
City of Charlotte, Michigan

**Annual Comprehensive Financial Report
with Supplemental Information
Prepared by the Office of Finance and Treasury
For the Fiscal Year Ended June 30, 2021**

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— THE CITY OF —
CHARLOTTE
— MICHIGAN —

November 19, 2021

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

The comprehensive annual financial report of the City of Charlotte for the year ended June 30, 2021 is hereby submitted as required by both local ordinances and state statutes. These ordinances and statutes require the City of Charlotte to annually issue a report on its financial position and activity, and that this report be audited by an independent firm of certified public accountants. Responsibility for both the accuracy of the data as well as the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the various funds and component units of the City of Charlotte. All disclosures necessary to enable the reader to gain an understanding of the City of Charlotte's activities have been included.

THE REPORTING ENTITY AND ITS SERVICES

The City of Charlotte is located in the heart of Michigan, 18 miles southwest of the capital city of Lansing. The City currently has a land area of approximately 5 ½ square miles and a population of 9,299 per 2020 Census. Charlotte is located on Interstate 69 and near its intersection with Interstates 94 and 96. Charlotte is also served by two state trunkline highways: 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, economic and community development, and general administrative services.

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

ECONOMIC CONDITION AND OUTLOOK

The 2020-21 fiscal year saw a modest increase in property tax revenue, along with a slight increase in state-shared revenue, and an increase in grant revenues. The expenses realized a year-to-year decrease in overall governmental expenses and a slight increase in business-type expenses.

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 seventh installment of Eaton County's 12-year dedicated street infrastructure millage, approved by voters in November 2014. The City received \$303 thousand from this source in the 20-21 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:

2020-21 Road Projects – The City completed the reconstruction of Harris Street from Cochran Road (M-50) to Lansing Road in downtown Charlotte. The City also completed the resurfacing of West First, South Sheldon, and Tully Brown.

Dump Truck Purchase – The City took delivery of a new \$160 thousand dump truck/plow scraper to replace aging equipment that was beyond its useful life.

Safe Routes to Schools – In partnership with the Charlotte Public Schools, Sparrow Hospital, and community groups, the City received conditional award for a \$1.3million grant to install sidewalks and other public education initiatives as part of the Safe Routes to Schools program in 2022.

Utility Systems. – Aging water and sewer infrastructure was upgraded as part of reconstruction project on Harris 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 Annual Comprehensive Financial Report.

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

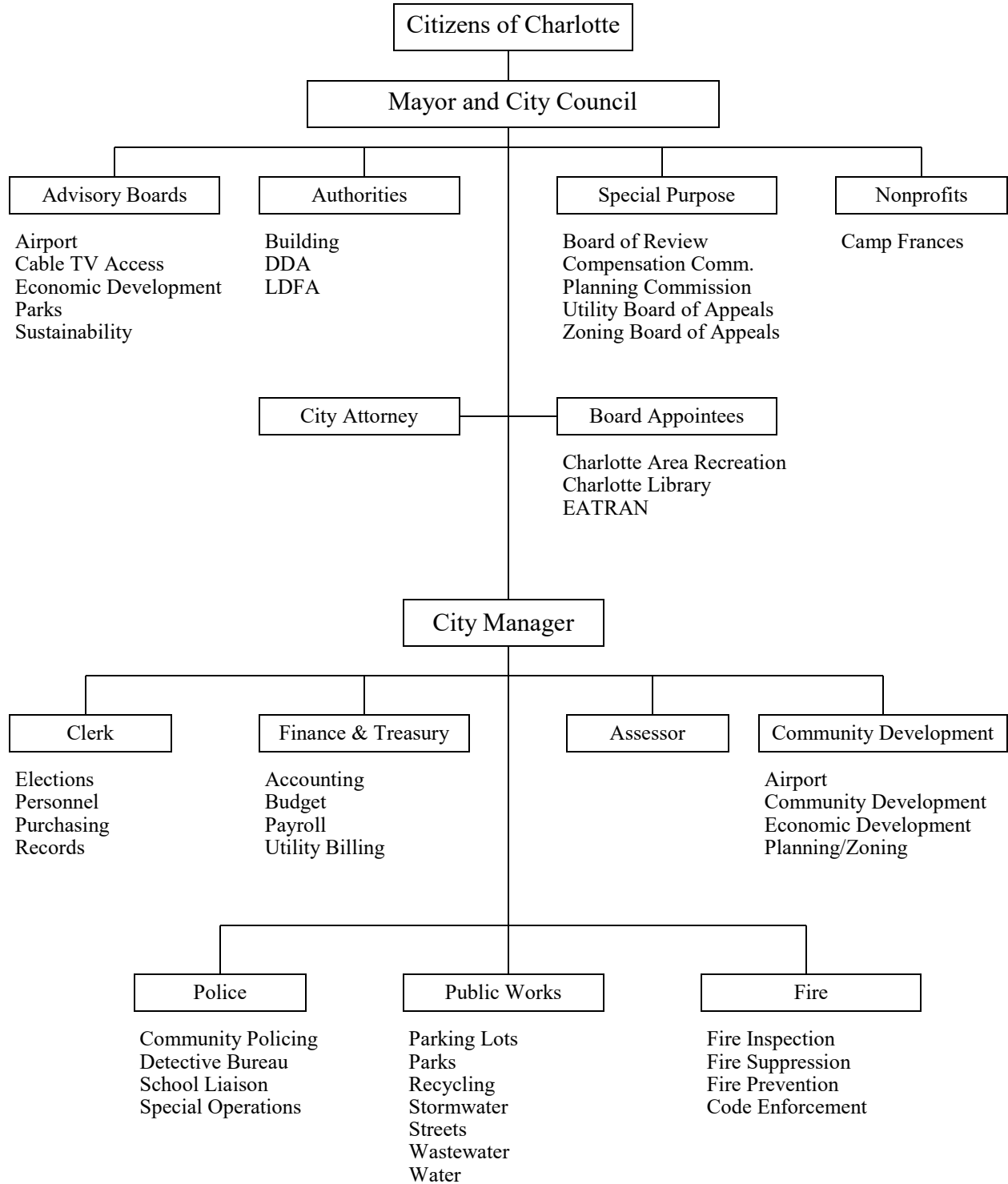
On behalf of the City of Charlotte, I respectfully submit this annual report.

Sincerely,

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

Erin E. LaPere, MPAP
City Manager

CITY OF CHARLOTTE ORGANIZATION CHART



**List of Elected and Appointed Officials
June 30, 2021**

City Council:

Mayor	Michael Armitage
Mayor Pro-Tem	Braden Dyer
Councilmember	L. Daryl Baker
Councilmember	Liz Hoogstra
Councilmember	Brett McRae
Councilmember	Tammy Weissenborn
Councilmember	Nate Van Stee

Appointed Officials:

City Manager	Erin LaPere
Fire Chief (Acting)	Tyger Fullerton
Assessor (Contract)	Randy Jewell
Clerk/Treasurer	Vacant
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, 2021 and the related notes to the financial statements, which collectively comprise the City of Charlotte, Michigan's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Charlotte, Michigan as of June 30, 2021 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.

Emphasis of Matter

As described in Note 1 to the financial statements, during the year ended June 30, 2021, the City adopted the new accounting guidance of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, which provides guidance on the identification and reporting of fiduciary activities. Our opinion is not modified with respect to this matter.

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 opinions on the financial statements that collectively comprise the 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 19, 2021

As management of the City of Charlotte, Michigan (the "City"), we offer readers this narrative overview and analysis of the financial activities for the year ended June 30, 2021. 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 \$24 million (net position). Of this amount, \$(7.8) million was unrestricted net position.

During the year, the City received \$13.0 million in revenue and incurred \$11.3 million in expenses, resulting in an increase in net position of approximately \$1.8 million. Of the City's \$11.3 million expense total, \$3.9 million related to business-type expenses, and the balance of \$7.3 million related to governmental activities.

As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$3.1 million, an increase of \$189 thousand from the prior year. Approximately 11 percent of this amount is unassigned and, therefore, available for spending at the government's discretion. Of the remaining 89 percent, 59 percent is restricted for special purposes, 26 percent is assigned for various purposes, and 4 percent is nonspendable.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$337 thousand, or 6 percent of the General Fund's total expenditures.

Overview of the Financial Statements

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

Government-wide Statements

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

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

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

Fund Financial Statements

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

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

City of Charlotte, Michigan

Management's Discussion and Analysis (Continued)

Government-wide Overall Financial Analysis

The City's combined net position increased from \$22.2 million to \$24 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	
	2021	2020	2021	2020	2021	2020
Assets						
Current and other assets	\$ 4,453,597	\$ 4,019,324	\$ 3,430,118	\$ 2,579,606	\$ 7,883,715	\$ 6,598,930
Capital assets	17,623,803	17,409,554	15,134,176	15,221,605	32,757,979	32,631,159
Total assets	22,077,400	21,428,878	18,564,294	17,801,211	40,641,694	39,230,089
Deferred Outflows of Resources						
	1,034,565	860,893	311,921	275,629	1,346,486	1,136,522
Liabilities						
Current liabilities	831,519	745,161	550,893	212,315	1,382,412	957,476
Noncurrent liabilities	12,562,631	13,052,677	3,657,750	4,048,297	16,220,381	17,100,974
Total liabilities	13,394,150	13,797,838	4,208,643	4,260,612	17,602,793	18,058,450
Deferred Inflows of Resources						
	376,304	121,425	90,252	26,598	466,556	148,023
Net Position						
Net investment in capital assets	15,731,917	15,334,364	13,759,049	13,409,769	29,490,966	28,744,133
Restricted	1,866,627	1,496,722	336,483	416,441	2,203,110	1,913,163
Unrestricted	(8,257,033)	(8,460,578)	481,788	(36,580)	(7,775,245)	(8,497,158)
Total net position	<u>\$ 9,341,511</u>	<u>\$ 8,370,508</u>	<u>\$ 14,577,320</u>	<u>\$ 13,789,630</u>	<u>\$ 23,918,831</u>	<u>\$ 22,160,138</u>

A substantial portion of the City's net position, \$29.5 million, reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related outstanding debt used to acquire those assets. Such assets are used to provide services to the citizens of the City and, therefore, are not available for future spending.

An additional portion of the City's net position, \$2.2 million, represents resources that are subject to external restrictions on how they may be used.

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

The City's governmental activities net position increased by approximately \$971 thousand, or 12 percent, to \$9.3 million during the fiscal year. This increase is primarily due to an increase in the City's grant revenue.

The City's business-type activities net position increased 5.7 percent over the prior year, resulting in net position of \$14.6 million during the fiscal year. This increase is primarily due to an increase in charges for services revenue.

City of Charlotte, Michigan

Management's Discussion and Analysis (Continued)

The City's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenue						
Program revenue:						
Charges for services	\$ 475,746	\$ 555,772	\$ 4,666,407	\$ 3,930,188	\$ 5,142,153	\$ 4,485,960
Operating grants	1,328,827	937,453	27,981	40,525	1,356,808	977,978
Capital grants	997,269	-	-	-	997,269	-
General revenue:						
Property taxes	3,910,104	3,779,354	15,857	-	3,925,961	3,779,354
State-shared revenue	1,399,651	1,199,319	-	-	1,399,651	1,199,319
Investment earnings	3,914	59,258	3,153	16,804	7,067	76,062
Other revenue	211,564	239,639	-	-	211,564	239,639
Total revenue	8,327,075	6,770,795	4,713,398	3,987,517	13,040,473	10,758,312
Expenses						
General government	1,070,178	824,743	-	-	1,070,178	824,743
Public safety	3,492,251	3,926,436	-	-	3,492,251	3,926,436
Public works	2,042,552	2,324,473	-	-	2,042,552	2,324,473
Community and economic development	360,727	221,846	-	-	360,727	221,846
Recreation and culture	338,182	352,838	-	-	338,182	352,838
Debt service	52,182	55,866	-	-	52,182	55,866
Water supply and sewage disposal	-	-	3,870,293	3,493,290	3,870,293	3,493,290
Recycling	-	-	55,415	62,855	55,415	62,855
Total expenses	7,356,072	7,706,202	3,925,708	3,556,145	11,281,780	11,262,347
Transfers	-	(12,204)	-	12,204	-	-
Change in Net Position	971,003	(947,611)	787,690	443,576	1,758,693	(504,035)
Net Position - Beginning of year	8,370,508	9,318,119	13,789,630	13,346,054	22,160,138	22,664,173
Net Position - End of year	\$ 9,341,511	\$ 8,370,508	\$ 14,577,320	\$ 13,789,630	\$ 23,918,831	\$ 22,160,138

Governmental Activities

The cost of all governmental activities this year was \$7.4 million. City taxpayers paid for \$3.9 million of these activities through city taxes. The beneficiaries of the City's programs paid for \$476 thousand of governmental activities through charges for services, while governments and organizations subsidized certain programs with grants and contributions of \$2.3 million.

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

A combined 80 percent of the City's governmental activities expenses are for public benefit services, such as fire protection, police protection, recreation, and public works.

Business-type Activities

The City's business-type activities of water supply, sewage disposal, and recycling realized an increase in net position of \$788 thousand for the year. The water supply and sewage disposal activity had operating revenue of \$4.6 million, operating expenses of \$3.8 million, and net nonoperating expenses of \$72 thousand, resulting in net income of \$757 thousand. The recycling activity realized a net income of approximately \$31 thousand.

Financial Analysis of Individual Funds

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

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

General Fund Budgetary Highlights

The General Fund (excluding airport operations and revolving fund activities) experienced a decrease of \$242 thousand in fund balance for the fiscal year. This decrease was primarily due to planned capital-related spending.

Major Street Fund

The Major Street Fund revenue increased by about \$42 thousand over the prior year. The pace of spending on capital projects slowed with \$518 thousand spent on street improvements compared to \$1.1 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 that have had the effect of reducing cash on hand. This type of investment in upgrading physical assets of the utility system is expected to continue for the foreseeable future.

