

City of  
Charlevoix,  
Michigan



Fiscal Year  
Ended  
March 31, 2018

Financial  
Statements



# CITY OF CHARLEVOIX, MICHIGAN

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# CITY OF CHARLEVOIX, MICHIGAN

## List of Elected and Appointed Officials

### Elected Officials

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Mayor	Luther Kurtz
Council Member	Aaron Hagen
Council Member	Janet Kalbfell
Council Member	Leon Perron
Council Member	Tom Oleksy
Council Member	Shane Cole
Council Member	Greg Bryan

### Appointed Officials

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City Manager	Mark Heydlauff
Attorney	Scott Howard
Clerk	Joyce Golding
Treasurer	Kelly McGinn
Planning Director	Sarah Lucas
Zoning Administrator	Jonathan Scheel
Police Chief	Gerard Doan
Fire Chief	Dan Thorp
EMS Director	Don McMullen
DPW Superintendent	Pat Elliott
Electric Superintendent	Donald Swem
Wastewater Chief Operator	Randall Wurst
Water Treatment Chief Operator	Shelley Mayer
DDA Director	Lindsey Dotson
Airport Manager	Matt Wyman
Harbormaster	Pat Klooster
Recreation Director	Kent Knorr
Director of Golf & Grounds	Tom Heid

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**INDEPENDENT AUDITORS' REPORT**

September 28, 2018

Members of City Council  
City of Charlevoix  
Charlevoix, Michigan**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the *City of Charlevoix, Michigan* (the "City"), as of and for the year ended March 31, 2018, and the related notes to the financial statements, which collectively comprise the City'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.

*Independent Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Charlevoix, as of March 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the schedules for the pension plan, as listed 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, who 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 supplementary 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's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements are the responsibility of management and were derived from and relate 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 combining and individual fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2018, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.





## MANAGEMENT'S DISCUSSION AND ANALYSIS

# CITY OF CHARLEVOIX, MICHIGAN

## Management's Discussion and Analysis

As management of the City of Charlevoix, Michigan (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended March 31, 2018.

### Financial Highlights

- The City's total net position increased to approximately \$66,082,000 at the end of the current fiscal year compared to approximately \$64,222,000 at the end of the prior period. The primary government's total net position increased by approximately \$1,860,000. Net position of governmental activities decreased by approximately \$233,000. Net position of business-type activities increased by approximately \$2,093,000.
- The assets and deferred outflows of resources of the City (primary government) exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by approximately \$66,082,000 (net position). Of this amount, approximately \$11,071,000 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- At March 31, 2018, the City's governmental funds reported combined ending fund balances of approximately \$2,912,000, a decrease of approximately \$1,174,000 from the prior year. Approximately 52% of these combined ending fund balances or approximately \$1,501,000 is unassigned and is available for spending at the City's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was approximately \$1,501,000 or 39% percent of total General Fund expenditures and transfers out.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial 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 information on all of the City's assets and liabilities, with the difference between the two 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, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*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 legislative, general government, public safety, public works, health and welfare, and recreation and culture. The business-type activities of the City include electric, sewage disposal, water distribution, marina, and airport operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate *component unit* - the Downtown Development Authority - for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

# CITY OF CHARLEVOIX, MICHIGAN

## Management's Discussion and Analysis

**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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**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 evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Information for each of the City's individual governmental funds is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund and the Infrastructure Improvement Capital Project Fund, which are considered to be the City's only major governmental funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund and special revenue funds. A budgetary comparison statement has been provided within the basic financial statements to demonstrate compliance with the General Fund 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 electric, sewage disposal, water distribution, marina, and airport operations. *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 its employee fringe benefits, motor pool, and Department of Public Works (DPW). Because the motor pool and employee fringe benefit funds predominantly benefit governmental rather than business-type activities, they have been included within governmental activities in the government-wide financial statements. The DPW is used for site maintenance and its services predominantly benefit business-type activities and it has been combined with business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric utility, sewage disposal utility, water utility, marina and airport funds, each of which are considered to be major funds of the City.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected 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.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

# CITY OF CHARLEVOIX, MICHIGAN

## Management's Discussion and Analysis

*Other information.* In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information includes this management's discussion and analysis and the schedules for the City's pension plan.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information.

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by approximately \$66,082,000 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (81 percent) reflects its investment in capital assets (e.g., land, infrastructure, buildings, equipment, and vehicles); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Assets</b>						
Current and other assets	\$ 4,177,679	\$ 5,313,003	\$ 14,798,938	\$ 13,479,005	\$ 18,976,617	\$ 18,792,008
Capital assets, net	29,762,819	28,889,918	39,961,778	39,573,938	69,724,597	68,463,856
	<u>33,940,498</u>	<u>34,606,992</u>	<u>54,760,716</u>	<u>53,613,678</u>	<u>88,701,214</u>	<u>87,255,864</u>
Deferred outflows of resources	326,746	404,071	439,465	560,735	766,211	964,806
<b>Liabilities</b>						
Other liabilities	381,136	323,274	1,060,663	795,803	1,441,799	1,119,077
Long-term debt	3,742,707	3,983,852	12,943,157	13,683,260	16,685,864	17,667,112
Net pension liability	2,687,622	2,685,441	2,285,640	2,383,618	4,973,262	5,069,059
	<u>6,811,465</u>	<u>7,072,259</u>	<u>16,289,460</u>	<u>16,926,451</u>	<u>23,100,925</u>	<u>23,855,248</u>
Deferred inflows of resources	153,735	79,692	130,742	63,770	284,477	143,462
<b>Net position</b>						
Net investment in capital assets	26,396,395	26,453,531	27,180,212	26,070,223	53,576,607	52,523,754
Restricted	752,568	705,738	381,927	682,387	1,134,495	1,388,125
Unrestricted	153,081	375,464	11,217,840	9,934,617	11,370,921	10,310,081
Total net position	<u>\$ 27,302,044</u>	<u>\$ 27,534,733</u>	<u>\$ 38,779,979</u>	<u>\$ 36,687,227</u>	<u>\$ 66,082,023</u>	<u>\$ 64,221,960</u>

# CITY OF CHARLEVOIX, MICHIGAN

## Management's Discussion and Analysis

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

The following condensed financial information was derived from the government-wide statement of activities and reflects how the City's net position changed during the fiscal year:

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Program revenues						
Charges for services	\$ 915,952	\$ 856,227	\$ 10,844,608	\$ 10,607,484	\$ 11,760,560	\$ 11,463,711
Operating grants and contributions	587,942	434,666	389,687	369,656	977,629	804,322
Capital grants and contributions	-	-	1,571,318	1,410,025	1,571,318	1,410,025
General revenues						
Property taxes	3,037,259	2,985,220	-	-	3,037,259	2,985,220
State shared revenue	291,430	249,525	-	-	291,430	249,525
Other revenues	12,579	7,378	-	-	12,579	7,378
Gain on sale of capital assets	6,148	-	-	-	6,148	-
Unrestricted investment earnings	20,457	12,722	-	-	20,457	12,722
<b>Total revenues</b>	<b>4,871,767</b>	<b>4,545,738</b>	<b>12,805,613</b>	<b>12,387,165</b>	<b>17,677,380</b>	<b>16,932,903</b>
Expenses:						
Legislative	56,166	56,227	-	-	56,166	56,227
General government	736,232	646,601	-	-	736,232	646,601
Public safety	1,232,129	1,219,180	-	-	1,232,129	1,219,180
Public works	962,188	915,039	-	-	962,188	915,039
Health and welfare	540,299	385,795	-	-	540,299	385,795
Recreation and culture	1,099,244	1,028,411	-	-	1,099,244	1,028,411
Interest expense	106,569	108,454	-	-	106,569	108,454
Electric utility	-	-	5,639,452	5,479,757	5,639,452	5,479,757
Sewage disposal utility	-	-	1,762,447	1,356,738	1,762,447	1,356,738
Water utility	-	-	1,131,404	1,121,636	1,131,404	1,121,636
Marina	-	-	1,059,142	1,035,232	1,059,142	1,035,232
Airport	-	-	1,492,045	1,425,848	1,492,045	1,425,848
<b>Total expenses</b>	<b>4,732,827</b>	<b>4,359,707</b>	<b>11,084,490</b>	<b>10,419,211</b>	<b>15,817,317</b>	<b>14,778,918</b>

Continued...

