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# City of Charlotte, Michigan

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**Comprehensive Annual Financial Report  
with Supplemental Information  
Prepared by the Office of Finance and Treasury  
For the Fiscal Year Ended June 30, 2020**

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# City of CHARLOTTE

November 12, 2020

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

The comprehensive annual financial report of the City of Charlotte for the year ended June 30, 2020 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.

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 2019-20 fiscal year budget saw a modest increase in property tax revenue, which was offset by a slight decrease in state-shared revenue, and wage increases consistent with general price inflation.

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.

The City received its sixth installment of Eaton County's 12-year dedicated street infrastructure millage, approved by voters in November 2014. The City received \$320 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:

***2019-20 Road Projects*** – The City completed the reconstruction of the 100 - 300 blocks of W. Lovett Street in downtown Charlotte.

***Street Sweeper Purchase*** – The City took delivery of a new \$210 thousand street sweeper to replace aging equipment that was beyond its useful life.

***Pocket Park Construction*** – Construction of a small park in downtown Charlotte was completed.

***Utility Systems.*** – Aging water and sewer infrastructure was upgraded as part of reconstruction projects on Cochran Avenue (M-50) 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. During the year, the City's investment earnings were primarily attributable to the use of a sweep account, with additional earnings from 26-week CDARS. These investments are consistent with the City's policy to minimize credit and market risk while maintaining a competitive yield on its portfolio.

### **INDEPENDENT AUDIT**

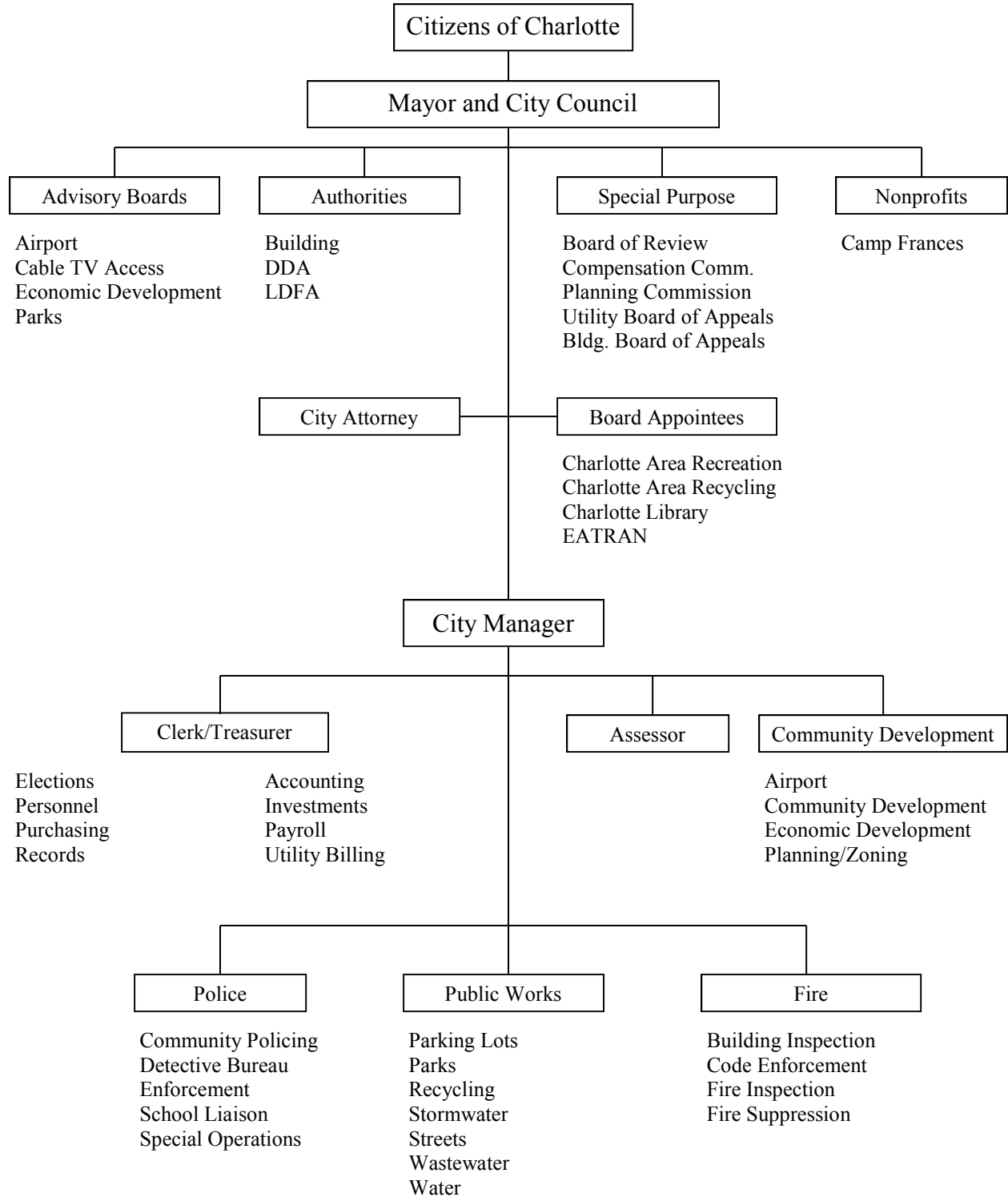
State law requires an annual audit by independent certified public accountants. The auditing firm of Plante & Moran, PLLC was selected to conduct the required audit and their report is included in the Comprehensive Annual Financial Report.

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

Thomas Thomas, Interim City Manager

# CITY OF CHARLOTTE ORGANIZATION CHART





**List of Elected and Appointed Officials  
June 30, 2020**

City Council:

Mayor	Yvonne Ridge
Mayor Pro-Tem	Michael Armitage
Trustee	L. Daryl Baker
Trustee	Liz Hoogstra
Trustee	Brett McRae
Trustee	Tammy Weissenborn
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	Paul Brentar
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 the City of Charlotte, Michigan (the "City") as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the City of Charlotte, Michigan's basic financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Charlotte, Michigan as of June 30, 2020 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, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming 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.



November 12, 2020

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, 2020. 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 \$22.2 million (net position). Of this amount, \$(8.5) million was unrestricted net position.

During the year, the City received \$10.8 million in revenue and incurred \$11.3 million in expenses, resulting in a decrease in net position of approximately \$500 thousand. Of the City's \$11.3 million expense total, \$3.6 million related to business-type expenses, and the balance of \$7.7 million related to governmental activities.

As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$2.9 million, a decrease of \$779 thousand from the prior year. Approximately 10 percent of this amount is unassigned and, therefore, available for spending at the government's discretion. Of the remaining 90 percent, 50 percent is restricted for special purposes, 35 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 \$301 thousand, or 5 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 \$22.7 million to \$22.2 million. The following table illustrates the varying results of the governmental activities and business-type activities that combine to capture the City's total net position:

**The City's Net Position**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Assets</b>						
Current and other assets	\$ 4,019,324	\$ 4,370,056	\$ 2,579,606	\$ 2,251,079	\$ 6,598,930	\$ 6,621,135
Capital assets	17,409,554	17,287,581	15,221,605	15,619,775	32,631,159	32,907,356
Total assets	21,428,878	21,657,637	17,801,211	17,870,854	39,230,089	39,528,491
<b>Deferred Outflows of Resources</b>						
	860,893	1,115,459	275,629	378,501	1,136,522	1,493,960
<b>Liabilities</b>						
Current liabilities	745,161	358,818	212,315	238,627	957,476	597,445
Noncurrent liabilities	13,052,677	12,979,625	4,048,297	4,636,530	17,100,974	17,616,155
Total liabilities	13,797,838	13,338,443	4,260,612	4,875,157	18,058,450	18,213,600
<b>Deferred Inflows of Resources</b>						
	121,425	116,534	26,598	28,144	148,023	144,678
<b>Net Position</b>						
Net investment in capital assets	15,334,364	15,034,711	13,409,769	13,381,230	28,744,133	28,415,941
Restricted	1,496,722	1,537,149	416,441	506,988	1,913,163	2,044,137
Unrestricted	(8,460,578)	(7,253,741)	(36,580)	(542,164)	(8,497,158)	(7,795,905)
Total net position	<u>\$ 8,370,508</u>	<u>\$ 9,318,119</u>	<u>\$ 13,789,630</u>	<u>\$ 13,346,054</u>	<u>\$ 22,160,138</u>	<u>\$ 22,664,173</u>

A substantial portion of the City's net position, \$29 million, reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related outstanding debt used to acquire those assets. Such assets are used to provide services to the citizens of the City and, therefore, are not available for future spending.

An additional portion of the City's net position, \$1.9 million, represents resources that are subject to external restrictions on how they may be used.

The City reported an unrestricted deficit of \$8.5 million as a result of recognizing the net pension and OPEB liabilities in accordance with GASB Statement Nos. 68 and 75.

The City's governmental activities net position decreased by approximately \$948 thousand, or 10 percent, to \$8.4 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 3.3 percent over the prior year, resulting in net position of \$13.8 million during the fiscal year.

# City of Charlotte, Michigan

## Management's Discussion and Analysis (Continued)

### The City's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 555,772	\$ 490,867	\$ 3,930,188	\$ 3,915,238	\$ 4,485,960	\$ 4,406,105
Operating grants	937,453	896,463	40,525	21,417	977,978	917,880
Capital grants	-	125,381	-	-	-	125,381
General revenue:						
Property taxes	3,779,354	3,687,465	-	-	3,779,354	3,687,465
State-shared revenue	1,199,319	1,284,001	-	-	1,199,319	1,284,001
Investment earnings	59,258	53,208	16,804	29,912	76,062	83,120
Other revenue	239,639	546,748	-	-	239,639	546,748
<b>Total revenue</b>	<b>6,770,795</b>	<b>7,084,133</b>	<b>3,987,517</b>	<b>3,966,567</b>	<b>10,758,312</b>	<b>11,050,700</b>
<b>Expenses</b>						
General government	824,743	1,004,556	-	-	824,743	1,004,556
Public safety	3,926,436	3,837,799	-	-	3,926,436	3,837,799
Public works	2,324,473	2,312,824	-	-	2,324,473	2,312,824
Community and economic development	221,846	247,201	-	-	221,846	247,201
Recreation and culture	352,838	420,460	-	-	352,838	420,460
Debt service	55,866	59,830	-	-	55,866	59,830
Water supply and sewage disposal	-	-	3,493,290	3,575,348	3,493,290	3,575,348
Recycling	-	-	62,855	64,141	62,855	64,141
<b>Total expenses</b>	<b>7,706,202</b>	<b>7,882,670</b>	<b>3,556,145</b>	<b>3,639,489</b>	<b>11,262,347</b>	<b>11,522,159</b>
Transfers	(12,204)	(9,100)	12,204	9,100	-	-
<b>Change in Net Position</b>	<b>(947,611)</b>	<b>(807,637)</b>	<b>443,576</b>	<b>336,178</b>	<b>(504,035)</b>	<b>(471,459)</b>
<b>Net Position - Beginning of year</b>	<b>9,318,119</b>	<b>10,125,756</b>	<b>13,346,054</b>	<b>13,009,876</b>	<b>22,664,173</b>	<b>23,135,632</b>
<b>Net Position - End of year</b>	<b>\$ 8,370,508</b>	<b>\$ 9,318,119</b>	<b>\$ 13,789,630</b>	<b>\$ 13,346,054</b>	<b>\$ 22,160,138</b>	<b>\$ 22,664,173</b>

### *Governmental Activities*

The cost of all governmental activities this year was \$7.7 million. City taxpayers paid for \$3.8 million of these activities through city taxes. The beneficiaries of the City's programs paid for \$556 thousand of governmental activities through charges for services, while governments and organizations subsidized certain programs with grants and contributions of \$937 thousand.

The City's governmental activities revenue is composed predominantly of property taxes and state-shared revenue (56 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 \$444 thousand for the year. The water supply and sewage disposal activity had operating revenue of \$3.9 million, operating expenses of \$3.4 million, and net nonoperating expenses of \$54 thousand, resulting in net income of \$447 thousand. The recycling activity realized a net loss of approximately \$16 thousand before transfers in from the General Fund.

#### ***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 and revolving fund activities) experienced a decrease of nearly \$1.5 million in fund balance for the fiscal year. This decrease was due in large measure to the City's creation of a new revolving fund that was funded with a \$800,000 transfer from the General Fund.

#### **Major Street Fund**

The Major Street Fund revenue increased by about \$40 thousand over the prior year. The pace of spending on capital projects slowed with \$1.1 million spent on street improvements compared to \$1.7 million in the prior year.

#### **Water Supply and Sewage Disposal Fund**

Water and sewer rates increased during the fiscal year. This increase reflected the impact of investment in underground infrastructure driven by street reconstruction efforts and the replacement of gaining infrastructure at the wastewater 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, 2020, the City had invested approximately \$32.6 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 Independence Boulevard, Parking Lot #1, and E Harris Street. Business-type activities CIP included engineering costs for Parking Lot #1 and two lift station generators. More detailed information about the City's capital assets is presented in Note 5 to the financial statements.

At year end, the City had \$4.5 million in bonds, notes outstanding, and compensated absences. This represents a decrease of approximately \$550 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***

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. During the current fiscal year, \$400,000 was advanced to the General Fund to pay for the construction costs incurred for Parking Lot #1.

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. The City Council will consider implementation of the second half of the proposed increase as part of the 2020-2021 budget review and approval process. The second increase was effective July 1, 2020.

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. Subsequent to the end of the fiscal year, the City invested \$200,000 in a MERS retirement health funding vehicle.