Capital Assets and Debt Administration

At June 30, 2021, the City had invested approximately \$32.8 million in a broad range of capital assets, including police and fire equipment, buildings, computer equipment and software, parks and recreational facilities, roads, sidewalks, parking lots, and water and sewer lines. More detailed information about the City's capital assets is presented in Note 5 to the financial statements.

At year end, the City had \$3.8 million in bonds, notes outstanding, and compensated absences. This represents a decrease of approximately \$600 thousand from the previous year or 14 percent. More detailed information about the City's long-term liabilities is presented in Note 7 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

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

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

Tax rates are at their legal maximum levels. Management evaluates utility rates on an annual basis, taking into consideration planned capital investments, debt service requirements, and operational needs. Rates had remained unchanged for several years. In a prior fiscal year, management proposed an increase in utility rates, the first half of which was implemented in October 2019. The City Council approved 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. In July 2021, the City Council maintained the rates in effect as of July 1, 2020 for the upcoming fiscal year utility billing rates.

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, were considered during 2020. In 2021, the City invested \$200,000 in a MERS retirement health funding vehicle.

In May 2021, the City Council also approved a city-wide Special Assessment District (SAD) under PA 33 of 1951 to defray 85 percent of the costs of providing fire services. The initial payment under the SAD will be on the July 2021 tax roll, and the City is utilizing the additional revenue to assist in addressing the long-term financial constraints facing the City due in part to the underfunded pension liabilities.

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, 2021

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 3,221,557	\$ 1,520,458	\$ 4,742,015	\$ 1,208,889
Receivables - Net: (Note 4)				
Special assessments receivable	21,129	-	21,129	-
Other receivables	181,434	1,503,651	1,685,085	75
Due from other governments	837,544	2,692	840,236	785
Internal balances	63,394	(63,394)	-	-
Prepaid expenses and other assets	128,539	130,228	258,767	-
Restricted assets - Cash and investments (Notes 3 and 8)	-	336,483	336,483	-
Capital assets: (Note 5)				
Assets not subject to depreciation	3,447,690	510,401	3,958,091	214,777
Assets subject to depreciation - Net	14,176,113	14,623,775	28,799,888	-
Note receivable (Note 7)	-	-	-	78,228
Total assets	22,077,400	18,564,294	40,641,694	1,502,754
Deferred Outflows of Resources				
Deferred charges on bond refunding	25,363	69,873	95,236	-
Deferred pension costs (Note 10)	1,009,202	242,048	1,251,250	-
Total deferred outflows of resources	1,034,565	311,921	1,346,486	-
Liabilities				
Accounts payable	412,846	497,587	910,433	95,991
Accrued liabilities and other	418,673	53,306	471,979	-
Noncurrent liabilities:				
Due within one year: (Note 7)				
Compensated absences	246,518	42,592	289,110	-
Current portion of long-term debt	166,814	470,000	636,814	-
Due in more than one year:				
Compensated absences	144,268	51,594	195,862	-
Net OPEB liability (Note 11)	1,421,376	-	1,421,376	-
Net pension liability (Note 10)	8,833,220	2,118,564	10,951,784	-
Long-term debt (Note 7)	1,750,435	975,000	2,725,435	-
Total liabilities	13,394,150	4,208,643	17,602,793	95,991
Deferred Inflows of Resources - Deferred pension cost reduction (Note 10)	376,304	90,252	466,556	-
Net Position				
Net investment in capital assets (Note 13)	15,731,917	13,759,049	29,490,966	214,777
Restricted for:				
Streets and highways	1,677,492	-	1,677,492	-
Debt service	40,351	187,279	227,630	-
Police training	10,018	-	10,018	-
Industrial park	86,353	-	86,353	-
Drug enforcement	11,775	-	11,775	-
Operation and maintenance fund imposed by creditors	-	149,204	149,204	-
Camp Frances	19,380	-	19,380	-
Grants	21,258	-	21,258	-
Unrestricted	(8,257,033)	481,788	(7,775,245)	1,191,986
Total net position	\$ 9,341,511	\$ 14,577,320	\$ 23,918,831	\$ 1,406,763

City of Charlotte, Michigan

Functions/Programs	Program Revenue			Capital Grants and Contributions
	Expenses	Charges for Services	Operating Grants and Contributions	
Primary government:				
Governmental activities:				
General government	\$ 1,070,178	\$ 171,780	\$ 41,591	\$ -
Public safety	3,492,251	303,966	229,151	-
Public works	2,042,552	-	1,045,105	997,269
Community and economic development	360,727	-	12,980	-
Recreation and culture	338,182	-	-	-
Interest on long-term debt	52,182	-	-	-
Total governmental activities	<u>7,356,072</u>	<u>475,746</u>	<u>1,328,827</u>	<u>997,269</u>
Business-type activities:				
Water Supply and Sewage Disposal	3,870,293	4,623,575	546	-
Recycling	55,415	42,832	27,435	-
Total business-type activities	<u>3,925,708</u>	<u>4,666,407</u>	<u>27,981</u>	<u>-</u>
Total primary government	<u>\$ 11,281,780</u>	<u>\$ 5,142,153</u>	<u>\$ 1,356,808</u>	<u>\$ 997,269</u>
Component units:				
Downtown Development Authority	\$ 39,591	\$ -	\$ -	\$ -
Local Development Financing Authority	305	-	-	-
Brownfield Redevelopment Authority	86,707	-	-	-
Total component units	<u>\$ 126,603</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenue:				
Property taxes				
Unrestricted state-shared revenue				
Unrestricted investment income				
Other miscellaneous income				
Total general revenue				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

Statement of Activities

Year Ended June 30, 2021

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (856,807)	\$ -	\$ (856,807)	\$ -
(2,959,134)	-	(2,959,134)	-
(178)	-	(178)	-
(347,747)	-	(347,747)	-
(338,182)	-	(338,182)	-
(52,182)	-	(52,182)	-
(4,554,230)	-	(4,554,230)	-
-	753,828	753,828	-
-	14,852	14,852	-
-	768,680	768,680	-
(4,554,230)	768,680	(3,785,550)	-
-	-	-	(39,591)
-	-	-	(305)
-	-	-	(86,707)
-	-	-	(126,603)
3,910,104	15,857	3,925,961	109,062
1,399,651	-	1,399,651	-
3,914	3,153	7,067	1,071
211,564	-	211,564	16,676
5,525,233	19,010	5,544,243	126,809
971,003	787,690	1,758,693	206
8,370,508	13,789,630	22,160,138	1,406,557
\$ 9,341,511	\$ 14,577,320	\$ 23,918,831	\$ 1,406,763

Governmental Funds
Balance Sheet

June 30, 2021

	General Fund	Major Street Fund	Nonmajor Funds	Total Governmental Funds
Assets				
Cash and investments (Note 3)	\$ 1,301,599	\$ 1,142,927	\$ 447,305	\$ 2,891,831
Receivables - Net (Note 4)	469,330	318,141	252,636	1,040,107
Prepays and other assets	110,125	915	1,221	112,261
Total assets	\$ 1,881,054	\$ 1,461,983	\$ 701,162	\$ 4,044,199
Liabilities				
Accounts payable	\$ 138,420	\$ 110,673	\$ 150,764	\$ 399,857
Due to other funds (Note 6)	40,310	8,846	17,060	66,216
Accrued liabilities and other	395,500	3,513	5,662	404,675
Total liabilities	574,230	123,032	173,486	870,748
Deferred Inflows of Resources - Unavailable revenue	47,673	-	56,334	104,007
Total liabilities and deferred inflows of resources	621,903	123,032	229,820	974,755
Fund Balances				
Nonspendable:				
Inventory	2,892	-	-	2,892
Prepays	107,233	915	1,221	109,369
Restricted:				
Roads	-	1,338,036	-	1,338,036
Police training	-	-	10,018	10,018
Industrial park	-	-	51,148	51,148
Grants	-	-	21,258	21,258
Local streets	-	-	316,191	316,191
Drug enforcement	-	-	11,775	11,775
Camp Frances	-	-	19,380	19,380
Facility building bond	-	-	40,351	40,351
Assigned - Revolving Fund	812,409	-	-	812,409
Unassigned	336,617	-	-	336,617
Total fund balances	1,259,151	1,338,951	471,342	3,069,444
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,881,054	\$ 1,461,983	\$ 701,162	\$ 4,044,199

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2021

Fund Balances Reported in Governmental Funds	\$	3,069,444
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		16,457,135
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		104,007
Deferred charges on refunding are amortized over the life of the bonds		25,363
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds		(1,917,249)
Accrued interest is not due and payable in the current period and is not reported in the funds		(8,725)
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		(390,786)
Pension benefits		(8,053,821)
Retiree health care benefits		(1,421,376)
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		1,166,668
All other items		312,271
Net Position of Governmental Activities	\$	<u>9,341,511</u>

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2021

	General Fund	Major Street Fund	Nonmajor Funds	Total Governmental Funds
Revenue				
Property taxes	\$ 3,404,199	\$ 303,384	\$ 202,521	\$ 3,910,104
Special assessments	-	-	4,924	4,924
Intergovernmental:				
Federal grants	270,742	-	-	270,742
State sources	1,386,727	785,891	708,389	2,881,007
Charges for services	383,419	-	-	383,419
Fines and forfeitures	13,455	-	-	13,455
Licenses and permits	74,747	-	-	74,747
Investment income	2,445	914	555	3,914
Other revenue	130,248	1,210	80,106	211,564
Total revenue	5,665,982	1,091,399	996,495	7,753,876
Expenditures				
Current services:				
General government	1,288,430	-	-	1,288,430
Public safety	3,217,908	-	4,775	3,222,683
Public works	635,707	344,129	383,159	1,362,995
Community and economic development	198,922	-	154,945	353,867
Recreation and culture	201,800	-	2,645	204,445
Capital outlay	280,650	174,134	441,549	896,333
Debt service:				
Principal	32,292	-	145,000	177,292
Interest on long-term debt	2,220	-	56,700	58,920
Total expenditures	5,857,929	518,263	1,188,773	7,564,965
Excess of Revenue (Under) Over Expenditures	(191,947)	573,136	(192,278)	188,911
Other Financing Sources (Uses)				
Transfers in (Note 6)	24,996	-	117,996	142,992
Transfers out (Note 6)	(18,000)	(99,996)	(24,996)	(142,992)
Total other financing sources (uses)	6,996	(99,996)	93,000	-
Net Change in Fund Balances	(184,951)	473,140	(99,278)	188,911
Fund Balances - Beginning of year	1,444,102	865,811	570,620	2,880,533
Fund Balances - End of year	<u>\$ 1,259,151</u>	<u>\$ 1,338,951</u>	<u>\$ 471,342</u>	<u>\$ 3,069,444</u>

Governmental Funds

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

Year Ended June 30, 2021

Net Change in Fund Balances Reported in Governmental Funds	\$ 188,911
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	1,325,262
Depreciation expense	(1,180,120)
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	(799)
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)	183,304
Interest expense is recognized in the government-wide statements as it accrues	725
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	185,522
Internal service funds are included as part of governmental activities	<u>268,198</u>
Change in Net Position of Governmental Activities	<u><u>\$ 971,003</u></u>

Proprietary Funds
Statement of Net Position

June 30, 2021

	Business-type Activities			Governmental Activities
	Major Fund - Water Supply and Sewage Disposal	Nonmajor Fund - Recycling	Total	Internal Service Funds
Assets				
Current assets:				
Cash and cash equivalents (Note 3)	\$ 1,484,876	\$ 35,582	\$ 1,520,458	\$ 329,726
Receivables - Net (Note 4)	1,506,343	-	1,506,343	-
Due from other funds	-	-	-	129,610
Prepaid expenses and other assets	129,561	667	130,228	16,278
Total current assets	3,120,780	36,249	3,157,029	475,614
Noncurrent assets:				
Restricted assets - Cash and investments (Notes 3 and 8)	336,483	-	336,483	-
Capital assets: (Note 5)				
Assets not subject to depreciation	510,401	-	510,401	31,500
Assets subject to depreciation - Net	14,623,775	-	14,623,775	1,135,168
Total noncurrent assets	15,470,659	-	15,470,659	1,166,668
Total assets	18,591,439	36,249	18,627,688	1,642,282
Deferred Outflows of Resources				
Deferred charges on bond refunding	69,873	-	69,873	-
Deferred pension costs (Note 10)	241,709	339	242,048	18,030
Total deferred outflows of resources	311,582	339	311,921	18,030
Liabilities				
Current liabilities:				
Accounts payable	497,237	350	497,587	12,989
Due to other funds (Note 6)	63,165	229	63,394	-
Accrued liabilities and other	51,139	2,167	53,306	3,853
Compensated absences	42,592	-	42,592	-
Current portion of long-term debt (Note 7)	470,000	-	470,000	-
Total current liabilities	1,124,133	2,746	1,126,879	16,842
Noncurrent liabilities:				
Compensated absences	51,594	-	51,594	-
Net pension liability (Note 10)	2,115,595	2,969	2,118,564	157,809
Long-term debt (Note 7)	975,000	-	975,000	-
Total noncurrent liabilities	3,142,189	2,969	3,145,158	157,809
Deferred Inflows of Resources - Deferred pension cost reductions (Note 10)	90,126	126	90,252	6,722
Net Position				
Net investment in capital assets	13,759,049	-	13,759,049	1,166,668
Restricted: (Note 8)				
Special assessment debt repayment	187,279	-	187,279	-
Rubbish	149,204	-	149,204	-
Unrestricted	451,041	30,747	481,788	312,271
Total net position	<u>\$ 14,546,573</u>	<u>\$ 30,747</u>	<u>\$ 14,577,320</u>	<u>\$ 1,478,939</u>

See notes to financial statements.