# CITY OF CHARLEVOIX, MICHIGAN

## Management's Discussion and Analysis

	Change in Net Position (concluded)					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Change in net position before transfers	\$ 138,940	\$ 186,031	\$ 1,721,123	\$ 1,967,954	\$ 1,860,063	\$ 2,153,985
Transfers	(371,629)	(879,530)	371,629	879,530	-	-
Change in net position	(232,689)	(693,499)	2,092,752	2,847,484	1,860,063	2,153,985
Net position:						
Beginning of year	27,534,733	28,228,232	36,687,227	33,839,743	64,221,960	62,067,975
End of year	<u>\$ 27,302,044</u>	<u>\$ 27,534,733</u>	<u>\$ 38,779,979</u>	<u>\$ 36,687,227</u>	<u>\$ 66,082,023</u>	<u>\$ 64,221,960</u>

Concluded

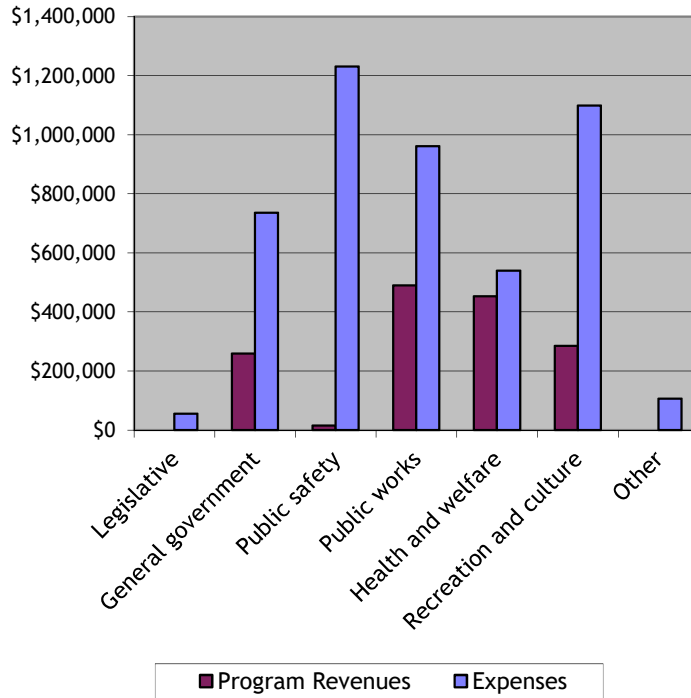
**Governmental Activities.** Governmental activities decreased the City's net position by approximately \$233,000. Key elements of this decrease are as follows:

- Total governmental activities revenue increased by approximately \$326,000 or 7.17% compared to prior year, with the most significant increase from operating grants and contributions of approximately \$153,000 due to an increase in gas and weight tax revenue of approximately \$78,000 from the previous year and a \$36,000 federal public improvements grant not received in the prior year.
- Total expenses for governmental activities increased by approximately \$373,000 compared to prior year, with the most significant cost increase in health and welfare of approximately \$155,000 primarily due to an increase in ambulance wages and benefits of approximately \$114,000 from the previous year.
- Transfers from the governmental activities to the business-type activities decreased by \$507,901 reflecting reduced funding from capital improvements monies to the water and sewage disposal activities.

# CITY OF CHARLEVOIX, MICHIGAN

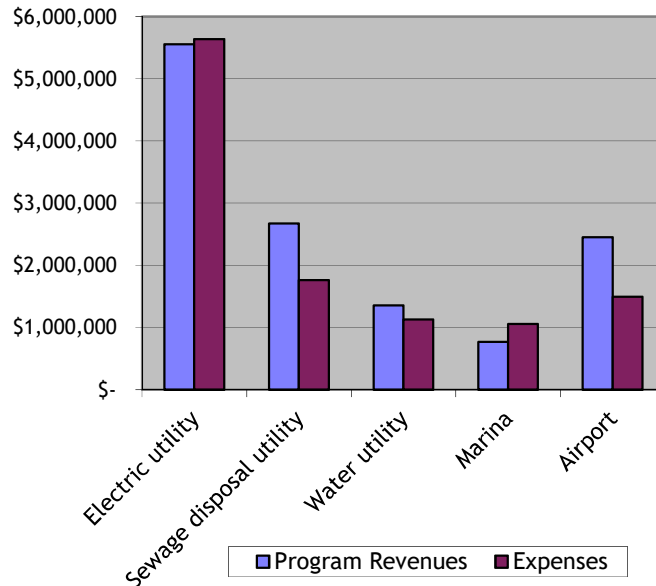
## Management's Discussion and Analysis

Program Revenues and Expenses - Governmental Activities



Business-type Activities. Net position of the business-type activities increased by approximately \$2,093,000, a decrease of approximately \$754,000 from the change in net position for fiscal year 2017. The decrease is primarily attributable to an increase in expenses of approximately \$406,000 from sewer activities and \$160,000 in electric utility activities. The sewer expense increase was primarily attributable to greater sewer depreciation of approximately \$376,000 and the electric utility expense increase was primarily due to higher wages and benefits of approximately \$72,000.

Program Revenues and Expenses - Business-type Activities



# CITY OF CHARLEVOIX, MICHIGAN

## Management's Discussion and Analysis

### Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Governmental funds.** 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.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of approximately \$2,912,000, a decrease of approximately \$1,174,000 from the prior year. This decrease was attributable primarily to the effect of the activity related to the infrastructure work for the street projects in the Infrastructure Improvement Capital Project Fund. In fiscal 2018, there was approximately \$1.1 million spent in public infrastructure improvements. A significant portion of the fund balances, approximately \$1,501,000, constitutes unassigned fund balances, which is available for spending at the City's discretion. The remainder of fund balances is either nonspendable, restricted or assigned to indicate that it is not available for new spending.

**Proprietary funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements business-type activities, but in more detail.

Unrestricted net positions of the enterprise funds at the end of the year amounted to approximately \$8,937,000 and the net investment in capital assets was approximately \$27,036,000. The changes in enterprise fund net positions were as follows:

- Electric utility activities decreased the City's net position by approximately \$161,000 with charges for services less than expenses by approximately \$97,000. There were transfers out of approximately \$173,000, with the most significant transfer transaction due to a transfer of \$126,000 for improvements to the DPW site in the future.
- Sewage disposal utility activities increased the City's net position by approximately \$985,000. This was attributable mainly to the excess of charges for services over the expenses by \$845,000 and state revenue of approximately \$280,000. The state revenue is from the state's Stormwater Asset Management grant for infrastructure improvements.
- Water utility activities increased the City's net position by approximately \$349,000 due to charges for services exceeding expenses by approximately \$230,000 and transfers in of approximately \$156,000 related to capitalizing infrastructure work that was performed through the infrastructure bonds.
- Marina activities negatively impacted the City's net position by approximately \$288,000 primarily due to depreciation expense of approximately \$649,000, with an offset in other revenue of approximately \$336,000 from the DDA's bond payment contribution to the Marina.
- Airport activities increased the City's net position by approximately \$1,023,000, primarily due to the City receiving \$1,291,000 in capital grants and contributions for the terminal apron rehabilitation project, part of which is offset by depreciation expense of approximately \$439,000.