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

***Requests for Further Information***

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

June 30, 2020

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments (Note 3)	\$ 3,484,769	\$ 1,225,870	\$ 4,710,639	\$ 1,184,558
Receivables - Net: (Note 4)				
Special assessments receivable	25,086	-	25,086	-
Other receivables	117,220	797,528	914,748	75
Due from other governmental units	242,156	-	242,156	-
Internal balances	(3,000)	3,000	-	-
Prepays and other assets	153,093	136,767	289,860	-
Restricted assets - Cash and investments (Notes 3 and 8)	-	416,441	416,441	-
Capital assets: (Note 5)				
Assets not subject to depreciation	3,640,395	304,609	3,945,004	214,777
Assets subject to depreciation - Net	13,769,159	14,916,996	28,686,155	-
Note receivable (Note 1)	-	-	-	110,520
<b>Total assets</b>	<b>21,428,878</b>	<b>17,801,211</b>	<b>39,230,089</b>	<b>1,509,930</b>
<b>Deferred Outflows of Resources</b>				
Deferred charges on bond refunding	27,899	93,164	121,063	-
Deferred pension costs (Note 10)	832,994	182,465	1,015,459	-
<b>Total deferred outflows of resources</b>	<b>860,893</b>	<b>275,629</b>	<b>1,136,522</b>	<b>-</b>
<b>Liabilities</b>				
Accounts payable	510,877	170,845	681,722	103,373
Accrued liabilities and other	234,284	41,470	275,754	-
Noncurrent liabilities:				
Due within one year: (Note 7)				
Compensated absences	120,111	31,332	151,443	-
Current portion of long-term debt	177,297	460,000	637,297	-
Due in more than one year:				
Compensated absences	246,129	82,247	328,376	-
Total OPEB liability (Note 11)	1,685,074	80,580	1,765,654	-
Net pension liability (Note 10)	8,898,274	1,949,138	10,847,412	-
Long-term debt (Note 7)	1,925,792	1,445,000	3,370,792	-
<b>Total liabilities</b>	<b>13,797,838</b>	<b>4,260,612</b>	<b>18,058,450</b>	<b>103,373</b>
<b>Deferred Inflows of Resources - Deferred pension cost reduction (Note 10)</b>	<b>121,425</b>	<b>26,598</b>	<b>148,023</b>	<b>-</b>
<b>Net Position</b>				
Net investment in capital assets (Note 13)	15,334,364	13,409,769	28,744,133	214,777
Restricted for:				
Streets and highways	1,297,658	-	1,297,658	-
Debt service	39,413	233,213	272,626	-
Police training	5,354	-	5,354	-
Industrial park	105,410	-	105,410	-
Drug enforcement	11,699	-	11,699	-
Operation and maintenance fund imposed by creditors	-	183,228	183,228	-
Camp Frances	16,692	-	16,692	-
Grants	20,496	-	20,496	-
Unrestricted	(8,460,578)	(36,580)	(8,497,158)	1,191,780
<b>Total net position</b>	<b>\$ 8,370,508</b>	<b>\$ 13,789,630</b>	<b>\$ 22,160,138</b>	<b>\$ 1,406,557</b>

# City of Charlotte, Michigan

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 824,743	\$ 228,377	\$ -	\$ -
Public safety	3,926,436	327,395	733	-
Public works	2,324,473	-	936,720	-
Community and economic development	221,846	-	-	-
Recreation and culture	352,838	-	-	-
Interest on long-term debt	55,866	-	-	-
Total governmental activities	<u>7,706,202</u>	<u>555,772</u>	<u>937,453</u>	<u>-</u>
Business-type activities:				
Water Supply and Sewage Disposal	3,493,290	3,909,274	14,402	-
Recycling	62,855	20,914	26,123	-
Total business-type activities	<u>3,556,145</u>	<u>3,930,188</u>	<u>40,525</u>	<u>-</u>
Total primary government	<u><b>\$ 11,262,347</b></u>	<u><b>\$ 4,485,960</b></u>	<u><b>\$ 977,978</b></u>	<u><b>\$ -</b></u>
Component units:				
Downtown Development Authority	\$ 49,199	\$ -	\$ -	\$ -
Local Development Financing Authority	306	-	-	-
Brownfield Redevelopment Authority	81,275	-	-	-
Total component units	<u><b>\$ 130,780</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>
General revenue:				
Property taxes				
Unrestricted state-shared revenue				
Unrestricted investment income				
Other miscellaneous income				
Total general revenue				
Transfers				
<b>Change in Net Position</b>				
<b>Net Position - Beginning of year</b>				
<b>Net Position - End of year</b>				

## Statement of Activities

**Year Ended June 30, 2020**

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (596,366)	\$ -	\$ (596,366)	\$ -
(3,598,308)	-	(3,598,308)	-
(1,387,753)	-	(1,387,753)	-
(221,846)	-	(221,846)	-
(352,838)	-	(352,838)	-
(55,866)	-	(55,866)	-
(6,212,977)	-	(6,212,977)	-
-	430,386	430,386	-
-	(15,818)	(15,818)	-
-	414,568	414,568	-
(6,212,977)	414,568	(5,798,409)	-
-	-	-	(49,199)
-	-	-	(306)
-	-	-	(81,275)
-	-	-	(130,780)
3,779,354	-	3,779,354	117,140
1,199,319	-	1,199,319	-
59,258	16,804	76,062	13,633
239,639	-	239,639	23,599
5,277,570	16,804	5,294,374	154,372
(12,204)	12,204	-	-
(947,611)	443,576	(504,035)	23,592
9,318,119	13,346,054	22,664,173	1,382,965
<b>\$ 8,370,508</b>	<b>\$ 13,789,630</b>	<b>\$ 22,160,138</b>	<b>\$ 1,406,557</b>

Governmental Funds  
Balance Sheet

June 30, 2020

	General Fund	Major Street Fund	Nonmajor Funds	Total Governmental Funds
<b>Assets</b>				
Cash and investments (Note 3)	\$ 1,727,504	\$ 938,267	\$ 521,186	\$ 3,186,957
Receivables - Net (Note 4)	180,393	92,777	111,292	384,462
Prepays and other assets	130,650	1,810	2,232	134,692
Total assets	<u>\$ 2,038,547</u>	<u>\$ 1,032,854</u>	<u>\$ 634,710</u>	<u>\$ 3,706,111</u>
<b>Liabilities</b>				
Accounts payable	\$ 332,132	\$ 164,733	\$ 1,195	\$ 498,060
Due to other funds (Note 6)	3,000	-	-	3,000
Accrued liabilities and other	214,798	2,310	2,604	219,712
Total liabilities	549,930	167,043	3,799	720,772
<b>Deferred Inflows of Resources</b> - Unavailable revenue	44,515	-	60,291	104,806
Total liabilities and deferred inflows of resources	594,445	167,043	64,090	825,578
<b>Fund Balances</b>				
Nonspendable:				
Inventory	21,002	-	-	21,002
Prepays	109,648	1,810	2,232	113,690
Restricted:				
Major streets	-	864,001	-	864,001
Police training	-	-	5,354	5,354
Industrial park	-	-	70,205	70,205
Grants	-	-	20,496	20,496
Local streets	-	-	404,567	404,567
Drug enforcement	-	-	11,699	11,699
Camp Frances	-	-	16,654	16,654
Facility building bond	-	-	39,413	39,413
Assigned:				
Revolving Fund	812,030	-	-	812,030
Retiree health insurance	200,000	-	-	200,000
Unassigned	301,422	-	-	301,422
Total fund balances	<u>1,444,102</u>	<u>865,811</u>	<u>570,620</u>	<u>2,880,533</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,038,547</u>	<u>\$ 1,032,854</u>	<u>\$ 634,710</u>	<u>\$ 3,706,111</u>

**Governmental Funds**

**Reconciliation of the Balance Sheet to the Statement of Net Position**

**June 30, 2020**

<b>Fund Balances Reported in Governmental Funds</b>	<b>\$</b>	<b>2,880,533</b>
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		16,311,993
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		104,806
Deferred charges on refunding are amortized over the life of the bonds		27,899
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds		(2,103,089)
Accrued interest is not due and payable in the current period and is not reported in the funds		(9,450)
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		(366,240)
Pension benefits		(8,000,191)
Retiree health care benefits		(1,685,074)
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		1,097,561
All other items		113,180
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>8,370,508</u></b>

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2020

	General Fund	Major Street Fund	Nonmajor Funds	Total Governmental Funds
<b>Revenue</b>				
Property taxes	\$ 3,253,265	\$ 320,310	\$ 205,779	\$ 3,779,354
Special assessments	-	-	5,550	5,550
Intergovernmental:				
Federal grants	733	-	-	733
State sources	1,154,381	714,119	268,180	2,136,680
Charges for services	454,321	-	-	454,321
Fines and forfeitures	13,112	-	-	13,112
Licenses and permits	51,384	-	-	51,384
Investment income	40,579	9,995	8,684	59,258
Other revenue	225,085	4,723	9,831	239,639
Total revenue	5,192,860	1,049,147	498,024	6,740,031
<b>Expenditures</b>				
Current services:				
General government	823,830	-	-	823,830
Public safety	3,196,649	-	19,209	3,215,858
Public works	723,151	359,069	295,983	1,378,203
Community and economic development	212,944	-	3,189	216,133
Recreation and culture	223,606	-	6,570	230,176
Capital outlay	669,528	738,596	-	1,408,124
Debt service:				
Principal	31,668	-	140,000	171,668
Interest on long-term debt	2,844	-	59,500	62,344
Total expenditures	5,884,220	1,097,665	524,451	7,506,336
<b>Excess of Expenditures Over Revenue</b>	(691,360)	(48,518)	(26,427)	(766,305)
<b>Other Financing Sources (Uses)</b>				
Transfers in (Note 6)	25,000	-	130,504	155,504
Transfers out (Note 6)	(42,708)	(100,000)	(25,000)	(167,708)
Total other financing (uses) sources	(17,708)	(100,000)	105,504	(12,204)
<b>Net Change in Fund Balances</b>	(709,068)	(148,518)	79,077	(778,509)
<b>Fund Balances - Beginning of year</b>	2,153,170	1,014,329	491,543	3,659,042
<b>Fund Balances - End of year</b>	<u>\$ 1,444,102</u>	<u>\$ 865,811</u>	<u>\$ 570,620</u>	<u>\$ 2,880,533</u>

**Governmental Funds**

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

**Year Ended June 30, 2020**

<b>Net Change in Fund Balances Reported in Governmental Funds</b>	<b>\$ (778,509)</b>
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	1,518,222
Depreciation expense	(1,457,610)
Net book value of assets disposed of	(28,630)
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	30,764
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)	177,680
Interest expense is recognized in the government-wide statements as it accrues	466
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	(484,250)
Internal service funds are included as part of governmental activities	<u>74,256</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ (947,611)</u></u></b>



Proprietary Funds  
Statement of Net Position

June 30, 2020

	Business-type Activities			Governmental Activities
	Major Fund - Water Supply and Sewage Disposal	Nonmajor Fund - Recycling	Total	Internal Service Funds
<b>Assets</b>				
Current assets:				
Cash and cash equivalents (Note 3)	\$ 1,223,497	\$ 2,373	\$ 1,225,870	\$ 297,812
Receivables - Net (Note 4)	797,528	-	797,528	-
Due from other funds	-	3,000	3,000	-
Prepays and other assets	136,074	693	136,767	18,401
Total current assets	2,157,099	6,066	2,163,165	316,213
Noncurrent assets:				
Restricted assets - Cash and investments (Notes 3 and 8)	416,441	-	416,441	-
Capital assets: (Note 5)				
Assets not subject to depreciation	304,609	-	304,609	31,500
Assets subject to depreciation - Net	14,916,996	-	14,916,996	1,066,061
Total noncurrent assets	15,638,046	-	15,638,046	1,097,561
Total assets	17,795,145	6,066	17,801,211	1,413,774
<b>Deferred Outflows of Resources</b>				
Deferred charges on bond refunding	93,164	-	93,164	-
Deferred pension costs (Note 10)	182,186	279	182,465	18,978
Total deferred outflows of resources	275,350	279	275,629	18,978
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	170,056	789	170,845	12,817
Accrued liabilities and other	38,940	2,530	41,470	3,702
Compensated absences	31,332	-	31,332	-
Current portion of long-term debt (Note 7)	460,000	-	460,000	-
Total current liabilities	700,328	3,319	703,647	16,519
Noncurrent liabilities:				
Compensated absences	82,247	-	82,247	-
Net pension liability (Note 10)	1,946,160	2,978	1,949,138	202,726
Total OPEB liability (Note 11)	80,580	-	80,580	-
Long-term debt (Note 7)	1,445,000	-	1,445,000	-
Total noncurrent liabilities	3,553,987	2,978	3,556,965	202,726
<b>Deferred Inflows of Resources</b> - Deferred pension cost reductions (Note 10)	26,557	41	26,598	2,766

Proprietary Funds  
Statement of Net Position (Continued)

June 30, 2020

	Business-type Activities			Governmental Activities
	Major Fund - Water Supply and Sewage Disposal	Nonmajor Fund - Recycling	Total	Internal Service Funds
<b>Net Position</b>				
Net investment in capital assets	\$ 13,409,769	\$ -	\$ 13,409,769	\$ 1,097,561
Restricted: (Note 8)				
Debt service	233,213	-	233,213	-
Operation and maintenance fund imposed by creditors	183,228	-	183,228	-
Unrestricted	(36,587)	7	(36,580)	113,180
	<b>\$ 13,789,623</b>	<b>\$ 7</b>	<b>\$ 13,789,630</b>	<b>\$ 1,210,741</b>
Total net position	<b>\$ 13,789,623</b>	<b>\$ 7</b>	<b>\$ 13,789,630</b>	<b>\$ 1,210,741</b>

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

Year Ended June 30, 2020

	Business-type Activities			Governmental Activities
	Major Fund - Water Supply and Sewage Disposal	Nonmajor Fund - Recycling	Total	Internal Service Funds
<b>Operating Revenue</b>				
Sale of water	\$ 1,527,886	\$ -	\$ 1,527,886	\$ -
Sewage charges	2,325,035	-	2,325,035	-
Recycling fees	-	8,996	8,996	-
Other	56,353	11,918	68,271	16,764
Charges to other funds	-	-	-	831,822
Total operating revenue	3,909,274	20,914	3,930,188	848,586
<b>Operating Expenses</b>				
Cost of services	2,721,632	-	2,721,632	644,902
Recycling	-	62,855	62,855	-
Depreciation	686,817	-	686,817	134,809
Total operating expenses	3,408,449	62,855	3,471,304	779,711
<b>Operating Income (Loss)</b>	500,825	(41,941)	458,884	68,875
<b>Nonoperating Revenue (Expense)</b>				
Investment income	16,626	178	16,804	5,381
Interest expense	(84,841)	-	(84,841)	-
Grants	14,402	26,123	40,525	-
Total nonoperating (expense) revenue	(53,813)	26,301	(27,512)	5,381
<b>Income (Loss) - Before transfers</b>	447,012	(15,640)	431,372	74,256
<b>Transfers In</b>	-	12,204	12,204	-
<b>Change in Net Position</b>	447,012	(3,436)	443,576	74,256
<b>Net Position - Beginning of year</b>	13,342,611	3,443	13,346,054	1,136,485
<b>Net Position - End of year</b>	<b>\$ 13,789,623</b>	<b>\$ 7</b>	<b>\$ 13,789,630</b>	<b>\$ 1,210,741</b>