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

Year Ended June 30, 2021

	Business-type Activities			Governmental Activities
	Major Fund - Water Supply and Sewage Disposal	Nonmajor Fund - Recycling	Total	Internal Service Funds
Operating Revenue				
Sale of water	\$ 1,793,030	\$ -	\$ 1,793,030	\$ -
Sewage charges	2,775,613	-	2,775,613	-
Recycling fees	-	16,594	16,594	-
Other	54,932	26,238	81,170	9,298
Charges to other funds	-	-	-	883,806
Total operating revenue	4,623,575	42,832	4,666,407	893,104
Operating Expenses				
Cost of services	3,153,766	-	3,153,766	462,854
Recycling	-	55,415	55,415	-
Depreciation	640,756	-	640,756	162,258
Total operating expenses	3,794,522	55,415	3,849,937	625,112
Operating Income (Loss)	829,053	(12,583)	816,470	267,992
Nonoperating Revenue (Expense)				
Property tax revenue	-	15,857	15,857	-
Investment income	3,122	31	3,153	206
Interest expense	(75,841)	-	(75,841)	-
Gain on disposal of capital assets	70	-	70	-
Grants	546	27,435	27,981	-
Total nonoperating (expense) revenue	(72,103)	43,323	(28,780)	206
Change in Net Position	756,950	30,740	787,690	268,198
Net Position - Beginning of year	13,789,623	7	13,789,630	1,210,741
Net Position - End of year	\$ 14,546,573	\$ 30,747	\$ 14,577,320	\$ 1,478,939

Proprietary Funds
Statement of Cash Flows

Year Ended June 30, 2021

	Business-type Activities			Governmental Activities
	Major Fund - Water Supply and Sewage Disposal	Nonmajor Fund - Recycling	Total	Internal Service Funds
Cash Flows from Operating Activities				
Receipts from customers	\$ 3,917,452	\$ 42,832	\$ 3,960,284	\$ -
Receipts from interfund services and reimbursements	-	-	-	763,494
Payments to suppliers	(1,442,506)	(9,693)	(1,452,199)	(399,805)
Payments to employees and fringes	(1,231,386)	(43,253)	(1,274,639)	(100,616)
Net cash provided by (used in) operating activities	1,243,560	(10,114)	1,233,446	263,073
Cash Flows Provided by Noncapital Financing Activities - Grants and subsidies	546	27,435	27,981	-
Cash Flows from Capital and Related Financing Activities				
Proceeds from sale of capital assets	70	-	70	-
Property taxes	-	15,857	15,857	-
Purchase of capital assets	(553,327)	-	(553,327)	(231,365)
Principal and interest paid on capital debt	(512,550)	-	(512,550)	-
Net cash (used in) provided by capital and related financing activities	(1,065,807)	15,857	(1,049,950)	(231,365)
Cash Flows Provided by Investing Activities - Interest received on investments	3,122	31	3,153	206
Net Increase in Cash and Cash Equivalents	181,421	33,209	214,630	31,914
Cash and Cash Equivalents - Beginning of year	1,639,938	2,373	1,642,311	297,812
Cash and Cash Equivalents - End of year	\$ 1,821,359	\$ 35,582	\$ 1,856,941	\$ 329,726
Classification of Cash and Cash Equivalents				
Cash and investments	\$ 1,484,876	\$ 35,582	\$ 1,520,458	\$ 329,726
Restricted cash	336,483	-	336,483	-
Total cash and cash equivalents	\$ 1,821,359	\$ 35,582	\$ 1,856,941	\$ 329,726

Proprietary Funds
Statement of Cash Flows (Continued)

Year Ended June 30, 2021

	Business-type Activities			Governmental Activities
	Major Fund - Water Supply and Sewage Disposal	Nonmajor Fund - Recycling	Total	Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating income (loss)	\$ 829,053	\$ (12,583)	\$ 816,470	\$ 267,992
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	640,756	-	640,756	162,258
Changes in assets and liabilities:				
Receivables	(708,815)	3,000	(705,815)	-
Due to and from other funds	-	-	-	(129,610)
Prepaid and other assets	6,513	26	6,539	2,123
Net pension liability and related deferrals	85,707	(347)	85,360	(39,862)
Accounts payable	390,346	(210)	390,136	172
Total adjustments	414,507	2,469	416,976	(4,919)
Net cash provided by (used in) operating activities	<u>\$ 1,243,560</u>	<u>\$ (10,114)</u>	<u>\$ 1,233,446</u>	<u>\$ 263,073</u>

Fiduciary Funds
Statement of Fiduciary Net Position

June 30, 2021

	Other Employee Benefit Trust Fund - Retiree Health Care	Custodial Fund - Tax Collection
Assets		
Cash and cash equivalents	\$ -	\$ 50,523
Investment in MERS pooled account	222,326	-
Due from other funds	-	392
Total assets	222,326	50,915
Liabilities - Due to other governmental units	-	50,915
Net Position - Restricted for postemployment benefits other than pensions	\$ 222,326	\$ -

Fiduciary Funds
Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2021

	Other Employee Benefit Trust Fund - Retiree Health Care	Custodial Fund - Tax Collection
Additions		
Investment income - Net increase in fair value of investments	\$ 22,673	\$ -
Contributions - Employer contributions	307,146	-
Property tax collections	-	7,901,847
Total additions	329,819	7,901,847
Deductions		
Benefit payments	107,146	-
Administrative expenses	347	-
Property tax distributions	-	7,901,847
Total deductions	107,493	7,901,847
Net Increase in Fiduciary Net Position	222,326	-
Net Position - Beginning of year	-	-
Net Position - End of year	\$ 222,326	\$ -

**Component Units
Statement of Net Position**

June 30, 2021

	Downtown Development Authority	Local Development Financing Authority	Brownfield Redevelopment Authority	Total
Assets				
Cash and investments (Note 3)	\$ 81	\$ 1,086,746	\$ 122,062	\$ 1,208,889
Receivables - Net	860	-	-	860
Capital assets - Net (Note 5)	214,777	-	-	214,777
Note receivable (Note 1)	-	78,228	-	78,228
Total assets	215,718	1,164,974	122,062	1,502,754
Liabilities - Accounts payable	8,626	-	87,365	95,991
Net Position				
Net investment in capital assets	214,777	-	-	214,777
Unrestricted	(7,685)	1,164,974	34,697	1,191,986
Total net position	\$ 207,092	\$ 1,164,974	\$ 34,697	\$ 1,406,763

Component Units
Statement of Activities

Year Ended June 30, 2021

	Expenses	Net (Expense) Revenue and Changes in Net Position			Total
		Downtown Development Authority	Local Development Financing Authority	Brownfield Redevelopment Authority	
Functions/Programs					
Downtown Development Authority	\$ 39,591	\$ (39,591)	\$ -	\$ -	\$ (39,591)
Local Development Financing Authority	305	-	(305)	-	(305)
Brownfield Redevelopment Authority	86,707	-	-	(86,707)	(86,707)
Total component units	\$ 126,603	(39,591)	(305)	(86,707)	(126,603)
General revenue:					
Property taxes		13,850	-	95,212	109,062
Unrestricted investment income		4	984	83	1,071
Other miscellaneous income		14,456	2,220	-	16,676
Total general revenue		28,310	3,204	95,295	126,809
Change in Net Position		(11,281)	2,899	8,588	206
Net Position - Beginning of year		218,373	1,162,075	26,109	1,406,557
Net Position - End of year		\$ 207,092	\$ 1,164,974	\$ 34,697	\$ 1,406,763

June 30, 2021

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

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.

June 30, 2021

Note 1 - Significant Accounting Policies (Continued)

Proprietary Funds

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

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

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

Fiduciary Funds

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

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

Interfund Activity

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

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

Basis of Accounting

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

June 30, 2021

Note 1 - Significant Accounting Policies (Continued)

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

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

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

Specific Balances and Transactions

Cash, Cash Equivalents, and Investments

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

Receivables and Payables

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

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

Inventories and Prepaid Items

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

Restricted Assets

The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets.

Notes Receivable

The LDFA provided two loans to the General Fund. The outstanding balances at June 30, 2021 were \$33,713 and \$44,515 maturing in 2024 and 2025, respectively.

Note 1 - Significant Accounting Policies (Continued)

Capital Assets

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

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

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

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

Long-term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the 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 exist only temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Property Tax Revenue

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

The City's 2020 property tax revenue was levied and collectible on July 1, 2020 and is recognized as revenue in the year ended June 30, 2021 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2020 taxable valuation of the City totaled \$225,810,181 (a portion of which is captured by the DDA), on which taxes levied consisted of 14.2796 mills for operating purposes, 0.9000 mills for debt service, 0.1800 mills for waste collection, and 0.073 mills for recycling collection. This resulted in \$3,207,867 for operating, \$202,521 for debt service, \$35,980 for waste collection purposes, and \$15,857 for recycling collection. 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 \$303,384 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.

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 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 ended June 30, 2021 but were extended to June 30, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

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, 2022 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.

Adoption of New Accounting Pronouncement

During the current year, the City adopted GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. As a result of implementing this standard the following activity reported in the financial statements now meets the definition of a fiduciary activity and is reported as such: the Retiree Health Care Plan. There was no impact on beginning net position because the fund was established in the current year. This was also the first year GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was applicable to the City's financial statements. This was a result of the Retiree Health Care Plan now being reported as a fiduciary fund under GASB Statement 84. As a result, some of the disclosures within the OPEB plan footnotes have changed, along with the related schedules in the required supplemental information.

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.

June 30, 2021

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

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

Construction Code Fees

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, 2020	\$ (2,982,663)
Current year permit revenue	62,825
Direct and estimated indirect costs	<u>228,085</u>
Current year shortfall	<u>(165,260)</u>
Cumulative shortfall at June 30, 2021	<u>\$ (3,147,923)</u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures no more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Retiree Health Care Fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

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

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had bank deposits of \$4,895,822 (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.

June 30, 2021

Note 3 - Deposits and Investments (Continued)

The component units' deposits had a bank balance of \$1,241,399, of which \$94,857 was covered by federal depository insurance and \$1,146,542 was uninsured and uncollateralized.

Interest Rate Risk

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

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, 2021, the City does not have investments with custodial credit risk.

Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. The City's investment in the MERS Total Market Portfolio (\$222,325) is valued at net asset value. At June 30, 2021, there were no unfunded commitments or redemption restrictions.

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

Note 4 - Receivables

Receivables as of June 30, 2021 for the City's individual major funds and nonmajor funds are as follows:

	General Fund	Major Street Fund	Nonmajor Funds	Water Supply and Sewage Disposal Fund	Total
Receivables:					
Special assessments receivable	\$ -	\$ -	\$ 21,129	\$ -	\$ 21,129
Other receivables	131,578	100	49,756	1,503,651	1,685,085
Due from other governments	337,752	318,041	181,751	2,692	840,236
Net receivables	<u>\$ 469,330</u>	<u>\$ 318,141</u>	<u>\$ 252,636</u>	<u>\$ 1,506,343</u>	<u>\$ 2,546,450</u>

June 30, 2021

Note 5 - Capital Assets

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

Governmental Activities

	Balance July 1, 2020	Reclassifications	Additions	Disposals	Balance June 30, 2021
Capital assets not being depreciated:					
Land	\$ 2,149,641	\$ -	\$ -	\$ -	\$ 2,149,641
Construction in progress	862,293	(838,293)	645,588	-	669,588
Easement	628,461	-	-	-	628,461
Subtotal	3,640,395	(838,293)	645,588	-	3,447,690
Capital assets being depreciated:					
Infrastructure	30,813,643	838,293	577,107	-	32,229,043
Buildings and improvements	6,943,135	-	-	-	6,943,135
Vehicles and equipment	7,963,080	-	333,932	-	8,297,012
Subtotal	45,719,858	838,293	911,039	-	47,469,190
Accumulated depreciation:					
Infrastructure	23,241,829	-	820,272	-	24,062,101
Building and improvements	2,735,254	-	151,140	-	2,886,394
Vehicles and equipment	5,973,616	-	370,966	-	6,344,582
Subtotal	31,950,699	-	1,342,378	-	33,293,077
Net capital assets being depreciated	13,769,159	838,293	(431,339)	-	14,176,113
Net governmental activities capital assets	<u>\$ 17,409,554</u>	<u>\$ -</u>	<u>\$ 214,249</u>	<u>\$ -</u>	<u>\$ 17,623,803</u>

Business-type Activities

	Balance July 1, 2020	Reclassifications	Additions	Disposals	Balance June 30, 2021
Capital assets not being depreciated:					
Land	\$ 104,995	\$ -	\$ -	\$ -	\$ 104,995
Construction in progress	199,614	(183,714)	389,506	-	405,406
Subtotal	304,609	(183,714)	389,506	-	510,401
Capital assets being depreciated -					
Buildings and systems	32,237,069	183,714	163,821	-	32,584,604
Accumulated depreciation -					
Buildings and systems	17,320,073	-	640,756	-	17,960,829
Net capital assets being depreciated	14,916,996	183,714	(476,935)	-	14,623,775
Net business-type activities capital assets	<u>\$ 15,221,605</u>	<u>\$ -</u>	<u>\$ (87,429)</u>	<u>\$ -</u>	<u>\$ 15,134,176</u>

June 30, 2021

Note 5 - Capital Assets (Continued)

Capital asset activity for the City's component units for the year ended June 30, 2021 was as follows:

Component Units

	Balance July 1, 2020	Reclassifications	Additions	Disposals	Balance June 30, 2021
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		\$ 37,840
Public safety		242,024
Public works		766,892
Recreation and culture		133,364
Internal service fund depreciation is charged to the various functions based on their usage of the asset		162,258
Total governmental activities		<u>\$ 1,342,378</u>
Business-type activities:		
Water		\$ 149,711
Sewer		491,045
Total business-type activities		<u>\$ 640,756</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
Safe Routes to School	\$ 139,501	\$ 186,499
E. Harris Street	188,811	384,215
Total	<u>\$ 328,312</u>	<u>\$ 570,714</u>

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Internal Service Fund - Motor Vehicle Pool	General Fund	\$ 40,310
	Major Street Fund	8,846
	Local Street Fund	17,060
	Water and Sewer Fund	63,165
	Recycling Fund	229
Total		<u>\$ 129,610</u>

June 30, 2021

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

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

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Nonmajor special revenue funds	\$ 18,000
Major Street Fund	Nonmajor special revenue fund	99,996
Nonmajor special revenue fund	General Fund	<u>24,996</u>
	Total	<u>\$ 142,992</u>

The transfers from the General Fund to the nonmajor special revenue funds represents 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.

