note 13)	15,034,711	13,381,230	28,415,941	214,777
Restricted for:				
Streets and highways	1,367,005	-	1,367,005	-
Debt service	15,099	278,129	293,228	-
Police training	6,710	-	6,710	-
Industrial park	96,065	-	96,065	-
Drug enforcement	11,018	-	11,018	-
Operation and maintenance fund imposed by creditors	-	228,859	228,859	-
Camp Frances	19,830	-	19,830	-
Grants	21,422	-	21,422	-
Unrestricted	(7,253,741)	(542,164)	(7,795,905)	1,168,188
Total net position	\$ 9,318,119	\$ 13,346,054	\$ 22,664,173	\$ 1,382,965

City of Charlotte, Michigan

	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 1,004,556	\$ 161,225	\$ -	\$ -
Public safety	3,837,799	329,642	-	-
Public works	2,312,824	-	896,463	-
Community and economic development	247,201	-	-	125,381
Recreation and culture	420,460	-	-	-
Interest on long-term debt	59,830	-	-	-
Total governmental activities	7,882,670	490,867	896,463	125,381
Business-type activities:				
Water Supply and Sewage Disposal	3,575,348	3,881,921	-	-
Recycling	64,141	33,317	21,417	-
Total business-type activities	3,639,489	3,915,238	21,417	-
Total primary government	<u>\$ 11,522,159</u>	<u>\$ 4,406,105</u>	<u>\$ 917,880</u>	<u>\$ 125,381</u>
Component units:				
Downtown Development Authority	\$ 28,338	\$ -	\$ -	\$ -
Local Development Financing Authority	275	-	-	-
Brownfield Redevelopment Authority	67,112	-	-	-
Total component units	<u>\$ 95,725</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenue:				
Property taxes				
Unrestricted state-shared revenue				
Unrestricted investment income				
Other miscellaneous income				
Total general revenue				
Transfers				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

Statement of Activities

Year Ended June 30, 2019

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (843,331)	\$ -	\$ (843,331)	\$ -
(3,508,157)	-	(3,508,157)	-
(1,416,361)	-	(1,416,361)	-
(121,820)	-	(121,820)	-
(420,460)	-	(420,460)	-
(59,830)	-	(59,830)	-
(6,369,959)	-	(6,369,959)	-
-	306,573	306,573	-
-	(9,407)	(9,407)	-
-	297,166	297,166	-
(6,369,959)	297,166	(6,072,793)	-
-	-	-	(28,338)
-	-	-	(275)
-	-	-	(67,112)
-	-	-	(95,725)
3,687,465	-	3,687,465	100,240
1,284,001	-	1,284,001	-
53,208	29,912	83,120	16,071
546,748	-	546,748	17,250
5,571,422	29,912	5,601,334	133,561
(9,100)	9,100	-	-
(807,637)	336,178	(471,459)	37,836
10,125,756	13,009,876	23,135,632	1,345,129
\$ 9,318,119	\$ 13,346,054	\$ 22,664,173	\$ 1,382,965

Governmental Funds
Balance Sheet

June 30, 2019

	General Fund	Major Street Fund	Nonmajor Funds	Total Governmental Funds
Assets				
Cash and investments (Note 3)	\$ 1,716,869	\$ 308,927	\$ 429,115	\$ 2,454,911
Receivables - Net (Note 4)	611,496	724,595	94,042	1,430,133
Prepays and other assets	178,658	2,895	3,542	185,095
Total assets	<u>\$ 2,507,023</u>	<u>\$ 1,036,417</u>	<u>\$ 526,699</u>	<u>\$ 4,070,139</u>
Liabilities				
Accounts payable	\$ 123,427	\$ 18,799	\$ 784	\$ 143,010
Accrued liabilities and other	187,661	3,289	3,095	194,045
Total liabilities	311,088	22,088	3,879	337,055
Deferred Inflows of Resources - Unavailable revenue	<u>42,765</u>	<u>-</u>	<u>31,277</u>	<u>74,042</u>
Total liabilities and deferred inflows of resources	353,853	22,088	35,156	411,097
Fund Balances				
Nonspendable:				
Inventory	6,560	-	-	6,560
Prepays	172,098	2,895	3,542	178,535
Restricted:				
Major streets	-	1,011,434	-	1,011,434
Police training	-	-	6,710	6,710
Industrial park	-	-	96,065	96,065
Grants	-	-	21,422	21,422
Local streets	-	-	317,892	317,892
Drug enforcement	-	-	11,018	11,018
Camp Frances	-	-	19,795	19,795
Facility building bond	-	-	15,099	15,099
Assigned - Retiree health insurance	200,000	-	-	200,000
Unassigned	1,774,512	-	-	1,774,512
Total fund balances	<u>2,153,170</u>	<u>1,014,329</u>	<u>491,543</u>	<u>3,659,042</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,507,023</u>	<u>\$ 1,036,417</u>	<u>\$ 526,699</u>	<u>\$ 4,070,139</u>

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2019

Fund Balances Reported in Governmental Funds	\$ 3,659,042
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	16,280,011
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	74,042
Deferred charges on refunding are amortized over the life of the bonds	30,435
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(2,283,305)
Accrued interest is not due and payable in the current period and is not reported in the funds	(9,916)
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	(320,296)
Pension benefits	(7,409,753)
Retiree healthcare benefits	(1,837,206)
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	1,007,570
All other items	128,915
Net Position of Governmental Activities	\$ 9,318,119

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2019

	General Fund	Major Street Fund	Nonmajor Funds	Total Governmental Funds
Revenue				
Property taxes	\$ 3,182,409	\$ 313,402	\$ 191,654	\$ 3,687,465
Special assessments	-	-	3,273	3,273
Intergovernmental:				
Federal grants	-	-	125,381	125,381
State sources	1,148,530	680,997	350,937	2,180,464
Charges for services	814,712	-	-	814,712
Fines and forfeitures	22,841	-	-	22,841
Licenses and permits	45,774	-	-	45,774
Investment income	40,301	4,482	8,425	53,208
Other revenue	107,055	9,014	31,929	147,998
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	5,361,622	1,007,895	711,599	7,081,116
Expenditures				
Current services:				
General government	742,585	-	-	742,585
Public safety	2,999,913	-	5,303	3,005,216
Public works	677,989	391,509	331,177	1,400,675
Community and economic development	185,570	-	4,505	190,075
Recreation and culture	220,862	-	2,588	223,450
Capital outlay	1,124,321	1,279,462	49,000	2,452,783
Debt service:				
Principal	31,046	-	135,000	166,046
Interest on long-term debt	4,092	-	62,200	66,292
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	5,986,378	1,670,971	589,773	8,247,122
Excess of Revenue (Under) Over Expenditures	(624,756)	(663,076)	121,826	(1,166,006)
Other Financing Sources (Uses)				
Transfers in (Note 6)	25,000	-	126,600	151,600
Transfers out (Note 6)	(35,700)	(100,000)	(25,000)	(160,700)
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing (uses) sources	(10,700)	(100,000)	101,600	(9,100)
Net Change in Fund Balances	(635,456)	(763,076)	223,426	(1,175,106)
Fund Balances - Beginning of year	2,788,626	1,777,405	268,117	4,834,148
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balances - End of year	<u><u>\$ 2,153,170</u></u>	<u><u>\$ 1,014,329</u></u>	<u><u>\$ 491,543</u></u>	<u><u>\$ 3,659,042</u></u>

Governmental Funds

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

Year Ended June 30, 2019

Net Change in Fund Balances Reported in Governmental Funds **\$ (1,175,106)**

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	2,406,137
Depreciation expense	(1,553,398)
Net book value of assets disposed of	(1,175)

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	(55,209)
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Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	172,057
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Interest expense is recognized in the government-wide statements as it accrues	451
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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	(686,197)
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Internal service funds are included as part of governmental activities	<u>84,803</u>
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Change in Net Position of Governmental Activities **\$ (807,637)**

Proprietary Funds
Statement of Net Position

June 30, 2019

	Business-type Activities			Governmental Activities
	Major Fund - Water Supply and Sewage Disposal	Nonmajor Fund - Recycling	Total	Internal Service Fund - Motor Vehicle Pool
Assets				
Current assets:				
Cash and cash equivalents (Note 3)	\$ 784,292	\$ 8,356	\$ 792,648	\$ 282,511
Receivables - Net (Note 4)	830,414	2	830,416	-
Prepays and other assets	119,957	1,070	121,027	17,406
Total current assets	1,734,663	9,428	1,744,091	299,917
Noncurrent assets:				
Restricted assets - Cash and investments (Notes 3 and 8)	506,988	-	506,988	-
Capital assets: (Note 5)				
Assets not subject to depreciation	416,907	-	416,907	31,500
Assets subject to depreciation - Net	15,202,868	-	15,202,868	976,070
Total noncurrent assets	16,126,763	-	16,126,763	1,007,570
Total assets	17,861,426	9,428	17,870,854	1,307,487
Deferred Outflows of Resources				
Deferred charges on bond refunding	116,455	-	116,455	-
Deferred pension costs (Note 10)	261,513	533	262,046	23,015
Total deferred outflows of resources	377,968	533	378,501	23,015
Liabilities				
Current liabilities:				
Accounts payable	201,033	555	201,588	9,556
Accrued liabilities and other	35,330	1,709	37,039	871
Compensated absences	33,879	-	33,879	-
Current portion of long-term debt (Note 7)	450,000	-	450,000	-
Total current liabilities	720,242	2,264	722,506	10,427
Noncurrent liabilities:				
Compensated absences	49,674	-	49,674	-
Net pension liability (Note 10)	2,058,024	4,197	2,062,221	181,118
Total OPEB liability (Note 11)	135,756	-	135,756	-
Long-term debt (Note 7)	1,905,000	-	1,905,000	-
Total noncurrent liabilities	4,148,454	4,197	4,152,651	181,118
Deferred Inflows of Resources - Deferred pension cost reductions (Note 10)	28,087	57	28,144	2,472

Proprietary Funds
Statement of Net Position (Continued)

June 30, 2019

	Business-type Activities			Governmental Activities
	Major Fund - Water Supply and Sewage Disposal	Nonmajor Fund - Recycling	Total	Internal Service Fund - Motor Vehicle Pool
Net Position				
Net investment in capital assets	\$ 13,381,230	\$ -	\$ 13,381,230	\$ 1,007,570
Restricted: (Note 8)				
Debt service	278,129	-	278,129	-
Operation and maintenance fund imposed by creditors	228,859	-	228,859	-
Unrestricted	(545,607)	3,443	(542,164)	128,915
Total net position	<u><u>\$ 13,342,611</u></u>	<u><u>\$ 3,443</u></u>	<u><u>\$ 13,346,054</u></u>	<u><u>\$ 1,136,485</u></u>