Proprietary Funds  
Statement of Cash Flows

Year Ended June 30, 2020

	Business-type Activities			Governmental Activities
	Major Fund - Water Supply and Sewage Disposal	Nonmajor Fund - Recycling	Total	Internal Service Funds
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 3,942,160	\$ 20,916	\$ 3,963,076	\$ -
Receipts from interfund services and reimbursements	-	(3,000)	(3,000)	848,586
Payments to suppliers	(1,682,695)	(23,036)	(1,705,731)	(493,587)
Payments to employees and fringes	(1,141,638)	(39,368)	(1,181,006)	(120,279)
Net cash provided by (used in) operating activities	1,117,827	(44,488)	1,073,339	234,720
<b>Cash Flows from Noncapital Financing Activities</b>				
Grants and subsidies	14,402	26,123	40,525	-
Transfers from other funds	-	12,204	12,204	-
Net cash provided by noncapital financing activities	14,402	38,327	52,729	-
<b>Cash Flows from Capital and Related Financing Activities</b>				
Purchase of capital assets	(288,647)	-	(288,647)	(224,800)
Principal and interest paid on capital debt	(511,550)	-	(511,550)	-
Net cash used in capital and related financing activities	(800,197)	-	(800,197)	(224,800)
<b>Cash Flows Provided by Investing Activities -</b>				
Interest received on investments	16,626	178	16,804	5,381
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	348,658	(5,983)	342,675	15,301
<b>Cash and Cash Equivalents - Beginning of year</b>	1,291,280	8,356	1,299,636	282,511
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 1,639,938</b>	<b>\$ 2,373</b>	<b>\$ 1,642,311</b>	<b>\$ 297,812</b>
<b>Classification of Cash and Cash Equivalents</b>				
Cash and investments	\$ 1,223,497	\$ 2,373	\$ 1,225,870	\$ 297,812
Restricted cash	416,441	-	416,441	-
Total cash and cash equivalents	<b>\$ 1,639,938</b>	<b>\$ 2,373</b>	<b>\$ 1,642,311</b>	<b>\$ 297,812</b>

Proprietary Funds  
Statement of Cash Flows (Continued)

Year Ended June 30, 2020

	Business-type Activities			Governmental Activities
	Major Fund - Water Supply and Sewage Disposal	Nonmajor Fund - Recycling	Total	Internal Service Funds
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>				
Operating income (loss)	\$ 500,825	\$ (41,941)	\$ 458,884	\$ 68,875
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	686,817	-	686,817	134,809
Changes in assets and liabilities:				
Receivables	32,886	2	32,888	-
Due to and from other funds	-	(3,000)	(3,000)	-
Prepaid and other assets	(16,117)	377	(15,740)	(995)
Net pension or OPEB asset and related deferrals	(55,607)	(160)	(55,767)	28,770
Accounts payable	(30,977)	234	(30,743)	3,261
Total adjustments	617,002	(2,547)	614,455	165,845
Net cash provided by (used in) operating activities	<u>\$ 1,117,827</u>	<u>\$ (44,488)</u>	<u>\$ 1,073,339</u>	<u>\$ 234,720</u>

**City of Charlotte, Michigan**

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Fiduciary Funds  
Statement of Fiduciary Net Position

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**June 30, 2020**

	<u>Agency Funds</u>
<b>Assets</b> - Cash and cash equivalents	<u>\$ 97,849</u>
<b>Liabilities</b> - Due to other governmental units	<u>\$ 97,849</u>

Component Units  
Statement of Net Position

June 30, 2020

	Downtown Development Authority	Local Development Financing Authority	Brownfield Redevelopment Authority	Total
<b>Assets</b>				
Cash and investments (Note 3)	\$ 19,711	\$ 1,051,555	\$ 113,292	\$ 1,184,558
Receivables - Net	75	-	-	75
Capital assets - Net (Note 5)	214,777	-	-	214,777
Note receivable (Note 1)	-	110,520	-	110,520
Total assets	234,563	1,162,075	113,292	1,509,930
<b>Liabilities - Accounts payable</b>	16,190	-	87,183	103,373
<b>Net Position</b>				
Net investment in capital assets	214,777	-	-	214,777
Unrestricted	3,596	1,162,075	26,109	1,191,780
Total net position	<b>\$ 218,373</b>	<b>\$ 1,162,075</b>	<b>\$ 26,109</b>	<b>\$ 1,406,557</b>

Component Units  
Statement of Activities

Year Ended June 30, 2020

	Expenses	Net (Expense) Revenue and Changes in Net Position			Total
		Downtown Development Authority	Local Development Financing Authority	Brownfield Redevelopment Authority	
<b>Functions/Programs</b>					
Downtown Development Authority	\$ 49,199	\$ (49,199)	\$ -	\$ -	\$ (49,199)
Local Development Financing Authority	306	-	(306)	-	(306)
Brownfield Redevelopment Authority	81,275	-	-	(81,275)	(81,275)
Total component units	<b>\$ 130,780</b>	(49,199)	(306)	(81,275)	(130,780)
General revenue:					
Property taxes		23,791	-	93,349	117,140
Unrestricted investment income		233	13,095	305	13,633
Other miscellaneous income		20,749	2,850	-	23,599
Total general revenue		44,773	15,945	93,654	154,372
<b>Change in Net Position</b>		(4,426)	15,639	12,379	23,592
<b>Net Position - Beginning of year</b>		222,799	1,146,436	13,730	1,382,965
<b>Net Position - End of year</b>		<b>\$ 218,373</b>	<b>\$ 1,162,075</b>	<b>\$ 26,109</b>	<b>\$ 1,406,557</b>



**Note 1 - Significant Accounting Policies**

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

***Report Entity***

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

**Blended Component Units**

The Building Authority 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.

*Camp Frances*

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 the operations. Camp Frances does not issue separate financial statements.

***Accounting and Reporting Principles***

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

**Note 1 - Significant Accounting Policies (Continued)**

***Report Presentation***

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

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

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

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

***Fund Accounting***

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

**Governmental Funds**

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

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

**Note 1 - Significant Accounting Policies (Continued)**

**Proprietary Funds**

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

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

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

**Fiduciary Funds**

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

- *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 health care-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

**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, 2020 were \$10,911, \$44,510, and \$55,099 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.

**Note 1 - Significant Accounting Policies (Continued)**

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

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

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

**Long-term Obligations**

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the 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 and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then.

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

**Note 1 - Significant Accounting Policies (Continued)**

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

**Net Position**

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

**Net Position Flow Assumption**

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

**Fund Balance Flow Assumptions**

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

**Fund Balance Policies**

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

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

**Note 1 - Significant Accounting Policies (Continued)**

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council has, by resolution, authorized the finance director to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally 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 2019 property tax revenue was levied and collectible on July 1, 2019 and is recognized as revenue in the year ended June 30, 2020 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2019 taxable valuation of the City totaled \$217,487,885 (a portion of which is captured by the DDA), on which taxes levied consisted of 14.2913 mills for operating purposes, 0.9400 mills for debt service, and 0.1750 mills for waste collection. This resulted in \$3,083,058 for operating, \$205,779 for debt service, and \$35,473 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 \$320,310 and is recognized in the Major Street Fund.

**Pension**

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

**Other Postemployment Benefit Costs**

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

June 30, 2020

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

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

**Proprietary Funds Operating Classification**

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

**Use of Estimates**

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

**Upcoming Accounting Pronouncements**

In January 2017, the Governmental Accounting Standards Board 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 were originally effective for the City's financial statements for the year ended June 30, 2020 but were extended to June 30, 2021 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

In June 2017, the Governmental Accounting Standards Board 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.



**Note 1 - Significant Accounting Policies (Continued)**

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 were originally effective for the City's financial statements for the year ended June 30, 2020 but were extended to June 30, 2021 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

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

In June 2020, the Governmental Accounting Standards Board issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. While this standard had certain aspects impacting defined contribution pension and OPEB plans and other employee benefit plans that were effective immediately, it also clarifies when a 457 should be considered a pension plan or an other employee benefit plan to assist in the application of GASB Statement No. 84 to these types of plans. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement related to 457 plans are effective for the City's financial statements for the year ending June 30, 2022.

**Note 2 - Stewardship, Compliance, and Accountability**

***Budgetary Information***

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

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

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

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

June 30, 2020

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

During the year, the Charlotte Volunteer Fire Department expended \$42,148. These expenses were not approved by the City Council.

**Construction Code Fees**

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

Cumulative shortfall at July 1, 2019	\$ (2,794,874)
Current year permit revenue	39,924
Direct and estimated indirect costs	<u>227,713</u>
Current year shortfall	<u>(187,789)</u>
Cumulative shortfall at June 30, 2020	<u><u>\$ (2,982,663)</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 no more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The 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 \$4,884,124 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 \$1,198,569, of which \$92,335 was covered by federal depository insurance and \$1,106,234 was uninsured and uncollateralized.

June 30, 2020

**Note 3 - Deposits and Investments (Continued)**

**Interest Rate Risk**

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

**Credit Risk**

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. At June 30, 2020, the City does not have investments with custodial credit risk.

**Note 4 - Receivables**

Receivables as of June 30, 2020 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 Fund	Total
Receivables:					
Special assessments receivable	\$ -	\$ -	\$ 25,086	\$ -	\$ 25,086
Other receivables	66,715	-	50,505	797,528	914,748
Due from other governmental units	113,678	92,777	35,701	-	242,156
Allowance for doubtful accounts	-	-	-	-	-
Net receivables	<u>\$ 180,393</u>	<u>\$ 92,777</u>	<u>\$ 111,292</u>	<u>\$ 797,528</u>	<u>\$ 1,181,990</u>

June 30, 2020

**Note 5 - Capital Assets**

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

**Governmental Activities**

	Balance July 1, 2019	Reclassifications	Additions	Disposals	Balance June 30, 2020
Capital assets not being depreciated:					
Land	\$ 2,149,641	\$ -	\$ -	\$ -	\$ 2,149,641
Construction in progress	215,045	(437,167)	1,113,045	(28,630)	862,293
Easement	628,461	-	-	-	628,461
Subtotal	2,993,147	(437,167)	1,113,045	(28,630)	3,640,395
Capital assets being depreciated:					
Infrastructure	30,332,489	437,167	43,987	-	30,813,643
Buildings and improvements	6,652,200	-	290,935	-	6,943,135
Vehicles and equipment	7,668,025	-	295,055	-	7,963,080
Subtotal	44,652,714	437,167	629,977	-	45,719,858
Accumulated depreciation:					
Infrastructure	22,146,707	-	1,095,122	-	23,241,829
Buildings and improvements	2,589,932	-	145,322	-	2,735,254
Vehicles and equipment	5,621,641	-	351,975	-	5,973,616
Subtotal	30,358,280	-	1,592,419	-	31,950,699
Net capital assets being depreciated	14,294,434	437,167	(962,442)	-	13,769,159
Net governmental activities capital assets	\$ 17,287,581	\$ -	\$ 150,603	\$ (28,630)	\$ 17,409,554

**Business-type Activities**

	Balance July 1, 2019	Reclassifications	Additions	Disposals	Balance June 30, 2020
Capital assets not being depreciated:					
Land	\$ 104,995	\$ -	\$ -	\$ -	\$ 104,995
Construction in progress	311,912	(337,130)	224,832	-	199,614
Subtotal	416,907	(337,130)	224,832	-	304,609
Capital assets being depreciated -					
Buildings and systems	31,836,124	337,130	63,815	-	32,237,069
Accumulated depreciation -					
Buildings and systems	16,633,256	-	686,817	-	17,320,073
Net capital assets being depreciated	15,202,868	337,130	(623,002)	-	14,916,996
Net business-type activities capital assets	\$ 15,619,775	\$ -	\$ (398,170)	\$ -	\$ 15,221,605

June 30, 2020

**Note 5 - Capital Assets (Continued)**

Capital asset activity for the City's component units for the year ended June 30, 2020 was as follows:

**Component Units**

	Balance July 1, 2019	Reclassifications	Additions	Disposals	Balance June 30, 2020
Capital assets not being depreciated - Land	\$ 214,777	\$ -	\$ -	\$ -	\$ 214,777

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

Governmental activities:		
General government		\$ 38,564
Public safety		248,128
Public works		1,042,740
Recreation and culture		128,178
Internal service fund depreciation is charged to the various functions based on their usage of the asset		134,809
Total governmental activities		<u>\$ 1,592,419</u>
Business-type activities:		
Water		\$ 159,305
Sewer		526,562
Recycling		950
Total business-type activities		<u>\$ 686,817</u>

**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
Independence Blvd	\$ 438,516	\$ 5,085
Parking Lot Reconstruction	519,838	110,147
E. Harris Street	53,700	93,300
Day Lift Station	31,380	20,920
Country Lift Station	31,380	20,920
Total	<u>\$ 1,074,814</u>	<u>\$ 250,372</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	\$ 30,504
	Nonmajor enterprise fund	12,204
Major Street Fund	Nonmajor special revenue fund	100,000
Nonmajor special revenue fund	General Fund	25,000
	Total	<u>\$ 167,708</u>

June 30, 2020

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

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. Nonmajor fund transfers to the General Fund are for administrative purposes.

At June 30, 2020, the Recycling Fund has an interfund receivable from the General Fund in the amount of \$3,000.