June 30, 2021

Note 7 - Long-term Debt

Long-term debt activity for the year ended June 30, 2021 can be summarized as follows:

Governmental Activities

	Interest Rate Ranges	Maturing Through	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable							
Other debt							
2017 General Obligation Unlimited Tax Refunding Bonds	2.0% - 3.0%	2031	\$ 1,890,000	\$ -	\$ (145,000)	\$ 1,745,000	\$ 145,000
Unamortized bond premiums			102,569	-	(8,548)	94,021	-
Total other debt			1,992,569	-	(153,548)	1,839,021	145,000
Direct borrowings and direct placements:							
Local Development Financing Authority loan #1 to General Fund	2.0	2021	10,911	-	(10,911)	-	-
Local Development Financing Authority loan #2 to General Fund	2.0	2024	44,510	-	(10,797)	33,713	11,015
Local Development Financing Authority loan #3 to General Fund	2.0	2025	55,099	-	(10,584)	44,515	10,799
Total direct borrowings and direct placements			110,520	-	(32,292)	78,228	21,814
Total bonds and contracts payable			2,103,089	-	(185,840)	1,917,249	166,814
Compensated absences			366,240	337,689	(313,143)	390,786	246,518
Total governmental activities long- term debt			<u>\$ 2,469,329</u>	<u>\$ 337,689</u>	<u>\$ (498,983)</u>	<u>\$ 2,308,035</u>	<u>\$ 413,332</u>

June 30, 2021

Note 7 - Long-term Debt (Continued)

Business-type Activities

	Interest Rate Ranges	Maturing Through	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:							
Other debt - 2015 Revenue Refunding Bonds - Water Supply and Sewage Disposal System	2.0% - 3.0%	2024	\$ 1,905,000	\$ -	\$ (460,000)	\$ 1,445,000	\$ 470,000
Compensated absences			113,579	23,199	(42,592)	94,186	42,592
Total business-type activities long-term debt			<u>\$ 2,018,579</u>	<u>\$ 23,199</u>	<u>\$ (502,592)</u>	<u>\$ 1,539,186</u>	<u>\$ 512,592</u>

General Obligation Bonds and Contracts

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

Other Long-term Liabilities

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

June 30, 2021

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	
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	11,468	341	215,509
2026	175,000	33,750	-	-	208,750
2027-2031	950,000	87,600	-	-	1,037,600
Total	\$ 1,745,000	\$ 303,900	\$ 78,228	\$ 3,716	\$ 2,130,844

Years Ending June 30	Business-type Activities				
	Other Debt		Direct Borrowings and Direct Placements		Total
	Principal	Interest	Principal	Interest	
2022	\$ 470,000	\$ 43,350	\$ -	\$ -	\$ 513,350
2023	480,000	29,250	-	-	509,250
2024	495,000	14,850	-	-	509,850
2025	-	-	-	-	-
2026	-	-	-	-	-
2027-2031	-	-	-	-	-
Total	\$ 1,445,000	\$ 87,450	\$ -	\$ -	\$ 1,532,450

Future Revenue Pledged for Debt Payment

The City has pledged substantially all revenue of the Water Supply and Sewage Disposal Fund, net of operating expenses, to repay the above water and sewer revenue bonds. Proceeds from the bonds provided financing for the construction of the water supply and sewage disposal system. The bonds are payable solely from the net revenue of the water and sewer system. The remaining principal and interest to be paid on the bonds total \$1,532,450. During the current year, net revenue of the system was \$1,566,343 compared to the annual debt requirement of \$512,550.

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	\$ 149,204
Bond reserve account	187,279
Total restricted net position	\$ 336,483

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 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 \$2,920,309. The current year contribution was calculated based on covered payroll of \$2,154,658, resulting in an employer contribution of \$106,796 and employee contributions of \$0.

Benefits Provided

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

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

Note 10 - Pension Plans (Continued)

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

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

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

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

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

June 30, 2021

Note 10 - Pension Plans (Continued)

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

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

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

Date of member count	December 31, 2020
Inactive plan members or beneficiaries currently receiving benefits	75
Inactive plan members entitled to but not yet receiving benefits	13
Active plan members	<u>44</u>
Total employees covered by MERS	<u><u>132</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, 2021, the average active employee contribution rate was 4.19 percent of annual pay, and the City's contribution rate was \$75,993 on a monthly basis.

Net Pension Liability

The net pension liability reported at June 30, 2021 was determined using a measure of the total pension liability and the pension net position as of December 31, 2020. The December 31, 2020 total pension liability was determined by an actuarial valuation performed as of that date.

June 30, 2021

Note 10 - Pension Plans (Continued)

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2019	\$ 23,428,101	\$ 12,580,689	\$ 10,847,412
Changes for the year:			
Service cost	262,016	-	262,016
Interest	1,725,554	-	1,725,554
Differences between expected and actual experience	29,340	-	29,340
Changes in assumptions	597,096	-	597,096
Contributions - Employer	-	911,923	(911,923)
Contributions - Employee	-	104,248	(104,248)
Net investment income	-	1,518,292	(1,518,292)
Benefit payments, including refunds	(1,708,927)	(1,708,927)	-
Administrative expenses	-	(24,579)	24,579
Miscellaneous other charges	-	(250)	250
Net changes	905,079	800,707	104,372
Balance at December 31, 2020	<u>\$ 24,333,180</u>	<u>\$ 13,381,396</u>	<u>\$ 10,951,784</u>

The plan's fiduciary net position represents 55.0 percent of the total pension liability.

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

For the year ended June 30, 2021, the City recognized pension expense of \$1,111,948.

At June 30, 2021, 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	\$ 22,005	\$ (82,607)
Changes in assumptions	812,523	-
Net difference between projected and actual earnings on pension plan investments	-	(383,949)
Employer contributions to the plan subsequent to the measurement date	416,722	-
Total	<u>\$ 1,251,250</u>	<u>\$ (466,556)</u>

Note 10 - Pension Plans (Continued)

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

Years Ending June 30	Amount
2022	\$ 201,212
2023	375,569
2024	(90,931)
2025	(117,878)
Total	<u>\$ 367,972</u>

Actuarial Assumptions

The total pension liability in the December 31, 2020 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 Pub-2010 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, 2020, 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 %	5.25 %
Global fixed income	20.00	1.25
Private investments	20.00	7.25

June 30, 2021

Note 10 - Pension Plans (Continued)

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

The following presents the net pension liability of the City, calculated using the discount rate of 7.6 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	\$ 13,504,546	\$ 10,951,784	\$ 8,801,952

Pension Plan Fiduciary Net Position

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

Assumption Changes

During the measurement year ended December 31, 2020, the mortality table went from RP-2014 to Pub-2010.

Note 11 - Other Postemployment Benefit Plan

Plan Description

The City provides retiree health care benefits to eligible employees and their beneficiaries. This is a single-employer defined benefit plan administered by the City. The benefits are provided under collective bargaining agreements, and a council-adopted policy provides OPEB for all employees who meet eligibility requirements. All investments are held in the MERS of Michigan Retiree Health Funding Vehicle. MERS issues a publicly available financial report, which includes an other postemployment benefits fund. This report can be obtained at www.mersofmichigan.com or in writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

Benefits Provided

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

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

	June 30, 2021
Date of member count	
Inactive plan members or beneficiaries currently receiving benefits	12
Inactive plan members entitled to but not yet receiving benefits	1
	<hr/>
Total plan members	13
	<hr/> <hr/>

June 30, 2021

Note 11 - Other Postemployment Benefit Plan (Continued)

Contributions

Retiree health care costs are paid by the City on a pay-as-you-go basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. For the fiscal year ended June 30, 2021, the City made payments for postemployment health benefit premiums of \$107,146. During the year ended June 30, 2021, the City advance funded the plan \$200,000.

Net OPEB Liability

The City has chosen to use the June 30 measurement date as its measurement date for the net OPEB liability. The June 30, 2021 fiscal year end reported net OPEB liability was determined using a measure of the total OPEB liability and the OPEB net position as of the June 30, 2021 measurement date. The June 30, 2021 measurement date total OPEB liability was determined by the use of the alternative measurement calculation as of that date.

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

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance at June 30, 2020	\$ 1,765,654	\$ -	\$ 1,765,654
Changes for the year:			
Service cost	8,120	-	8,120
Interest	36,846	-	36,846
Differences between expected and actual experience and changes in assumptions	(59,773)	-	(59,773)
Contributions - Employer	-	307,146	(307,146)
Net investment income	-	22,673	(22,673)
Benefit payments, including refunds	(107,146)	(107,146)	-
Administrative expenses	-	(348)	348
Net changes	(121,953)	222,325	(344,278)
Balance at June 30, 2021	\$ 1,643,701	\$ 222,325	\$ 1,421,376

The plan's fiduciary net position represents 13.5 percent of the total OPEB liability.

OPEB Expense

For the year ended June 30, 2021, the City recognized an OPEB recovery of \$344,278.

Actuarial Assumptions

The total OPEB liability was determined by utilizing the alternative measurement method as of June 30, 2021 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.

Note 11 - Other Postemployment Benefit Plan (Continued)

Mortality

Mortality rates were based on the Pub-10 mortality tables with scale MP-2019.

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 8.25 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 2021 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 was 2.29 percent. The investment rate of return on plan assets is 7.35 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Based on those assumptions, the OPEB plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees through 2023. Therefore, the discount rate was determined by blending the long-term expected rate of return on OPEB plan investments of 7.35 percent with the current yield for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher, which currently stands at 2.16 percent.

Investment Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return as of the June 30, 2021 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
Global equity	5.25 %
Global fixed income	1.25
Private Investments	7.25

June 30, 2021

Note 11 - Other Postemployment Benefit Plan (Continued)

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

The following presents the net OPEB liability of the City, calculated using the discount rate of 2.29 percent, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease	Current Discount Rate	1 Percentage Point Increase
Net OPEB liability of the OPEB plan	\$ 1,165,304	\$ 1,421,376	\$ 934,967

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

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

	1 Percentage Point Decrease	Current Health Care Cost Trend Rate	1 Percentage Point Increase
Net OPEB liability of the OPEB plan	\$ 1,037,589	\$ 1,421,376	\$ 1,044,797

Investment Policy

The OPEB plan's policy in regard to the allocation of invested assets is established and may be amended by the City. It is the policy of the City to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The OPEB plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the OPEB plan's adopted asset allocation policy as of June 30, 2021:

Asset Class	Target Allocation
Global equity	60.00 %
Global fixed income	20.00
Private investments	20.00
Total	<u>100.00 %</u>

Rate of Return

For the year ended June 30, 2021, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 28.12 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 12 - Tax Abatements

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

For the fiscal year ended June 30, 2021, the City abated \$15,211 of taxes under this program. There are no provisions to recapture taxes; however, the abatement may be eliminated if taxes are not paid timely.

Note 12 - Tax Abatements (Continued)

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

For the fiscal year ended June 30, 2021, the City abated \$6,553 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, 2021, the City abated \$13,110 of taxes under this program. There is no provisions to recapture taxes; however, the abatement may be eliminated if taxes are not paid timely.

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

For the fiscal year ended June 30, 2021, the City abated \$291 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, 2021, the City abated \$25,977 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.

June 30, 2021

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	\$ 17,623,803	\$ 15,134,176
Less related debt	(1,917,249)	(1,445,000)
Add deferred charge on refunding	25,363	69,873
Net investment in capital assets	<u>\$ 15,731,917</u>	<u>\$ 13,759,049</u>

Required Supplemental Information

Required Supplemental Information
Budgetary Comparison Schedule
General Fund

Year Ended June 30, 2021

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 3,693,650	\$ 3,363,650	\$ 3,404,199	\$ 40,549
Intergovernmental	970,000	1,166,582	1,657,469	490,887
Charges for services	597,500	393,965	383,419	(10,546)
Fines and forfeitures	7,500	12,200	13,455	1,255
Licenses and permits	50,000	72,825	74,747	1,922
Investment income	3,000	3,000	2,066	(934)
Other revenue	21,000	21,000	36,297	15,297
Total revenue	5,342,650	5,033,222	5,571,652	538,430
Expenditures				
Current services:				
General government	907,245	1,149,210	1,288,430	(139,220)
Public safety	3,262,007	3,178,300	3,217,869	(39,569)
Public works	624,060	570,310	635,707	(65,397)
Community and economic development	300,298	258,098	198,922	59,176
Recreation and culture	116,800	116,800	64,541	52,259
Capital outlay	621,600	151,750	280,650	(128,900)
Debt service	34,511	34,511	34,512	(1)
Total expenditures	5,866,521	5,458,979	5,720,631	(261,652)
Excess of Expenditures Over Revenue	(523,871)	(425,757)	(148,979)	276,778
Other Financing Sources (Uses)				
Transfers in	25,000	25,000	24,996	(4)
Transfers out	(118,000)	(118,000)	(117,996)	4
New debt issued	182,500	182,500	-	(182,500)
Total other financing sources (uses)	89,500	89,500	(93,000)	(182,500)
Net Change in Fund Balance	(434,371)	(336,257)	(241,979)	94,278
Fund Balance - Beginning of year	842,871	842,871	842,871	-
Fund Balance - End of year	<u>\$ 408,500</u>	<u>\$ 506,614</u>	<u>\$ 600,892</u>	<u>\$ 94,278</u>

City of Charlotte, Michigan

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

Year Ended June 30, 2021

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 319,000	\$ 319,000	\$ 303,384	\$ (15,616)
Intergovernmental	684,500	684,500	785,891	101,391
Investment income	2,000	2,000	914	(1,086)
Other revenue	8,000	8,000	1,210	(6,790)
Total revenue	1,013,500	1,013,500	1,091,399	77,899
Expenditures				
Current services - Public works	345,270	345,270	344,129	1,141
Capital outlay	450,000	450,000	174,134	275,866
Total expenditures	795,270	795,270	518,263	277,007
Excess of Revenue Over Expenditures	218,230	218,230	573,136	354,906
Other Financing Uses	(100,000)	(100,000)	(99,996)	4
Net Change in Fund Balance	118,230	118,230	473,140	354,910
Fund Balance - Beginning of year	865,811	865,811	865,811	-
Fund Balance - End of year	\$ 984,041	\$ 984,041	\$ 1,338,951	\$ 354,910