Proprietary Funds

Statement of Revenue, Expenses, and Changes in Net Position

Year Ended June 30, 2019

	Business-type Activities			Governmental Activities
	Major Fund - Water Supply and Sewage Disposal	Nonmajor Fund - Recycling	Total	Internal Service Fund - Motor Vehicle Pool
Operating Revenue				
Sale of water	\$ 1,587,517	\$ -	\$ 1,587,517	\$ -
Sewage charges	2,193,108	-	2,193,108	-
Recycling fees	-	16,160	16,160	-
Other	101,296	17,157	118,453	14,956
Charges to other funds	-	-	-	503,159
Total operating revenue	3,881,921	33,317	3,915,238	518,115
Operating Expenses				
Cost of services	2,784,765	-	2,784,765	288,906
Recycling	-	63,191	63,191	-
Depreciation	698,475	950	699,425	144,880
Total operating expenses	3,483,240	64,141	3,547,381	433,786
Operating Income (Loss)	398,681	(30,824)	367,857	84,329
Nonoperating Revenue (Expense)				
Investment income	29,898	14	29,912	160
Interest expense	(87,778)	-	(87,778)	-
Other nonoperating expenses	(4,330)	-	(4,330)	-
Gain on sale of assets	-	-	-	314
Grants	-	21,417	21,417	-
Total nonoperating (expense) revenue	(62,210)	21,431	(40,779)	474
Income (Loss) - Before transfers	336,471	(9,393)	327,078	84,803
Transfers In	-	9,100	9,100	-
Change in Net Position	336,471	(293)	336,178	84,803
Net Position - Beginning of year	13,006,140	3,736	13,009,876	1,051,682
Net Position - End of year	<u><u>\$ 13,342,611</u></u>	<u><u>\$ 3,443</u></u>	<u><u>\$ 13,346,054</u></u>	<u><u>\$ 1,136,485</u></u>

Proprietary Funds
Statement of Cash Flows

Year Ended June 30, 2019

	Business-type Activities			Governmental Activities
	Major Fund - Water Supply and Sewage Disposal	Nonmajor Fund - Recycling	Total	Internal Service Fund - Motor Vehicle Pool
Cash Flows from Operating Activities				
Receipts from customers	\$ 3,700,879	\$ 39,120	\$ 3,739,999	\$ -
(Payments to) receipt from interfund services and reimbursements	(79,905)	-	(79,905)	513,867
Payments to suppliers	(1,715,133)	(22,657)	(1,737,790)	(196,884)
Payments to employees and fringes	(1,092,156)	(42,679)	(1,134,835)	(103,059)
Net cash provided by (used in) operating activities	813,685	(26,216)	787,469	213,924
Cash Flows from Noncapital Financing Activities				
Operating grants and subsidies	-	21,417	21,417	-
Transfers from other funds	-	9,100	9,100	-
Net cash provided by noncapital financing activities	-	30,517	30,517	-
Cash Flows from Capital and Related Financing Activities				
Proceeds from sale of capital assets	1,434	-	1,434	314
Purchase of capital assets	(888,169)	-	(888,169)	(188,824)
Principal and interest paid on capital debt	(510,350)	-	(510,350)	-
Net cash used in capital and related financing activities	(1,397,085)	-	(1,397,085)	(188,510)
Cash Flows Provided by Investing Activities -				
Interest received on investments	29,898	14	29,912	495
Net (Decrease) Increase in Cash and Cash Equivalents	(553,502)	4,315	(549,187)	25,909
Cash and Cash Equivalents - Beginning of year	1,844,782	4,041	1,848,823	256,602
Cash and Cash Equivalents - End of year	\$ 1,291,280	\$ 8,356	\$ 1,299,636	\$ 282,511
Classification of Cash and Cash Equivalents				
Cash and investments	\$ 784,292	\$ 8,356	\$ 792,648	\$ 282,511
Restricted cash	506,988	-	506,988	-
Total cash and cash equivalents	\$ 1,291,280	\$ 8,356	\$ 1,299,636	\$ 282,511

Proprietary Funds
Statement of Cash Flows (Continued)

Year Ended June 30, 2019

	Business-type Activities			Governmental Activities
	Major Fund - Water Supply and Sewage Disposal	Nonmajor Fund - Recycling	Total	Internal Service Fund - Motor Vehicle Pool
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating income (loss)	\$ 398,681	\$ (30,824)	\$ 367,857	\$ 84,329
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation and amortization	698,475	950	699,425	144,880
Changes in assets and liabilities:				
Receivables	(181,042)	5,803	(175,239)	-
Due to and from other funds	(79,905)	-	(79,905)	(4,248)
Prepaid and other assets	7,755	98	7,853	(1,015)
Net pension or OPEB asset	109,282	(1,596)	107,686	(15,569)
Accrued liabilities and other	(139,561)	(647)	(140,208)	5,547
Total adjustments	415,004	4,608	419,612	129,595
Net cash provided by (used in) operating activities	<u>\$ 813,685</u>	<u>\$ (26,216)</u>	<u>\$ 787,469</u>	<u>\$ 213,924</u>

Fiduciary Funds
Statement of Fiduciary Net Position

June 30, 2019

Agency Funds

Assets - Cash and cash equivalents

\$ 74,015

Liabilities - Due to other governmental units

\$ 74,015

Component Units
Statement of Net Position

June 30, 2019

	Downtown Development Authority	Local Development Financing Authority	Brownfield Redevelopment Authority	Total
Assets				
Cash and investments (Note 3)	\$ 8,112	\$ 1,002,081	\$ 11,812	\$ 1,022,005
Receivables - Net	1,500	2,173	4,910	8,583
Capital assets - Net (Note 5)	214,777	-	-	214,777
Note receivable (Note 1)	-	142,182	-	142,182
Total assets	224,389	1,146,436	16,722	1,387,547
Liabilities - Accounts payable	1,590	-	2,992	4,582
Net Position				
Net investment in capital assets	214,777	-	-	214,777
Unrestricted	8,022	1,146,436	13,730	1,168,188
Total net position	<u>\$ 222,799</u>	<u>\$ 1,146,436</u>	<u>\$ 13,730</u>	<u>\$ 1,382,965</u>

Component Units
Statement of Activities

Year Ended June 30, 2019

	Expenses	Net (Expense) Revenue and Changes in Net Position			
		Downtown Development Authority	Local Development Financing Authority	Brownfield Redevelopment Authority	Total
Functions/Programs					
Downtown Development Authority	\$ 28,338	\$ (28,338)	\$ -	\$ -	\$ (28,338)
Local Development Financing Authority	275	-	(275)	-	(275)
Brownfield Redevelopment Authority	67,112	-	-	(67,112)	(67,112)
Total component units	<u><u>\$ 95,725</u></u>	(28,338)	(275)	(67,112)	(95,725)
General revenue:					
Property taxes		19,398	-	80,842	100,240
Unrestricted investment income		-	16,071	-	16,071
Other miscellaneous income		13,158	4,092	-	17,250
Total general revenue		<u>32,556</u>	<u>20,163</u>	<u>80,842</u>	<u>133,561</u>
Change in Net Position		4,218	19,888	13,730	37,836
Net Position - Beginning of year		<u>218,581</u>	<u>1,126,548</u>	<u>-</u>	<u>1,345,129</u>
Net Position - End of year		<u><u>\$ 222,799</u></u>	<u><u>\$ 1,146,436</u></u>	<u><u>\$ 13,730</u></u>	<u><u>\$ 1,382,965</u></u>

June 30, 2019

Note 1 - Significant Accounting Policies

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

Discretely Presented Component Units

Downtown Development Authority

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

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

June 30, 2019**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 both the General Fund and the Airport Fund. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Airport Fund is used to control the expenditures of fuel sales, hangar rentals, and grant funds, which are earmarked for airport purposes.
- *Major Street Fund* - The Major Street Fund is a special revenue fund that accounts for the resources of state gas and weight tax revenue that is restricted for use on major streets.

June 30, 2019

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, as well as risk management services provided to other departments of the City on a cost-reimbursement basis.

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:

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

Interfund Activity

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

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.

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

June 30, 2019**Note 1 - Significant Accounting Policies (Continued)**

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 three loans to the General Fund. The outstanding balances at June 30, 2019 were \$21,611, \$55,097, and \$65,474 maturing in 2021, 2024, and 2025, respectively.

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.

June 30, 2019

Note 1 - Significant Accounting Policies (Continued)

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 bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances 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 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 two 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 is a deferred outflow related to the defined benefit pension plan, as described in Note 10.

In addition to liabilities, the statement of net position 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.

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 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.

June 30, 2019

Note 1 - Significant Accounting Policies (Continued)

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.

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 only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Property Tax Revenue

Property 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 2018 property tax revenue was levied and collectible on July 1, 2018 and is recognized as revenue in the year ended June 30, 2019 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2018 taxable valuation of the City totaled \$211,728,499 (a portion of which is captured by the DDA), on which taxes levied consisted of 14.2913 mills for operating purposes, 0.9000 mills for debt service, and 0.1000 mills for waste collection. This resulted in \$3,038,532 for operating, \$191,654 for debt service, and \$21,260 for waste collection purposes. These amounts are recognized in the respective General Fund and debt service fund financial statements as tax 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 \$313,402 recognized in the Major Street Fund.

June 30, 2019**Note 1 - Significant Accounting Policies (Continued)****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 healthcare 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.

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 are 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, 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.

June 30, 2019

Note 1 - Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. 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, 2020.

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. 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, 2021.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that, in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of the standard will be applied prospectively and result in increased interest expense during periods of construction. The provisions of this statement are effective for the City's financial statements for the June 30, 2021 fiscal year.

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, contracts) are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the City incurred expenditures in the General Fund that were in excess of the amounts budgeted for public works and debt service.

June 30, 2019

Note 2 - Stewardship, Compliance, and Accountability (Continued)**Construction Code Fees**

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

Shortfall at July 1, 2018	\$ (2,432,082)
Current year permit revenue	34,555
Direct and estimated indirect costs	<u>397,347</u>
Current year shortfall	<u>(362,792)</u>
Cumulative shortfall at June 30, 2019	<u><u>\$ (2,794,874)</u></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 not 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 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 \$4,808,105 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The City believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The component units' deposits had a bank balance of \$1,272,934, of which \$98,177 was covered by federal depository insurance and \$1,174,757 was 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.

June 30, 2019

Note 3 - Deposits and Investments (Continued)

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, 2019, the City does not have investments with custodial credit risk.