**Note 7 - Long-term Debt**

Long-term debt activity for the year ended June 30, 2020 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	\$ 2,030,000	\$ -	\$ (140,000)	\$ 1,890,000	\$ 145,000
Unamortized bond premiums			111,117	-	(8,548)	102,569	-
Total other debt			2,141,117	-	(148,548)	1,992,569	145,000
Direct borrowings and direct placements:							
Local Development Financing Authority loan #1 to General Fund	2.0	2021	21,611	-	(10,700)	10,911	10,911
Local Development Financing Authority loan #2 to General Fund	2.0	2024	55,097	-	(10,587)	44,510	10,799
Local Development Financing Authority loan #3 to General Fund	2.0	2025	65,480	-	(10,381)	55,099	10,587
Total direct borrowings and direct placements			142,188	-	(31,668)	110,520	32,297
Total bonds and contracts payable			2,283,305	-	(180,216)	2,103,089	177,297
Compensated absences			320,296	166,055	(120,111)	366,240	120,111
Total governmental activities long- term debt			<u>\$ 2,603,601</u>	<u>\$ 166,055</u>	<u>\$ (300,327)</u>	<u>\$ 2,469,329</u>	<u>\$ 297,408</u>

June 30, 2020

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

***Business-type Activities***

	Interest Rate Ranges	Maturing Through	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable::							
Other debt - 2015 Revenue							
Refunding Bonds - Water							
Supply and Sewage							
Disposal System:	2.0% - 3.0%	2024	\$ 2,355,000	\$ -	\$ (450,000)	\$ 1,905,000	\$ 460,000
Compensated absences			83,553	61,358	(31,332)	113,579	31,332
			<u>\$ 2,438,553</u>	<u>\$ 61,358</u>	<u>\$ (481,332)</u>	<u>\$ 2,018,579</u>	<u>\$ 491,332</u>
Total business-type activities long- term debt							

***General Obligation Bonds and Contracts***

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

***Other Long-term Liabilities***

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

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

**Debt Service Requirements to Maturity**

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

Years Ending June 30	Governmental Activities				
	Other Debt		Direct Borrowings and Direct Placements		Total
	Principal	Interest	Principal	Interest	
2021	\$ 145,000	\$ 56,700	\$ 32,297	\$ 2,211	\$ 236,208
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	165,000	38,700	11,463	341	215,504
2026-2030	920,000	115,200	-	-	1,035,200
2031-2033	205,000	6,150	-	-	211,150
<b>Total</b>	<b>\$ 1,890,000</b>	<b>\$ 360,600</b>	<b>\$ 110,520</b>	<b>\$ 5,927</b>	<b>\$ 2,367,047</b>

Years Ending June 30	Business-type Activities				
	Other Debt		Direct Borrowings and Direct Placements		Total
	Principal	Interest	Principal	Interest	
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	-	-	-	-	-
2026-2030	-	-	-	-	-
2031-2033	-	-	-	-	-
<b>Total</b>	<b>\$ 1,905,000</b>	<b>\$ 140,002</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,045,002</b>

**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 \$2,045,002. During the current year, revenue of the system was \$1,187,642 compared to the annual debt requirement of \$511,550.

**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	\$ 183,228
Bond reserve account	233,213
<b>Total restricted net position</b>	<b>\$ 416,441</b>



**Note 8 - Restricted Net Position (Continued)**

***Operation and Maintenance Fund***

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

***Bond Reserve Account***

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

**Note 9 - Risk Management**

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

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

**Note 10 - Pension Plans**

***Plan Description***

The City participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan (MERS) that covers eligible employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The City Council has the authority to establish and amend benefits offered by the defined benefit plan. MERS was established as a statewide public employee pension plan by the Michigan Legislature under PA 135 of 1945 and is administered by a nine-member retirement board. MERS issues a publicly available financial report that includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at [www.mersofmichigan.com](http://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 \$2,812,582. The current year contribution was calculated based on covered payroll of \$1,532,204, resulting in an employer contribution of \$107,728 and employee contributions of \$0.

***Benefits Provided***

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

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

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

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

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

Retirement benefits for nonunion employees are calculated as the lesser of 2.50 percent of the employee's final 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.

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.

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

Retirement benefits for SEIU union DPW and clerical employees hired after July 1, 2012 are calculated as 1.25 percent of the employee’s final 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, 2019
Inactive plan members or beneficiaries currently receiving benefits	74
Inactive plan members entitled to but not yet receiving benefits	13
Active plan members	<u>48</u>
Total employees covered by MERS	<u><u>135</u></u>

**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, 2020, the average active employee contribution rate was 3.8 percent of annual pay, and the City's contribution rate was \$64,158 on a monthly basis.

**Net Pension Liability**

The net pension liability reported at June 30, 2020 was determined using a measure of the total pension liability and the pension net position as of December 31, 2019. The December 31, 2019 total pension liability was determined by an actuarial valuation performed as of that date.

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

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
<b>Balance at December 31, 2018</b>	\$ 22,446,386	\$ 11,845,347	\$ 10,601,039
Changes for the year:			
Service cost	258,238	-	258,238
Interest	1,738,994	-	1,738,994
Differences between expected and actual experience	(68,761)	-	(68,761)
Changes in assumptions	729,401	-	729,401
Contributions - Employer	-	769,903	(769,903)
Contributions - Employee	-	105,682	(105,682)
Net investment income	-	1,562,803	(1,562,803)
Benefit payments, including refunds	(1,676,157)	(1,676,157)	-
Administrative expenses	-	(26,889)	26,889
Net changes	981,715	735,342	246,373
<b>Balance at December 31, 2019</b>	<u>\$ 23,428,101</u>	<u>\$ 12,580,689</u>	<u>\$ 10,847,412</u>

The plan's fiduciary net position represents 53.7 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, 2020, the City recognized pension expense of \$1,617,415.

At June 30, 2020, 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	\$ 9,220	\$ (148,023)
Changes in assumptions	547,051	-
Net difference between projected and actual earnings on pension plan investments	55,369	-
Employer contributions to the plan subsequent to the measurement date	403,819	-
Total	<u>\$ 1,015,459</u>	<u>\$ (148,023)</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
2021	\$ 93,937
2022	162,489
2023	336,846
2024	(129,655)
Total	<u>\$ 463,617</u>

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

**Actuarial Assumptions**

The total pension liability in the December 31, 2019 actuarial valuation was determined using an inflation assumption of 2.50 percent, assumed salary increases (including inflation) of 3.0 percent, an investment rate of return of 7.6 percent, and the RP-2014 mortality tables.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.6 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, 2019, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	60.00 %	6.15 %
Global fixed income	20.00	1.26
Private investments	20.00	6.56

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

The following presents the net pension liability of the City, calculated using the discount rate of 7.6 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.60%)	Current Discount Rate (7.60%)	1 Percentage Point Increase (8.60%)
Net pension liability of the City	\$ 13,400,174	\$ 10,847,412	\$ 8,697,580

**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.

June 30, 2020

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

**Assumption Changes**

During the measurement year ended December 31, 2019, the discount rate of return was reduced from 8.0 to 7.6 percent, and salary increases were adjusted from 3.75 to 3.00 percent.

**Note 11 - Other Postemployment Benefit Plan**

**Plan Description**

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

**Benefits Provided**

The plan provides retiree health care 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:

Date of member count	June 30, 2020
Inactive plan members or beneficiaries currently receiving benefits	12
Inactive plan members entitled to but not yet receiving benefits	1
Total plan members	13

**Contributions**

Retiree health care costs are paid by the City on a pay-as-you-go basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. For the fiscal year ended June 30, 2020, the City made payments for postemployment health benefit premiums of \$87,100.

**Total OPEB Liability**

The City's total OPEB liability of \$1,765,654 was measured as of June 30, 2020 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
<b>Balance at June 30, 2019</b>	\$ 1,972,962
Changes for the year:	
Service cost	9,070
Interest	38,177
Differences between expected and actual experience	(167,455)
Benefit payments, including refunds	(87,100)
Net changes	(207,308)
<b>Balance at June 30, 2020</b>	\$ 1,765,654

**Note 11 - Other Postemployment Benefit Plan (Continued)**

***OPEB Expense***

For the year ended June 30, 2020, the City recognized an OPEB recovery of \$207,308.

***Actuarial Assumptions***

The total OPEB liability was determined by utilizing the alternative measurement method as of June 30, 2020 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 PUB-10 mortality tables with scale MP-2019. This was a change from the mortality table used at the beginning of the measurement period, 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.

**Health Care Cost Trend Rate**

The expected rate of increase in health care insurance premiums was based on the Getzen model promulgated by the Society of Actuaries for use in long-term trend projection. A rate of 8.5 percent initially, decreasing at a rate of 0.25 percent per year to a rate of 4.5 percent thereafter, was used.

**Health Insurance Premiums**

A combination of the 2020 health insurance age-adjusted premium rates for retirees and the city health reimbursement arrangement (HRA) contribution amounts was 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, 2020 was 2.21 percent. The discount rate was based on the bond buyer 20-year 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.

June 30, 2020

**Note 11 - Other Postemployment Benefit Plan (Continued)**

***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 2.21 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 Percentage Point Decrease	Current Discount Rate	1 Percentage Point Increase
Total OPEB liability of the OPEB plan	\$ 1,950,316	\$ 1,765,654	\$ 1,608,676

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

The following presents the total OPEB liability of the City, calculated using the health care cost trend rate of 8.5 percent, as well as what the City's total OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease	Current Health Care Cost Trend Rate	1 Percentage Point Increase
Total OPEB liability of the OPEB plan	\$ 1,759,517	\$ 1,765,654	\$ 1,771,922

**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, 2020, the City abated \$31,733 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, 2020, the City abated \$6,419 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 (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, 2020, the City abated \$13,095 of taxes under this program. There is no provisions to recapture taxes; however, the abatement may be eliminated if taxes are not paid timely.



**Note 12 - Tax Abatements (Continued)**

The City uses the payment in lieu of taxes 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, 2020, the City abated \$285 of taxes under this program. There are no provisions to recapture taxes; however, the abatement may be eliminated if taxes are not paid timely.

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

For the fiscal year ended June 30, 2020, the City abated \$25,320 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	\$ 17,409,554	\$ 15,221,605
Less related debt	(2,103,089)	(1,905,000)
Add deferred charge on refunding	27,899	93,164
Net investment in capital assets	<u>\$ 15,334,364</u>	<u>\$ 13,409,769</u>

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## Required Supplemental Information

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Required Supplemental Information  
Budgetary Comparison Schedule  
General Fund

Year Ended June 30, 2020

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 3,545,761	\$ 3,545,761	\$ 3,253,265	\$ (292,496)
Intergovernmental	1,115,000	1,115,000	1,155,114	40,114
Charges for services	424,150	424,150	454,321	30,171
Fines and forfeitures	25,500	25,500	13,112	(12,388)
Licenses and permits	41,970	41,970	51,384	9,414
Investment income	30,000	30,000	28,911	(1,089)
Other revenue	31,000	31,000	156,856	125,856
Total revenue	5,213,381	5,213,381	5,112,963	(100,418)
<b>Expenditures</b>				
Current services:				
General government	848,550	852,923	823,830	29,093
Public safety	3,253,157	3,253,157	3,286,920	(33,763)
Public works	1,068,115	1,068,115	1,136,914	(68,799)
Community and economic development	212,640	212,640	212,944	(304)
Recreation and culture	322,530	322,530	246,665	75,865
Debt service	84,091	84,091	34,512	49,579
Total expenditures	5,789,083	5,793,456	5,741,785	51,671
<b>Excess of Expenditures Over Revenue</b>	(575,702)	(580,075)	(628,822)	(48,747)
<b>Other Financing Sources (Uses)</b>				
Transfers in	25,000	25,000	25,000	-
Transfers out	(75,500)	(885,500)	(887,708)	(2,208)
New debt issued	375,000	375,000	-	(375,000)
Total other financing sources (uses)	324,500	(485,500)	(862,708)	(377,208)
<b>Net Change in Fund Balance</b>	(251,202)	(1,065,575)	(1,491,530)	(425,955)
<b>Fund Balance - Beginning of year</b>	2,334,401	2,334,401	2,334,401	-
<b>Fund Balance - End of year</b>	<u>\$ 2,083,199</u>	<u>\$ 1,268,826</u>	<u>\$ 842,871</u>	<u>\$ (425,955)</u>

**City of Charlotte, Michigan**

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

**Year Ended June 30, 2020**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 316,000	\$ 316,000	\$ 320,310	\$ 4,310
Intergovernmental	720,500	720,500	714,119	(6,381)
Investment income	20,000	20,000	9,995	(10,005)
Other revenue	6,000	6,000	4,723	(1,277)
Total revenue	1,062,500	1,062,500	1,049,147	(13,353)
<b>Expenditures</b>				
Current services - Public works	375,030	375,030	359,069	15,961
Capital outlay	435,000	435,000	738,596	(303,596)
Total expenditures	810,030	810,030	1,097,665	(287,635)
<b>Excess of Revenue Over (Under)</b>				
<b>Expenditures</b>	252,470	252,470	(48,518)	(300,988)
<b>Other Financing Uses</b>	(100,000)	(100,000)	(100,000)	-
<b>Net Change in Fund Balance</b>	152,470	152,470	(148,518)	(300,988)
<b>Fund Balance - Beginning of year</b>	1,014,329	1,014,329	1,014,329	-
<b>Fund Balance - End of year</b>	<b>\$ 1,166,799</b>	<b>\$ 1,166,799</b>	<b>\$ 865,811</b>	<b>\$ (300,988)</b>

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

	Last Six Fiscal Years					
	2020	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>						
Service cost	\$ 258,238	\$ 252,828	\$ 249,607	\$ 266,224	\$ 260,875	\$ 252,934
Interest	1,738,994	1,726,620	1,690,900	1,638,043	1,574,604	1,531,865
Differences between expected and actual experience	(68,761)	(192,904)	36,880	193,964	76,155	-
Changes in assumptions	729,401	-	-	-	820,049	-
Benefit payments, including refunds	(1,676,157)	(1,592,997)	(1,471,983)	(1,386,436)	(1,303,433)	(1,238,017)
<b>Net Change in Total Pension Liability</b>	981,715	193,547	505,404	711,795	1,428,250	546,782
<b>Total Pension Liability - Beginning of year</b>	22,446,386	22,252,839	21,747,435	21,035,640	19,607,390	19,060,608
<b>Total Pension Liability - End of year</b>	<b>\$ 23,428,101</b>	<b>\$ 22,446,386</b>	<b>\$ 22,252,839</b>	<b>\$ 21,747,435</b>	<b>\$ 21,035,640</b>	<b>\$ 19,607,390</b>
<b>Plan Fiduciary Net Position</b>						
Contributions - Employer	\$ 769,903	\$ 726,016	\$ 655,835	\$ 560,877	\$ 488,614	\$ 440,590
Contributions - Member	105,682	116,735	125,815	133,757	133,942	131,690
Net investment income (loss)	1,562,803	(488,939)	1,581,517	1,293,548	(180,906)	775,454
Administrative expenses	(26,889)	(25,054)	(25,097)	(25,570)	(26,884)	(28,352)
Benefit payments, including refunds	(1,676,157)	(1,592,997)	(1,471,983)	(1,386,436)	(1,303,433)	(1,238,017)
<b>Net Change in Plan Fiduciary Net Position</b>	735,342	(1,264,239)	866,087	576,176	(888,667)	81,365
<b>Plan Fiduciary Net Position - Beginning of year</b>	11,845,347	13,109,586	12,243,499	11,667,323	12,555,990	12,474,625
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 12,580,689</b>	<b>\$ 11,845,347</b>	<b>\$ 13,109,586</b>	<b>\$ 12,243,499</b>	<b>\$ 11,667,323</b>	<b>\$ 12,555,990</b>
<b>City's Net Pension Liability - Ending</b>	<b>\$ 10,847,412</b>	<b>\$ 10,601,039</b>	<b>\$ 9,143,253</b>	<b>\$ 9,503,936</b>	<b>\$ 9,368,317</b>	<b>\$ 7,051,400</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	53.70 %	52.77 %	58.91 %	56.30 %	55.46 %	64.04 %
<b>Covered Payroll</b>	\$ 2,772,764	\$ 2,605,068	\$ 2,469,416	\$ 2,580,947	\$ 2,443,516	\$ 2,344,781
<b>City's Net Pension Liability as a Percentage of Covered Payroll</b>	391.21 %	406.94 %	370.26 %	368.23 %	383.39 %	300.73 %