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

Last Seven Fiscal Years

	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability							
Service cost	\$ 262,016	\$ 258,238	\$ 252,828	\$ 249,607	\$ 266,224	\$ 260,875	\$ 252,934
Interest	1,725,554	1,738,994	1,726,620	1,690,900	1,638,043	1,574,604	1,531,865
Differences between expected and actual experience	29,340	(68,761)	(192,904)	36,880	193,964	76,155	-
Changes in assumptions	597,096	729,401	-	-	-	820,049	-
Benefit payments, including refunds	(1,708,927)	(1,676,157)	(1,592,997)	(1,471,983)	(1,386,436)	(1,303,433)	(1,238,017)
Net Change in Total Pension Liability	905,079	981,715	193,547	505,404	711,795	1,428,250	546,782
Total Pension Liability - Beginning of year	23,428,101	22,446,386	22,252,839	21,747,435	21,035,640	19,607,390	19,060,608
Total Pension Liability - End of year	<u>\$ 24,333,180</u>	<u>\$ 23,428,101</u>	<u>\$ 22,446,386</u>	<u>\$ 22,252,839</u>	<u>\$ 21,747,435</u>	<u>\$ 21,035,640</u>	<u>\$ 19,607,390</u>
Plan Fiduciary Net Position							
Contributions - Employer	\$ 911,923	\$ 769,903	\$ 726,016	\$ 655,835	\$ 560,877	\$ 488,614	\$ 440,590
Contributions - Member	104,248	105,682	116,735	125,815	133,757	133,942	131,690
Net investment income (loss)	1,518,292	1,562,803	(488,939)	1,581,517	1,293,548	(180,906)	775,454
Administrative expenses	(24,579)	(26,889)	(25,054)	(25,097)	(25,570)	(26,884)	(28,352)
Benefit payments, including refunds	(1,708,927)	(1,676,157)	(1,592,997)	(1,471,983)	(1,386,436)	(1,303,433)	(1,238,017)
Other	(250)	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	800,707	735,342	(1,264,239)	866,087	576,176	(888,667)	81,365
Plan Fiduciary Net Position - Beginning of year	12,580,689	11,845,347	13,109,586	12,243,499	11,667,323	12,555,990	12,474,625
Plan Fiduciary Net Position - End of year	<u>\$ 13,381,396</u>	<u>\$ 12,580,689</u>	<u>\$ 11,845,347</u>	<u>\$ 13,109,586</u>	<u>\$ 12,243,499</u>	<u>\$ 11,667,323</u>	<u>\$ 12,555,990</u>
City's Net Pension Liability - Ending	<u>\$ 10,951,784</u>	<u>\$ 10,847,412</u>	<u>\$ 10,601,039</u>	<u>\$ 9,143,253</u>	<u>\$ 9,503,936</u>	<u>\$ 9,368,317</u>	<u>\$ 7,051,400</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	54.99 %	53.70 %	52.77 %	58.91 %	56.30 %	55.46 %	64.04 %
Covered Payroll	\$ 2,756,466	\$ 2,772,764	\$ 2,605,068	\$ 2,469,416	\$ 2,580,947	\$ 2,443,516	\$ 2,344,781
City's Net Pension Liability as a Percentage of Covered Payroll	397.31 %	391.21 %	406.94 %	370.26 %	368.23 %	383.39 %	300.73 %

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

Required Supplemental Information
Schedule of Pension Contributions

	Last Ten Plan Years									
	Years Ended June 30									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	\$ 911,923	\$ 748,947	\$ 726,016	\$ 655,835	\$ 604,246	\$ 518,652	\$ 460,158	\$ 418,746	\$ 403,402	\$ 384,667
Contributions in relation to the actuarially determined contribution	911,923	769,903	726,016	655,835	604,246	518,652	460,158	418,746	403,402	384,667
Contribution Excess	\$ -	\$ 20,956	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 2,756,466	\$ 2,772,764	\$ 2,682,635	\$ 2,469,416	\$ 2,580,947	\$ 2,443,516	\$ 2,344,781	\$ 2,337,878	\$ 2,381,969	\$ 2,566,502
Contributions as a Percentage of Covered Payroll	33.08 %	27.77 %	27.06 %	26.56 %	23.41 %	21.23 %	19.62 %	17.91 %	16.94 %	14.99 %

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 June 30, two years 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	21 years
Asset valuation method	5-year smoothed market
Inflation	2.5 percent
Salary increases	3.75 percent
Investment rate of return	7.75 percent
Retirement age	60-70 years of age with 6 or more years of service
Mortality	50 percent male - 50 percent female blend of the 2014 Group Annuity Mortality Table
Other information	None

City of Charlotte, Michigan

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

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

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 Two Fiscal Years Years Ended June 30	
	2021	2020
Actuarially determined contribution	\$ 87,086	\$ 102,000
Contributions in relation to the actuarially determined contribution	307,146	87,100
Contribution Excess (Deficiency)	\$ 220,060	\$ (14,900)

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, two years 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 actuarial cost method
Remaining amortization period	18 years
Health care cost trend rates	8.25 percent, decreasing to an ultimate rate of 4.5 percent
Discount rate	2.29 percent
Mortality	Pub-10 with MP-2019 improvement scale
Other information	The City's funding policy is to fund on a pay-as-you-go basis.

Required Supplemental Information
Schedule of OPEB Investment Returns

**Last Fiscal Year
Year Ended June 30**

2021

Annual money-weighted rate of return - Net of investment expense

28.12 %

Budgetary Information

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

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

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

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

	Total Revenue	Total Expenditures	Transfers Out	Fund Balance
General Fund budget statement	\$ 5,571,652	\$ 5,720,631	\$ 117,996	\$ 600,892
Airport Fund	93,951	137,298	-	(154,150)
Revolving Fund	379	-	-	812,409
Transfer between the General Fund and the Airport Fund	-	-	(99,996)	-
Amounts per fund-based statement	<u>\$ 5,665,982</u>	<u>\$ 5,857,929</u>	<u>\$ 18,000</u>	<u>\$ 1,259,151</u>

Excess of Expenditures Over Appropriations in Budgeted Funds

	Budget	Actual	Variance
General Fund - Public safety	\$ 3,178,300	\$ 3,217,869	\$ (39,569)
General Fund - Public works	570,310	635,707	(65,397)
General Fund - General government	1,149,210	1,288,430	(139,220)
General Fund - Capital outlay	151,750	280,650	(128,900)
General Fund - Debt service	34,511	34,512	(1)

Pension Information

Changes in Assumptions

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

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

In the fiscal year ended June 30, 2021 (December 31, 2020 valuation) there were assumption changes that resulted in an increase in the calculated total pension liability for the union and supervisors pension plan. The assumptions changed during the year related to mortality tables.

Other Supplemental Information

Local Street Fund

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

Industrial Park Fund

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

Police Training Fund

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

Drug Enforcement Fund

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

Camp Frances Fund

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

Grant Fund

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

Facility Building Bond Fund

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

City of Charlotte, Michigan

	Special Revenue Funds			
	Local Street	Industrial Park	Police Training	Drug Enforcement
Assets				
Cash and investments	\$ 313,805	\$ 36,978	\$ 10,018	\$ 11,775
Receivables	67,691	49,505	-	-
Prepays and other assets	1,221	-	-	-
Total assets	\$ 382,717	\$ 86,483	\$ 10,018	\$ 11,775
Liabilities				
Accounts payable	\$ 21,454	\$ 130	\$ -	\$ -
Due to other funds	17,060	-	-	-
Accrued liabilities and other	5,662	-	-	-
Total liabilities	44,176	130	-	-
Deferred Inflows of Resources - Unavailable revenue				
	21,129	35,205	-	-
Total liabilities and deferred inflows of resources	65,305	35,335	-	-
Fund Balances				
Nonspendable - Prepaid asset	1,221	-	-	-
Restricted:				
Police training	-	-	10,018	-
Industrial park	-	51,148	-	-
Grants	-	-	-	-
Local streets	316,191	-	-	-
Drug enforcement	-	-	-	11,775
Camp Frances	-	-	-	-
Facility building bond	-	-	-	-
Total fund balances	317,412	51,148	10,018	11,775
Total liabilities, deferred inflows of resources, and fund balances	\$ 382,717	\$ 86,483	\$ 10,018	\$ 11,775

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2021

Special Revenue Funds		Debt Service Fund		Total Nonmajor Governmental Funds
Camp Frances	Grant	Facility Building Bond		
\$ 19,550	\$ 21,493	\$ 33,686	\$ 447,305	
-	128,775	6,665	252,636	
-	-	-	1,221	
\$ 19,550	\$ 150,268	\$ 40,351	\$ 701,162	
\$ 170	\$ 129,010	\$ -	\$ 150,764	
-	-	-	17,060	
-	-	-	5,662	
170	129,010	-	173,486	
-	-	-	56,334	
170	129,010	-	229,820	
-	-	-	1,221	
-	-	-	10,018	
-	-	-	51,148	
-	21,258	-	21,258	
-	-	-	316,191	
-	-	-	11,775	
19,380	-	-	19,380	
-	-	40,351	40,351	
19,380	21,258	40,351	471,342	
\$ 19,550	\$ 150,268	\$ 40,351	\$ 701,162	

City of Charlotte, Michigan

	Special Revenue Funds			
	Local Street	Industrial Park	Police Training	Drug Enforcement
Revenue				
Property taxes	\$ -	\$ -	\$ -	\$ -
Special assessments	4,924	-	-	-
Intergovernmental - State sources	281,400	-	3,718	-
Investment income	343	40	7	10
Other revenue	61,609	10,400	-	2,780
Total revenue	348,276	10,440	3,725	2,790
Expenditures				
Current services:				
Public safety	-	-	2,061	2,714
Public works	383,159	-	-	-
Community and economic development	-	4,501	-	-
Recreation and culture	-	-	-	-
Capital outlay	169,462	-	-	-
Debt service:				
Principal	-	-	-	-
Interest on long-term debt	-	-	-	-
Total expenditures	552,621	4,501	2,061	2,714
Excess of Revenue (Under) Over Expenditures	(204,345)	5,939	1,664	76
Other Financing Sources (Uses)				
Transfers in	114,996	-	3,000	-
Transfers out	-	(24,996)	-	-
Total other financing sources (uses)	114,996	(24,996)	3,000	-
Net Change in Fund Balances	(89,349)	(19,057)	4,664	76
Fund Balances - Beginning of year	406,761	70,205	5,354	11,699
Fund Balances - End of year	<u>\$ 317,412</u>	<u>\$ 51,148</u>	<u>\$ 10,018</u>	<u>\$ 11,775</u>

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

Year Ended June 30, 2021

Special Revenue Funds		Debt Service Fund		Total Nonmajor Governmental Funds
Camp Frances	Grant	Facility Building Bond		
\$ -	\$ -	\$ 202,521		\$ 202,521
-	-	-		4,924
-	423,271	-		708,389
16	22	117		555
5,317	-	-		80,106
5,333	423,293	202,638		996,495
-	-	-		4,775
-	-	-		383,159
-	150,444	-		154,945
2,645	-	-		2,645
-	272,087	-		441,549
-	-	145,000		145,000
-	-	56,700		56,700
2,645	422,531	201,700		1,188,773
2,688	762	938		(192,278)
-	-	-		117,996
-	-	-		(24,996)
-	-	-		93,000
2,688	762	938		(99,278)
16,692	20,496	39,413		570,620
\$ 19,380	\$ 21,258	\$ 40,351		\$ 471,342

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

Year Ended June 30, 2021

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Special assessments	\$ 4,000	\$ 4,000	\$ 4,924	\$ 924
State and local sources	250,000	250,000	281,400	31,400
Investment income	-	-	343	343
Other revenue - Other miscellaneous income	1,000	1,000	61,609	60,609
Total revenue	255,000	255,000	348,276	93,276
Expenditures				
Current services - Public works - Street maintenance	350,145	350,145	383,159	(33,014)
Capital outlay	296,000	296,000	169,462	126,538
Total expenditures	646,145	646,145	552,621	93,524
Excess of Expenditures Over Revenue	(391,145)	(391,145)	(204,345)	186,800
Other Financing Sources - Transfers in	115,000	115,000	114,996	(4)
Net Change in Fund Balance	(276,145)	(276,145)	(89,349)	186,796
Fund Balance - Beginning of year	406,761	406,761	406,761	-
Fund Balance - End of year	\$ 130,616	\$ 130,616	\$ 317,412	\$ 186,796

City of Charlotte, Michigan

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

Year Ended June 30, 2021

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Investment income	\$ -	\$ -	\$ 40	\$ 40
Other revenue	9,500	9,500	10,400	900
Total revenue	9,500	9,500	10,440	940
Expenditures - Current - Community and economic development	2,750	2,750	4,501	(1,751)
Excess of Revenue Over Expenditures	6,750	6,750	5,939	(811)
Other Financing Uses - Transfers out	(25,000)	(25,000)	(24,996)	4
Net Change in Fund Balance	(18,250)	(18,250)	(19,057)	(807)
Fund Balance - Beginning of year	70,205	70,205	70,205	-
Fund Balance - End of year	<u>\$ 51,955</u>	<u>\$ 51,955</u>	<u>\$ 51,148</u>	<u>\$ (807)</u>