# CITY OF CHARLEVOIX, MICHIGAN

## Management's Discussion and Analysis

### General Fund Budgetary Highlights

During the year, General Fund revenues were lower than budgetary estimates by approximately \$79,000 or 2% and expenditures were lower than budgetary estimates by approximately \$150,000 or 4%. Revenues were less than anticipated primarily due to receiving approximately \$46,000 less in property tax revenue, this was due to a slight overbudget of property taxes by 1.94%. The most significant budget variances in expenditures was an underspending of approximately \$41,000 in the fire department due to less contractual services used and fewer equipment rentals and an underspending of approximately \$39,000 in city beaches due to less contractual services used. There were no significant budget amendments made during the year.

### Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of March 31, 2018, amounted to approximately \$69,725,000 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, system improvements, machinery and equipment, vehicles, and infrastructure including park facilities, roads, highways, and bridges.

Major capital asset events during the current fiscal year included the following:

- Infrastructure for streets project, approximately \$1,187,400.
- Airport Friction Improvements and Taxiway A. Rehabilitation Design of approximately \$1,396,350.
- Vehicle and vehicle equipment purchases of approximately \$262,880.
- City Hall HVAC System, approximately \$158,100.

	Capital Assets (Net of Depreciation, Where Applicable)					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 16,932,797	\$ 16,932,797	\$ 1,569,534	\$ 1,569,534	\$ 18,502,331	\$ 18,502,331
Construction in progress	621,704	-	826,978	-	1,448,682	-
Land improvements	1,700,102	1,594,587	13,019,254	12,488,981	14,719,356	14,083,568
Infrastructure	5,722,949	5,440,972	-	-	5,722,949	5,440,972
Buildings and improvements	3,045,824	3,225,987	14,738,432	15,297,641	17,784,256	18,523,628
System improvements	-	-	9,508,270	9,860,562	9,508,270	9,860,562
Machinery and equipment	679,403	582,851	299,310	357,220	978,713	940,071
Vehicles	1,060,040	1,112,724	-	-	1,060,040	1,112,724
<b>Total capital assets, net</b>	<b>\$ 29,762,819</b>	<b>\$ 28,889,918</b>	<b>\$ 39,961,778</b>	<b>\$ 39,573,938</b>	<b>\$ 69,724,597</b>	<b>\$ 68,463,856</b>

Additional information on the City's capital assets can be found in the notes (see footnote 6) to the financial statements.

Long-term debt. At the end of the current fiscal year, the City (primary government) had bonds related to the construction of the marina with a balance of approximately \$3,869,000, including bond premium, and capital improvement bonds with a balance of \$3,598,000, including bond premium. The City has pledged its full faith and credit towards the above obligations. Additionally, the City issued revenue bonds to fund the wastewater treatment plant improvement project. During fiscal year 2018, the City paid approximately \$385,000 for the wastewater treatment plant improvement project bonds. The outstanding balance at fiscal year end amounted to approximately \$9,075,000.

# CITY OF CHARLEVOIX, MICHIGAN

## Management's Discussion and Analysis

	General Obligations and Other Long Term Debt					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
2016 Capital improvement bonds	\$ 3,230,000	\$ 3,420,000	\$ -	\$ -	\$ 3,230,000	\$ 3,420,000
Marina limited tax general obligation bonds	-	-	3,490,000	3,805,000	3,490,000	3,805,000
Sewage disposal utility fund revenue bonds	-	-	9,074,562	9,457,599	9,074,562	9,457,599
Deferred amounts- Issuance premiums	368,447	396,789	378,595	420,661	747,042	817,450
Compensated absences	144,260	167,063	-	-	144,260	167,063
<b>Total</b>	<b>\$ 3,742,707</b>	<b>\$ 3,983,852</b>	<b>\$ 12,943,157</b>	<b>\$ 13,683,260</b>	<b>\$ 16,685,864</b>	<b>\$ 17,667,112</b>

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City is \$24,611,791, which is in excess of the City's outstanding general obligation debt.

In addition, the City offers its full-time employees a retirement pension through the Municipal Employees' Retirement System of Michigan (MERS). Based on the latest annual actuarial valuation report from MERS dated December 31, 2017, the City's plan is 64% funded, compared to 62% reported for the previous year.

Additional information on the City's long-term debt can be found in the notes (see footnote 9) to the financial statements.

### Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the City's budget for the 2018-19 fiscal year:

- The unemployment rate for Michigan is currently 4.8% and the national average rate is 4.1%.
- The local, state and national economies continue to slowly improve. The City's taxable values have stabilized as foreclosures have decreased and new construction projects within the City have started to increase.
- The tax collection rate for the 2018-19 fiscal year are expected to be comparable to fiscal year 2017-18 at 99% of billed taxes. The County tax revolving fund reimburses the City for delinquent real property taxes in April each year following the March settlement.
- For the 2018 tax year, the operating millage of 9.05 mills remained the same as the 2017 tax year to enable the same level of service to taxpayers provided by the General Fund. The infrastructure millage reduced slightly to 2.0026 mills. The refuse millage (PA 213) remained at 1.0 mills. Overall, the 2018 tax rates remained relatively consistent with 2017.
- Sewer rates charged for services in fiscal year 2018-19 remained the same as the fiscal year 2017-18 rates.
- Water rates charged for services in fiscal year 2018-19 slightly decreased 13.5%, down 1.5% from the fiscal year 2017-18 rates.

## CITY OF CHARLEVOIX, MICHIGAN

### Management's Discussion and Analysis

- Electric rates for fiscal year 2018-19 remained unchanged from fiscal year 2017-18.
- Wage rates increased 2% for Police Officers Labor Council (POLC) union employees with no change for Communications Workers of America (CWA) union employees per their labor contracts with the City. The City's non-union employees received a 2% rate increase effective April 2018.
- The employee fringe benefit fund rates increased only 1.0% for all funds for 2018/19 due to slight increases in benefit costs.

#### Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Treasurer, 210 State Street, Charlevoix, Michigan 49720 or via email to [citytreasurer@cityofcharlevoix.org](mailto:citytreasurer@cityofcharlevoix.org) or by visiting our Web site at [www.cityofcharlevoix.org](http://www.cityofcharlevoix.org) for additional supplemental budgetary information.

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## BASIC FINANCIAL STATEMENTS

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF CHARLEVOIX, MICHIGAN

Statement of Net Position

March 31, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 3,226,146	\$ 9,313,134	\$ 12,539,280	\$ 485,292
Cash at fiscal agent	64,600	563,233	627,833	-
Investments	881,155	1,912,895	2,794,050	50,000
Deposit held by Michigan Public Power Agency	-	381,927	381,927	-
Receivables, net	523,489	1,331,632	1,855,121	2,333
Internal balances	(603,118)	603,118	-	-
Other assets	85,407	392,999	478,406	-
Restricted investments	-	300,000	300,000	-
Capital assets not being depreciated	17,554,501	2,396,512	19,951,013	923,071
Capital assets being depreciated, net	12,208,318	37,565,266	49,773,584	2,457,414
<b>Total assets</b>	<b>33,940,498</b>	<b>54,760,716</b>	<b>88,701,214</b>	<b>3,918,110</b>
<b>Deferred outflows of resources</b>				
Deferred charge on bond refunding	-	161,591	161,591	-
Deferred pension amounts	326,746	277,874	604,620	-
<b>Total deferred outflows of resources</b>	<b>326,746</b>	<b>439,465</b>	<b>766,211</b>	<b>-</b>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	352,585	1,042,065	1,394,650	7,195
Unearned revenue	28,551	18,598	47,149	5,626
Long-term debt:				
Due within one year	227,897	752,066	979,963	-
Due in more than one year	3,514,810	12,191,091	15,705,901	-
Net pension liability	2,687,622	2,285,640	4,973,262	-
<b>Total liabilities</b>	<b>6,811,465</b>	<b>16,289,460</b>	<b>23,100,925</b>	<b>12,821</b>
<b>Deferred inflows of resources</b>				
Deferred pension amounts	153,735	130,742	284,477	-
<b>Net position</b>				
Net investment in capital assets	26,396,395	27,180,212	53,576,607	3,380,485
Restricted for:				
Perpetual care	426,419	-	426,419	-
Street improvements	326,149	-	326,149	-
Energy purchases	-	381,927	381,927	-
Downtown development	-	-	-	524,804
Unrestricted	153,081	11,217,840	11,370,921	-
<b>Total net position</b>	<b>\$ 27,302,044</b>	<b>\$ 38,779,979</b>	<b>\$ 66,082,023</b>	<b>\$ 3,905,289</b>

The accompanying notes are an integral part of these financial statements.