Note 4 - Receivables

Receivables as of June 30, 2019 for the City's individual major funds, nonmajor funds, and internal service funds are as follows:

	General Fund	Major Street Fund	Nonmajor Funds	Water Supply and Sewage Disposal	Nonmajor Enterprise	Total
Receivables:						
Special assessments receivable	\$ -	\$ -	\$ 31,277	\$ -	\$ -	\$ 31,277
Other receivables	450,582	613,850	20,150	830,414	2	1,914,998
Due from other governmental units	160,914	110,745	42,615	-	-	314,274
Allowance for doubtful accounts	-	-	-	-	-	-
Net receivables	<u>\$ 611,496</u>	<u>\$ 724,595</u>	<u>\$ 94,042</u>	<u>\$ 830,414</u>	<u>\$ 2</u>	<u>\$ 2,260,549</u>

Note 5 - Capital Assets

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

Governmental Activities

	Balance July 1, 2018	Reclassifications	Additions	Disposals	Balance June 30, 2019
Capital assets not being depreciated:					
Land	\$ 2,149,641	\$ -	\$ -	\$ -	\$ 2,149,641
Construction in progress	235,424	(232,324)	213,120	(1,175)	215,045
Easement	628,461	-	-	-	628,461
Subtotal	3,013,526	(232,324)	213,120	(1,175)	2,993,147
Capital assets being depreciated:					
Infrastructure	28,775,595	232,324	1,324,570	-	30,332,489
Buildings and improvements	6,644,200	-	8,000	-	6,652,200
Vehicles and equipment	6,624,694	-	1,049,271	(5,940)	7,668,025
Subtotal	42,044,489	232,324	2,381,841	(5,940)	44,652,714
Accumulated depreciation:					
Infrastructure	20,963,000	-	1,183,707	-	22,146,707
Buildings and improvements	2,450,430	-	139,502	-	2,589,932
Vehicles and equipment	5,252,512	-	375,069	(5,940)	5,621,641
Subtotal	28,665,942	-	1,698,278	(5,940)	30,358,280
Net capital assets being depreciated	13,378,547	232,324	683,563	-	14,294,434
Net governmental activities capital assets	<u>\$ 16,392,073</u>	<u>\$ -</u>	<u>\$ 896,683</u>	<u>\$ (1,175)</u>	<u>\$ 17,287,581</u>

June 30, 2019

Note 5 - Capital Assets (Continued)***Business-type Activities***

	Balance July 1, 2018	Reclassifications	Additions	Disposals	Balance June 30, 2019
Capital assets not being depreciated:					
Land	\$ 104,995	\$ -	\$ -	\$ -	\$ 104,995
Construction in progress	283,086	(283,086)	311,912	-	311,912
Subtotal	388,081	(283,086)	311,912	-	416,907
Capital assets being depreciated -					
Buildings and systems	31,076,018	283,086	575,437	(98,417)	31,836,124
Accumulated depreciation -					
Buildings and systems	16,027,304	-	699,425	(93,473)	16,633,256
Net capital assets being depreciated	15,048,714	283,086	(123,988)	(4,944)	15,202,868
Net business-type activities capital assets	<u>\$ 15,436,795</u>	<u>\$ -</u>	<u>\$ 187,924</u>	<u>\$ (4,944)</u>	<u>\$ 15,619,775</u>

Capital asset activity for the City's component units for the year ended June 30, 2019 was as follows:

Component Units

	Balance July 1, 2018	Reclassifications	Additions	Disposals	Balance June 30, 2019
Capital assets not being depreciated - Land	<u>\$ 214,777</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 214,777</u>

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

Governmental activities:	
General government	\$ 44,057
Public safety	254,019
Public works	1,131,935
Recreation and culture	123,387
Internal service fund depreciation is charged to the various functions based on their usage of the asset	144,880
Total governmental activities	<u>\$ 1,698,278</u>
Business-type activities:	
Water	\$ 351,811
Sewer	346,664
Recycling	950
Total business-type activities	<u>\$ 699,425</u>

June 30, 2019

Note 5 - Capital Assets (Continued)

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
Pocket Park	\$ 3,129	\$ 154,280
Lovett Street	415,759	426,605
W. Harris Street	28,630	15,370
Total	<u>\$ 447,518</u>	<u>\$ 596,255</u>

Note 6 - Interfund Receivables, Payables, and Transfers

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	\$ 26,600
	Nonmajor enterprise fund	9,100
Major Street Fund	Nonmajor special revenue fund	100,000
Nonmajor special revenue fund	General Fund	25,000
	Total	<u>\$ 160,700</u>

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

June 30, 2019

Note 7 - Long-term Debt

Long-term debt activity for the year ended June 30, 2019 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	\$ 2,165,000	\$ -	\$ (135,000)	\$ 2,030,000	\$ 140,000
Unamortized bond premiums			119,664	-	(8,547)	111,117	-
Total other debt			2,284,664	-	(143,547)	2,141,117	140,000
Direct borrowings and direct placements:							
Local Development Financing Authority loan #1 to General Fund	2.0	2021	32,101	-	(10,490)	21,611	10,914
Local Development Financing Authority loan #2 to General Fund	2.0	2024	65,477	-	(10,380)	55,097	10,587
Local Development Financing Authority loan #3 to General Fund	2.0	2025	75,650	-	(10,170)	65,480	10,379
Total direct borrowings and direct placements			173,228	-	(31,040)	142,188	31,880
Total bonds and contracts payable			2,457,892	-	(174,587)	2,283,305	171,880
Compensated absences			309,374	126,935	(116,013)	320,296	116,013
Total governmental activities long-term debt			<u>\$ 2,767,266</u>	<u>\$ 126,935</u>	<u>\$ (290,600)</u>	<u>\$ 2,603,601</u>	<u>\$ 287,893</u>

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	2.00 - 3.00%	2024	\$ 2,795,000	\$ -	\$ (440,000)	\$ 2,355,000	\$ 450,000
Compensated absences			90,344	27,088	(33,879)	83,553	33,879
Total business-type activities long-term debt			<u>\$ 2,885,344</u>	<u>\$ 27,088</u>	<u>\$ (473,879)</u>	<u>\$ 2,438,553</u>	<u>\$ 483,879</u>

June 30, 2019

Note 7 - Long-term Debt (Continued)**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.

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	
2020	\$ 140,000	\$ 59,500	\$ 31,880	\$ 2,844	\$ 234,224
2021	145,000	56,700	32,295	2,211	236,206
2022	145,000	52,350	21,815	1,564	220,729
2023	150,000	48,000	22,250	1,128	221,378
2024	160,000	43,500	22,695	683	226,878
2025-2029	890,000	141,900	11,253	229	1,043,382
2030-2033	400,000	18,150	-	-	418,150
Total	\$ 2,030,000	\$ 420,100	\$ 142,188	\$ 8,659	\$ 2,600,947

Years Ending June 30	Business-type Activities				
	Other Debt		Direct Borrowings and Direct Placements		Total
	Principal	Interest	Principal	Interest	
2020	\$ 450,000	\$ 61,550	\$ -	\$ -	\$ 511,550
2021	460,000	52,552	-	-	512,552
2022	470,000	43,350	-	-	513,350
2023	480,000	29,250	-	-	509,250
2024	495,000	14,850	-	-	509,850
2025-2029	-	-	-	-	-
2030-2033	-	-	-	-	-
Total	\$ 2,355,000	\$ 201,552	\$ -	\$ -	\$ 2,556,552

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 \$2,556,552. During the current year, revenue of the system was \$3,881,921 compared to the annual debt requirement of \$510,350.

June 30, 2019

Note 8 - Restricted Net Position

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

	Business-type Activities
Operation and maintenance fund	\$ 228,859
Bond reserve account	278,129
Total restricted net position	<u>\$ 506,988</u>

Operation and Maintenance Fund

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

Bond 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.mersofmichigan.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 \$2,748,787. The current year contribution was calculated based on covered payroll of \$1,339,012, resulting in an employer contribution of \$97,557 and employee contributions of \$0.

Note 10 - Pension Plans (Continued)

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.

Retirement benefits for SEIU, DPW, and WWTP employees are calculated as the lesser of 2.25 percent of the employee's final five-year average salary times the employee's years of service or 80 percent of the employee's final average compensation. Normal retirement age is 60 with early retirement at 55 with 25 years of service for unreduced benefits or 50 with 25 years of service or 55 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 five-year average salary times the employee's years of service or 80 percent of the employee's final average compensation. Normal retirement age is 60 with early retirement at 50 with 25 years of service for unreduced benefits or 55 with 15 years of service for reduced benefits. 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 five-year average salary times the employee's years of service or 80 percent of the employee's final average compensation. Normal retirement age is 60 with early retirement at 55 with 20 years of service for unreduced benefits or 50 with 25 years of service or 55 with 15 years of service for reduced benefits. 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 five-year average salary times the employee's years of service or 80 percent of the employee's final average compensation. Normal retirement age is 60 with early retirement at 55 with 20 years of service for unreduced benefits or 50 with 25 years of service or 55 with 15 years of service for reduced benefits. 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.

Note 10 - Pension Plans (Continued)

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 three-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 55 with 25 years of service for unreduced benefits. The vesting period is six years. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction. Death benefits are always the larger of the benefit computed as a contingent survivor beneficiary or 85 percent of accrued retirement allowance benefit. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

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

Benefit terms, 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, 2018
Inactive plan members or beneficiaries currently receiving benefits	72
Inactive plan members entitled to but not yet receiving benefits	14
Active plan members	46
Total employees covered by MERS	132

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, 2019, the average active employee contribution rate was 4.5 percent of annual pay, and the City's contribution rate was \$60,501 on a monthly basis.

Net Pension Liability

The net pension liability reported at June 30, 2019 was determined using a measure of the total pension liability and the pension net position as of December 31, 2018. The December 31, 2018 total pension liability was determined by an actuarial valuation performed as of that date.

June 30, 2019

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, 2017	\$ 22,252,839	\$ 13,109,586	\$ 9,143,253
Changes for the year:			
Service cost	252,828	-	252,828
Interest	1,726,620	-	1,726,620
Changes in benefits	(192,904)	-	(192,904)
Contributions - Employer	-	726,016	(726,016)
Contributions - Employee	-	116,735	(116,735)
Net investment income	-	(488,939)	488,939
Benefit payments, including refunds	(1,592,997)	(1,592,997)	-
Administrative expenses	-	(25,054)	25,054
Net changes	193,547	(1,264,239)	1,457,786
Balance at December 31, 2018	<u>\$ 22,446,386</u>	<u>\$ 11,845,347</u>	<u>\$ 10,601,039</u>

The plan's fiduciary net position represents 52.8 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, 2019, the City recognized pension expense of \$1,230,143.

At June 30, 2019, 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	\$ 66,933	\$ (144,678)
Net difference between projected and actual earnings on pension plan investments	908,942	-
Employer contributions to the plan subsequent to the measurement date	371,195	-
Total	<u>\$ 1,347,070</u>	<u>\$ (144,678)</u>

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
2020	\$ 344,439
2021	58,432
2022	126,984
2023	301,342
Total	<u>\$ 831,197</u>

June 30, 2019

Note 10 - Pension Plans (Continued)***Actuarial Assumptions***

The total pension liability in the December 31, 2018 actuarial valuation was determined using an inflation assumption of 2.50 percent, assumed salary increases (including inflation) of 3.75 percent, an investment rate of return of 8.0 percent, and the RP-2014 mortality tables. These assumptions were applied to all periods included in the measurement and are based on an experience study conducted for the period from January 1, 2009 through December 31, 2013.

Discount Rate

The discount rate used to measure the total pension liability was 8.0 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, 2018, 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	55.50 %	6.15 %
Global fixed income	18.50	1.26
Real assets	13.50	7.72
Diversifying strategies	12.50	5.00

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

The following presents the net pension liability of the City, calculated using the discount rate of 8.0 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 Percent Decrease (7.00%)	Current Discount Rate (8.00%)	1 Percent Increase (9.00%)
Net pension liability of the City	\$ 12,992,119	\$ 10,601,039	\$ 8,585,699

June 30, 2019

Note 10 - Pension Plans (Continued)***Pension Plan Fiduciary Net Position***

Detailed information about the plan's fiduciary net position is available in the separately issued financial report. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows 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.