City of Charlotte, Michigan

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

Year Ended June 30, 2021

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue - State sources	\$ 2,500	\$ 2,500	\$ 3,725	\$ 1,225
Expenditures - Current - Public safety - Police	5,500	5,500	2,061	3,439
Excess of Revenue (Under) Over Expenditures	(3,000)	(3,000)	1,664	4,664
Other Financing Sources - Transfers in	3,000	3,000	3,000	-
Net Change in Fund Balance	-	-	4,664	4,664
Fund Balance - Beginning of year	5,354	5,354	5,354	-
Fund Balance - End of year	<u>\$ 5,354</u>	<u>\$ 5,354</u>	<u>\$ 10,018</u>	<u>\$ 4,664</u>

City of Charlotte, Michigan

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

Year Ended June 30, 2021

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Investment income	\$ -	\$ -	\$ 10	\$ 10
Other revenue	-	-	2,780	2,780
Total revenue	-	-	2,790	2,790
Expenditures - Current - Public safety - Police	2,000	2,000	2,714	(714)
Net Change in Fund Balance	(2,000)	(2,000)	76	2,076
Fund Balance - Beginning of year	11,699	11,699	11,699	-
Fund Balance - End of year	<u>\$ 9,699</u>	<u>\$ 9,699</u>	<u>\$ 11,775</u>	<u>\$ 2,076</u>

City of Charlotte, Michigan

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

Year Ended June 30, 2021

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Property taxes	\$ 202,200	\$ 202,200	\$ 202,521	\$ 321
Investment income	-	-	117	117
Total revenue	202,200	202,200	202,638	438
Expenditures				
Current services - Community and economic development	500	500	-	500
Debt service:				
Principal	145,000	145,000	145,000	-
Interest on long-term debt	56,700	56,700	56,700	-
Total expenditures	202,200	202,200	201,700	500
Net Change in Fund Balance	-	-	938	938
Fund Balance - Beginning of year	39,413	39,413	39,413	-
Fund Balance - End of year	\$ 39,413	\$ 39,413	\$ 40,351	\$ 938

City of Charlotte, Michigan

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

Year Ended June 30, 2021

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Intergovernmental	\$ -	\$ -	\$ 423,271	\$ 423,271
Investment income	-	-	22	22
Total revenue	-	-	423,293	423,293
Expenditures				
Current services - Community and economic development	-	-	150,444	(150,444)
Capital outlay	-	-	272,087	(272,087)
Total expenditures	-	-	422,531	(422,531)
Net Change in Fund Balance	-	-	762	762
Fund Balance - Beginning of year	20,496	20,496	20,496	-
Fund Balance - End of year	<u>\$ 20,496</u>	<u>\$ 20,496</u>	<u>\$ 21,258</u>	<u>\$ 762</u>

City of Charlotte, Michigan

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

Year Ended June 30, 2021

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue - Other	\$ 80,400	\$ 80,400	\$ 93,951	\$ 13,551
Expenditures - Current - Recreation and Culture	177,900	177,900	137,298	40,602
Excess of Expenditures Over Revenue	(97,500)	(97,500)	(43,347)	54,153
Other Financing Sources - Transfers in	100,000	100,000	99,996	(4)
Net Change in Fund Balance	2,500	2,500	56,649	54,149
Fund Balance (Deficit) - Beginning of year	(210,799)	(210,799)	(210,799)	-
Fund Balance (Deficit) - End of year	<u><u>\$ (208,299)</u></u>	<u><u>\$ (208,299)</u></u>	<u><u>\$ (154,150)</u></u>	<u><u>\$ 54,149</u></u>

City of Charlotte, Michigan

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

Year Ended June 30, 2021

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue - Investment income	\$ -	\$ -	\$ 379	\$ 379
Expenditures	-	-	-	-
Net Change in Fund Balance	-	-	379	379
Fund Balance - Beginning of year	812,030	812,030	812,030	-
Fund Balance - End of year	<u><u>\$ 812,030</u></u>	<u><u>\$ 812,030</u></u>	<u><u>\$ 812,409</u></u>	<u><u>\$ 379</u></u>

Other Supplemental Information
Combining Statement of Net Position
Internal Service Funds

June 30, 2021

	Motor Vehicle Pool	Information Technology Pool	Total Internal Service Funds
Assets			
Current assets:			
Cash and cash equivalents	\$ 195,110	\$ 134,616	\$ 329,726
Due from other funds	129,610	-	129,610
Prepaid expenses and other assets	16,278	-	16,278
Total current assets	340,998	134,616	475,614
Noncurrent assets - Capital assets - Net	1,166,668	-	1,166,668
Total assets	1,507,666	134,616	1,642,282
Deferred Outflows of Resources - Deferred pension costs	18,030	-	18,030
Liabilities			
Current liabilities:			
Accounts payable	6,247	6,742	12,989
Accrued liabilities and other	3,853	-	3,853
Total current liabilities	10,100	6,742	16,842
Noncurrent liabilities - Net pension liability	157,809	-	157,809
Total liabilities	167,909	6,742	174,651
Deferred Inflows of Resources - Deferred pension cost reductions	6,722	-	6,722
Net Position			
Net investment in capital assets	1,166,668	-	1,166,668
Unrestricted	184,397	127,874	312,271
Total net position	\$ 1,351,065	\$ 127,874	\$ 1,478,939

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

Year Ended June 30, 2021

	Motor Vehicle Pool	Information Technology Pool	Total Internal Service Funds
Operating Revenue			
Other	\$ 9,298	\$ -	\$ 9,298
Charges to other funds	538,410	345,396	883,806
Total operating revenue	547,708	345,396	893,104
Operating Expenses			
Cost of services	240,697	222,157	462,854
Depreciation	162,258	-	162,258
Total operating expenses	402,955	222,157	625,112
Operating Income	144,753	123,239	267,992
Nonoperating Revenue - Investment income	139	67	206
Change in Net Position	144,892	123,306	268,198
Net Position - Beginning of year	1,206,173	4,568	1,210,741
Net Position - End of year	\$ 1,351,065	\$ 127,874	\$ 1,478,939

Other Supplemental Information
Combining Statement of Cash Flows
Internal Service Funds

Year Ended June 30, 2021

	Motor Vehicle Pool	Information Technology Pool	Total Internal Service Funds
Cash Flows from Operating Activities			
Receipts from interfund services and reimbursements	\$ 418,098	\$ 345,396	\$ 763,494
Payments to suppliers	(174,015)	(225,790)	(399,805)
Payments to employees and fringes	(100,616)	-	(100,616)
Net cash and cash equivalents provided by operating activities	143,467	119,606	263,073
Cash Flows Used in Capital and Financing Activities -			
Purchase of capital assets	(231,365)	-	(231,365)
Cash Flows Provided by Investing Activities - Interest			
received on investments	139	67	206
Net (Decrease) Increase in Cash and Cash Equivalents	(87,759)	119,673	31,914
Cash and Cash Equivalents - Beginning of year	282,869	14,943	297,812
Cash and Cash Equivalents - End of year	<u>\$ 195,110</u>	<u>\$ 134,616</u>	<u>\$ 329,726</u>
Classification of Cash and Cash Equivalents	<u>\$ 195,110</u>	<u>\$ 134,616</u>	<u>\$ 329,726</u>
Reconciliation of Operating Income to Net Cash from Operating Activities			
Operating income	\$ 144,753	\$ 123,239	\$ 267,992
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation	162,258	-	162,258
Changes in assets and liabilities:			
Due to and from other funds	(129,610)	-	(129,610)
Prepaid and other assets	2,123	-	2,123
Net pension and accrued liabilities	(39,862)	-	(39,862)
Accounts payable	3,805	(3,633)	172
Total adjustments	(1,286)	(3,633)	(4,919)
Net cash and cash equivalents provided by operating activities	<u>\$ 143,467</u>	<u>\$ 119,606</u>	<u>\$ 263,073</u>

Statistical Section

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

The statistical section is organized into the following main categories:

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

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

Financial Trends

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

City of Charlotte, Michigan

	As of June 30,			
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Governmental Activities:				
Net investment in capital assets	\$ 16,859,400	\$ 16,202,851	\$ 15,617,415	\$ 15,365,101
Restricted	962,194	1,014,827	1,076,663	1,449,173
Unrestricted	<u>1,462,522</u>	<u>1,294,226</u>	<u>669,720</u>	<u>(3,478,998)</u>
Total net position	<u>\$ 19,284,116</u>	<u>\$ 18,511,904</u>	<u>\$ 17,363,798</u>	<u>\$ 13,335,276</u>
Business Type Activities:				
Net investment in capital assets	\$ 9,968,706	\$ 9,971,225	\$ 10,065,565	\$ 11,186,706
Restricted	756,792	748,181	860,060	583,803
Unrestricted	<u>1,388,827</u>	<u>1,749,702</u>	<u>1,885,116</u>	<u>31,249</u>
Total net position	<u>\$ 12,114,325</u>	<u>\$ 12,469,108</u>	<u>\$ 12,810,741</u>	<u>\$ 11,801,758</u>
Primary government in total:				
Net investment in capital assets	\$ 26,828,106	\$ 26,174,076	\$ 25,682,980	\$ 26,551,807
Restricted	1,718,986	1,763,008	1,936,723	2,032,976
Unrestricted	<u>2,851,349</u>	<u>3,043,928</u>	<u>2,554,836</u>	<u>(3,447,749)</u>
Total net position	<u>\$ 31,398,441</u>	<u>\$ 30,981,012</u>	<u>\$ 30,174,539</u>	<u>\$ 25,137,034</u>

Net Position by Component

Last Ten Fiscal Years

June 30, 2021

As of June 30,					
2016	2017	2018	2019	2020	2021
\$ 14,928,939	\$ 14,741,754	\$ 13,934,175	\$ 15,034,711	\$ 15,334,364	\$ 15,731,917
1,665,202	1,773,032	2,137,526	1,537,149	1,496,722	1,866,627
<u>(3,756,822)</u>	<u>(4,443,793)</u>	<u>(5,945,945)</u>	<u>(7,253,741)</u>	<u>(8,460,578)</u>	<u>(8,257,033)</u>
<u>\$ 12,837,319</u>	<u>\$ 12,070,993</u>	<u>\$ 10,125,756</u>	<u>\$ 9,318,119</u>	<u>\$ 8,370,508</u>	<u>\$ 9,341,511</u>
\$ 11,317,330	\$ 12,018,103	\$ 12,781,541	\$ 13,381,230	\$ 13,409,769	\$ 13,759,049
550,448	443,321	471,890	506,988	416,441	336,483
476,108	344,157	(243,555)	(542,164)	(36,580)	481,788
<u>\$ 12,343,886</u>	<u>\$ 12,805,581</u>	<u>\$ 13,009,876</u>	<u>\$ 13,346,054</u>	<u>\$ 13,789,630</u>	<u>\$ 14,577,320</u>
\$ 26,246,269	\$ 26,759,857	\$ 26,715,716	\$ 28,415,941	\$ 28,744,133	\$ 29,490,966
2,215,650	2,216,353	2,609,416	2,044,137	1,913,163	2,203,110
<u>(3,280,714)</u>	<u>(4,099,636)</u>	<u>(6,189,500)</u>	<u>(7,795,905)</u>	<u>(8,497,158)</u>	<u>(7,775,245)</u>
<u>\$ 25,181,205</u>	<u>\$ 24,876,574</u>	<u>\$ 23,135,632</u>	<u>\$ 22,664,173</u>	<u>\$ 22,160,138</u>	<u>\$ 23,918,831</u>

City of Charlotte, Michigan

	Fiscal Years Ended June 30,			
	2012	2013	2014	2015
Expenses				
General Government	\$ 714,417	\$ 708,104	\$ 564,566	\$ 801,558
Public Safety	2,676,328	2,946,200	2,936,410	2,920,571
Public Works	1,990,798	2,090,492	2,696,273	2,060,914
Community and economic development	183,137	159,960	143,934	152,457
Recreation and culture	168,429	406,441	371,489	389,838
Interest on long-term debt	153,620	144,955	157,312	137,936
Total governmental activities	5,886,729	6,456,152	6,869,984	6,463,274
Program revenue				
Charges for services:				
General Government	165,723	162,947	172,113	129,051
Public Safety	229,725	240,796	440,168	426,886
Public Works	-	-	-	-
Total charges for services	395,448	403,743	612,281	555,937
Operating grants and contributions	548,263	548,968	605,143	632,492
Capital grants and contributions	651,271	139,011	-	1,324
Total program revenue	1,594,982	1,091,722	1,217,424	1,189,753
Net (expense) revenue	\$ (4,291,747)	\$ (5,364,430)	\$ (5,652,560)	\$ (5,273,521)
General Revenues				
Property taxes	3,380,724	3,465,508	3,384,261	3,667,494
State shared revenue	802,292	845,931	846,007	899,907
Investment earnings	1,905	2,267	6,644	7,718
Miscellaneous	256,798	278,512	267,542	879,737
Total general revenues	4,441,719	4,592,218	4,504,454	5,454,856
Transfers	22,426	-	-	-
Special items	-	-	-	935,266
Changes in Net Position	\$ 172,398	\$ (772,212)	\$ (1,148,106)	\$ 1,116,601