CITY OF CHARLEVOIX, MICHIGAN

**Statement of Activities**

For the Year Ended March 31, 2018

Functions / Programs	Expenses	Program Revenues			Net Revenue (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government</b>					
Governmental activities:					
Legislative	\$ 56,166	\$ -	\$ -	\$ -	\$ (56,166)
General government	736,232	211,437	48,152	-	(476,643)
Public safety	1,232,129	-	15,339	-	(1,216,790)
Public works	962,188	1,750	488,619	-	(471,819)
Health and welfare	540,299	453,100	-	-	(87,199)
Recreation and culture	1,099,244	249,665	35,832	-	(813,747)
Interest	106,569	-	-	-	(106,569)
<b>Total governmental activities</b>	<b>4,732,827</b>	<b>915,952</b>	<b>587,942</b>	<b>-</b>	<b>(3,228,933)</b>
Business-type activities:					
Electric utility	5,639,452	5,519,944	34,615	-	(84,893)
Sewage disposal utility	1,762,447	2,374,026	16,543	280,268	908,390
Water utility	1,131,404	1,354,349	1,557	-	224,502
Marina	1,059,142	433,923	336,972	-	(288,247)
Airport	1,492,045	1,162,366	-	1,291,050	961,371
<b>Total business-type activities</b>	<b>11,084,490</b>	<b>10,844,608</b>	<b>389,687</b>	<b>1,571,318</b>	<b>1,721,123</b>
<b>Total primary government</b>	<b>\$ 15,817,317</b>	<b>\$ 11,760,560</b>	<b>\$ 977,629</b>	<b>\$ 1,571,318</b>	<b>\$ (1,507,810)</b>
<b>Component unit</b>					
Downtown Development Authority	\$ 797,290	\$ 79,706	\$ 53,623	\$ -	\$ (663,961)

Continued...



# CITY OF CHARLEVOIX, MICHIGAN

## Statement of Activities

For the Year Ended March 31, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Change in net position				
Net revenue (expense)	\$ (3,228,933)	\$ 1,721,123	\$ (1,507,810)	\$ (663,961)
General revenues:				
Property taxes	3,037,259	-	3,037,259	433,925
State shared revenues	291,430	-	291,430	-
Other revenue	12,579	-	12,579	-
Gain on sale of capital assets	6,148	-	6,148	-
Unrestricted investment earnings	20,457	-	20,457	-
Transfers - internal activities	(371,629)	371,629	-	-
Total general revenues and transfers	2,996,244	371,629	3,367,873	433,925
Change in net position	(232,689)	2,092,752	1,860,063	(230,036)
Net position, beginning of year	27,534,733	36,687,227	64,221,960	4,135,325
Net position, end of year	\$ 27,302,044	\$ 38,779,979	\$ 66,082,023	\$ 3,905,289

Concluded

The accompanying notes are an integral part of these financial statements.

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## FUND FINANCIAL STATEMENTS

# CITY OF CHARLEVOIX, MICHIGAN

## Balance Sheet

Governmental Funds

March 31, 2018

	General Fund	Infrastructure Improvement Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 906,004	\$ 242,618	\$ 706,990	\$ 1,855,612
Cash at fiscal agent	-	-	64,600	64,600
Investments	403,687	-	276,734	680,421
Accounts receivable, net	255,407	19	691	256,117
Taxes receivable	48,216	9,617	11,079	68,912
Interest receivable	4,587	-	1,520	6,107
Other assets	36,225	-	-	36,225
Due from other governmental units	53,611	-	134,259	187,870
<b>Total assets</b>	<b>\$ 1,707,737</b>	<b>\$ 252,254</b>	<b>\$ 1,195,873</b>	<b>\$ 3,155,864</b>
<b>Liabilities</b>				
Accounts payable	\$ 98,976	\$ 326	\$ 50,815	\$ 150,117
Accrued liabilities	45,317	19,905	1,318	66,540
Unearned revenue	26,555	-	616	27,171
<b>Total liabilities</b>	<b>170,848</b>	<b>20,231</b>	<b>52,749</b>	<b>243,828</b>
<b>Fund balances</b>				
Nonspendable	36,225	-	426,419	462,644
Restricted	-	232,023	326,149	558,172
Assigned	-	-	390,556	390,556
Unassigned	1,500,664	-	-	1,500,664
<b>Total fund balances</b>	<b>1,536,889</b>	<b>232,023</b>	<b>1,143,124</b>	<b>2,912,036</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,707,737</b>	<b>\$ 252,254</b>	<b>\$ 1,195,873</b>	<b>\$ 3,155,864</b>

The accompanying notes are an integral part of these basic financial statements.

# CITY OF CHARLEVOIX, MICHIGAN

## Reconciliation

Fund Balances of Governmental Funds  
to Net Position of Governmental Activities  
March 31, 2018

Fund balances - total governmental funds	\$ 2,912,036
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	17,554,501
Capital assets being depreciated, net	12,208,318
Capital assets accounted for in motor vehicle internal service funds, net	(1,234,048)
Internal service funds are used by management to charge the costs of certain employee benefits and equipment usage to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities.	
Net position of governmental activities accounted for in internal service funds	2,651,694
Net position allocated to business-type activities from governmental activities internal service funds	(603,118)
Certain pension-related amounts, such as the net pension liability and deferred amounts, are not due and payable in the current period or do not represent current financial resources, and therefore are not reported in the funds.	
Net pension liability	(2,687,622)
Deferred outflows of resources related to the net pension liability	326,746
Deferred inflows of resources related to the net pension liability	(153,735)
Certain non-current liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.	
Compensated absences - sick leave	(7,781)
Interest payable on long-term debt	(66,500)
Bonds payable	<u>(3,598,447)</u>
Net position of governmental activities	<u>\$ 27,302,044</u>

The accompanying notes are an integral part of these basic financial statements.

# CITY OF CHARLEVOIX, MICHIGAN

## Statement of Revenues, Expenditures and Change in Fund Balances

Governmental Funds

For the Year Ended March 31, 2018

	General Fund	Infrastructure Improvement Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 2,344,944	\$ 464,083	\$ 228,232	\$ 3,037,259
Federal revenue	-	-	36,000	36,000
State revenue	292,873	-	491,991	784,864
Licenses and permits	7,230	-	-	7,230
Charges for services	713,623	-	4,725	718,348
Fines and forfeitures	18,137	-	-	18,137
Interest	9,967	757	4,252	14,976
Rents and royalties	126,323	-	7,230	133,553
Other revenue	99,242	-	10,000	109,242
<b>Total revenues</b>	<b>3,612,339</b>	<b>464,840</b>	<b>782,430</b>	<b>4,859,609</b>
<b>Expenditures</b>				
Current:				
Legislative	56,083	-	-	56,083
General government	711,047	-	44,519	755,566
Public safety	1,060,455	-	-	1,060,455
Public works	234,946	1,125,442	416,642	1,777,030
Health and welfare	535,426	-	-	535,426
Recreation and culture	1,164,674	-	319	1,164,993
Other expenditures	28,789	-	-	28,789
Debt service:				
Principal	-	-	190,000	190,000
Interest	-	-	133,411	133,411
<b>Total expenditures</b>	<b>3,791,420</b>	<b>1,125,442</b>	<b>784,891</b>	<b>5,701,753</b>
Revenues under expenditures	(179,081)	(660,602)	(2,461)	(842,144)
<b>Other financing sources (uses)</b>				
Transfers in	72,700	75,000	408,833	556,533
Transfers out	(10,700)	(562,777)	(314,552)	(888,029)
<b>Total other financing sources (uses)</b>	<b>62,000</b>	<b>(487,777)</b>	<b>94,281</b>	<b>(331,496)</b>
Net change in fund balances	(117,081)	(1,148,379)	91,820	(1,173,640)
Fund balances, beginning of year	1,653,970	1,380,402	1,051,304	4,085,676
Fund balances, end of year	\$ 1,536,889	\$ 232,023	\$ 1,143,124	\$ 2,912,036

The accompanying notes are an integral part of these basic financial statements.