Note 11 - Other Postemployment Benefit Plan***Plan Description***

The City provides retiree healthcare benefits to eligible employees and their beneficiaries. This is a single-employer defined benefit plan administered by the City. The benefits are provided under collective bargaining agreements, and a council-adopted policy provides OPEB for all employees who meet eligibility requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

Benefits Provided

The plan provides retiree healthcare benefits for eligible employees and their spouses. The plan is closed to new entrants.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

	<u>OPEB Plan</u>
Date of member count	June 30, 2019
Inactive plan members or beneficiaries currently receiving benefits	12
Inactive plan members entitled to but not yet receiving benefits	1
Active plan members	<u>1</u>
Total plan members	<u><u>14</u></u>

Contributions

Retiree healthcare 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, 2019, the City made payments for postemployment health benefit premiums of \$84,759.

June 30, 2019

Note 11 - Other Postemployment Benefit Plan (Continued)***Total OPEB Liability***

The City's total OPEB liability of \$1,972,962 was measured as of June 30, 2019 and was determined by the use of the alternative measurement method calculation as of that date.

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

Changes in Total OPEB Liability	Total OPEB Liability
Balance at June 30, 2018	\$ 1,945,991
Changes for the year:	
Service cost	11,859
Interest	74,145
Differences between expected and actual experience	(29,410)
Changes in assumptions	55,136
Benefit payments, including refunds	(84,759)
Net changes	26,971
Balance at June 30, 2019	<u><u>\$ 1,972,962</u></u>

OPEB Expense

For the year ended June 30, 2019, the City recognized OPEB expense of \$26,970.

Actuarial Assumptions

The total OPEB liability was determined by utilizing the alternative measurement method as of June 30, 2019 using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Expected Point in Time at Which Benefit Payments Will Begin to be Made

Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 55 or at the first subsequent year in which the member would qualify for benefits.

Marital Status and Dependency Status

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

Mortality

Mortality rates were based on the RP2000 Mortality Table for Males and Females projected 18 years.

Turnover

Non-group-specific age-based turnover data from GASB Statement No. 75 was used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for the purpose of allocating to periods the present value of total benefits to be paid.

Healthcare Cost Trend Rate

The expected rate of increase in healthcare insurance premiums was based on the Getzen model promulgated by the Society of Actuaries for use in long-term trend projection. A rate of 4.6 percent initially, increased to a rate of 4.8 percent after two years, was used.

June 30, 2019

Note 11 - Other Postemployment Benefit Plan (Continued)**Health Insurance Premiums**

A combination of the 2019 health insurance age-adjusted premium rates for retirees and the city health reimbursement arrangement (HRA) contribution amounts were used as the basis for calculation of the present value of total benefits to be paid.

Payroll Growth Rate

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

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.500 percent. The discount rate was based on the Bond Buyer 20-year GO index. This was a change from the discount rate at the beginning of the measurement period of 3.870 percent based on the same index.

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.500 percent, as well as what the City's total 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 Percent Decrease	Current Discount Rate	1 Percent Increase
Total OPEB liability of the OPEB plan	\$ 2,137,588	\$ 1,972,962	\$ 1,830,267

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the City, calculated using the healthcare cost trend rate of 4.6 percent, as well as what the City's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease	Current Healthcare Cost Trend Rate	1 Percent Increase
Total OPEB liability of the OPEB plan	\$ 1,961,145	\$ 1,972,962	\$ 1,984,844

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, 2019, the City abated \$33,379 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 six years.

For the fiscal year ended June 30, 2019, the City abated \$6,222 of taxes under this program. There are no provisions to recapture taxes; however, the abatement may be eliminated if taxes are not paid timely.

June 30, 2019

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, 2019, the City abated \$12,866 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 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, 2019, the City abated \$258 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, 2019, the City abated \$22,970 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	\$ 17,287,581	\$ 15,619,775
Less related debt	(2,283,305)	(2,355,000)
Add deferred charge on refunding	30,435	116,455
Net investment in capital assets	<u>\$ 15,034,711</u>	<u>\$ 13,381,230</u>

Required Supplemental Information

Required Supplemental Information
Budgetary Comparison Schedule
General Fund

Year Ended June 30, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 3,176,550	\$ 3,176,550	\$ 3,182,409	\$ 5,859
Intergovernmental	1,140,500	1,140,500	1,148,530	8,030
Charges for services	795,600	795,600	814,712	19,112
Fines and forfeitures	31,100	31,100	22,841	(8,259)
Licenses and permits	54,070	54,070	45,774	(8,296)
Investment income	15,000	15,000	37,448	22,448
Other revenue	157,700	157,700	57,562	(100,138)
Total revenue	5,370,520	5,370,520	5,309,276	(61,244)
Expenditures				
Current services:				
General government	708,119	788,119	772,067	16,052
Public safety	4,033,990	4,033,990	3,981,100	52,890
Public works	670,000	670,000	692,469	(22,469)
Community and economic development	221,820	221,820	187,224	34,596
Recreation and culture	370,850	370,850	201,482	169,368
Debt service	34,520	34,520	35,138	(618)
Total expenditures	6,039,299	6,119,299	5,869,480	249,819
Excess of Expenditures Over Revenue	(668,779)	(748,779)	(560,204)	188,575
Other Financing Sources (Uses)				
Transfers in	-	-	25,000	25,000
Transfers out	(60,960)	(60,960)	(62,560)	(1,600)
New debt issued	400,000	400,000	-	(400,000)
Total other financing sources (uses)	339,040	339,040	(37,560)	(376,600)
Net Change in Fund Balance	(329,739)	(409,739)	(597,764)	(188,025)
Fund Balance - Beginning of year	2,932,185	2,932,185	2,932,185	-
Fund Balance - End of year	<u>\$ 2,602,446</u>	<u>\$ 2,522,446</u>	<u>\$ 2,334,421</u>	<u>\$ (188,025)</u>

City of Charlotte, Michigan**Required Supplemental Information
Budgetary Comparison Schedule - Major Special Revenue Fund
Major Street Fund****Year Ended June 30, 2019**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Revenue				
Property taxes	\$ 312,000	\$ 312,000	\$ 313,402	\$ 1,402
Intergovernmental	1,015,000	1,015,000	680,997	(334,003)
Investment income	4,200	4,200	4,482	282
Other revenue	10,000	10,000	9,014	(986)
Total revenue	1,341,200	1,341,200	1,007,895	(333,305)
Expenditures				
Current services - Public works	401,420	401,420	391,509	9,911
Capital outlay	1,300,000	1,300,000	1,279,462	20,538
Total expenditures	1,701,420	1,701,420	1,670,971	30,449
Excess of Expenditures Over Revenue	(360,220)	(360,220)	(663,076)	(302,856)
Other Financing Uses	(100,000)	(100,000)	(100,000)	-
Net Change in Fund Balance	(460,220)	(460,220)	(763,076)	(302,856)
Fund Balance - Beginning of year	1,777,405	1,777,405	1,777,405	-
Fund Balance - End of year	<u><u>\$ 1,317,185</u></u>	<u><u>\$ 1,317,185</u></u>	<u><u>\$ 1,014,329</u></u>	<u><u>\$ (302,856)</u></u>

Required Supplemental Information

Schedule of Changes in the Net Pension Liability and Related Ratios

	Last Five Fiscal Years				
	2019	2018	2017	2016	2015
Total Pension Liability					
Service cost	\$ 252,828	\$ 249,607	\$ 266,224	\$ 260,875	\$ 252,934
Interest	1,726,620	1,690,900	1,638,043	1,574,604	1,531,865
Differences between expected and actual experience	(192,904)	36,880	193,964	76,155	-
Changes in assumptions	-	-	-	820,049	-
Benefit payments, including refunds	(1,592,997)	(1,471,983)	(1,386,436)	(1,303,433)	(1,238,017)
Net Change in Total Pension Liability	193,547	505,404	711,795	1,428,250	546,782
Total Pension Liability - Beginning of year	22,252,839	21,747,435	21,035,640	19,607,390	19,060,608
Total Pension Liability - End of year	<u><u>\$ 22,446,386</u></u>	<u><u>\$ 22,252,839</u></u>	<u><u>\$ 21,747,435</u></u>	<u><u>\$ 21,035,640</u></u>	<u><u>\$ 19,607,390</u></u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 726,016	\$ 655,835	\$ 560,877	\$ 488,614	\$ 440,590
Contributions - Member	116,735	125,815	133,757	133,942	131,690
Net investment (loss) income	(488,939)	1,581,517	1,293,548	(180,906)	775,454
Administrative expenses	(25,054)	(25,097)	(25,570)	(26,884)	(28,352)
Benefit payments, including refunds	(1,592,997)	(1,471,983)	(1,386,436)	(1,303,433)	(1,238,017)
Net Change in Plan Fiduciary Net Position	(1,264,239)	866,087	576,176	(888,667)	81,365
Plan Fiduciary Net Position - Beginning of year	13,109,586	12,243,499	11,667,323	12,555,990	12,474,625
Plan Fiduciary Net Position - End of year	<u><u>\$ 11,845,347</u></u>	<u><u>\$ 13,109,586</u></u>	<u><u>\$ 12,243,499</u></u>	<u><u>\$ 11,667,323</u></u>	<u><u>\$ 12,555,990</u></u>
City's Net Pension Liability - Ending	<u><u>\$ 10,601,039</u></u>	<u><u>\$ 9,143,253</u></u>	<u><u>\$ 9,503,936</u></u>	<u><u>\$ 9,368,317</u></u>	<u><u>\$ 7,051,400</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	52.77 %	58.91 %	56.30 %	55.46 %	64.04 %
Covered Payroll	\$ 2,605,068	\$ 2,469,416	\$ 2,580,947	\$ 2,443,516	\$ 2,344,781
City's Net Pension Liability as a Percentage of Covered Payroll	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.

Required Supplemental Information
Schedule of Pension Contributions

	Last Ten Fiscal Years Years Ended June 30									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 726,016	\$ 655,835	\$ 604,246	\$ 518,652	\$ 460,158	\$ 418,746	\$ 403,402	\$ 384,667	\$ 406,818	\$ 348,477
Contributions in relation to the actuarially determined contribution	726,016	655,835	604,246	518,652	460,158	418,746	403,402	384,667	406,818	348,477
Contribution Excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 2,682,635	\$ 2,469,416	\$ 2,580,947	\$ 2,443,516	\$ 2,344,781	\$ 2,337,878	\$ 2,381,969	\$ 2,566,502	\$ 2,747,012	\$ 2,657,620
Contributions as a Percentage of Covered Employee Payroll	27.06 %	26.56 %	23.41 %	21.23 %	19.62 %	17.91 %	16.94 %	14.99 %	14.81 %	13.11 %

Notes to Schedule of Pension Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31, which is 18 months prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	23 years
Asset valuation method	Five-year smoothed market
Inflation	2.5 percent
Salary increases	3.75 percent, with merit and longevity increases ranging from 0 to 11 percent
Investment rate of return	8 percent
Retirement age	50-60 years of age depending on years of credited service
Mortality	50 percent male - 50 percent female blend of the RP-2014 Mortality Tables
Other information	None

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

	Last Two Fiscal Years	
	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service cost	\$ 11,859	\$ 28,487
Interest	74,145	89,425
Differences between expected and actual experience	(29,410)	(546,884)
Changes in assumptions	55,136	(44,121)
Benefit payments, including refunds	<u>(84,759)</u>	<u>(99,785)</u>
Net Change in Total OPEB Liability	26,971	(572,878)
Total OPEB Liability - Beginning of year	<u>1,945,991</u>	<u>2,518,869</u>
Total OPEB Liability - End of year	<u>\$ 1,972,962</u>	<u>\$ 1,945,991</u>

Contributions to the OPEB plan are not based on a measure of pay; therefore, no covered payroll is presented.