Changes in Governmental Net Position

Last Ten Fiscal Years

June 30, 2021

Fiscal Years Ended June 30,					
2016	2017	2018	2019	2020	2021
\$ 719,069	\$ 773,727	\$ 659,443	\$ 1,004,556	\$ 824,742	\$ 1,070,178
3,555,820	3,541,230	3,476,023	3,837,799	3,926,436	3,492,251
2,087,823	2,305,536	2,371,108	2,312,824	2,324,473	2,042,552
578,019	393,845	288,705	247,201	221,846	360,727
410,365	319,348	419,589	420,460	352,839	338,182
121,406	107,323	79,878	59,830	55,866	52,182
<u>7,472,502</u>	<u>7,441,009</u>	<u>7,294,746</u>	<u>7,882,670</u>	<u>7,706,202</u>	<u>7,356,072</u>
63,599	155,466	167,781	161,225	228,377	171,780
301,696	299,771	322,185	329,642	327,395	303,966
-	-	-	-	-	-
<u>365,295</u>	<u>455,237</u>	<u>489,966</u>	<u>490,867</u>	<u>555,772</u>	<u>475,746</u>
705,354	699,468	897,919	896,463	936,311	1,328,827
752,267	334,589	186,040	125,381	1,142	997,269
1,822,916	1,489,294	1,573,925	1,512,711	1,493,225	2,801,842
<u>\$ (5,649,586)</u>	<u>\$ (5,951,715)</u>	<u>\$ (5,720,821)</u>	<u>\$ (6,369,959)</u>	<u>\$ (6,212,977)</u>	<u>\$ (4,554,230)</u>
3,689,202	3,674,424	3,651,312	3,687,465	3,779,354	3,910,104
995,879	1,129,391	1,255,119	1,284,001	1,199,319	1,399,651
9,666	13,087	27,550	53,208	59,258	3,914
456,882	376,242	366,018	546,748	239,639	211,564
<u>5,151,629</u>	<u>5,193,144</u>	<u>5,299,999</u>	<u>5,571,422</u>	<u>5,277,570</u>	<u>5,525,233</u>
-	(7,755)	(8,736)	(9,100)	(12,204)	-
-	-	-	-	-	-
<u>\$ (497,957)</u>	<u>\$ (766,326)</u>	<u>\$ (429,558)</u>	<u>\$ (807,637)</u>	<u>\$ (947,611)</u>	<u>\$ 971,003</u>

City of Charlotte, Michigan

	Fiscal Years Ended June 30,			
	2012	2013	2014	2015
Operating Revenue				
Sale of water	1,320,804	1,502,614	1,459,366	1,440,924
Sewage disposal charges	2,051,739	1,944,182	1,954,933	1,950,610
Tap fees	-	-	-	-
Recycling fees	50,384	36,712	25,067	30,600
Other	33,995	16,030	26,807	22,820
Total operating revenue	<u>3,456,922</u>	<u>3,499,538</u>	<u>3,466,173</u>	<u>3,444,954</u>
Operating Expenses				
Cost of services	2,218,281	2,252,478	2,167,010	2,352,465
Recycling	62,913	63,540	76,541	72,473
Depreciation	616,247	606,948	620,472	644,123
Total operating expenses	<u>2,897,441</u>	<u>2,922,966</u>	<u>2,864,023</u>	<u>3,069,061</u>
Net (expense) revenue	<u>\$ 559,481</u>	<u>\$ 576,572</u>	<u>\$ 602,150</u>	<u>\$ 375,893</u>
Nonoperating Revenue (Expenses)				
Interest income	1,081	452	1,618	2,115
Interest expense	(265,324)	(253,044)	(299,010)	(183,388)
Gain (loss) on disposal of assets	-	-	-	-
Other	22,648	30,803	36,875	28,871
Income (Loss) - Before contributions and	<u>317,886</u>	<u>354,783</u>	<u>341,633</u>	<u>223,491</u>
Capital Contributions	-	-	-	-
Transfers (to) from other funds	(22,426)	-	-	-
Change in Net Position	<u>\$ 295,460</u>	<u>\$ 354,783</u>	<u>\$ 341,633</u>	<u>\$ 223,491</u>
Total Primary Government Revenue	9,516,049	9,183,478	9,188,051	11,024,829
Total Primary Government Expense	9,048,191	9,600,907	9,994,524	9,684,737
Total Primary Government Change in Net Position	<u>\$ 467,858</u>	<u>\$ (417,429)</u>	<u>\$ (806,473)</u>	<u>\$ 1,340,092</u>

Changes in Business Type Net Position

Last Ten Fiscal Years

June 30, 2021

Fiscal Years Ended June 30,					
2016	2017	2018	2019	2020	2021
1,501,145	1,557,821	1,549,416	1,587,517	1,527,886	1,793,030
2,101,169	2,171,562	2,137,049	2,193,108	2,325,035	2,775,613
-	-	-	-	-	-
27,526	30,365	23,806	16,160	8,996	16,594
53,720	35,567	22,870	118,453	68,271	81,170
<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>	<u>4,666,407</u>
2,291,681	2,527,059	2,673,925	2,789,095	2,721,632	3,153,766
66,360	67,391	67,102	63,191	62,855	55,415
667,423	672,430	661,732	699,425	686,817	640,756
<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>	<u>3,849,937</u>
<u>\$ 658,096</u>	<u>\$ 528,435</u>	<u>\$ 330,382</u>	<u>\$ 363,527</u>	<u>\$ 458,884</u>	<u>\$ 816,470</u>
3,025	5,498	7,750	29,912	16,804	3,153
(132,528)	(110,741)	(108,104)	(87,778)	(84,841)	(75,841)
(2,612)	-	-	-	-	70
21,947	24,948	27,776	21,417	40,525	43,838
<u>547,928</u>	<u>448,140</u>	<u>257,804</u>	<u>327,078</u>	<u>431,372</u>	<u>787,690</u>
-	-	-	-	-	-
-	7,755	8,736	9,100	12,204	-
<u>\$ 547,928</u>	<u>\$ 455,895</u>	<u>\$ 266,540</u>	<u>\$ 336,178</u>	<u>\$ 443,576</u>	<u>\$ 787,690</u>
10,658,105	10,469,998	10,598,329	11,050,700	10,758,312	13,040,543
10,608,134	10,780,429	10,761,347	11,522,159	11,262,347	11,281,850
<u>\$ 49,971</u>	<u>\$ (310,431)</u>	<u>\$ (163,018)</u>	<u>\$ (471,459)</u>	<u>\$ (504,035)</u>	<u>\$ 1,758,693</u>

City of Charlotte, Michigan

	As of June 30,			
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Fund:				
Reserved	\$ -	\$ -	\$ -	\$ -
Nonspendable	170,337	167,078	174,100	147,829
Assigned	320,000	320,000	250,000	350,000
Unassigned	664,286	1,091,005	1,218,492	1,992,621
Unreserved	-	-	-	-
Total general fund	<u>\$ 1,154,623</u>	<u>\$ 1,578,083</u>	<u>\$ 1,642,592</u>	<u>\$ 2,490,450</u>
All other governmental funds:				
Reserved	-	-	-	-
Nonspendable	3,217	1,774	2,968	3,185
Assigned	-	-	-	63
Restricted	886,612	945,023	1,023,307	1,398,780
Unreserved/Unassigned - Report in:				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Total all other governmental funds	<u>889,829</u>	<u>946,797</u>	<u>1,026,275</u>	<u>1,402,028</u>
Total of all governmental funds	<u>\$ 2,044,452</u>	<u>\$ 2,524,880</u>	<u>\$ 2,668,867</u>	<u>\$ 3,892,478</u>

Fund Balances, Governmental Funds

Last Ten Fiscal Years

June 30, 2021

As of June 30,					
2016	2017	2018	2019	2020	2021
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
165,380	177,540	190,095	178,658	130,650	110,125
445,000	380,000	200,000	200,000	1,012,030	812,409
2,289,441	2,026,452	2,398,531	1,774,512	301,422	336,617
-	-	-	-	-	-
\$ 2,899,821	\$ 2,583,992	\$ 2,788,626	\$ 2,153,170	\$ 1,444,102	\$ 1,259,151
-	-	-	-	-	-
2,758	2,199	7,056	6,437	4,042	2,136
70	-	-	-	-	-
1,618,516	1,731,971	2,095,920	1,499,435	1,432,389	1,808,157
(133,225)	(171,328)	(57,454)	-	-	-
-	-	-	-	-	-
1,488,119	1,562,842	2,045,522	1,505,872	1,436,431	1,810,293
\$ 4,387,940	\$ 4,146,834	\$ 4,834,148	\$ 3,659,042	\$ 2,880,533	\$ 3,069,444

City of Charlotte, Michigan

	Fiscal Year Ended June 30,			
	2012	2013	2014	2015
Revenue				
Property taxes	\$ 3,531,834	\$ 3,466,618	\$ 3,384,261	\$ 3,667,494
Special assessments	7,657	2,579	17,642	3,974
Licenses and permits	26,741	26,586	28,256	27,043
State and local sources	1,410,927	1,449,486	1,490,879	1,533,161
Federal grants	2,097	607,800	-	1,324
Charges for services	283,081	299,605	492,972	492,245
Fines and forfeitures	32,567	31,713	37,478	30,126
Other	278,487	285,705	279,304	287,455
Total revenue	5,573,391	6,170,092	5,730,792	6,042,822
Expenditures				
Current:				
General government	525,995	621,205	497,398	477,808
Public safety	2,615,436	2,699,043	2,677,668	2,672,781
Public works	1,105,860	1,034,223	1,026,198	1,009,081
Recreation and culture	317,892	296,248	271,677	263,382
Community and economic development	141,075	140,152	164,082	138,268
Capital outlay	950,880	520,344	1,001,932	746,603
Debt service - Principal	212,007	232,189	237,378	412,155
Debt service - Interest	154,782	146,260	136,472	139,399
Total expenditures	6,023,927	5,689,664	6,012,805	5,859,477
Excess of Revenue (Under) Over Expenditures	(450,536)	480,428	(282,013)	183,345
Other Financing Sources (Uses)				
Proceeds from long-term debt	-	-	426,000	105,000
Debt Premium	-	-	-	-
Payment to bond refunding escrow agent	-	-	-	-
Sale of fixed assets	-	-	-	-
Transfers in	448,580	294,549	139,648	142,812
Transfers out	(426,154)	(294,549)	(139,648)	(142,812)
Total other financing sources (uses)	22,426	-	426,000	105,000
Extraordinary Item	-	-	-	935,266
Net change in fund balances	(428,110)	480,428	143,987	1,223,611
Fund Balances - Beginning of year	2,472,562	2,044,452	2,524,880	2,668,867
Fund Balances - End of year	\$ 2,044,452	\$ 2,524,880	\$ 2,668,867	\$ 3,892,478
Debt service as a percentage of noncapital expenditures	7.89%	7.36%	7.40%	10.62%

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

June 30, 2021

Fiscal Year Ended June 30,						
2016	2017	2018	2019	2020	2021	
\$ 3,708,172	\$ 3,655,814	\$ 3,651,312	\$ 3,687,465	\$ 3,779,354	\$ 3,910,104	
3,280	5,066	4,312	3,273	5,550	4,924	
36,963	40,748	96,792	45,774	51,384	74,747	
1,695,569	1,822,953	2,146,430	2,180,464	2,136,680	2,457,736	
444,341	14,875	186,040	125,381	733	694,013	
359,754	353,019	370,334	814,712	454,321	383,419	
29,025	26,732	19,030	22,841	13,112	13,455	
466,548	389,329	393,568	201,206	298,897	215,478	
<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>	<u>7,753,876</u>	
515,507	516,184	736,848	742,585	823,829	1,288,430	
2,810,223	2,907,375	2,878,350	3,005,216	3,215,858	3,222,683	
1,170,416	1,240,303	1,245,922	1,400,675	1,378,203	1,362,995	
258,361	219,043	243,776	190,075	230,177	204,445	
303,085	293,356	270,809	223,450	216,133	353,867	
632,544	1,025,280	621,692	2,452,783	1,408,124	896,333	
435,131	232,312	140,444	166,046	171,668	177,292	
122,923	108,034	85,620	66,292	62,344	58,920	
<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>	<u>7,564,965</u>	
495,462	(233,351)	644,357	(1,166,006)	(766,305)	188,911	
-	-	2,165,000	-	-	-	
-	-	119,664	-	-	-	
-	-	(2,232,971)	-	-	-	
-	-	-	-	-	-	
142,090	95,968	24,504	126,600	155,504	142,992	
<u>(142,090)</u>	<u>(103,723)</u>	<u>(33,240)</u>	<u>(135,700)</u>	<u>(167,708)</u>	<u>(142,992)</u>	
-	(7,755)	42,957	(9,100)	(12,204)	-	
-	-	-	-	-	-	
495,462	(241,106)	687,314	(1,175,106)	(778,509)	188,911	
<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>	<u>2,880,533</u>	
\$ 4,387,940	\$ 4,146,834	\$ 4,834,148	\$ 3,659,042	\$ 2,880,533	\$ 3,069,444	
9.82%	6.32%	3.88%	3.09%	3.45%	3.45%	

Revenue Capacity

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

City of Charlotte, Michigan

Taxable Value by Property Type:

Tax Year	Fiscal Year	Real Property				Personal Property	Total Taxable Value
		Residential	Commercial	Industrial			
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	
2020	2021	136,365,151	51,180,885	20,998,175	15,726,400	224,270,611	

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

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

Source: Treasurer, City of Charlotte

Taxable Value and Actual Value of Taxable Property

Last Ten Fiscal Years

Total Direct Tax Rate (mills)		Estimated Actual Value	As a Percent of Actual Value
14.71	\$	524,884,464	43.05%
15.24		504,135,496	43.32%
15.27		465,956,448	45.60%
15.34		451,948,764	46.02%
15.34		442,609,990	47.00%
15.35		450,801,676	44.92%
15.35		453,133,610	45.82%
15.29		477,341,156	44.47%
15.41		503,585,046	43.11%
15.36		538,404,566	41.65%

City of Charlotte, Michigan

Tax Year	Millage Rates - Direct City			Total direct taxes	Overlapping taxes	
	General - Operating	Debt	Special Purpose		County	State Education Tax
2020	14.2796	.90	.18	15.36	9.08	6.0000
2019	14.29	0.94	0.18	15.41	9.09	6.0000
2018	14.29	0.90	0.10	15.29	9.09	6.0000
2017	14.29	1.00	0.10	15.39	9.09	6.0000
2016	14.29	0.96	0.10	15.35	9.09	6.0000
2015	14.29	0.96	0.10	15.35	9.09	6.0000
2014	14.29	0.95	0.10	15.34	9.09	6.0000
2013	14.29	0.95	0.10	15.34	7.59	6.0000
2012	14.29	0.88	0.10	15.27	7.59	6.0000
2011	14.29	0.85	0.10	15.24	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		
1.3951	3.7582	8.0900	26.0900	43.6834	61.6834
1.4000	3.8788	8.0900	26.0900	43.8650	61.8650
1.4000	3.8788	8.0900	26.0900	43.7500	61.7500
0.9000	3.8778	8.0900	26.0900	43.3490	61.3490
0.9000	3.8778	8.0900	26.0900	43.3090	61.3090
0.9000	3.8778	8.0900	26.0900	43.3090	61.3090
0.9000	3.8778	8.0900	26.0900	43.2990	61.2990
0.9000	3.8778	8.0900	26.0900	41.7990	59.7990
0.9000	3.8778	8.0900	26.0900	41.7290	59.7290
0.9000	3.8778	7.5900	25.5900	41.1959	59.1959