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

Required Supplemental Information  
Schedule of Pension Contributions

	Last Ten Plan Years									
	Years Ended June 30									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 748,947	\$ 726,016	\$ 655,835	\$ 604,246	\$ 518,652	\$ 460,158	\$ 418,746	\$ 403,402	\$ 384,667	\$ 406,818
Contributions in relation to the actuarially determined contribution	769,903	726,016	655,835	604,246	518,652	460,158	418,746	403,402	384,667	406,818
<b>Contribution Excess</b>	<b>\$ 20,956</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Covered Payroll</b>	<b>\$ 2,772,764</b>	<b>\$ 2,682,635</b>	<b>\$ 2,469,416</b>	<b>\$ 2,580,947</b>	<b>\$ 2,443,516</b>	<b>\$ 2,344,781</b>	<b>\$ 2,337,878</b>	<b>\$ 2,381,969</b>	<b>\$ 2,566,502</b>	<b>\$ 2,747,012</b>
<b>Contributions as a Percentage of Covered Payroll</b>	<b>27.77 %</b>	<b>27.06 %</b>	<b>26.56 %</b>	<b>23.41 %</b>	<b>21.23 %</b>	<b>19.62 %</b>	<b>17.91 %</b>	<b>16.94 %</b>	<b>14.99 %</b>	<b>14.81 %</b>

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, closed
Remaining amortization period	22 years
Asset valuation method	5-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	8.0 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**

	<b>Last Three Fiscal Years</b>		
	2020	2019	2018
<b>Total OPEB Liability</b>			
Service cost	\$ 9,070	\$ 11,859	\$ 28,487
Interest	38,177	74,145	89,425
Differences between expected and actual experience	(167,455)	(29,410)	(546,884)
Changes in assumptions	-	55,136	(44,121)
Benefit payments, including refunds	(87,100)	(84,759)	(99,785)
<b>Net Change in Total OPEB Liability</b>	(207,308)	26,971	(572,878)
<b>Total OPEB Liability - Beginning of year</b>	1,972,962	1,945,991	2,518,869
<b>Total OPEB Liability - End of year</b>	<b>\$ 1,765,654</b>	<b>\$ 1,972,962</b>	<b>\$ 1,945,991</b>

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

**Required Supplemental Information  
Schedule of OPEB Contributions**

**Last One Fiscal Year  
Year Ended June 30**

	2020
Actuarially determined contribution	\$ 102,000
Contributions in relation to the actuarially determined contribution	87,100
<b>Contribution Deficiency</b>	<b>\$ (14,900)</b>

**Notes to Schedule of Contributions**

Actuarial valuation information relative to the determination of contributions:

Valuation date	Actuarially determined contribution rates are calculated as of June 30, for the current fiscal year.
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Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age actuarial cost method
Remaining amortization period	19
Health care cost trend rates	8.5 percent decreasing to an ultimate rate of 4.5 percent
Salary increase	2.0 percent
Discount rate	2.21 percent
Retirement age	Assumed retirement age is 55
Mortality	PUB-10 with MP-209 improvement scale
Other information	The City's funding policy is to fund on a pay-as-you-go basis.



**Budgetary Information**

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

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

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

The Airport Fund and the Revolving Fund are included as part of the General Fund as presented in the financial statements. The required supplemental information shows the budgetary comparison for the General Fund, excluding the Airport and Revolving funds. The budgetary comparison for the Airport Fund and the Revolving Fund is presented in the other supplemental information. A reconciliation of the budgetary comparison 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	\$ 5,112,963	\$ 5,741,785	\$ 842,871
Airport Fund	67,867	142,435	(210,799)
Revolving Fund	12,030	-	812,030
Amounts per fund-based statement	<u>\$ 5,192,860</u>	<u>\$ 5,884,220</u>	<u>\$ 1,444,102</u>

Transfer from the General Fund to the Revolving Fund of \$800,000 is included in the budgetary schedule as transfers out but nets to zero in the fund-based statement.

**Excess of Expenditures Over Appropriations in Budgeted Funds**

	Budget	Actual	Variance
General Fund - Public safety	\$ 3,253,157	\$ 3,286,920	\$ (33,763)
General Fund - Public works	1,068,115	1,136,914	(68,799)
General Fund - Community and economic development	212,640	212,944	(304)
Major Street Fund - Capital outlay	435,000	738,596	(303,596)

**Pension Information**

**Changes in Assumptions**

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

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

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## Other Supplemental Information

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***Local Street Fund***

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

***Industrial Park Fund***

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

***Police Training Fund***

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

***Drug Enforcement Fund***

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

***Camp Frances Fund***

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

***Grant Fund***

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

***Facility Building Bond Fund***

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

**City of Charlotte, Michigan**

	Special Revenue Funds			
	Local Street	Industrial Park	Police Training	Drug Enforcement
<b>Assets</b>				
Cash and investments	\$ 371,555	\$ 55,120	\$ 5,354	\$ 11,699
Receivables	60,787	50,505	-	-
Prepays and other assets	2,194	-	-	-
Total assets	<b>\$ 434,536</b>	<b>\$ 105,625</b>	<b>\$ 5,354</b>	<b>\$ 11,699</b>
<b>Liabilities</b>				
Accounts payable	\$ 85	\$ 215	\$ -	\$ -
Accrued liabilities and other	2,604	-	-	-
Total liabilities	2,689	215	-	-
<b>Deferred Inflows of Resources - Unavailable revenue</b>				
	25,086	35,205	-	-
Total liabilities and deferred inflows of resources	27,775	35,420	-	-
<b>Fund Balances</b>				
Nonspendable - Prepaid asset	2,194	-	-	-
Restricted:				
Police training	-	-	5,354	-
Industrial park	-	70,205	-	-
Grants	-	-	-	-
Local streets	404,567	-	-	-
Drug enforcement	-	-	-	11,699
Camp Frances	-	-	-	-
Facility building bond	-	-	-	-
Total fund balances	406,761	70,205	5,354	11,699
Total liabilities, deferred inflows of resources, and fund balances	<b>\$ 434,536</b>	<b>\$ 105,625</b>	<b>\$ 5,354</b>	<b>\$ 11,699</b>

Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2020

Special Revenue Funds		Debt Service Fund		Total Nonmajor Governmental Funds
Camp Frances	Grant	Facility Building Bond		
\$ 16,809	\$ 21,236	\$ 39,413	\$ 521,186	
-	-	-	111,292	
38	-	-	2,232	
<b>\$ 16,847</b>	<b>\$ 21,236</b>	<b>\$ 39,413</b>	<b>\$ 634,710</b>	
\$ 155	\$ 740	\$ -	\$ 1,195	
-	-	-	2,604	
155	740	-	3,799	
-	-	-	60,291	
155	740	-	64,090	
38	-	-	2,232	
-	-	-	5,354	
-	-	-	70,205	
-	20,496	-	20,496	
-	-	-	404,567	
-	-	-	11,699	
16,654	-	-	16,654	
-	-	39,413	39,413	
16,692	20,496	39,413	570,620	
<b>\$ 16,847</b>	<b>\$ 21,236</b>	<b>\$ 39,413</b>	<b>\$ 634,710</b>	

**City of Charlotte, Michigan**

	Special Revenue Funds			
	Local Street	Industrial Park	Police Training	Drug Enforcement
<b>Revenue</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Special assessments	5,550	-	-	-
Intergovernmental - State sources	255,795	-	2,258	-
Investment income	4,449	868	91	621
Other revenue	551	535	-	60
Total revenue	266,345	1,403	2,349	681
<b>Expenditures</b>				
Current services:				
Public safety	-	-	19,209	-
Public works	295,983	-	-	-
Community and economic development	-	2,263	-	-
Recreation and culture	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest on long-term debt	-	-	-	-
Total expenditures	295,983	2,263	19,209	-
<b>Excess of Revenue (Under) Over Expenditures</b>	(29,638)	(860)	(16,860)	681
<b>Other Financing Sources (Uses)</b>				
Transfers in	115,000	-	15,504	-
Transfers out	-	(25,000)	-	-
Total other financing sources (uses)	115,000	(25,000)	15,504	-
<b>Net Change in Fund Balances</b>	85,362	(25,860)	(1,356)	681
<b>Fund Balances - Beginning of year</b>	321,399	96,065	6,710	11,018
<b>Fund Balances - End of year</b>	<u><u>\$ 406,761</u></u>	<u><u>\$ 70,205</u></u>	<u><u>\$ 5,354</u></u>	<u><u>\$ 11,699</u></u>

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

**Year Ended June 30, 2020**

Special Revenue Funds		Debt Service Fund		Total Nonmajor Governmental Funds
Camp Frances	Grant	Facility Building Bond		
\$ -	\$ -	\$ 205,779		\$ 205,779
-	-	-		5,550
-	-	10,127		268,180
227	-	2,428		8,684
3,205	-	5,480		9,831
<hr/>				
3,432	-	223,814		498,024
-	-	-		19,209
-	-	-		295,983
-	926	-		3,189
6,570	-	-		6,570
-	-	140,000		140,000
-	-	59,500		59,500
<hr/>				
6,570	926	199,500		524,451
(3,138)	(926)	24,314		(26,427)
-	-	-		130,504
-	-	-		(25,000)
<hr/>				
-	-	-		105,504
(3,138)	(926)	24,314		79,077
<hr/>				
19,830	21,422	15,099		491,543
<hr/>				
<b>\$ 16,692</b>	<b>\$ 20,496</b>	<b>\$ 39,413</b>		<b>\$ 570,620</b>

**City of Charlotte, Michigan**

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

**Year Ended June 30, 2020**

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
<b>Revenue</b>				
Special assessments	\$ 4,000	\$ 4,000	\$ 5,550	\$ 1,550
State and local sources	260,000	260,000	255,795	(4,205)
Investment income	2,000	2,000	4,449	2,449
Other revenue - Other miscellaneous income	-	-	551	551
Total revenue	266,000	266,000	266,345	345
<b>Expenditures</b>				
Current services - Public works - Street maintenance:				
Street construction	331,665	331,665	295,983	35,682
Stormwater drainage	1,300	1,300	-	1,300
Capital outlay	150,000	150,000	-	150,000
Total expenditures	482,965	482,965	295,983	186,982
<b>Excess of Expenditures Over Revenue</b>	(216,965)	(216,965)	(29,638)	187,327
<b>Other Financing Sources - Transfers in</b>	115,000	115,000	115,000	-
<b>Net Change in Fund Balance</b>	(101,965)	(101,965)	85,362	187,327
<b>Fund Balance - Beginning of year</b>	321,399	321,399	321,399	-
<b>Fund Balance - End of year</b>	<b>\$ 219,434</b>	<b>\$ 219,434</b>	<b>\$ 406,761</b>	<b>\$ 187,327</b>



**City of Charlotte, Michigan**

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

**Year Ended June 30, 2020**

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
<b>Revenue</b>				
Investment income	\$ 1,000	\$ 1,000	\$ 868	\$ (132)
Other revenue	8,800	8,800	535	(8,265)
Total revenue	9,800	9,800	1,403	(8,397)
<b>Expenditures</b> - Current - Community and economic development	9,050	9,050	2,263	6,787
<b>Excess of Revenue Over (Under) Expenditures</b>	750	750	(860)	(1,610)
<b>Other Financing Uses</b> - Transfers out	(25,000)	(25,000)	(25,000)	-
<b>Net Change in Fund Balance</b>	(24,250)	(24,250)	(25,860)	(1,610)
<b>Fund Balance</b> - Beginning of year	96,065	96,065	96,065	-
<b>Fund Balance</b> - End of year	<u>\$ 71,815</u>	<u>\$ 71,815</u>	<u>\$ 70,205</u>	<u>\$ (1,610)</u>

**City of Charlotte, Michigan**

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

**Year Ended June 30, 2020**

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
<b>Revenue - State sources</b>	\$ 2,500	\$ 2,500	\$ 2,349	\$ (151)
<b>Expenditures - Current - Public safety - Police</b>	18,200	20,200	19,209	991
<b>Excess of Expenditures Over Revenue</b>	(15,700)	(17,700)	(16,860)	840
<b>Other Financing Sources - Transfers in</b>	15,500	15,500	15,504	4
<b>Net Change in Fund Balance</b>	(200)	(2,200)	(1,356)	844
<b>Fund Balance - Beginning of year</b>	6,710	6,710	6,710	-
<b>Fund Balance - End of year</b>	<u>\$ 6,510</u>	<u>\$ 4,510</u>	<u>\$ 5,354</u>	<u>\$ 844</u>

**City of Charlotte, Michigan**

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

**Year Ended June 30, 2020**

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
<b>Revenue</b>				
Investment income	\$ 150	\$ 150	\$ 621	\$ 471
Other revenue	-	-	60	60
Total revenue	150	150	681	531
<b>Expenditures - Current - Public safety - Police</b>	2,000	2,000	-	2,000
<b>Net Change in Fund Balance</b>	(1,850)	(1,850)	681	2,531
<b>Fund Balance - Beginning of year</b>	11,018	11,018	11,018	-
<b>Fund Balance - End of year</b>	<u><u>\$ 9,168</u></u>	<u><u>\$ 9,168</u></u>	<u><u>\$ 11,699</u></u>	<u><u>\$ 2,531</u></u>