June 30, 2019

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 is 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 Fund. The budgetary comparison for the Airport Fund is presented in the other supplemental information. A reconciliation of the budgetary comparison schedules to the fund-based statement of revenue, expenditures, and changes in fund balances is as follows:

	Total Revenue	Total Expenditures	Fund Balance
General Fund budget statement	\$ 5,309,276	\$ 5,869,480	\$ 2,334,421
Add Airport Fund	52,346	116,898	(181,251)
Amounts per fund-based statement	<u>\$ 5,361,622</u>	<u>\$ 5,986,378</u>	<u>\$ 2,153,170</u>

Excess of Expenditures Over Appropriations in Budgeted Funds

	Budget	Actual	Variance
General Fund - Public works	\$ 670,000	\$ 692,469	\$ (22,469)
General Fund - Debt service	34,520	35,138	(618)

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 monies earmarked for the City's industrial park.

Police Training Fund

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

Drug Enforcement Fund

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

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 monies, 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.

	Special Revenue Funds			
	Local Street	Industrial Park	Police Training	Drug Enforcement
Assets				
Cash and investments	\$ 277,928	\$ 77,216	\$ 6,700	\$ 11,466
Receivables	74,427	19,069	10	25
Prepays and other assets	3,507	-	-	-
Total assets	<u>\$ 355,862</u>	<u>\$ 96,285</u>	<u>\$ 6,710</u>	<u>\$ 11,491</u>
Liabilities				
Accounts payable	\$ 91	\$ 220	\$ -	\$ 473
Accrued liabilities and other	3,095	-	-	-
Total liabilities	3,186	220	-	473
Deferred Inflows of Resources - Unavailable revenue	31,277	-	-	-
Total liabilities and deferred inflows of resources	34,463	220	-	473
Fund Balances				
Nonspendable - Prepaid asset	3,507	-	-	-
Restricted:				
Police training	-	-	6,710	-
Industrial park	-	96,065	-	-
Grants	-	-	-	-
Local streets	317,892	-	-	-
Drug enforcement	-	-	-	11,018
Camp Frances	-	-	-	-
Facility building bond	-	-	-	-
Total fund balances	<u>321,399</u>	<u>96,065</u>	<u>6,710</u>	<u>11,018</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 355,862</u>	<u>\$ 96,285</u>	<u>\$ 6,710</u>	<u>\$ 11,491</u>

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2019

Special Revenue Funds		Debt Service Fund	Total Nonmajor Governmental Funds
Camp Frances	Grant	Facility Building Bond	
\$ 19,787	\$ 20,919	\$ 15,099	\$ 429,115
8	503	-	94,042
35	-	-	3,542
\$ 19,830	\$ 21,422	\$ 15,099	\$ 526,699
\$ -	\$ -	\$ -	\$ 784
-	-	-	3,095
-	-	-	3,879
-	-	-	31,277
-	-	-	35,156
35	-	-	3,542
-	-	-	6,710
-	-	-	96,065
-	21,422	-	21,422
-	-	-	317,892
-	-	-	11,018
19,795	-	-	19,795
-	-	15,099	15,099
19,830	21,422	15,099	491,543
\$ 19,830	\$ 21,422	\$ 15,099	\$ 526,699

City of Charlotte, Michigan

	Special Revenue Funds			
	Local Street	Industrial Park	Police Training	Drug Enforcement
Revenue				
Property taxes	\$ -	\$ -	\$ -	\$ -
Special assessments	3,273	-	-	-
Intergovernmental - State sources	348,435	-	2,502	-
Investment income	3,829	1,345	45	205
Other revenue	728	8,835	-	-
Total revenue	356,265	10,180	2,547	205
Expenditures				
Current services:				
Public safety	-	-	3,811	1,492
Public works	331,177	-	-	-
Community and economic development	-	3,425	-	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest on long-term debt	-	-	-	-
Total expenditures	331,177	3,425	3,811	1,492
Excess of Revenue Over (Under) Expenditures	25,088	6,755	(1,264)	(1,287)
Other Financing Sources (Uses) - Transfers in (out)	118,000	(25,000)	8,600	-
Net Change in Fund Balances	143,088	(18,245)	7,336	(1,287)
Fund Balances - Beginning of year	178,311	114,310	(626)	12,305
Fund Balances - End of year	\$ 321,399	\$ 96,065	\$ 6,710	\$ 11,018

Other Supplemental Information

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended June 30, 2019

Special Revenue Funds		Debt Service Fund	Total Nonmajor Governmental Funds
Camp Frances	Grant	Facility Building Bond	
\$ -	\$ -	\$ 191,654	\$ 191,654
-	-	-	3,273
-	125,381	-	476,318
52	2,949	-	8,425
22,366	-	-	31,929
22,418	128,330	191,654	711,599
-	-	-	5,303
-	-	-	331,177
-	1,080	-	4,505
2,588	-	-	2,588
-	49,000	-	49,000
-	-	135,000	135,000
-	-	62,200	62,200
2,588	50,080	197,200	589,773
19,830	78,250	(5,546)	121,826
-	-	-	101,600
19,830	78,250	(5,546)	223,426
-	(56,828)	20,645	268,117
\$ 19,830	\$ 21,422	\$ 15,099	\$ 491,543

City of Charlotte, Michigan

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

Year Ended June 30, 2019

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Special assessments	\$ 2,500	\$ 2,500	\$ 3,273	\$ 773
State and local sources	230,000	230,000	348,435	118,435
Investment income	200	200	3,829	3,629
Other revenue	700	700	728	28
Total revenue	233,400	233,400	356,265	122,865
Expenditures - Current services - Public works - Street maintenance	397,205	397,205	331,177	66,028
Excess of Revenue (Under) Over Expenditures	(163,805)	(163,805)	25,088	188,893
Other Financing Sources - Transfers in	115,200	115,200	118,000	2,800
Net Change in Fund Balance	(48,605)	(48,605)	143,088	191,693
Fund Balance - Beginning of year	178,311	178,311	178,311	-
Fund Balance - End of year	<u>\$ 129,706</u>	<u>\$ 129,706</u>	<u>\$ 321,399</u>	<u>\$ 191,693</u>

City of Charlotte, Michigan

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

Year Ended June 30, 2019

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Investment income	\$ 100	\$ 100	\$ 1,345	\$ 1,245
Other revenue	8,265	8,265	8,835	570
Total revenue	8,365	8,365	10,180	1,815
Expenditures - Current - Community and economic development	8,025	8,025	3,425	4,600
Excess of Revenue Over Expenditures	340	340	6,755	6,415
Other Financing Uses - Transfers out	(25,000)	(25,000)	(25,000)	-
Net Change in Fund Balance	(24,660)	(24,660)	(18,245)	6,415
Fund Balance - Beginning of year	114,310	114,310	114,310	-
Fund Balance - End of year	<u>\$ 89,650</u>	<u>\$ 89,650</u>	<u>\$ 96,065</u>	<u>\$ 6,415</u>

City of Charlotte, Michigan

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

Year Ended June 30, 2019

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue - State sources	\$ 2,700	\$ 2,700	\$ 2,547	\$ (153)
Expenditures - Current - Public safety - Police	10,300	10,300	3,811	6,489
Excess of Expenditures Over Revenue	(7,600)	(7,600)	(1,264)	6,336
Other Financing Sources - Transfers in	7,600	8,600	8,600	-
Net Change in Fund Balance	-	1,000	7,336	6,336
Fund Balance - Beginning of year	(626)	(626)	(626)	-
Fund Balance - End of year	<u><u>\$ (626)</u></u>	<u><u>\$ 374</u></u>	<u><u>\$ 6,710</u></u>	<u><u>\$ 6,336</u></u>

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

Year Ended June 30, 2019

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Investment income	\$ 50	\$ 50	\$ 205	\$ 155
Other revenue	2,500	2,500	-	(2,500)
Total revenue	2,550	2,550	205	(2,345)
Expenditures - Current - Public safety - Police	2,000	2,000	1,492	508
Net Change in Fund Balance	550	550	(1,287)	(1,837)
Fund Balance - Beginning of year	12,305	12,305	12,305	-
Fund Balance - End of year	<u><u>\$ 12,855</u></u>	<u><u>\$ 12,855</u></u>	<u><u>\$ 11,018</u></u>	<u><u>\$ (1,837)</u></u>

City of Charlotte, Michigan

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

Year Ended June 30, 2019

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue - Property taxes	\$ 197,700	\$ 197,700	\$ 191,654	\$ (6,046)
Expenditures				
Current services - Community and economic development	500	500	-	500
Debt service:				
Principal	135,000	135,000	135,000	-
Interest on long-term debt	62,200	62,200	62,200	-
Total expenditures	197,700	197,700	197,200	500
Net Change in Fund Balance	-	-	(5,546)	(5,546)
Fund Balance - Beginning of year	20,645	20,645	20,645	-
Fund Balance - End of year	<u><u>\$ 20,645</u></u>	<u><u>\$ 20,645</u></u>	<u><u>\$ 15,099</u></u>	<u><u>\$ (5,546)</u></u>

City of Charlotte, Michigan

Other Supplemental Information
Budgetary Comparison Schedules - Nonmajor Governmental Funds
(Continued)
Airport

Year Ended June 30, 2019

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Federal grants	\$ 166,000	\$ 166,000	\$ -	\$ (166,000)
Investment income	50	50	2,853	2,803
Other revenue	85,400	85,400	49,493	(35,907)
Total revenue	251,450	251,450	52,346	(199,104)
Expenditures - Current - Recreation and culture	278,310	278,310	116,898	161,412
Excess of Expenditures Over Revenue	(26,860)	(26,860)	(64,552)	(37,692)
Other Financing Sources - Transfers in	26,860	26,860	26,860	-
Net Change in Fund Balance	-	-	(37,692)	(37,692)
Fund Balance (Deficit) - Beginning of year	(143,539)	(143,539)	(143,539)	-
Fund Balance (Deficit) - End of year	<u><u>\$ (143,539)</u></u>	<u><u>\$ (143,539)</u></u>	<u><u>\$ (181,231)</u></u>	<u><u>\$ (37,692)</u></u>

City of Charlotte, Michigan

Other Supplemental Information Schedule of Changes in Assets and Liabilities Agency Funds

	Year Ended June 30, 2019			
	July 1, 2018	Additions	Deductions	June 30, 2019
Assets - Cash and cash equivalents	<u>\$ 190,510</u>	<u>\$ 10,903,215</u>	<u>\$ (11,019,710)</u>	<u>\$ 74,015</u>
Liabilities - Due to other governmental units	<u>\$ 190,510</u>	<u>\$ 10,903,215</u>	<u>\$ (11,019,710)</u>	<u>\$ 74,015</u>