Principal Property Taxpayers

	Taxpayer	2020 Taxable Value	Percentage of Total	2010 Taxable Value	Percentage of Total	2010 Rank
1	Spartan Motors	\$ 12,801,187	5.71	\$ 16,639,062	7.36	1
2	Consumers Energy	7,113,821	3.17	4,775,749	2.11	4
3	Meijer, Inc.	4,456,746	1.99	6,832,984	3.02	2
4	Wal-Mart Stores, Inc.	4,195,140	1.87	4,792,745	2.12	3
5	Victorinox LLC	3,210,835	1.43		0.00	
6	The Carrington Company	2,871,670	1.28	2,098,339	0.93	7
7	Legacy Parke Partners LLC	2,342,391	1.04		0.00	
8	Alro Steel Corporation	1,908,676	0.85		0.00	
9	Butternut Creek Apartments	1,393,632	0.62	1,170,789	0.52	9
10	NKH Group/Associates, LLC	1,283,592	0.57		0.00	
	Linn Products, Inc.			3,575,463	1.58	5
	Owens-Illinois Glass Container			2,933,697	1.30	6
	Enovapremier of Michigan LLC			1,585,854	0.70	8
	Sulai Hospitality, Inc			1,160,695	0.51	10
	Total	\$ 41,577,690		\$ 45,565,377		

Property Tax Levies and Collections

Last Ten Fiscal Years

Tax Year	Fiscal Year	Total Tax Levy	Current Collections	Percent Collected	Delinquent Collections	Total Tax Collections	Percent Collected
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
2020	2021	3,525,635	3,403,585	96.54	114,600	3,518,186	99.79

Note: Delinquent collections reported are related to the tax year

Debt Capacity

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

City of Charlotte, Michigan

	As of June 30,			
	2012	2013	2014	2015
Governmental Activities:				
General obligation bonds	\$ 3,365,000	\$ 3,160,000	\$ 2,950,000	\$ 2,725,000
Loans payable	90,867	81,552	497,148	433,767
Economic development agreement	75,960	58,086	40,212	22,338
Total	<u>3,531,827</u>	<u>3,299,638</u>	<u>3,487,360</u>	<u>3,181,105</u>
Business Type Activities:				
General obligation bonds	-	-	-	-
Loans payable	-	-	-	-
Revenue bonds	5,076,739	4,745,454	4,399,169	4,050,000
Total	<u>5,076,739</u>	<u>4,745,454</u>	<u>4,399,169</u>	<u>4,050,000</u>
Total debt of the government	<u>\$ 8,608,566</u>	<u>\$ 8,045,092</u>	<u>\$ 7,886,529</u>	<u>\$ 7,231,105</u>
Total residential personal income	N/A	N/A	N/A	N/A
Ratio of total debt to personal income	N/A	N/A	N/A	N/A
Total Population *	9,080	9,074	9,085	9,073
Total debt per capita	948	887	868	797

* 2012-2019 population estimates from Census.Gov, 2020 estimate by City

Ratios of Outstanding Debt

Last Ten Fiscal Years

As of June 30,						
2016	2017	2018	2019	2020	2021	
\$ 2,490,000	\$ 2,310,000	\$ 2,165,000	\$ 2,030,000	\$ 1,890,000	\$ 1,745,000	
251,512	203,672	173,237	142,188	110,525	78,228	
4,464	-	-	-	-	-	
<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>1,823,228</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>1,445,000</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>1,445,000</u>	
<u>\$ 6,395,976</u>	<u>\$ 5,738,672</u>	<u>\$ 5,133,237</u>	<u>\$ 4,527,188</u>	<u>\$ 3,905,525</u>	<u>\$ 3,268,228</u>	
N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A
9,094	9,079	9,068	9,090	9,090	9,134	
703	632	566	498	430	358	

City of Charlotte, Michigan

Fiscal Year	Tax-limited General Obligation Bonds (LTGO)	Tax-supported Bonds (UTGO)	Less Pledged Debt Service Funds	Net General Bonded Debt
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)
2021	-	1,745,000	-	(1,745,000)

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

Taxable Value	Debt as a Percentage of Taxable Value	Population	Debt per Capita
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)
224,270,611	(0.78)	9,134	(191)

City of Charlotte, Michigan

Direct and Overlapping Governmental Activities Debt

June 30, 2021

Governmental Unit	Debt Outstanding	Estimated Percent Applicable (1)	Direct and Estimated Overlapping Debt
Eaton County	\$ 20,655,014	5.89	\$ 1,216,580
Eaton Intermediate School District	3,045,000	8.41	256,085
Charlotte Public Schools	<u>59,940,000</u>	38.39	<u>23,010,966</u>
Total overlapping debt	83,640,014		24,483,631
Direct City debt	<u>1,823,228</u>	100.00	<u>1,823,228</u>
Total direct and overlapping debt	<u><u>\$ 85,463,242</u></u>		<u><u>\$ 26,306,859</u></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

Fiscal Year	Water and Sewer Revenue Bonds							Coverage
	Gross Revenues	Applicable Expenses	Net Revenues	Debt Service		Total		
				Principal	Interest			
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	
2021	4,623,575	3,133,073	1,490,502	460,000	75,841	535,841	278.16	

City of Charlotte, Michigan

	As of June 30,			
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Calculation of debt limit				
Assessed value	\$ 252,067,748	\$ 232,978,224	\$ 225,974,382	\$ 221,304,995
10% of assessed value	25,206,775	23,297,822	22,597,438	22,130,500
Calculation of debt subject to limit				
Total debt	8,608,566	8,045,092	7,886,529	7,231,105
Less debt not subject to limit:				
Revenue bonds	<u>5,076,739</u>	<u>4,745,454</u>	<u>4,399,169</u>	<u>4,050,000</u>
Net debt subject to limit	3,531,827	3,299,638	3,487,360	3,181,105
Legal debt margin	21,674,948	19,998,184	19,110,078	18,949,395
Net debt subject to limit as a percentage of debt limit	16.29%	16.50%	18.25%	16.79%

Legal Debt Margin

Last Ten Fiscal Years

		As of June 30,									
		2016	2017	2018	2019	2020	2021				
\$	225,400,838	\$	226,566,805	\$	234,751,772	\$	238,670,578	\$	251,792,523	\$	269,202,283
	22,540,084		22,656,681		23,475,177		23,867,058		25,179,252		26,920,228
	6,395,976		5,738,672		5,133,237		4,527,188		3,905,525		3,268,228
	<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>1,445,000</u>
	2,745,976		2,513,672		2,338,237		2,172,188		2,000,525		1,823,228
	19,794,108		20,143,009		21,136,940		21,694,870		23,178,727		25,097,000
	13.87%		12.48%		11.06%		10.01%		8.63%		7.26%

Demographics and Economic Information

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

Fiscal Year	Population	Personal Income (in thousands)*	Per Capita Personal Income**	Unemployment Rate***
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	4,781,770	43,365	3.6
2020	N/A	N/A	N/A	11.2
2021	N/A	N/A	N/A	13.1

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

Employer	2012		2013		2014		2015	
	Number of	Percentage	Number of	Percentage	Number of	Percentage	Number of	Percentage
	Employees	of Total	Employees	of Total	Employees	of Total	Employees	of Total
1 Shyft Group (formerly Spartan Motors)	563	20.67	623	21.67	550	19.96	635	22.14
2 Sparrow Health Systems (formerly HGB)	466	17.11	475	16.52	460	16.70	448	15.62
3 County of Eaton	360	13.22	391	13.60	380	13.79	383	13.35
4 Charlotte Public Schools	370	13.58	322	11.20	344	12.49	350	12.20
5 Linn Products, Inc.	171	6.28	180	6.26	212	7.70	231	8.05
6 Meijer, Inc.	100	3.67	275	9.57	263	9.55	261	9.10
7 Eaton Intermediate School District	255	9.36	170	5.91	145	5.26	152	5.30
8 Wal-Mart Stores, Inc.	255	9.36	255	8.87	221	8.02	227	7.91
9 Peckham Vocational Industries	184	6.75	184	6.40	180	6.53	181	6.31

Source: Treasurer, City of Charlotte

Principal Employers

2016		2017		2018		2019		2020		2021	
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
708	24.09	671	23.05	660	22.86	830	26.66	n/a	n/a	1,102	33.40
452	15.38	450	15.46	455	15.76	500	16.06	n/a	n/a	435	13.19
342	11.64	360	12.37	360	12.47	360	11.56	356	19.70	356	10.79
387	13.17	337	11.58	323	11.19	326	10.47	326	18.04	359	10.88
231	7.86	265	9.10	270	9.35	320	10.28	335	18.54	260	7.88
260	8.85	240	8.24	240	8.31	239	7.68	230	12.73	230	6.97
254	8.64	207	7.11	211	7.31	200	6.42	200	11.07	205	6.21
153	5.21	244	8.38	238	8.24	185	5.94	200	11.07	197	5.97
152	5.17	137	4.71	130	4.50	153	4.91	160	8.85	155	4.70

Operating Information

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

City of Charlotte, Michigan

<u>Function/ program:</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General government:				
City manager	1	1	1	1
Clerk	2	2	2	2
Assessor	1	1	1	1
Finance and treasury	3	3	2	3
Public Safety:				
Police	17	17	17	17
Fire - Full-time	6	5	6	5
Fire - Volunteer	28	30	30	30
Building Inspection	1	1	1	1
Public Works				
DPW	11	12	11	11
Water and Sewer	<u>7</u>	<u>7</u>	<u>8</u>	<u>7</u>
Community and Economic Development	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Total	<u><u>78</u></u>	<u><u>80</u></u>	<u><u>80</u></u>	<u><u>79</u></u>

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

Full-Time Equivalent Government Employees

Last Ten Fiscal Years

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
1	1	1	1	1	1
2	2	2	2	2	2
1	1	1	1	1	1
3	3	3	1	1	3
15	15	15	15	15	16
6	6	6	6	6	6
28	28	28	26	26	19
-	-		-	-	-
11	11	10	12	12	11
<u>7</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>9</u>	<u>9</u>
<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
<u><u>75</u></u>	<u><u>75</u></u>	<u><u>75</u></u>	<u><u>74</u></u>	<u><u>74</u></u>	<u><u>69</u></u>

Function/ program	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Election data:										
Registered voters	6,348	6,309	6,236	6,159	6,171	6,332	6,335	6,397	6,570	6,882
Voters (at polls or absentee)	1,389	3,762	2,539	2,745	1,435	3,904	3,507	1,695	1,965	1,124
Percent voting	21.88%	59.63%	40.72%	44.57%	23.25%	61.66%	55.36%	26.50%	29.91%	16.33%
Police:										
Physical Arrests	623	655	600	520	479	511	387	344	313	160
Traffic violations	1,190	1,243	1,211	808	822	786	603	508	407	270
Crimes reported	3,083	3,132	2,631	2,457	2,319	2,566	2,663	2,476	2,403	2,510
Fire:										
Fire runs	286	316	394	328	343	380	418	405	435	347
Emergency medical runs	218	220	293	238	257	233	396	421	341	401
Inspections	85	25	156	124	127	135	204	327	182	-
Public Works - Miles of street resurfaced	1.20	0.25	0.21	0.21	0.55	0.99	0.07	0.92	0.19	1.01
Water:										
Number of customers billed	3,682	3,769	3,764	3,777	3,799	3,844	3,906	3,388	3,399	3,431
Total daily consumption	909,600	886,000	881,800	861,000	838,750	861,605	868,600	864,192	850,364	921,547
Average consumption per year	247	235	234	228	221	224	222	255	250	283
Sewer - Average daily sewage treatment	802,250	770,000	770,000	761,000	769,417	791,715	876,995	893,340	883,937	828,658

City of Charlotte, Michigan

Function/ program	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Police				
Stations	1	1	1	1
Patrol units	9	9	9	9
Fire				
Stations	2	2	2	2
Fire response vehicles	7	7	7	7
Emergency response vehicles	1	1	1	1
Public works				
Streets (miles):				
Major streets	11.9	12.2	12.2	12.2
Local streets	25.9	25.7	25.7	25.7
Sidewalks	44	44	45	45
Street lights	514	507	507	507
Traffic signals	7	7	7	7
Parks and recreation				
Acreage	199	199	199	199
Developed parks/playgrounds	8.00	8.00	8.00	8.00
Libraries - Branches	1	1	1	1
Water				
Mains (miles)	53.0	53.0	53.0	53.0
Fire hydrants	471	471	471	471
Storage capacity	1,150,000	1,150,000	1,150,000	1,150,000
Sewer				
Miles of sanitary sewers	42.0	42.0	42.0	42.0
Miles of storm sewers	31.5	31.5	31.5	31.5
Treatment capacity	1,800,000	1,800,000	1,800,000	1,800,000

Capital Asset Information

Last Ten Fiscal Years

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
1	1	1	1	1	1
9	9	9	8	8	9
2	2	2	2	2	2
7	7	7	7	7	7
1	2	2	1	1	1
12.2	12.2	12.2	12.2	12.2	12.2
25.7	25.7	25.7	25.8	25.8	25.8
45	45	45	46	46	45
507	509	509	509	509	509
7	7	7	7	7	7
199	199	199	199	199	199
8.00	8.00	8.00	8.00	8.15	8.00
1	1	1	1	1	1
53.0	53.0	53.0	52.7	52.7	52.8
471	471	471	470	470	472
1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000
42.0	42.0	42.0	42.1	42.1	42.1
31.5	31.5	31.5	31.5	31.5	31.5
1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000