## CITY OF CHARLEVOIX, MICHIGAN

### Reconciliation

Net Change in Fund Balances of Governmental Funds  
to Change in Net Position of Governmental Activities  
For the Year Ended March 31, 2018

Net change in fund balances - total governmental funds \$ (1,173,640)

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, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital assets purchased/constructed	1,542,891
Depreciation expense	(613,732)

Repayment of debt principal is an expenditure in the funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal payment	190,000
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Internal service funds are used by management to charge the costs of certain employee benefits and equipment usage to individual governmental funds. The net revenue (expense) attributable to those funds is reported with governmental activities.

Change in net position from governmental activities accounted for in internal service funds	(123,889)
Change in net position from governmental activities accounted for in internal service funds charged to business-type activities	52,068

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in the net pension liability and related deferred amounts	(153,549)
Bond premium amortization	28,342
Change in interest expense	(1,500)
Net decrease in compensated absences - sick leave	20,320

Change in net position of governmental activities	<u>\$ (232,689)</u>
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The accompanying notes are an integral part of these basic financial statements.

# CITY OF CHARLEVOIX, MICHIGAN

## Statement of Revenues, Expenditures and Change in Fund Balance

Budget and Actual - General Fund  
For the Year Ended March 31, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes:				
Property taxes	\$ 2,306,700	\$ 2,350,842	\$ 2,305,301	\$ (45,541)
Payments in lieu of taxes	5,000	13,200	14,437	1,237
Interest and penalties on taxes	8,000	8,000	5,909	(2,091)
Tax collection fees	18,000	18,000	19,297	1,297
Total taxes	<u>2,337,700</u>	<u>2,390,042</u>	<u>2,344,944</u>	<u>(45,098)</u>
State revenue	<u>256,500</u>	<u>301,104</u>	<u>292,873</u>	<u>(8,231)</u>
Licenses and permits	<u>5,300</u>	<u>6,195</u>	<u>7,230</u>	<u>1,035</u>
Charges for services:				
Fire runs	25,400	25,400	-	(25,400)
Ambulance runs	257,300	342,542	374,963	32,421
Ambulance contracts	92,000	92,000	78,137	(13,863)
Cemetery	35,000	35,000	28,388	(6,612)
Golf course	90,100	93,061	92,730	(331)
Summer sports	6,900	12,538	12,413	(125)
Day camp	56,000	42,524	40,379	(2,145)
Winter sports	57,000	57,000	48,919	(8,081)
Skate park	1,000	1,000	637	(363)
Parking	30,000	31,250	29,889	(1,361)
Other	5,700	7,593	7,168	(425)
Total charges for services	<u>656,400</u>	<u>739,908</u>	<u>713,623</u>	<u>(26,285)</u>
Fines and forfeitures	<u>20,900</u>	<u>21,224</u>	<u>18,137</u>	<u>(3,087)</u>
Interest	<u>2,500</u>	<u>2,500</u>	<u>9,967</u>	<u>7,467</u>
Rents and royalties:				
City hall	102,500	104,700	105,000	300
Boat launch/harbor building	20,500	20,501	20,970	469
Skate park	300	300	353	53
Total rents and royalties	<u>123,300</u>	<u>125,501</u>	<u>126,323</u>	<u>822</u>
Other revenue	<u>64,600</u>	<u>104,480</u>	<u>99,242</u>	<u>(5,238)</u>
Total revenues	<u>3,467,200</u>	<u>3,690,954</u>	<u>3,612,339</u>	<u>(78,615)</u>

Continued...



# CITY OF CHARLEVOIX, MICHIGAN

## Statement of Revenues, Expenditures and Change in Fund Balance

Budget and Actual - General Fund  
For the Year Ended March 31, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Expenditures</b>				
<b>Legislative:</b>				
City council	\$ 47,800	\$ 56,138	\$ 56,083	\$ (55)
<b>General government:</b>				
Mayor	7,000	8,231	5,912	(2,319)
City manager	113,700	116,409	109,109	(7,300)
Elections	24,900	16,963	13,899	(3,064)
Assessor	58,700	60,168	56,831	(3,337)
City attorney	40,000	30,350	21,731	(8,619)
City clerk	51,200	47,679	38,649	(9,030)
City treasurer	68,800	69,367	59,910	(9,457)
City hall and grounds	289,900	333,310	315,874	(17,436)
Cemetery	100,300	101,136	89,132	(12,004)
<b>Total general government</b>	<b>754,500</b>	<b>783,613</b>	<b>711,047</b>	<b>(72,566)</b>
<b>Public safety:</b>				
Police department	781,400	809,030	791,506	(17,524)
Parking law enforcement	7,300	8,336	8,117	(219)
Fire department	248,500	217,799	176,942	(40,857)
Planning department	72,200	56,141	83,890	27,749
<b>Total public safety</b>	<b>1,109,400</b>	<b>1,091,306</b>	<b>1,060,455</b>	<b>(30,851)</b>
<b>Public works:</b>				
Highways and streets	300	300	240	(60)
Leaf pick up	147,300	147,254	136,592	(10,662)
Waste collection	51,600	51,612	61,496	9,884
Brush pickup	52,900	52,795	36,618	(16,177)
<b>Total public works</b>	<b>252,100</b>	<b>251,961</b>	<b>234,946</b>	<b>(17,015)</b>

Continued...

# CITY OF CHARLEVOIX, MICHIGAN

## Statement of Revenues, Expenditures and Change in Fund Balance

Budget and Actual - General Fund  
For the Year Ended March 31, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (Continued)				
Health and welfare:				
Ambulance	\$ 426,600	\$ 487,024	\$ 535,426	\$ 48,402
Recreation and culture:				
Parks	436,000	480,225	511,073	30,848
Recreation administration	59,400	95,583	71,734	(23,849)
City beaches	97,100	97,143	58,352	(38,791)
Ball fields	23,600	18,785	13,872	(4,913)
Day camp	69,600	69,853	57,890	(11,963)
Ice rink	8,900	14,604	7,153	(7,451)
Mt. McSauba ski hill	133,100	132,473	128,158	(4,315)
Basketball and volleyball	55,100	51,166	48,002	(3,164)
Golf course	236,900	243,655	227,063	(16,592)
Boat launch	21,300	21,204	19,606	(1,598)
Skate park	7,900	7,879	5,662	(2,217)
Community promotion	17,700	17,700	16,109	(1,591)
Total recreation and culture	1,166,600	1,250,270	1,164,674	(85,596)
Other expenditures	37,000	21,600	28,789	7,189
Total expenditures	3,794,000	3,941,912	3,791,420	(150,492)
Revenues under expenditures	(326,800)	(250,958)	(179,081)	71,877
Other financing sources (uses)				
Transfers in	72,700	72,700	72,700	-
Transfers out	(75,700)	(103,200)	(10,700)	(92,500)
Total other financing sources (uses)	(3,000)	(30,500)	62,000	(92,500)
Net change in fund balance	(329,800)	(281,458)	(117,081)	164,377
Fund balance, beginning of year	1,653,970	1,653,970	1,653,970	-
Fund balance, end of year	\$ 1,324,170	\$ 1,372,512	\$ 1,536,889	\$ 164,377

Concluded

The accompanying notes are an integral part of these basic financial statements.