Statistical Section

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

The statistical section is organized into the following main categories:

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

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual 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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Governmental Activities:				
Net investment in capital assets	\$ 17,423,981	\$ 16,745,700	\$ 16,859,400	\$ 16,202,851
Restricted	1,007,907	1,101,202	962,194	1,014,827
Unrestricted	<u>1,773,881</u>	<u>1,264,816</u>	<u>1,462,522</u>	<u>1,294,226</u>
Total net position	<u>\$ 20,205,769</u>	<u>\$ 19,111,718</u>	<u>\$ 19,284,116</u>	<u>\$ 18,511,904</u>
Business Type Activities:				
Net investment in capital assets	\$ 10,130,482	\$ 10,055,513	\$ 9,968,706	\$ 9,971,225
Restricted	763,748	768,020	756,792	748,181
Unrestricted	<u>639,579</u>	<u>995,332</u>	<u>1,388,827</u>	<u>1,749,702</u>
Total net position	<u>\$ 11,533,809</u>	<u>\$ 11,818,865</u>	<u>\$ 12,114,325</u>	<u>\$ 12,469,108</u>
Primary government in total:				
Net investment in capital assets	\$ 27,554,463	\$ 26,801,213	\$ 26,828,106	\$ 26,174,076
Restricted	1,771,655	1,869,222	1,718,986	1,763,008
Unrestricted	<u>2,413,460</u>	<u>2,260,148</u>	<u>2,851,349</u>	<u>3,043,928</u>
Total net position	<u>\$ 31,739,578</u>	<u>\$ 30,930,583</u>	<u>\$ 31,398,441</u>	<u>\$ 30,981,012</u>

Net Position by Component

Last Ten Fiscal Years

June 30, 2019

As of June 30,					
<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 15,617,415	\$ 15,365,101	\$ 14,928,939	\$ 14,741,754	\$ 13,934,175	\$ 15,034,711
1,076,663	1,449,173	1,665,202	1,773,032	2,137,526	1,537,149
669,720	(3,478,998)	(3,756,822)	(4,443,793)	(5,945,945)	(7,253,741)
\$ 17,363,798	\$ 13,335,276	\$ 12,837,319	\$ 12,070,993	\$ 10,125,756	\$ 9,318,119
\$ 10,065,565	\$ 11,186,706	\$ 11,317,330	\$ 12,018,103	\$ 12,781,541	\$ 13,381,230
860,060	583,803	550,448	443,321	471,890	506,988
1,885,116	31,249	476,108	344,157	(243,555)	(542,164)
\$ 12,810,741	\$ 11,801,758	\$ 12,343,886	\$ 12,805,581	\$ 13,009,876	\$ 13,346,054
\$ 25,682,980	\$ 26,551,807	\$ 26,246,269	\$ 26,759,857	\$ 26,715,716	\$ 28,415,941
1,936,723	2,032,976	2,215,650	2,216,353	2,609,416	2,044,137
2,554,836	(3,447,749)	(3,280,714)	(4,099,636)	(6,189,500)	(7,795,905)
\$ 30,174,539	\$ 25,137,034	\$ 25,181,205	\$ 24,876,574	\$ 23,135,632	\$ 22,664,173

City of Charlotte, Michigan

	Fiscal Years Ended June 30,			
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Expenses				
General Government	\$ 786,751	\$ 816,352	\$ 714,417	\$ 708,104
Public Safety	3,041,186	3,046,302	2,676,328	2,946,200
Public Works	2,152,815	2,131,513	1,990,798	2,090,492
Community and economic development	327,832	276,337	183,137	159,960
Recreation and culture	370,842	401,156	168,429	406,441
Interest on long-term debt	166,504	159,409	153,620	144,955
Total governmental activities	6,845,930	6,831,069	5,886,729	6,456,152
Program revenue				
Charges for services:				
General Government	101,663	165,902	165,723	162,947
Public Safety	301,165	324,425	229,725	240,796
Public Works	-	-	-	-
Total charges for services	402,828	490,327	395,448	403,743
Operating grants and contributions	725,303	488,798	548,263	548,968
Capital grants and contributions	337,707	185,204	651,271	139,011
Total program revenue	1,465,838	1,164,329	1,594,982	1,091,722
Net (expense) revenue	<u>\$ (5,380,092)</u>	<u>\$ (5,666,740)</u>	<u>\$ (4,291,747)</u>	<u>\$ (5,364,430)</u>
General Revenues				
Property taxes	3,569,934	3,548,240	3,380,724	3,465,508
State shared revenue	772,594	748,562	802,292	845,931
Investment earnings	7,953	6,075	1,905	2,267
Miscellaneous	203,202	247,522	256,798	278,512
Total general revenues	4,553,683	4,550,399	4,441,719	4,592,218
Transfers	23,035	22,290	22,426	-
Special items	560,000	-	-	-
Changes in Net Position	<u>\$ (243,374)</u>	<u>\$ (1,094,051)</u>	<u>\$ 172,398</u>	<u>\$ (772,212)</u>

Changes in Governmental Net Position

Last Ten Fiscal Years

June 30, 2019

Fiscal Years Ended June 30,					
<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 564,566	\$ 801,558	\$ 719,069	\$ 773,727	\$ 659,443	\$ 1,004,556
2,936,410	2,920,571	3,555,820	3,541,230	3,476,023	3,837,799
2,696,273	2,060,914	2,087,823	2,305,536	2,371,108	2,312,824
143,934	152,457	578,019	393,845	288,705	247,201
371,489	389,838	410,365	319,348	419,589	420,460
157,312	137,936	121,406	107,323	79,878	59,830
<u>6,869,984</u>	<u>6,463,274</u>	<u>7,472,502</u>	<u>7,441,009</u>	<u>7,294,746</u>	<u>7,882,670</u>
172,113	129,051	63,599	155,466	167,781	161,225
440,168	426,886	301,696	299,771	322,185	329,642
-	-	-	-	-	-
<u>612,281</u>	<u>555,937</u>	<u>365,295</u>	<u>455,237</u>	<u>489,966</u>	<u>490,867</u>
605,143	632,492	705,354	699,468	897,919	896,463
-	1,324	752,267	334,589	186,040	125,381
<u>1,217,424</u>	<u>1,189,753</u>	<u>1,822,916</u>	<u>1,489,294</u>	<u>1,573,925</u>	<u>1,512,711</u>
<u>\$ (5,652,560)</u>	<u>\$ (5,273,521)</u>	<u>\$ (5,649,586)</u>	<u>\$ (5,951,715)</u>	<u>\$ (5,720,821)</u>	<u>\$ (6,369,959)</u>
3,384,261	3,667,494	3,689,202	3,674,424	3,651,312	3,687,465
846,007	899,907	995,879	1,129,391	1,255,119	1,284,001
6,644	7,718	9,666	13,087	27,550	53,208
<u>267,542</u>	<u>879,737</u>	<u>456,882</u>	<u>376,242</u>	<u>366,018</u>	<u>546,748</u>
<u>4,504,454</u>	<u>5,454,856</u>	<u>5,151,629</u>	<u>5,193,144</u>	<u>5,299,999</u>	<u>5,571,422</u>
-	-	-	(7,755)	(8,736)	(9,100)
-	935,266	-	-	-	-
<u>\$ (1,148,106)</u>	<u>\$ 1,116,601</u>	<u>\$ (497,957)</u>	<u>\$ (766,326)</u>	<u>\$ (429,558)</u>	<u>\$ (807,637)</u>

City of Charlotte, Michigan

	Fiscal Years Ended June 30,			
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Operating Revenue				
Sale of water	971,735	1,261,528	1,320,804	1,502,614
Sewage disposal charges	1,905,010	2,090,881	2,051,739	1,944,182
Tap fees	-	-	-	-
Recycling fees	30,625	47,132	50,384	36,712
Other	-	33,995	33,995	16,030
Total operating revenue	<u>2,907,370</u>	<u>3,433,536</u>	<u>3,456,922</u>	<u>3,499,538</u>
Operating Expenses				
Cost of services	2,011,008	2,166,904	2,218,281	2,252,478
Recycling	57,305	91,951	62,913	63,540
Depreciation	630,817	636,044	616,247	606,948
Total operating expenses	<u>2,699,130</u>	<u>2,894,899</u>	<u>2,897,441</u>	<u>2,922,966</u>
Net (expense) revenue	<u>\$ 208,240</u>	<u>\$ 538,637</u>	<u>\$ 559,481</u>	<u>\$ 576,572</u>
Nonoperating Revenue (Expenses)				
Interest income	1,779	938	1,081	452
Interest expense	(311,114)	(290,736)	(265,324)	(253,044)
Gain (loss) on disposal of assets	-	-	-	-
Other	47,301	58,507	22,648	30,803
Income (Loss) - Before contributions and other items	<u>(53,794)</u>	<u>307,346</u>	<u>317,886</u>	<u>354,783</u>
Capital Contributions	-	-	-	-
Transfers (to) from other funds	<u>(23,035)</u>	<u>(22,290)</u>	<u>(22,426)</u>	<u>-</u>
Change in Net Position	<u>\$ (76,829)</u>	<u>\$ 285,056</u>	<u>\$ 295,460</u>	<u>\$ 354,783</u>
Total Primary Government Revenue	9,509,926	9,170,554	9,516,049	9,183,478
Total Primary Government Expense	9,830,129	9,979,549	9,048,191	9,600,907
Total Primary Government Change in Net Position	<u>\$ (320,203)</u>	<u>\$ (808,995)</u>	<u>\$ 467,858</u>	<u>\$ (417,429)</u>

Changes in Business Type Net Position

Last Ten Fiscal Years

June 30, 2019

Fiscal Years Ended June 30,					
2014	2015	2016	2017	2018	2019
1,459,366	1,440,924	1,501,145	1,557,821	1,549,416	1,587,517
1,954,933	1,950,610	2,101,169	2,171,562	2,137,049	2,193,108
-	-	-	-	-	-
25,067	30,600	27,526	30,365	23,806	16,160
26,807	22,820	53,720	35,567	22,870	118,453
3,466,173	3,444,954	3,683,560	3,795,315	3,733,141	3,915,238
2,167,010	2,352,465	2,291,681	2,527,059	2,673,925	2,789,095
76,541	72,473	66,360	67,391	67,102	63,191
620,472	644,123	667,423	672,430	661,732	699,425
2,864,023	3,069,061	3,025,464	3,266,880	3,402,759	3,551,711
\$ 602,150	\$ 375,893	\$ 658,096	\$ 528,435	\$ 330,382	\$ 363,527
1,618	2,115	3,025	5,498	7,750	29,912
(299,010)	(183,388)	(132,528)	(110,741)	(108,104)	(87,778)
-	-	(2,612)	-	-	-
36,875	28,871	21,947	24,948	27,776	21,417
341,633	223,491	547,928	448,140	257,804	327,078
-	-	-	-	-	-
-	-	-	7,755	8,736	9,100
\$ 341,633	\$ 223,491	\$ 547,928	\$ 455,895	\$ 266,540	\$ 336,178
9,188,051	11,024,829	10,658,105	10,469,998	10,598,329	11,050,700
9,994,524	9,684,737	10,608,134	10,780,429	10,761,347	11,522,159
\$ (806,473)	\$ 1,340,092	\$ 49,971	\$ (310,431)	\$ (163,018)	\$ (471,459)