**City of Charlotte, Michigan**

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

**Year Ended June 30, 2020**

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
<b>Revenue</b>				
Property taxes	\$ 205,000	\$ 205,000	\$ 205,779	\$ 779
Intergovernmental	-	-	10,127	10,127
Investment income	-	-	2,428	2,428
Other revenue	-	-	5,480	5,480
Total revenue	205,000	205,000	223,814	18,814
<b>Expenditures</b>				
Current services - Community and economic development	500	500	-	500
Debt service:				
Principal	140,000	140,000	140,000	-
Interest on long-term debt	59,500	59,500	59,500	-
Total expenditures	200,000	200,000	199,500	500
<b>Net Change in Fund Balance</b>	5,000	5,000	24,314	19,314
<b>Fund Balance - Beginning of year</b>	15,099	15,099	15,099	-
<b>Fund Balance - End of year</b>	<b>\$ 20,099</b>	<b>\$ 20,099</b>	<b>\$ 39,413</b>	<b>\$ 19,314</b>

**City of Charlotte, Michigan**

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

**Year Ended June 30, 2020**

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
<b>Revenue</b>				
Intergovernmental	\$ 236,000	\$ 236,000	\$ -	\$ (236,000)
Investment income	1,000	1,000	-	(1,000)
Total revenue	237,000	237,000	-	(237,000)
<b>Expenditures</b>				
Current services - Community and Economic Development	36,000	36,000	926	35,074
Capital outlay	200,000	200,000	-	200,000
Total expenditures	236,000	236,000	926	235,074
<b>Net Change in Fund Balance</b>	1,000	1,000	(926)	(1,926)
<b>Fund Balance - Beginning of year</b>	21,422	21,422	21,422	-
<b>Fund Balance - End of year</b>	<u><u>\$ 22,422</u></u>	<u><u>\$ 22,422</u></u>	<u><u>\$ 20,496</u></u>	<u><u>\$ (1,926)</u></u>

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

**Year Ended June 30, 2020**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Investment income	\$ 2,000	\$ 2,000	\$ (362)	\$ (2,362)
Other revenue	530,400	530,400	68,229	(462,171)
Total revenue	532,400	532,400	67,867	(464,533)
<b>Expenditures - Current - Recreation and Culture</b>	576,130	576,130	142,435	433,695
<b>Excess of Expenditures Over Revenue</b>	(43,730)	(43,730)	(74,568)	(30,838)
<b>Other Financing Sources - Transfers in</b>	45,000	45,000	45,000	-
<b>Net Change in Fund Balance</b>	1,270	1,270	(29,568)	(30,838)
<b>Fund Balance (Deficit) - Beginning of year</b>	(181,231)	(181,231)	(181,231)	-
<b>Fund Balance (Deficit) - End of year</b>	<u>\$ (179,961)</u>	<u>\$ (179,961)</u>	<u>\$ (210,799)</u>	<u>\$ (30,838)</u>

**City of Charlotte, Michigan**

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

**Year Ended June 30, 2020**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b> - Investment income	\$ -	\$ -	\$ 12,030	\$ 12,030
<b>Expenditures</b>	-	-	-	-
<b>Excess of Revenue Over Expenditures</b>	-	-	12,030	12,030
<b>Other Financing Sources</b> - Transfers in	-	800,000	800,000	-
<b>Net Change in Fund Balance</b>	-	800,000	812,030	12,030
<b>Fund Balance</b> - Beginning of year	-	-	-	-
<b>Fund Balance</b> - End of year	<u>\$ -</u>	<u>\$ 800,000</u>	<u>\$ 812,030</u>	<u>\$ 12,030</u>

Other Supplemental Information  
Combining Statement of Net Position  
Internal Service Funds

**June 30, 2020**

	Motor Vehicle Pool	Information Technology Pool	Total Internal Service Funds
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 282,869	\$ 14,943	\$ 297,812
Prepays and other assets	18,401	-	18,401
Total current assets	301,270	14,943	316,213
Noncurrent assets - Capital assets - Net	1,097,561	-	1,097,561
Total assets	1,398,831	14,943	1,413,774
<b>Deferred Outflows of Resources</b> - Deferred pension costs	18,978	-	18,978
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	2,442	10,375	12,817
Accrued liabilities and other	3,702	-	3,702
Total current liabilities	6,144	10,375	16,519
Noncurrent liabilities - Net pension liability	202,726	-	202,726
Total liabilities	208,870	10,375	219,245
<b>Deferred Inflows of Resources</b> - Deferred pension cost reductions	2,766	-	2,766
<b>Net Position</b>			
Net investment in capital assets	1,097,561	-	1,097,561
Unrestricted	108,612	4,568	113,180
Total net position	<b>\$ 1,206,173</b>	<b>\$ 4,568</b>	<b>\$ 1,210,741</b>



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

**Year Ended June 30, 2020**

	Motor Vehicle Pool	Information Technology Pool	Total Internal Service Funds
<b>Operating Revenue</b>			
Other	\$ 16,764	\$ -	\$ 16,764
Charges to other funds	527,062	304,760	831,822
Total operating revenue	543,826	304,760	848,586
<b>Operating Expenses</b>			
Cost of services	344,710	300,192	644,902
Depreciation	134,809	-	134,809
Total operating expenses	479,519	300,192	779,711
<b>Operating Income</b>	64,307	4,568	68,875
<b>Nonoperating Revenue</b> - Investment income	5,381	-	5,381
<b>Change in Net Position</b>	69,688	4,568	74,256
<b>Net Position</b> - Beginning of year	1,136,485	-	1,136,485
<b>Net Position</b> - End of year	<u>\$ 1,206,173</u>	<u>\$ 4,568</u>	<u>\$ 1,210,741</u>

Other Supplemental Information  
Combining Statement of Cash Flows  
Internal Service Funds

**Year Ended June 30, 2020**

	Motor Vehicle Pool	Information Technology Pool	Total Internal Service Funds
<b>Cash Flows from Operating Activities</b>			
Receipts from interfund services and reimbursements	\$ 543,826	\$ 304,760	\$ 848,586
Payments to suppliers	(203,770)	(289,817)	(493,587)
Payments to employees and fringes	(120,279)	-	(120,279)
Net cash and cash equivalents provided by operating activities	219,777	14,943	234,720
<b>Cash Flows Used in Capital and Financing Activities -</b>			
Purchase of capital assets	(224,800)	-	(224,800)
<b>Cash Flows Provided by Investing Activities - Interest received on investments</b>	5,381	-	5,381
<b>Net Increase in Cash and Cash Equivalents</b>	358	14,943	15,301
<b>Cash and Cash Equivalents - Beginning of year</b>	282,511	-	282,511
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 282,869</b>	<b>\$ 14,943</b>	<b>\$ 297,812</b>
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>			
Operating income	\$ 64,307	\$ 4,568	\$ 68,875
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation	134,809	-	134,809
Changes in assets and liabilities:			
Prepaid and other assets	(995)	-	(995)
Net pension and accrued liabilities	28,770	-	28,770
Accounts payable	(7,114)	10,375	3,261
Total adjustments	155,470	10,375	165,845
Net cash and cash equivalents provided by operating activities	<b>\$ 219,777</b>	<b>\$ 14,943</b>	<b>\$ 234,720</b>

**City of Charlotte, Michigan**

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

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**Year Ended June 30, 2020**

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2020</u>
<b>Assets - Cash and cash equivalents</b>	<u>\$ 74,015</u>	<u>\$ 11,953,549</u>	<u>\$ (11,929,715)</u>	<u>\$ 97,849</u>
<b>Liabilities - Due to other governmental units</b>	<u>\$ 74,015</u>	<u>\$ 25,405,024</u>	<u>\$ (25,381,190)</u>	<u>\$ 97,849</u>

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## Statistical Section

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

The statistical section is organized into the following main categories:

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

**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.

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## Financial Trends

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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

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	As of June 30,			
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>Governmental Activities:</b>				
Net investment in capital assets	\$ 16,745,700	\$ 16,859,400	\$ 16,202,851	\$ 15,617,415
Restricted	1,101,202	962,194	1,014,827	1,076,663
Unrestricted	<u>1,264,816</u>	<u>1,462,522</u>	<u>1,294,226</u>	<u>669,720</u>
Total net position	<b><u>\$ 19,111,718</u></b>	<b><u>\$ 19,284,116</u></b>	<b><u>\$ 18,511,904</u></b>	<b><u>\$ 17,363,798</u></b>
<b>Business Type Activities:</b>				
Net investment in capital assets	\$ 10,055,513	\$ 9,968,706	\$ 9,971,225	\$ 10,065,565
Restricted	768,020	756,792	748,181	860,060
Unrestricted	<u>995,332</u>	<u>1,388,827</u>	<u>1,749,702</u>	<u>1,885,116</u>
Total net position	<b><u>\$ 11,818,865</u></b>	<b><u>\$ 12,114,325</u></b>	<b><u>\$ 12,469,108</u></b>	<b><u>\$ 12,810,741</u></b>
<b>Primary government in total:</b>				
Net investment in capital assets	\$ 26,801,213	\$ 26,828,106	\$ 26,174,076	\$ 25,682,980
Restricted	1,869,222	1,718,986	1,763,008	1,936,723
Unrestricted	<u>2,260,148</u>	<u>2,851,349</u>	<u>3,043,928</u>	<u>2,554,836</u>
Total net position	<b><u>\$ 30,930,583</u></b>	<b><u>\$ 31,398,441</u></b>	<b><u>\$ 30,981,012</u></b>	<b><u>\$ 30,174,539</u></b>

## Net Position by Component

Last Ten Fiscal Years

June 30, 2020

As of June 30,					
2015	2016	2017	2018	2019	2020
\$ 15,365,101	\$ 14,928,939	\$ 14,741,754	\$ 13,934,175	\$ 15,034,711	\$ 15,334,364
1,449,173	1,665,202	1,773,032	2,137,526	1,537,149	1,496,722
(3,478,998)	(3,756,822)	(4,443,793)	(5,945,945)	(7,253,741)	(8,460,578)
<b><u>\$ 13,335,276</u></b>	<b><u>\$ 12,837,319</u></b>	<b><u>\$ 12,070,993</u></b>	<b><u>\$ 10,125,756</u></b>	<b><u>\$ 9,318,119</u></b>	<b><u>\$ 8,370,508</u></b>
\$ 11,186,706	\$ 11,317,330	\$ 12,018,103	\$ 12,781,541	\$ 13,381,230	\$ 13,409,769
583,803	550,448	443,321	471,890	506,988	416,441
31,249	476,108	344,157	(243,555)	(542,164)	(36,580)
<b><u>\$ 11,801,758</u></b>	<b><u>\$ 12,343,886</u></b>	<b><u>\$ 12,805,581</u></b>	<b><u>\$ 13,009,876</u></b>	<b><u>\$ 13,346,054</u></b>	<b><u>\$ 13,789,630</u></b>
\$ 26,551,807	\$ 26,246,269	\$ 26,759,857	\$ 26,715,716	\$ 28,415,941	\$ 28,744,133
2,032,976	2,215,650	2,216,353	2,609,416	2,044,137	1,913,163
(3,447,749)	(3,280,714)	(4,099,636)	(6,189,500)	(7,795,905)	(8,497,158)
<b><u>\$ 25,137,034</u></b>	<b><u>\$ 25,181,205</u></b>	<b><u>\$ 24,876,574</u></b>	<b><u>\$ 23,135,632</u></b>	<b><u>\$ 22,664,173</u></b>	<b><u>\$ 22,160,138</u></b>

## City of Charlotte, Michigan

	Fiscal Years Ended June 30,			
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>Expenses</b>				
General Government	\$ 816,352	\$ 714,417	\$ 708,104	\$ 564,566
Public Safety	3,046,302	2,676,328	2,946,200	2,936,410
Public Works	2,131,513	1,990,798	2,090,492	2,696,273
Community and economic development	276,337	183,137	159,960	143,934
Recreation and culture	401,156	168,429	406,441	371,489
Interest on long-term debt	159,409	153,620	144,955	157,312
Total governmental activities	6,831,069	5,886,729	6,456,152	6,869,984
<b>Program revenue</b>				
Charges for services:				
General Government	165,902	165,723	162,947	172,113
Public Safety	324,425	229,725	240,796	440,168
Public Works	-	-	-	-
Total charges for services	490,327	395,448	403,743	612,281
Operating grants and contributions	488,798	548,263	548,968	605,143
Capital grants and contributions	185,204	651,271	139,011	-
Total program revenue	1,164,329	1,594,982	1,091,722	1,217,424
Net (expense) revenue	<b><u>\$ (5,666,740)</u></b>	<b><u>\$ (4,291,747)</u></b>	<b><u>\$ (5,364,430)</u></b>	<b><u>\$ (5,652,560)</u></b>
<b>General Revenues</b>				
Property taxes	3,548,240	3,380,724	3,465,508	3,384,261
State shared revenue	748,562	802,292	845,931	846,007
Investment earnings	6,075	1,905	2,267	6,644
Miscellaneous	247,522	256,798	278,512	267,542
Total general revenues	4,550,399	4,441,719	4,592,218	4,504,454
Transfers	22,290	22,426	-	-
Special items	-	-	-	-
<b>Changes in Net Position</b>	<b><u>\$ (1,094,051)</u></b>	<b><u>\$ 172,398</u></b>	<b><u>\$ (772,212)</u></b>	<b><u>\$ (1,148,106)</u></b>



## Changes in Governmental Net Position

**Last Ten Fiscal Years**

**June 30, 2020**

Fiscal Years Ended June 30,						
<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	
\$ 801,558	\$ 719,069	\$ 773,727	\$ 659,443	\$ 1,004,556	\$ 824,742	
2,920,571	3,555,820	3,541,230	3,476,023	3,837,799	3,926,436	
2,060,914	2,087,823	2,305,536	2,371,108	2,312,824	2,324,473	
152,457	578,019	393,845	288,705	247,201	221,846	
389,838	410,365	319,348	419,589	420,460	352,839	
137,936	121,406	107,323	79,878	59,830	55,866	
6,463,274	7,472,502	7,441,009	7,294,746	7,882,670	7,706,202	
129,051	63,599	155,466	167,781	161,225	228,377	
426,886	301,696	299,771	322,185	329,642	327,395	
-	-	-	-	-	-	
555,937	365,295	455,237	489,966	490,867	555,772	
632,492	705,354	699,468	897,919	896,463	936,311	
1,324	752,267	334,589	186,040	125,381	1,142	
1,189,753	1,822,916	1,489,294	1,573,925	1,512,711	1,493,225	
<b>\$ (5,273,521)</b>	<b>\$ (5,649,586)</b>	<b>\$ (5,951,715)</b>	<b>\$ (5,720,821)</b>	<b>\$ (6,369,959)</b>	<b>\$ (6,212,977)</b>	
3,667,494	3,689,202	3,674,424	3,651,312	3,687,465	3,779,354	
899,907	995,879	1,129,391	1,255,119	1,284,001	1,199,319	
7,718	9,666	13,087	27,550	53,208	59,258	
879,737	456,882	376,242	366,018	546,748	239,639	
5,454,856	5,151,629	5,193,144	5,299,999	5,571,422	5,277,570	
-	-	(7,755)	(8,736)	(9,100)	(12,204)	
935,266	-	-	-	-	-	
<b>\$ 1,116,601</b>	<b>\$ (497,957)</b>	<b>\$ (766,326)</b>	<b>\$ (429,558)</b>	<b>\$ (807,637)</b>	<b>\$ (947,611)</b>	