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CITY OF CHARLEVOIX, MICHIGAN

**Statement of Net Position**  
 Proprietary Funds  
 March 31, 2018

	Business-type Activities - Enterprise Funds			
	Electric Utility	Sewage Disposal Utility	Water Utility	Marina
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 4,046,494	\$ 3,434,306	\$ 362,627	\$ 177,780
Investments	1,425,584	40,000	44,000	-
Cash at fiscal agent	-	493,433	-	69,800
Deposits held by Michigan Public Power Agency	381,927	-	-	-
Accounts receivable, net	804,537	351,150	118,083	27
Interest receivable	11,908	145	153	552
Other assets	1,310	1,380	1,310	-
Inventories	271,402	-	76,237	-
<b>Total current assets</b>	<b>6,943,162</b>	<b>4,320,414</b>	<b>602,410</b>	<b>248,159</b>
Noncurrent assets:				
Restricted investments	75,000	75,000	75,000	75,000
Advance to other funds	683,000	-	-	-
Capital assets, not being depreciated	248,770	877,878	171,759	-
Capital assets, net of accumulated depreciation	3,767,740	14,001,564	4,785,980	6,790,215
<b>Total noncurrent assets</b>	<b>4,774,510</b>	<b>14,954,442</b>	<b>5,032,739</b>	<b>6,865,215</b>
<b>Total assets</b>	<b>11,717,672</b>	<b>19,274,856</b>	<b>5,635,149</b>	<b>7,113,374</b>
Deferred outflows of resources				
Deferred charge on bond refunding	-	-	-	161,591
Deferred pension amounts	171,280	29,466	55,502	-
<b>Total deferred outflows of resources</b>	<b>171,280</b>	<b>29,466</b>	<b>55,502</b>	<b>161,591</b>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	355,531	151,812	83,066	6,776
Accrued liabilities	21,243	123,766	7,943	70,691
Customer deposits	62,511	-	-	95,406
Current portion of bonds and notes payable	-	380,000	-	372,066
Unearned revenue	-	-	-	-
<b>Total current liabilities</b>	<b>439,285</b>	<b>655,578</b>	<b>91,009</b>	<b>544,939</b>
Noncurrent liabilities:				
Advance from other funds	-	-	-	593,000
Bonds payable, net of current portion	-	8,694,562	-	3,496,529
Compensated absences, net of current portion	-	-	-	-
Net pension liability	1,408,860	242,371	456,526	-
<b>Total noncurrent liabilities</b>	<b>1,408,860</b>	<b>8,936,933</b>	<b>456,526</b>	<b>4,089,529</b>
<b>Total liabilities</b>	<b>1,848,145</b>	<b>9,592,511</b>	<b>547,535</b>	<b>4,634,468</b>
Deferred inflows of resources				
Deferred pension amounts	80,589	13,864	26,114	-
<b>Net position</b>				
Net investment in capital assets	4,016,510	5,804,880	4,957,739	3,083,211
Restricted for:				
Energy purchases	381,927	-	-	-
Unrestricted (deficit)	5,561,781	3,893,067	159,263	(442,714)
<b>Total net position</b>	<b>\$ 9,960,218</b>	<b>\$ 9,697,947</b>	<b>\$ 5,117,002</b>	<b>\$ 2,640,497</b>

The accompanying notes are an integral part of these basic financial statements.

Airport	Total	Internal Service Funds
\$ 2,270	\$ 8,023,477	\$ 2,660,191
-	1,509,584	604,045
-	563,233	-
-	381,927	-
39,916	1,313,713	2,624
-	12,758	7,020
4,295	8,295	49,182
37,065	384,704	-
<u>83,546</u>	<u>12,197,691</u>	<u>3,323,062</u>
-	300,000	-
-	683,000	-
997,416	2,295,823	121,342
<u>8,176,247</u>	<u>37,521,746</u>	<u>1,256,915</u>
<u>9,173,663</u>	<u>40,800,569</u>	<u>1,378,257</u>
<u>9,257,209</u>	<u>52,998,260</u>	<u>4,701,319</u>
-	161,591	-
<u>21,626</u>	<u>277,874</u>	<u>-</u>
<u>21,626</u>	<u>439,465</u>	<u>-</u>
36,657	633,842	56,717
6,474	230,117	32,900
-	157,917	-
-	752,066	-
<u>18,598</u>	<u>18,598</u>	<u>1,380</u>
<u>61,729</u>	<u>1,792,540</u>	<u>90,997</u>
90,000	683,000	-
-	12,191,091	-
-	-	136,479
<u>177,883</u>	<u>2,285,640</u>	<u>-</u>
<u>267,883</u>	<u>15,159,731</u>	<u>136,479</u>
<u>329,612</u>	<u>16,952,271</u>	<u>227,476</u>
<u>10,175</u>	<u>130,742</u>	<u>-</u>
9,173,663	27,036,003	1,378,257
-	381,927	-
<u>(234,615)</u>	<u>8,936,782</u>	<u>3,095,586</u>
<u>\$ 8,939,048</u>	<u>\$ 36,354,712</u>	<u>\$ 4,473,843</u>

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## CITY OF CHARLEVOIX, MICHIGAN

### Reconciliation

Net Position of Enterprise Funds  
to Net Position of Business-type Activities  
March 31, 2018

Net position - total enterprise funds \$ 36,354,712

Amounts reported for *business-type activities* in the statement of net position are different because:

Internal service funds are used by management to charge the costs of certain activities to other funds. Certain internal service funds net position is allocated to the business-type activities and reported in the statement of net position.

Net position of business-type activities accounted for in business-type activity internal service funds	1,822,149
Net position allocated to business-type activities from governmental activities internal service funds	<u>603,118</u>

Net position of business-type activities \$ 38,779,979

The accompanying notes are an integral part of these basic financial statements.

CITY OF CHARLEVOIX, MICHIGAN

Statement of Revenues, Expenses and Change in Fund Net Position  
 Proprietary Funds  
 For the Year Ended March 31, 2018

	Business-type Activities - Enterprise Funds			
	Electric Utility	Sewage Disposal Utility	Water Utility	Marina
Operating revenues				
Charges for services	\$ 5,519,944	\$ 2,370,526	\$ 1,354,349	\$ 433,923
Operating expenses				
Purchased power	3,104,874	-	-	-
Fuel purchases	-	-	-	-
Personnel services	1,309,695	584,351	454,826	121,218
Contractual services	102,298	79,756	98,457	54,720
Insurance	16,311	13,303	4,279	2,756
Building rental	53,200	25,800	24,600	-
Equipment rental	175,022	66,522	90,648	84
Supplies	66,975	53,504	73,720	5,867
Utilities	61,883	115,571	44,413	77,249
Repairs and maintenance	160,926	15,691	58,056	11,238
Depreciation	485,449	543,929	265,058	648,796
Miscellaneous	80,359	26,753	10,545	8,146
Total operating expenses	5,616,992	1,525,180	1,124,602	930,074
Operating income (loss)	(97,048)	845,346	229,747	(496,151)
Nonoperating revenues (expenses)				
Interest revenue	34,615	6,300	1,557	1,272
Gain on sale of capital assets	-	-	-	-
Other revenue	-	3,500	-	335,700
Interest expense	-	(226,885)	-	(128,430)
Total nonoperating revenues (expenses)	34,615	(217,085)	1,557	208,542
Income (loss) before transfers and capital contributions	(62,433)	628,261	231,304	(287,609)
Transfers				
Transfers in	74,217	199,321	155,991	-
Transfers out	(173,191)	(123,004)	(38,205)	-
Total transfers	(98,974)	76,317	117,786	-
Capital contributions				
Federal revenue	-	-	-	-
State revenue	-	280,268	-	-
Total capital contributions	-	280,268	-	-
Change in net position	(161,407)	984,846	349,090	(287,609)
Net position, beginning of year	10,121,625	8,713,101	4,767,912	2,928,106
Net position, end of year	\$ 9,960,218	\$ 9,697,947	\$ 5,117,002	\$ 2,640,497

The accompanying notes are an integral part of these basic financial statements.