City of Charlotte, Michigan

	As of June 30,			
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Fund:				
Reserved	\$ 174,608	\$ -	\$ -	\$ -
Nonspendable	-	178,081	170,337	167,078
Assigned	-	200,000	320,000	320,000
Unassigned	-	993,351	664,286	1,091,005
Unreserved	<u>1,457,904</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total general fund	<u>\$ 1,632,512</u>	<u>\$ 1,371,432</u>	<u>\$ 1,154,623</u>	<u>\$ 1,578,083</u>
All other governmental funds:				
Reserved	87,849	-	-	-
Nonspendable	-	4,151	3,217	1,774
Assigned	-	-	-	-
Restricted	-	1,096,979	886,612	945,023
Unreserved/Unassigned - Report in:				
Special revenue funds	973,930	-	-	-
Capital projects funds	<u>49,026</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>1,110,805</u>	<u>1,101,130</u>	<u>889,829</u>	<u>946,797</u>
Total of all governmental funds	<u>\$ 2,743,317</u>	<u>\$ 2,472,562</u>	<u>\$ 2,044,452</u>	<u>\$ 2,524,880</u>

Fund Balances, Governmental Funds

Last Ten Fiscal Years

June 30, 2019

As of June 30,					
<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
174,100	147,829	165,380	177,540	190,095	178,658
250,000	350,000	445,000	380,000	200,000	200,000
1,218,492	1,992,621	2,289,441	2,026,452	2,398,531	1,774,512
-	-	-	-	-	-
<u>\$ 1,642,592</u>	<u>\$ 2,490,450</u>	<u>\$ 2,899,821</u>	<u>\$ 2,583,992</u>	<u>\$ 2,788,626</u>	<u>\$ 2,153,170</u>
-	-	-	-	-	-
2,968	3,185	2,758	2,199	7,056	6,437
-	63	70	-	-	-
1,023,307	1,398,780	1,618,516	1,731,971	2,095,920	1,499,435
-	-	(133,225)	(171,328)	(57,454)	-
-	-	-	-	-	-
<u>1,026,275</u>	<u>1,402,028</u>	<u>1,488,119</u>	<u>1,562,842</u>	<u>2,045,522</u>	<u>1,505,872</u>
<u>\$ 2,668,867</u>	<u>\$ 3,892,478</u>	<u>\$ 4,387,940</u>	<u>\$ 4,146,834</u>	<u>\$ 4,834,148</u>	<u>\$ 3,659,042</u>

City of Charlotte, Michigan

	Fiscal Year Ended June 30,			
	2010	2011	2012	2013
Revenue				
Property taxes	\$ 3,582,643	\$ 3,548,240	\$ 3,531,834	\$ 3,466,618
Special assessments	12,709	12,874	7,657	2,579
Licenses and permits	30,657	31,651	26,741	26,586
State and local sources	1,353,815	1,468,286	1,410,927	1,449,486
Federal grants	244,457	-	2,097	607,800
Charges for services	355,473	365,929	283,081	299,605
Fines and forfeitures	29,712	31,767	32,567	31,713
Other	161,539	273,355	278,487	285,705
Total revenue	5,771,005	5,732,102	5,573,391	6,170,092
Expenditures				
Current:				
General government	615,309	597,981	525,995	621,205
Public safety	2,910,550	2,961,498	2,615,436	2,699,043
Public works	1,163,567	1,154,272	1,105,860	1,034,223
Recreation and culture	260,343	252,384	317,892	296,248
Community and economic development	288,130	146,994	141,075	140,152
Capital outlay	763,240	681,587	950,880	520,344
Debt service - Principal	155,000	170,000	212,007	232,189
Debt service - Interest	167,445	160,431	154,782	146,260
Total expenditures	6,323,584	6,125,147	6,023,927	5,689,664
Excess of Revenue (Under) Over Expenditures	(552,579)	(393,045)	(450,536)	480,428
Other Financing Sources (Uses)				
Proceeds from long-term debt	-	100,000	-	-
Debt Premium	-	-	-	-
Payment to bond refunding escrow agent	-	-	-	-
Sale of fixed assets	-	-	-	-
Transfers in	502,592	618,625	448,580	294,549
Transfers out	(479,557)	(596,335)	(426,154)	(294,549)
Total other financing sources (uses)	23,035	122,290	22,426	-
Extraordinary Item	-	-	-	-
Net change in fund balances	(529,544)	(270,755)	(428,110)	480,428
Fund Balances - Beginning of year	3,272,861	2,743,317	2,472,562	2,044,452
Fund Balances - End of year	\$ 2,743,317	\$ 2,472,562	\$ 2,044,452	\$ 2,524,880
Debt service as a percentage of noncapital expenditures	5.75%	5.95%	7.89%	7.36%

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

June 30, 2019

Fiscal Year Ended June 30,					
2014	2015	2016	2017	2018	2019
\$ 3,384,261	\$ 3,667,494	\$ 3,708,172	\$ 3,655,814	\$ 3,651,312	\$ 3,687,465
17,642	3,974	3,280	5,066	4,312	3,273
28,256	27,043	36,963	40,748	96,792	45,774
1,490,879	1,533,161	1,695,569	1,822,953	2,146,430	2,180,464
-	1,324	444,341	14,875	186,040	125,381
492,972	492,245	359,754	353,019	370,334	814,712
37,478	30,126	29,025	26,732	19,030	22,841
279,304	287,455	466,548	389,329	393,568	201,206
5,730,792	6,042,822	6,743,652	6,308,536	6,867,818	7,081,116
497,398	477,808	515,507	516,184	736,848	742,585
2,677,668	2,672,781	2,810,223	2,907,375	2,878,350	3,005,216
1,026,198	1,009,081	1,170,416	1,240,303	1,245,922	1,400,675
271,677	263,382	258,361	219,043	243,776	190,075
164,082	138,268	303,085	293,356	270,809	223,450
1,001,932	746,603	632,544	1,025,280	621,692	2,452,783
237,378	412,155	435,131	232,312	140,444	166,046
136,472	139,399	122,923	108,034	85,620	66,292
6,012,805	5,859,477	6,248,190	6,541,887	6,223,461	8,247,122
(282,013)	183,345	495,462	(233,351)	644,357	(1,166,006)
426,000	105,000	-	-	2,165,000	-
-	-	-	-	119,664	-
-	-	-	-	(2,232,971)	-
-	-	-	-	-	-
139,648	142,812	142,090	95,968	24,504	126,600
(139,648)	(142,812)	(142,090)	(103,723)	(33,240)	(135,700)
426,000	105,000	-	(7,755)	42,957	(9,100)
-	935,266	-	-	-	-
143,987	1,223,611	495,462	(241,106)	687,314	(1,175,106)
2,524,880	2,668,867	3,892,478	4,387,940	4,146,834	4,834,148
\$ 2,668,867	\$ 3,892,478	\$ 4,387,940	\$ 4,146,834	\$ 4,834,148	\$ 3,659,042
7.40%	10.62%	9.82%	6.32%	3.88%	3.09%

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:							
Real Property							
Tax Year	Fiscal Year	Residential	Commercial	Industrial	Personal Property	Total Taxable Value	
2009	2010	\$ 139,205,817	\$ 56,165,540	\$ 16,258,861	\$ 26,742,215	\$	238,372,433
2010	2011	133,068,308	53,984,883	14,830,119	26,677,190		228,560,500
2011	2012	128,150,064	52,942,360	16,943,880	27,919,048		225,955,352
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

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
14.18	\$	562,708,830	40.26
14.18		565,147,858	42.18
14.71		524,884,464	43.54
15.24		504,135,496	44.82
15.27		465,956,448	46.87
15.34		451,948,764	47.01
15.34		442,609,990	46.99
15.35		450,801,676	46.15
15.35		453,133,610	44.69
15.29		477,341,156	44.47

City of Charlotte, Michigan

Millage Rates - Direct City					Overlapping taxes	
Tax Year	General - Operating	Debt	Special Purpose	Total direct taxes	County	State Education Tax
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
2011	14.29	0.85	0.10	15.24	7.59	6.0000
2010	13.91	0.80	-	14.71	7.59	6.0000
2009	13.43	0.75	-	14.18	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 - Homestead	Public Schools - Nonhomestead	Homestead	Non-homestead
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
0.9000	3.8778	7.5900	25.5900	41.1959	59.1959
0.9000	3.8778	7.5900	25.5900	40.6690	58.6690
0.9000	3.8778	7.5900	25.5900	40.1392	58.1392

Principal Property Taxpayers

	Taxpayer	2018 Taxable Value	Percentage of Total	2009 Taxable Value	Percentage of Total	2009 Rank
1	Spartan Motors	\$ 13,998,144	6.74	\$ 18,254,886	8.06	1
2	Consumers Energy	5,625,915	2.71	4,176,283	1.84	4
3	Meijer, Inc.	4,301,346	2.07	3,237,600	1.43	3
4	Wal-Mart Stores, Inc.	3,991,428	1.92	3,651,409	1.61	5
5	The Carrington Company	2,752,080	1.33			
6	Legacy Parke Partners LLC	2,244,840	1.08	2,104,653	0.93	8
7	Victorinox LLC	2,200,342	1.06	-	0.00	
8	Alro Steel Corporation	2,012,742	0.97	-	0.00	
9	Enovapremier of Michigan LLC	1,375,377	0.66	1,719,425	0.76	10
10	Butternut Creek Apartments	1,335,593	0.64	2,585,398		7
	Owens-Illinois Glass Container			8,109,214	3.40	2
	Linn Products, Inc.			3,112,605	1.37	6
	Pro-Tec Equipment			2,062,185	0.87	9
	Total	<u>\$ 39,837,807</u>		<u>\$ 35,729,654</u>		

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
2009	2010	\$ 3,531,534	\$ 3,321,744	94.06	\$ 171,001	\$ 3,492,745	98.90
2010	2011	3,495,219	3,327,452	95.20	137,995	3,465,447	99.15
2011	2012	3,448,580	3,325,405	96.43	119,496	3,444,901	99.89
2012	2013	3,334,687	3,202,434	96.03	129,197	3,331,631	99.91
2013	2014	3,259,064	3,149,553	96.64	106,719	3,256,272	99.91
2014	2015	3,190,864	3,081,281	96.57	107,499	3,188,780	99.93
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

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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Governmental Activities:				
General obligation bonds	\$ 3,720,000	\$ 3,550,000	\$ 3,365,000	\$ 3,160,000
Loans payable	-	-	90,867	81,552
Economic development agreement	111,708	93,834	75,960	58,086
Total	3,831,708	3,643,834	3,531,827	3,299,638
Business Type Activities:				
General obligation bonds	205,000	-	-	-
Loans payable	-	-	-	-
Revenue bonds	5,704,309	5,398,024	5,076,739	4,745,454
Total	5,909,309	5,398,024	5,076,739	4,745,454
Total debt of the government	\$ 9,741,017	\$ 9,041,858	\$ 8,608,566	\$ 8,045,092
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 *	9,085	9,078	9,081	9,077
Total debt per capita	1,072	996	948	886