## City of Charlotte, Michigan

	Fiscal Years Ended June 30,			
	2011	2012	2013	2014
<b>Operating Revenue</b>				
Sale of water	1,261,528	1,320,804	1,502,614	1,459,366
Sewage disposal charges	2,090,881	2,051,739	1,944,182	1,954,933
Tap fees	-	-	-	-
Recycling fees	47,132	50,384	36,712	25,067
Other	33,995	33,995	16,030	26,807
Total operating revenue	<u>3,433,536</u>	<u>3,456,922</u>	<u>3,499,538</u>	<u>3,466,173</u>
<b>Operating Expenses</b>				
Cost of services	2,166,904	2,218,281	2,252,478	2,167,010
Recycling	91,951	62,913	63,540	76,541
Depreciation	636,044	616,247	606,948	620,472
Total operating expenses	<u>2,894,899</u>	<u>2,897,441</u>	<u>2,922,966</u>	<u>2,864,023</u>
Net (expense) revenue	<u>\$ 538,637</u>	<u>\$ 559,481</u>	<u>\$ 576,572</u>	<u>\$ 602,150</u>
<b>Nonoperating Revenue (Expenses)</b>				
Interest income	938	1,081	452	1,618
Interest expense	(290,736)	(265,324)	(253,044)	(299,010)
Gain (loss) on disposal of assets	-	-	-	-
Other	58,507	22,648	30,803	36,875
Income (Loss) - Before contributions and other items	<u>307,346</u>	<u>317,886</u>	<u>354,783</u>	<u>341,633</u>
Capital Contributions	-	-	-	-
Transfers (to) from other funds	<u>(22,290)</u>	<u>(22,426)</u>	<u>-</u>	<u>-</u>
<b>Change in Net Position</b>	<u>\$ 285,056</u>	<u>\$ 295,460</u>	<u>\$ 354,783</u>	<u>\$ 341,633</u>
<b>Total Primary Government Revenue</b>	9,170,554	9,516,049	9,183,478	9,188,051
<b>Total Primary Government Expense</b>	9,979,549	9,048,191	9,600,907	9,994,524
<b>Total Primary Government Change in Net Position</b>	<u>\$ (808,995)</u>	<u>\$ 467,858</u>	<u>\$ (417,429)</u>	<u>\$ (806,473)</u>

## Changes in Business Type Net Position

Last Ten Fiscal Years

June 30, 2020

Fiscal Years Ended June 30,					
2015	2016	2017	2018	2019	2020
1,440,924	1,501,145	1,557,821	1,549,416	1,587,517	1,527,886
1,950,610	2,101,169	2,171,562	2,137,049	2,193,108	2,325,035
-	-	-	-	-	-
30,600	27,526	30,365	23,806	16,160	8,996
22,820	53,720	35,567	22,870	118,453	68,271
<u>3,444,954</u>	<u>3,683,560</u>	<u>3,795,315</u>	<u>3,733,141</u>	<u>3,915,238</u>	<u>3,930,188</u>
2,352,465	2,291,681	2,527,059	2,673,925	2,789,095	2,721,632
72,473	66,360	67,391	67,102	63,191	62,855
644,123	667,423	672,430	661,732	699,425	686,817
<u>3,069,061</u>	<u>3,025,464</u>	<u>3,266,880</u>	<u>3,402,759</u>	<u>3,551,711</u>	<u>3,471,304</u>
<b><u>\$ 375,893</u></b>	<b><u>\$ 658,096</u></b>	<b><u>\$ 528,435</u></b>	<b><u>\$ 330,382</u></b>	<b><u>\$ 363,527</u></b>	<b><u>\$ 458,884</u></b>
2,115	3,025	5,498	7,750	29,912	16,804
(183,388)	(132,528)	(110,741)	(108,104)	(87,778)	(84,841)
-	(2,612)	-	-	-	-
28,871	21,947	24,948	27,776	21,417	40,525
<u>223,491</u>	<u>547,928</u>	<u>448,140</u>	<u>257,804</u>	<u>327,078</u>	<u>431,372</u>
-	-	-	-	-	-
-	-	7,755	8,736	9,100	12,204
<b><u>\$ 223,491</u></b>	<b><u>\$ 547,928</u></b>	<b><u>\$ 455,895</u></b>	<b><u>\$ 266,540</u></b>	<b><u>\$ 336,178</u></b>	<b><u>\$ 443,576</u></b>
11,024,829	10,658,105	10,469,998	10,598,329	11,050,700	10,758,312
9,684,737	10,608,134	10,780,429	10,761,347	11,522,159	11,262,347
<b><u>\$ 1,340,092</u></b>	<b><u>\$ 49,971</u></b>	<b><u>\$ (310,431)</u></b>	<b><u>\$ (163,018)</u></b>	<b><u>\$ (471,459)</u></b>	<b><u>\$ (504,035)</u></b>

## City of Charlotte, Michigan

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	As of June 30,			
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Fund:				
Reserved	\$ -	\$ -	\$ -	\$ -
Nonspendable	178,081	170,337	167,078	174,100
Assigned	200,000	320,000	320,000	250,000
Unassigned	993,351	664,286	1,091,005	1,218,492
Unreserved	-	-	-	-
Total general fund	<u>\$ 1,371,432</u>	<u>\$ 1,154,623</u>	<u>\$ 1,578,083</u>	<u>\$ 1,642,592</u>
All other governmental funds:				
Reserved	-	-	-	-
Nonspendable	4,151	3,217	1,774	2,968
Assigned	-	-	-	-
Restricted	1,096,979	886,612	945,023	1,023,307
Unreserved/Unassigned - Report in:				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Total all other governmental funds	<u>1,101,130</u>	<u>889,829</u>	<u>946,797</u>	<u>1,026,275</u>
Total of all governmental funds	<u><b>\$ 2,472,562</b></u>	<u><b>\$ 2,044,452</b></u>	<u><b>\$ 2,524,880</b></u>	<u><b>\$ 2,668,867</b></u>

## Fund Balances, Governmental Funds

Last Ten Fiscal Years

June 30, 2020

As of June 30,					
2015	2016	2017	2018	2019	2020
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
147,829	165,380	177,540	190,095	178,658	130,650
350,000	445,000	380,000	200,000	200,000	1,012,030
1,992,621	2,289,441	2,026,452	2,398,531	1,774,512	301,422
-	-	-	-	-	-
<b>\$ 2,490,450</b>	<b>\$ 2,899,821</b>	<b>\$ 2,583,992</b>	<b>\$ 2,788,626</b>	<b>\$ 2,153,170</b>	<b>\$ 1,444,102</b>
-	-	-	-	-	-
3,185	2,758	2,199	7,056	6,437	4,042
63	70	-	-	-	-
1,398,780	1,618,516	1,731,971	2,095,920	1,499,435	1,432,389
-	(133,225)	(171,328)	(57,454)	-	-
-	-	-	-	-	-
1,402,028	1,488,119	1,562,842	2,045,522	1,505,872	1,436,431
<b>\$ 3,892,478</b>	<b>\$ 4,387,940</b>	<b>\$ 4,146,834</b>	<b>\$ 4,834,148</b>	<b>\$ 3,659,042</b>	<b>\$ 2,880,533</b>

**City of Charlotte, Michigan**

	Fiscal Year Ended June 30,			
	2011	2012	2013	2014
<b>Revenue</b>				
Property taxes	\$ 3,548,240	\$ 3,531,834	\$ 3,466,618	\$ 3,384,261
Special assessments	12,874	7,657	2,579	17,642
Licenses and permits	31,651	26,741	26,586	28,256
State and local sources	1,468,286	1,410,927	1,449,486	1,490,879
Federal grants	-	2,097	607,800	-
Charges for services	365,929	283,081	299,605	492,972
Fines and forfeitures	31,767	32,567	31,713	37,478
Other	273,355	278,487	285,705	279,304
Total revenue	5,732,102	5,573,391	6,170,092	5,730,792
<b>Expenditures</b>				
Current:				
General government	597,981	525,995	621,205	497,398
Public safety	2,961,498	2,615,436	2,699,043	2,677,668
Public works	1,154,272	1,105,860	1,034,223	1,026,198
Recreation and culture	252,384	317,892	296,248	271,677
Community and economic development	146,994	141,075	140,152	164,082
Capital outlay	681,587	950,880	520,344	1,001,932
Debt service - Principal	170,000	212,007	232,189	237,378
Debt service - Interest	160,431	154,782	146,260	136,472
Total expenditures	6,125,147	6,023,927	5,689,664	6,012,805
<b>Excess of Revenue (Under) Over Expenditures</b>	(393,045)	(450,536)	480,428	(282,013)
<b>Other Financing Sources (Uses)</b>				
Proceeds from long-term debt	100,000	-	-	426,000
Debt Premium	-	-	-	-
Payment to bond refunding escrow agent	-	-	-	-
Sale of fixed assets	-	-	-	-
Transfers in	618,625	448,580	294,549	139,648
Transfers out	(596,335)	(426,154)	(294,549)	(139,648)
Total other financing sources (uses)	122,290	22,426	-	426,000
<b>Extraordinary Item</b>	-	-	-	-
<b>Net change in fund balances</b>	(270,755)	(428,110)	480,428	143,987
<b>Fund Balances - Beginning of year</b>	2,743,317	2,472,562	2,044,452	2,524,880
<b>Fund Balances - End of year</b>	<b>\$ 2,472,562</b>	<b>\$ 2,044,452</b>	<b>\$ 2,524,880</b>	<b>\$ 2,668,867</b>
<b>Debt service as a percentage of noncapital expenditures</b>	5.95%	7.89%	7.36%	7.40%

## Changes in Fund Balances, Governmental Funds

**Last Ten Fiscal Years  
June 30, 2020**

Fiscal Year Ended June 30,						
2015	2016	2017	2018	2019	2020	
\$ 3,667,494	\$ 3,708,172	\$ 3,655,814	\$ 3,651,312	\$ 3,687,465	\$ 3,779,354	
3,974	3,280	5,066	4,312	3,273	5,550	
27,043	36,963	40,748	96,792	45,774	51,384	
1,533,161	1,695,569	1,822,953	2,146,430	2,180,464	2,136,680	
1,324	444,341	14,875	186,040	125,381	733	
492,245	359,754	353,019	370,334	814,712	454,321	
30,126	29,025	26,732	19,030	22,841	13,112	
287,455	466,548	389,329	393,568	201,206	298,897	
<u>6,042,822</u>	<u>6,743,652</u>	<u>6,308,536</u>	<u>6,867,818</u>	<u>7,081,116</u>	<u>6,740,031</u>	
477,808	515,507	516,184	736,848	742,585	823,829	
2,672,781	2,810,223	2,907,375	2,878,350	3,005,216	3,215,858	
1,009,081	1,170,416	1,240,303	1,245,922	1,400,675	1,378,203	
263,382	258,361	219,043	243,776	190,075	230,177	
138,268	303,085	293,356	270,809	223,450	216,133	
746,603	632,544	1,025,280	621,692	2,452,783	1,408,124	
412,155	435,131	232,312	140,444	166,046	171,668	
139,399	122,923	108,034	85,620	66,292	62,344	
<u>5,859,477</u>	<u>6,248,190</u>	<u>6,541,887</u>	<u>6,223,461</u>	<u>8,247,122</u>	<u>7,506,336</u>	
183,345	495,462	(233,351)	644,357	(1,166,006)	(766,305)	
105,000	-	-	2,165,000	-	-	
-	-	-	119,664	-	-	
-	-	-	(2,232,971)	-	-	
-	-	-	-	-	-	
142,812	142,090	95,968	24,504	126,600	155,504	
<u>(142,812)</u>	<u>(142,090)</u>	<u>(103,723)</u>	<u>(33,240)</u>	<u>(135,700)</u>	<u>(167,708)</u>	
105,000	-	(7,755)	42,957	(9,100)	(12,204)	
<u>935,266</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
1,223,611	495,462	(241,106)	687,314	(1,175,106)	(778,509)	
<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>	
<b>\$ 3,892,478</b>	<b>\$ 4,387,940</b>	<b>\$ 4,146,834</b>	<b>\$ 4,834,148</b>	<b>\$ 3,659,042</b>	<b>\$ 2,880,533</b>	
10.62%	9.82%	6.32%	3.88%	3.09%	3.45%	

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## Revenue Capacity

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



## City of Charlotte, Michigan

### Taxable Value by Property Type:

Tax Year	Fiscal Year	Real Property				Total Taxable Value
		Residential	Commercial	Industrial	Personal Property	
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
2019	2020	131,976,362	51,006,917	17,854,239	16,245,900	217,083,418

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

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## Taxable Value and Actual Value of Taxable Property

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**Last Ten Fiscal Years**

Total Direct Tax Rate (mills)		Estimated Actual Value	As a Percent of Actual Value
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
15.41		487,339,146	44.54

## City of Charlotte, Michigan

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Tax Year	Millage Rates - Direct City			Overlapping taxes		
	General - Operating	Debt	Special Purpose	Total direct taxes	County	State Education Tax
2019	14.29	0.94	0.18	15.41	9.09	6.0000
2018	14.29	0.90	0.10	15.29	9.09	6.0000
2017	14.29	1.00	0.10	15.39	9.09	6.0000
2016	14.29	0.96	0.10	15.35	9.09	6.0000
2015	14.29	0.96	0.10	15.35	9.09	6.0000
2014	14.29	0.95	0.10	15.34	9.09	6.0000
2013	14.29	0.95	0.10	15.34	7.59	6.0000
2012	14.29	0.88	0.10	15.27	7.59	6.0000
2011	14.29	0.85	0.10	15.24	7.59	6.0000
2010	13.91	0.80	-	14.71	7.59	6.0000