Airport	Total	Internal Service Funds
\$ 1,162,366	\$ 10,841,108	\$ 2,890,563
-	3,104,874	-
700,420	700,420	-
219,610	2,689,700	2,424,784
10,994	346,225	51,592
9,848	46,497	-
-	103,600	-
1,176	333,452	-
4,781	204,847	70,926
31,923	331,039	11,328
6,795	252,706	105,037
439,389	2,382,621	322,635
64,599	190,402	3,749
1,489,535	10,686,383	2,990,051
(327,169)	154,725	(99,488)
-	43,744	15,723
-	-	6,148
-	339,200	14,530
(1,150)	(356,465)	-
(1,150)	26,479	36,401
(328,319)	181,204	(63,087)
60,500	490,029	286,000
-	(334,400)	(110,133)
60,500	155,629	175,867
1,291,050	1,291,050	-
-	280,268	-
1,291,050	1,571,318	-
1,023,231	1,908,151	112,780
7,915,817	34,446,561	4,361,063
\$ 8,939,048	\$ 36,354,712	\$ 4,473,843

# CITY OF CHARLEVOIX, MICHIGAN

## Reconciliation

Change in Fund Net Position of Enterprise Funds  
to Change in Net Position of Business-type Activities  
For the Year Ended March 31, 2018

Change in net position - total enterprise funds \$ 1,908,151

Amounts reported for *business-type activities* in the statement of activities are different because:

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net increase (decrease) in the net position of certain internal service funds is allocated to the business-type activities and reported in the statement of activities.

Change in net position of internal service funds charged to business-type activities	236,669
Change in net position of internal service funds accounted for in governmental activities but charged to business-type activities	<u>(52,068)</u>

Change in net position of business-type activities \$ 2,092,752

The accompanying notes are an integral part of these basic financial statements.

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# CITY OF CHARLEVOIX, MICHIGAN

## Statement of Cash Flows

Proprietary Funds

For the Year Ended March 31, 2018

	Business-type Activities - Enterprise Funds			
	Electric Utility	Sewage Disposal Utility	Water Utility	Marina
Cash flows from operating activities				
Cash received from customers	\$ 5,566,936	\$ 2,268,751	\$ 1,340,765	\$ 441,315
Cash received from interfund services	-	-	-	-
Cash payments to employees	(1,185,589)	(547,315)	(511,877)	(56,733)
Cash payments to suppliers for goods and services	(3,833,186)	(269,195)	(338,245)	(158,772)
Net cash provided by operating activities	548,161	1,452,241	490,643	225,810
Cash flows from noncapital financing activities				
Other receipts	-	3,500	-	335,700
Transfers out	(173,191)	(123,004)	(38,205)	-
Net cash provided by (used in) noncapital financing activities	(173,191)	(119,504)	(38,205)	335,700
Cash flows from capital and related financing activities				
State receipts	-	280,268	-	-
Proceeds from sale of capital assets	-	-	-	-
Purchase of capital assets	(239,717)	(551,316)	(548,885)	-
Repayment on interfund advances	-	-	-	(50,000)
Transfers in	74,217	199,321	155,991	-
Proceeds from issuance of long-term debt	-	1,963	-	-
Bond principal payments	-	(385,000)	-	(315,000)
Bond and advance interest payments	-	(242,892)	-	(152,542)
Net cash used in capital and related financing activities	(165,500)	(697,656)	(392,894)	(517,542)
Cash flows from investing activities				
Purchase of investments	(4,335)	-	-	-
Receipt of amounts from advance to other funds	75,000	-	-	-
Interest received	27,065	6,808	2,082	1,395
Net cash provided by investing activities	97,730	6,808	2,082	1,395
Net increase in cash and cash equivalents	307,200	641,889	61,626	45,363
Cash and cash equivalents, beginning of year	4,121,221	3,285,850	301,001	202,217
Cash and cash equivalents, including cash at fiscal agent and deposit held by MPPA, beginning of year	4,428,421	3,927,739	362,627	247,580
Cash at fiscal agent, end of year	-	(493,433)	-	(69,800)
Deposit held by MPPA, end of year	(381,927)	-	-	-
Cash and cash equivalents, end of year	\$ 4,046,494	\$ 3,434,306	\$ 362,627	\$ 177,780

Airport	Total	Internal Service Funds
\$ 1,143,830	\$ 10,761,597	\$ -
-	-	2,889,224
(262,710)	(2,564,224)	(2,411,649)
(808,100)	(5,407,498)	(235,562)
<u>73,020</u>	<u>2,789,875</u>	<u>242,013</u>
-	339,200	14,530
-	(334,400)	(110,133)
-	4,800	(95,603)
-	280,268	-
-	-	6,148
(105,300)	(1,445,218)	(300,570)
(25,000)	(75,000)	-
60,500	490,029	286,000
-	1,963	-
-	(700,000)	-
(1,150)	(396,584)	-
<u>(70,950)</u>	<u>(1,844,542)</u>	<u>(8,422)</u>
-	(4,335)	-
-	75,000	-
-	37,350	7,049
-	108,015	7,049
2,070	1,058,148	145,037
200	7,910,489	2,515,154
2,270	8,968,637	2,660,191
-	(563,233)	-
-	(381,927)	-
<u>\$ 2,270</u>	<u>\$ 8,023,477</u>	<u>\$ 2,660,191</u>

Continued...

CITY OF CHARLEVOIX, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended March 31, 2018

	Business-type Activities - Enterprise Funds			
	Electric Utility	Sewage Disposal Utility	Water Utility	Marina
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ (97,048)	\$ 845,346	\$ 229,747	\$ (496,151)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	485,449	543,929	265,058	648,796
Changes in assets and liabilities that provided (used) cash:				
Accounts receivable	53,312	(101,775)	(13,584)	(25)
Other assets	-	60	-	-
Inventory	(16,473)	-	13,399	228
Deposits held by Michigan Public Power Agency	460	-	-	-
Accounts payable	4,675	111,638	53,074	1,060
Accrued liabilities	(4,432)	11,833	(2,713)	64,485
Net pension liability and related deferred amounts	128,538	41,210	(54,338)	-
Customer deposits	(6,320)	-	-	7,417
Accrued compensated absences	-	-	-	-
Unearned revenue	-	-	-	-
Net cash provided by operating activities	<u>\$ 548,161</u>	<u>\$ 1,452,241</u>	<u>\$ 490,643</u>	<u>\$ 225,810</u>

Non-cash transaction

The airport fund purchased capital assets in the amount of \$1,291,050 for the Taxiway A Rehabilitation Project which was funded with federal revenue capital contributions.

The accompanying notes are an integral part of these financial statements.

Airport	Total	Internal Service Funds
\$ (327,169)	\$ 154,725	\$ (99,488)
439,389	2,382,621	322,635
(15,780)	(77,852)	(2,585)
-	60	(2,497)
(7,281)	(10,127)	-
-	460	-
28,769	199,216	9,567
948	70,121	15,618
(43,100)	72,310	-
-	1,097	-
-	-	(2,483)
(2,756)	(2,756)	1,246
<u>\$ 73,020</u>	<u>\$ 2,789,875</u>	<u>\$ 242,013</u>

Concluded

# CITY OF CHARLEVOIX, MICHIGAN

## Statement of Fiduciary Assets and Liabilities

Agency Funds  
March 31, 2018

Assets	
Cash	<u>\$ 75,320</u>
Liabilities	
Undistributed receipts	<u>\$ 75,320</u>

The accompanying notes are an integral part of these financial statements.