Ratios of Outstanding Debt

Last Ten Fiscal Years

As of June 30,					
<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 2,950,000	\$ 2,725,000	\$ 2,490,000	\$ 2,310,000	\$ 2,165,000	\$ 2,030,000
497,148	433,767	251,512	203,672	173,237	142,188
40,212	22,338	4,464	-	-	-
<u>3,487,360</u>	<u>3,181,105</u>	<u>2,745,976</u>	<u>2,513,672</u>	<u>2,338,237</u>	<u>2,172,188</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>4,399,169</u>	<u>4,050,000</u>	<u>3,650,000</u>	<u>3,225,000</u>	<u>2,795,000</u>	<u>2,355,000</u>
<u>4,399,169</u>	<u>4,050,000</u>	<u>3,650,000</u>	<u>3,225,000</u>	<u>2,795,000</u>	<u>2,355,000</u>
<u>\$ 7,886,529</u>	<u>\$ 7,231,105</u>	<u>\$ 6,395,976</u>	<u>\$ 5,738,672</u>	<u>\$ 5,133,237</u>	<u>\$ 4,527,188</u>
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
9,088	9,077	9,097	9,088	9,088	9,088
868	797	703	631	565	498

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
2010	\$ 795,000	\$ 2,925,000	\$ -	\$ (2,130,000)
2011	690,000	2,860,000	-	(2,170,000)
2012	580,000	2,785,000	-	(2,205,000)
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)

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

Taxable Value		Debt as a Percentage of Taxable Value	Population	Debt per Capita
\$	228,560,500	(0.93)	9,084	(234.48)
	225,955,352	(0.96)	9,072	(239)
	218,383,857	(1.01)	9,073	(243)
	212,459,070	(1.05)	9,067	(247)
	208,001,569	(1.09)	9,074	(250)
	208,024,468	(1.11)	9,059	(254)
	202,487,537	(1.16)	9,071	(258)
	207,648,018	(1.11)	9,057	(255)
	212,274,817	(1.02)	9,066	(239)
	211,728,499	(0.96)	9,088	-223

City of Charlotte, Michigan

Direct and Overlapping Governmental Activities Debt

June 30, 2019

Governmental Unit	Debt Outstanding	Estimated Percent Applicable (1)	Direct and Estimated Overlapping Debt
Eaton County	\$ 23,210,310	5.83	\$ 1,353,161
Eaton Intermediate School District	3,300,000	8.39	276,870
Charlotte Public Schools	52,075,000	38.00	19,788,500
Total overlapping debt	78,585,310		21,418,531
Direct City debt	2,172,191	100.00	2,172,191
Total direct and overlapping debt	\$ 80,757,501		\$ 23,590,722

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			Coverage
				Principal	Interest	Total	
2010	\$ 2,899,874	\$ 2,011,008	\$ 888,866	\$ 501,285	\$ 311,114	\$ 812,399	109.41
2011	3,421,062	2,166,904	1,254,158	511,285	290,736	802,021	156.37
2012	3,408,800	2,218,281	1,190,519	321,285	231,160	552,445	215.50
2013	3,470,864	2,252,478	1,218,386	331,285	218,910	550,195	221.45
2014	3,438,977	2,167,010	1,271,967	375,000	206,310	581,310	218.81
2015	3,412,887	2,352,465	1,060,422	390,000	183,388	573,388	184.94
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

	As of June 30,			
	2010	2011	2012	2013
Calculation of debt limit				
Assessed value	\$ 282,573,929	\$ 262,442,232	\$ 252,067,748	\$ 232,978,224
10% of assessed value	28,257,393	26,244,223	25,206,775	23,297,822
Calculation of debt subject to limit				
Total debt	9,741,017	9,041,858	8,608,566	8,045,092
Less debt not subject to limit:				
Revenue bonds	<u>5,909,309</u>	<u>5,398,024</u>	<u>5,076,739</u>	<u>4,745,454</u>
Net debt subject to limit	3,831,708	3,643,834	3,531,827	3,299,638
Legal debt margin	24,425,685	22,600,389	21,674,948	19,998,184
Net debt subject to limit as a percentage of debt limit	15.69%	16.12%	16.29%	16.50%

Legal Debt Margin

Last Ten Fiscal Years

As of June 30,					
2014	2015	2016	2017	2018	2019
\$ 225,974,382	\$ 221,304,995	\$ 225,400,838	\$ 226,566,805	\$ 234,751,772	\$ 238,670,578
22,597,438	22,130,500	22,540,084	22,656,681	23,475,177	23,867,058
7,886,529	7,231,105	6,395,976	5,738,672	5,133,237	4,527,182
4,399,169	4,050,000	3,650,000	3,225,000	2,795,000	2,355,000
3,487,360	3,181,105	2,745,976	2,513,672	2,338,237	2,172,182
19,110,078	18,949,395	19,794,108	20,143,009	21,136,940	21,694,876
18.25%	16.79%	13.87%	12.48%	11.06%	9.10%

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.

Demographic and Economic Statistics

June 30, 2019

Fiscal Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate
2010	9,085	3,554,082	32,989	10.0
2011	9,078	3,666,508	33,995	9.0
2012	9,081	3,714,594	34,426	7.7
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	n/a	n/a	3.7
2019	9,088	n/a	n/a	3.7

n/a = Information not available

* Number represents all of Eaton County

** Represents all of Eaton County

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

City of Charlotte, Michigan

		2010		2011		2012		2013	
Employer		Number of Employees	Percentage of Total	Number of Employees	Percentage of Total	Number of Employees	Percentage of Total	Number of Employees	Percentage of Total
1	Spartan Motors	709	22.23	596	19.85	563	20.67	623	21.67
2	Hayes Green Beach Memorial Hospital	453	14.20	451	15.02	466	17.11	475	16.52
3	County of Eaton	383	12.01	405	13.49	360	13.22	391	13.60
4	Charlotte Public Schools	437	13.70	445	14.82	370	13.58	322	11.20
5	Linn Products, Inc.	180	5.64	175	5.83	171	6.28	180	6.26
6	Meijer, Inc.	260	8.15	259	8.62	100	3.67	275	9.57
7	Eaton Intermediate School District	185	5.80	200	6.66	255	9.36	170	5.91
8	Wal-Mart Stores, Inc.	283	8.87	250	8.33	255	9.36	255	8.87
9	Peckham Vocational Industries	300	9.40	222	7.39	184	6.75	184	6.40

Source: Treasurer, City of Charlotte

Principal Employers

2014		2015		2016		2017		2018		2019	
Number of Employees	Percentage of Total	Number of Employees	Percentage of Total	Number of Employees	Percentage of Total	Number of Employees	Percentage of Total	Number of Employees	Percentage of Total	Number of Employees	Percentage of Total
550	19.96	635	22.14	708	24.09	671	23.05	660	22.86	830	26.66
460	16.70	448	15.62	452	15.38	450	15.46	455	15.76	500	16.06
380	13.79	383	13.35	342	11.64	360	12.37	360	12.47	360	11.56
344	12.49	350	12.20	387	13.17	337	11.58	323	11.19	326	10.47
212	7.70	231	8.05	231	7.86	265	9.10	270	9.35	320	10.28
263	9.55	261	9.10	260	8.85	240	8.24	240	8.31	239	7.68
145	5.26	152	5.30	254	8.64	207	7.11	211	7.31	200	6.42
221	8.02	227	7.91	153	5.21	244	8.38	238	8.24	185	5.94
180	6.53	181	6.31	152	5.17	137	4.71	130	4.50	153	4.91

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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General government:				
City manager	1	1	1	1
Clerk	2	2	2	2
Assessor	1	1	1	1
Finance and treasury	3	3	3	3
Public Safety:				
Police	19	18	17	17
Fire - Full-time	7	7	6	5
Fire - Volunteer	28	30	28	30
Building Inspection	1	1	1	1
Public Works				
DPW	12	12	11	12
Water and Sewer	<u>7</u>	<u>7</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>82</u>	<u>83</u>	<u>78</u>	<u>80</u>

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

Full-Time Equivalent Government Employees

Last Ten Fiscal Years

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
1	1	1	1	1	1
2	2	2	2	2	2
1	1	1	1	1	1
2	3	3	3	3	1
17	17	15	15	15	15
6	5	6	6	6	6
30	30	28	28	28	26
1	1	-	-	-	-
11	11	11	11	10	12
8	7	7	7	8	9
1	1	1	1	1	1
80	79	75	75	75	74

City of Charlotte, Michigan

Function/ program	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Election data:				
Registered voters	6,172	6,262	6,348	6,309
Voters (at polls or absentee)	1,038	2,968	1,389	3,762
Percent voting	16.82%	47.40%	21.88%	59.63%
Police:				
Physical Arrests	620	671	623	655
Traffic violations	1,391	1,260	1,190	1,243
Crimes reported	2,753	2,770	3,083	3,132
Fire:				
Fire runs	357	300	286	316
Emergency medical runs	238	276	218	220
Inspections	164	150	85	25
Public Works - Miles of street resurfaced	2.21	1.53	1.20	0.25
Water:				
Number of customers billed	3,791	3,731	3,682	3,769
Total daily consumption	928,300	908,700	909,600	886,000
Average consumption per year	245	244	247	235
Sewer - Average daily sewage treatment	850,000	818,000	802,250	770,000

Operating Indicators

Last Ten Fiscal Years

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
6,236	6,159	6,171	6,332	6,335	6,397
2,539	2,745	1,435	3,904	3,507	1,695
40.72%	44.57%	23.25%	61.66%	55.36%	26.50%
600	520	479	511	387	344
1,211	808	822	786	603	508
2,631	2,457	2,319	2,566	2,663	2,476
394	328	343	380	418	405
293	238	257	233	396	421
156	124	127	135	204	327
0.21	0.21	0.55	0.99	0.07	0.92
3,764	3,777	3,799	3,844	3,906	3,388
881,800	861,000	838,750	861,605	868,600	864,192
234	228	221	224	222	255
770,000	761,000	769,417	791,715	876,995	893,340

City of Charlotte, Michigan

<u>Function/ program</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Police				
Stations	1	1	1	1
Patrol units	9	9	9	9
Fire				
Stations	2	2	2	2
Fire response vehicles	8	8	7	7
Emergency response vehicles	1	1	1	1
Public works				
Streets (miles):				
Major streets	11.9	11.9	11.9	12.2
Local streets	25.9	25.9	25.9	25.7
Sidewalks	44	44	44	44
Street lights	513	514	514	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>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
1	1	1	1	1	1
9	9	9	9	9	8
2	2	2	2	2	2
7	7	7	7	7	7
1	1	1	2	2	1
12.2	12.2	12.2	12.2	12.2	12.2
25.7	25.7	25.7	25.7	25.7	25.8
45	45	45	45	45	46
507	507	507	509	509	509
7	7	7	7	7	7
199	199	199	199	199	199
8.00	8.00	8.00	8.00	8.00	8.00
1	1	1	1	1	1
53.0	53.0	53.0	53.0	53.0	52.7
471	471	471	471	471	470
1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000
42.0	42.0	42.0	42.0	42.0	42.1
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