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

# Direct and Overlapping Property Tax Rates

**Last Ten Fiscal Years**

Overlapping taxes				Total Tax Rate	
District Library	Intermediate School District	Public Schools -	Public Schools -	Homestead	Non-homestead
		Homestead	Nonhomestead		
1.4000	3.8788	8.0900	26.0900	43.8650	61.8650
1.4000	3.8788	8.0900	26.0900	43.7500	61.7500
0.9000	3.8778	8.0900	26.0900	43.3490	61.3490
0.9000	3.8778	8.0900	26.0900	43.3090	61.3090
0.9000	3.8778	8.0900	26.0900	43.3090	61.3090
0.9000	3.8778	8.0900	26.0900	43.2990	61.2990
0.9000	3.8778	8.0900	26.0900	41.7990	59.7990
0.9000	3.8778	8.0900	26.0900	41.7290	59.7290
0.9000	3.8778	7.5900	25.5900	41.1959	59.1959
0.9000	3.8778	7.5900	25.5900	40.6690	58.6690

Principal Property Taxpayers

	Taxpayer	2019 Taxable Value	Percentage of Total	2010 Taxable Value	Percentage of Total	2010 Rank
1	Spartan Motors	\$ 13,131,675	6.32	\$ 16,639,062	7.34	1
2	Consumers Energy	6,052,597	2.91	4,775,749	2.11	4
3	Meijer, Inc.	4,453,905	2.14	6,832,984	3.02	2
4	Wal-Mart Stores, Inc.	4,087,222	1.97	4,792,745	2.12	3
5	The Carrington Company	2,818,127	1.36			
6	Legacy Parke Partners LLC	2,298,716	1.11	2,098,339	0.93	7
7	Victorinox LLC	2,269,249	1.09			
8	Alro Steel Corporation	1,957,337	0.94			
9	Butternut Creek Apartments	1,367,647	0.66	1,170,789		9
10	NKH Group/Associates, LLC	1,259,659				
	Linn Products, Inc.			3,575,463	1.58	5
	Owens-Illinois Glass Container			2,933,697	3.40	6
	Enovapremier of Michigan LLC			1,585,854	0.70	8
	Sulai Hospitality, Inc			1,160,695		10
	<b>Total</b>	<b>\$ 39,696,134</b>		<b>\$ 45,565,377</b>		

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
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
2019	2020	3,393,913	3,296,164	97.12	91,971	3,388,136	99.83

Note: Delinquent collections reported are related to the tax year

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## Debt Capacity

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

## City of Charlotte, Michigan

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	As of June 30,			
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>Governmental Activities:</b>				
General obligation bonds	\$ 3,550,000	\$ 3,365,000	\$ 3,160,000	\$ 2,950,000
Loans payable	-	90,867	81,552	497,148
Economic development agreement	<u>93,834</u>	<u>75,960</u>	<u>58,086</u>	<u>40,212</u>
Total	3,643,834	3,531,827	3,299,638	3,487,360
<b>Business Type Activities:</b>				
General obligation bonds	-	-	-	-
Loans payable	-	-	-	-
Revenue bonds	<u>5,398,024</u>	<u>5,076,739</u>	<u>4,745,454</u>	<u>4,399,169</u>
Total	<u>5,398,024</u>	<u>5,076,739</u>	<u>4,745,454</u>	<u>4,399,169</u>
Total debt of the government	<b><u>\$ 9,041,858</u></b>	<b><u>\$ 8,608,566</u></b>	<b><u>\$ 8,045,092</u></b>	<b><u>\$ 7,886,529</u></b>
<b>Total residential personal income</b>	N/A	N/A	N/A	N/A
Ratio of total debt to personal income	N/A	N/A	N/A	N/A
<b>Total Population *</b>	9,078	9,080	9,074	9,085
Total debt per capita	996	948	887	868



## Ratios of Outstanding Debt

**Last Ten Fiscal Years**

As of June 30,					
<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$ 2,725,000	\$ 2,490,000	\$ 2,310,000	\$ 2,165,000	\$ 2,030,000	\$ 1,890,000
433,767	251,512	203,672	173,237	142,188	110,525
22,338	4,464	-	-	-	-
<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>2,000,525</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>1,905,000</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>1,905,000</u>
<b><u>\$ 7,231,105</u></b>	<b><u>\$ 6,395,976</u></b>	<b><u>\$ 5,738,672</u></b>	<b><u>\$ 5,133,237</u></b>	<b><u>\$ 4,527,188</u></b>	<b><u>\$ 3,905,525</u></b>
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
9,073	9,094	9,079	9,068	9,090	9,090
797	703	632	566	498	430

## City of Charlotte, Michigan

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Fiscal Year	Tax-limited General Obligation Bonds (LTGO)	Tax-supported Bonds (UTGO)	Less Pledged Debt Service Funds	Net General Bonded Debt
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)
2020	-	1,890,000	-	(1,890,000)

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## Ratios of General Bonded Debt Outstanding

**Last Ten Fiscal Years**

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	Debt as a Percentage of			
	Taxable Value	Taxable Value	Population	Debt per Capita
\$	228,560,500	(0.95)	9,085	(239)
	225,955,352	(0.98)	9,078	(243)
	218,383,857	(1.03)	9,080	(247)
	212,459,070	(1.07)	9,074	(250)
	208,001,569	(1.11)	9,085	(254)
	208,024,468	(1.12)	9,073	(258)
	202,487,537	(1.14)	9,094	(254)
	207,648,018	(1.04)	9,079	(238)
	212,274,817	(0.96)	9,068	(224)
	217,083,418	(0.87)	9,090	(208)

## City of Charlotte, Michigan

# Direct and Overlapping Governmental Activities Debt

June 30, 2020

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percent Applicable (1)</u>	<u>Direct and Estimated Overlapping Debt</u>
Eaton County	\$ 22,552,515	5.82	\$ 1,312,556
Eaton Intermediate School District	3,175,000	8.37	265,748
Charlotte Public Schools	<u>49,520,000</u>	<u>36.24</u>	<u>17,946,048</u>
Total overlapping debt	75,247,515		19,524,352
Direct City debt	<u>2,000,525</u>	<u>100.00</u>	<u>2,000,525</u>
Total direct and overlapping debt	<u>\$ 77,248,040</u>		<u>\$ 21,524,877</u>

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

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

Pledged-Revenue Coverage

Last Ten Fiscal Years

Water and Sewer Revenue Bonds

Fiscal Year	Gross Revenues	Applicable Expenses	Net Revenues	Debt Service			Coverage
				Principal	Interest	Total	
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
2020	3,909,274	2,721,632	1,187,642	450,000	61,550	511,550	232.17

**City of Charlotte, Michigan**

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	As of June 30,			
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>Calculation of debt limit</b>				
Assessed value	\$ 262,442,232	\$ 252,067,748	\$ 232,978,224	\$ 225,974,382
10% of assessed value	26,244,223	25,206,775	23,297,822	22,597,438
<b>Calculation of debt subject to limit</b>				
Total debt	9,041,858	8,608,566	8,045,092	7,886,529
Less debt not subject to limit:				
Revenue bonds	<u>5,398,024</u>	<u>5,076,739</u>	<u>4,745,454</u>	<u>4,399,169</u>
Net debt subject to limit	3,643,834	3,531,827	3,299,638	3,487,360
Legal debt margin	22,600,389	21,674,948	19,998,184	19,110,078
Net debt subject to limit as a percentage of debt limit	16.12%	16.29%	16.50%	18.25%

## Legal Debt Margin

Last Ten Fiscal Years

		As of June 30,									
		<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>				
\$	221,304,995	\$	225,400,838	\$	226,566,805	\$	234,751,772	\$	238,670,578	\$	251,792,523
	22,130,500		22,540,084		22,656,681		23,475,177		23,867,058		25,179,252
	7,231,105		6,395,976		5,738,672		5,133,237		4,527,188		3,905,525
	<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>1,905,000</u>
	3,181,105		2,745,976		2,513,672		2,338,237		2,172,188		2,000,525
	18,949,395		19,794,108		20,143,009		21,136,940		21,694,870		23,178,727
	16.79%		13.87%		12.48%		11.06%		10.01%		8.63%

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## Demographics and Economic Information

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



Fiscal Year	Population	Personal Income (in thousands)*	Per Capita Personal Income**	Unemployment Rate***
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	4,668,757	42,693	3.7
2019	9,088	n/a	n/a	3.6
2020	n/a	n/a	n/a	11.2

n/a = Information not available

\* Number represents all of Eaton County

\*\* Represents all of Eaton County

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

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

**City of Charlotte, Michigan**

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Employer	2011		2012		2013		2014	
	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	596	19.85	563	20.67	623	21.67	550	19.96
2 Hayes Green Beach Memorial Hospital	451	15.02	466	17.11	475	16.52	460	16.70
3 County of Eaton	405	13.49	360	13.22	391	13.60	380	13.79
4 Charlotte Public Schools	445	14.82	370	13.58	322	11.20	344	12.49
5 Linn Products, Inc.	175	5.83	171	6.28	180	6.26	212	7.70
6 Meijer, Inc.	259	8.62	100	3.67	275	9.57	263	9.55
7 Eaton Intermediate School District	200	6.66	255	9.36	170	5.91	145	5.26
8 Wal-Mart Stores, Inc.	250	8.33	255	9.36	255	8.87	221	8.02
9 Peckham Vocational Industries	222	7.39	184	6.75	184	6.40	180	6.53

Source: Treasurer, City of Charlotte

## Principal Employers

2015		2016		2017		2018		2019		2020	
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
635	22.14	708	24.09	671	23.05	660	22.86	830	26.66	n/a	n/a
448	15.62	452	15.38	450	15.46	455	15.76	500	16.06	n/a	n/a
383	13.35	342	11.64	360	12.37	360	12.47	360	11.56	356	19.70
350	12.20	387	13.17	337	11.58	323	11.19	326	10.47	326	18.04
231	8.05	231	7.86	265	9.10	270	9.35	320	10.28	335	18.54
261	9.10	260	8.85	240	8.24	240	8.31	239	7.68	230	12.73
152	5.30	254	8.64	207	7.11	211	7.31	200	6.42	200	11.07
227	7.91	153	5.21	244	8.38	238	8.24	185	5.94	200	11.07
181	6.31	152	5.17	137	4.71	130	4.50	153	4.91	160	8.85

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## Operating Information

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

## City of Charlotte, Michigan

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<u>Function/ program:</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</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	2
Public Safety:				
Police	18	17	17	17
Fire - Full-time	7	6	5	6
Fire - Volunteer	30	28	30	30
Building Inspection	1	1	1	1
Public Works				
DPW	12	11	12	11
Water and Sewer	<u>7</u>	<u>7</u>	<u>7</u>	<u>8</u>
Community and Economic Development	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Total	<u><u>83</u></u>	<u><u>78</u></u>	<u><u>80</u></u>	<u><u>80</u></u>

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

# Full-Time Equivalent Government Employees

**Last Ten Fiscal Years**

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
1	1	1	1	1	1
2	2	2	2	2	2
1	1	1	1	1	1
3	3	3	3	1	1
17	15	15	15	15	15
5	6	6	6	6	6
30	28	28	28	26	26
1	-	-	-	-	-
11	11	11	10	12	12
7	7	7	8	9	9
1	1	1	1	1	1
<u>79</u>	<u>75</u>	<u>75</u>	<u>75</u>	<u>74</u>	<u>74</u>

Function/ program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Election data:										
Registered voters	6,262	6,348	6,309	6,236	6,159	6,171	6,332	6,335	6,397	6,570
Voters (at polls or absentee)	2,968	1,389	3,762	2,539	2,745	1,435	3,904	3,507	1,695	1,965
Percent voting	47.40%	21.88%	59.63%	40.72%	44.57%	23.25%	61.66%	55.36%	26.50%	30
Police:										
Physical Arrests	671	623	655	600	520	479	511	387	344	313
Traffic violations	1,260	1,190	1,243	1,211	808	822	786	603	508	407
Crimes reported	2,770	3,083	3,132	2,631	2,457	2,319	2,566	2,663	2,476	2,403
Fire:										
Fire runs	300	286	316	394	328	343	380	418	405	435
Emergency medical runs	276	218	220	293	238	257	233	396	421	341
Inspections	150	85	25	156	124	127	135	204	327	182
Public Works - Miles of street resurfaced	1.53	1.20	0.25	0.21	0.21	0.55	0.99	0.07	0.92	0.19
Water:										
Number of customers billed	3,731	3,682	3,769	3,764	3,777	3,799	3,844	3,906	3,388	3,399
Total daily consumption	908,700	909,600	886,000	881,800	861,000	838,750	861,605	868,600	864,192	850,364
Average consumption per year	244	247	235	234	228	221	224	222	255	250
Sewer - Average daily sewage treatment	818,000	802,250	770,000	770,000	761,000	769,417	791,715	876,995	893,340	883,937

## City of Charlotte, Michigan

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<u>Function/ program</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Police				
Stations	1	1	1	1
Patrol units	9	9	9	9
Fire				
Stations	2	2	2	2
Fire response vehicles	8	7	7	7
Emergency response vehicles	1	1	1	1
Public works				
Streets (miles):				
Major streets	11.9	11.9	12.2	12.2
Local streets	25.9	25.9	25.7	25.7
Sidewalks	44	44	44	45
Street lights	514	514	507	507
Traffic signals	7	7	7	7
Parks and recreation				
Acreage	199	199	199	199
Developed parks/playgrounds	8.00	8.00	8.00	8.00
Libraries - Branches	1	1	1	1
Water				
Mains (miles)	53.0	53.0	53.0	53.0
Fire hydrants	471	471	471	471
Storage capacity	1,150,000	1,150,000	1,150,000	1,150,000
Sewer				
Miles of sanitary sewers	42.0	42.0	42.0	42.0
Miles of storm sewers	31.5	31.5	31.5	31.5
Treatment capacity	1,800,000	1,800,000	1,800,000	1,800,000



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## Capital Asset Information

**Last Ten Fiscal Years**

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<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
1	1	1	1	1	1
9	9	9	9	8	8
2	2	2	2	2	2
7	7	7	7	7	7
1	1	2	2	1	1
12.2	12.2	12.2	12.2	12.2	12.2
25.7	25.7	25.7	25.7	25.8	25.8
45	45	45	45	46	46
507	507	509	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	8.15
1	1	1	1	1	1
53.0	53.0	53.0	53.0	52.7	52.7
471	471	471	471	470	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	42.1	42.1
31.5	31.5	31.5	31.5	31.5	31.5
1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000