## NOTES TO THE FINANCIAL STATEMENTS

# CITY OF CHARLEVOIX, MICHIGAN

## Notes to the Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Reporting Entity

The *City of Charlevoix, Michigan* (the “City”) was incorporated in 1905 and adopted a Home Rule Charter in April 1978 under Act 279, P.A. 1909 as amended (Home Rule City Act). The City is directed by a six-member City Council and a Mayor elected by the community at large. This legislative body appoints a City Manager to administer the affairs of the City. The City provides the following services as authorized by its charter: general government (planning and zoning, public improvement and general administrative services), public safety (police and fire), public works (highways and streets, brush pick-up, sanitation, electricity), health and welfare and recreation and culture.

Downtown Development Authority - The Downtown Development Authority (“DDA”) is responsible for certain projects and activities whose purpose is to revitalize the downtown business district. The members of the DDA’s governing board are appointed by the Mayor of the City and the City also has the ability to significantly influence the operations of the DDA. Therefore, the DDA is reported as a discretely presented component unit.

#### Government-wide and Fund Financial Statements

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 unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

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

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

# CITY OF CHARLEVOIX, MICHIGAN

## Notes to the Financial Statements

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues 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. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues reported in the governmental funds to be available if they are collected within three months after year-end, except for property taxes that use a 60-day collection period, and reimbursement-based grants that use a one year collection period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and as such have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all the financial resources of the primary government, except those accounted for and reported in another fund.

The *Infrastructure Improvements Fund*, a capital projects fund, accounts for projects that maintain or improve the City's infrastructure.

The City reports the following major proprietary funds:

The *Electric Utility Fund* accounts for the activities of the City's electrical utility system.

The *Sewage Disposal Utility Fund* accounts for the activities of the City's sewage disposal and treatment system.

The *Water Utility Fund* accounts for the activities of the City's water distribution and treatment system.

The *Marina Fund* accounts for the activities of the City's marina.

The *Airport Fund* accounts for the activities of the Charlevoix Airport including revenue sources that are legally restricted for expenses of the Airport.

# CITY OF CHARLEVOIX, MICHIGAN

## Notes to the Financial Statements

Additionally, the City reports the following fund types:

*Special revenue funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

*Capital projects funds* are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital projects that comprise, or are expected to comprise a substantial portion of the fund's total reported inflows.

The *debt service fund* accounts for financial resources that are restricted, committed or assigned to expenditure for principal, interest and other related costs.

The *permanent fund* accounts for the assets that are restricted in the City's Cemetery Perpetual Care Fund. The principal portion of these funds must stay intact, but the interest earnings are used to provide for maintenance of the City's cemetery.

*Internal service funds* account for fleet and equipment management, employee fringe benefits, and Department of Public Works services provided to other departments or funds of the City, or to other governments, on a cost reimbursement basis.

The *agency fund* accounts for resources held in a trustee or agent capacity.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water, sewage disposal, and electric utility, cost of building rent and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating revenues* and expenses from *nonoperating items*. Operating revenues 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 revenues of the electric utility, sewage disposal utility, water utility, marina and airport enterprise funds and of the City's internal service funds are charges to customers or other funds for sales and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

# CITY OF CHARLEVOIX, MICHIGAN

## Notes to the Financial Statements

Restricted net position includes assets that are subject to restrictions beyond the City's control. The restrictions may be externally imposed or imposed by law. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed.

### Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity

#### *Deposits and investments*

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

Cash at fiscal agent consists of amounts paid to a financial institution for bond payments due April 1 of the subsequent fiscal year.

Deposits held by the Michigan Public Power Agency (MPPA) consist of amounts from over-charges on power sales contract agreements. These funds are held in trust at Fifth Third Bank, trustee with Delegated Investment Management for MPPA. They are invested and managed according to PA 20 and MPPA's governing Investment Policy. Since the City of Charlevoix is the asset owner, these funds are recorded as current assets on the both the proprietary and the business-type activities statements of net position.

#### *Receivables and payables*

All receivables are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible. As of March 31, 2018, the General Fund receivable is shown net of an estimated allowance for uncollectible accounts of \$30,000. The receivables for the Electric Utility, Sewage Disposal Utility and Water Utility Funds are also shown net of estimated allowance for uncollectible accounts of \$3,400, \$1,100 and \$500, respectively.

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Amounts due from other governments include amounts due from the State for state shared revenue, gas and weight tax and trunkline maintenance and from grantors for specific programs and capital projects. Program grants and capital grants for capital assets are recorded as receivables and revenues at the time reimbursable project costs are incurred. Amounts received in advance of project costs being incurred are reported as unearned revenue.

# CITY OF CHARLEVOIX, MICHIGAN

## Notes to the Financial Statements

### *Inventory*

Inventory held by the enterprise funds is valued at cost on the first-in, first-out basis. Inventory of expendable supplies in other funds have not been recorded and the amount of any such inventory is not considered material. The cost of such inventory has been treated as an expenditure at the time of purchase.

### *Restricted investments*

Certain resources of the City's enterprise funds have been set aside for emergencies in accordance with the City's Charter.

### *Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items acquired or constructed since June 30, 1980), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are recorded at estimated cost as of the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government and component unit are depreciated using the straight-line method over the following estimated useful lives:

	Years
Land improvements	20 - 50
Infrastructure	30 - 50
Buildings and improvements	40
System improvements	5 - 20
Machinery and equipment	5 - 10
Vehicles	5 - 20

The City reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its fair value. If it is determined that an impairment loss has occurred, the asset is written down to its net realizable value and a current charge to income is recognized.

# CITY OF CHARLEVOIX, MICHIGAN

## Notes to the Financial Statements

### *Deferred outflows of resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City reports deferred outflows of resources for changes in expected and actual investment returns, assumptions, and benefits provided in its pension plans as well as for the deferred loss on refunding. A deferred refunding loss 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.

### *Payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either interfund receivables/payables (i.e., the current portion of interfund loans) or advances to/from other funds (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as due to/from other funds. Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as internal balances.

### *Compensated absences*

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay and 50 percent of sick leave up to 40 days for employees within the Communications Workers of America union and the Fraternal Order of Police union and fourteen days for the non-union employees are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the government-wide financial statement; otherwise, total accumulated and unused vacation time is reported as a liability in the employees fringe benefit internal service fund.

### *Long-term obligations*

In the government-wide financial statements and 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 statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

# CITY OF CHARLEVOIX, MICHIGAN

## Notes to the Financial Statements

### *Deferred inflows of resources*

In addition to liabilities, the statements of net position and balance sheets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position or fund balance that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until a future period. The governmental funds report unavailable revenues, which arises only under modified accrual basis of accounting, from certain long-term receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City reports deferred inflows of resources related to its pension plan for the difference between expected and actual experience.

### *Fund balances*

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of City Council (the City's highest level of decision-making authority). A formal resolution of the City Council is required to establish, modify, or rescind a fund balance commitment. The City reports assigned fund balance for amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City Council has delegated the authority to assign fund balance to the City Treasurer or his/her designee. Unassigned fund balance is the residual classification for the General Fund.

The City Council has adopted a minimum fund balance policy in which the total unassigned fund balance of the General Fund will be equal to at least 23 percent of the General Fund expenditures. If the General Fund's fund balance falls below 23 percent of total General Fund expenditures, the City Council will develop a plan to replenish the shortages by at least 1% each year as detailed in the policy.

When the City incurs an expenditure for purposes for which various fund balance classifications can be used, it is the City's procedure to use restricted fund balance first, then committed, assigned, and finally unassigned fund balance.

The City is reporting a deficit unrestricted net position of \$517,714 and \$234,615 in the Marina and Airport enterprise funds, respectively; however, total net position for each fund is not in a deficit. Management is looking at ways to increase revenues and decrease expenses in these funds so that they can eliminate the related deficit.

### *Interfund transactions*

During the course of normal operations, the City has numerous transactions between funds and component units, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements. Internal service funds are used to record charges for services to all City funds as operating revenue. All City funds record these payments to the internal service funds as operating expenditures/expenses.



# CITY OF CHARLEVOIX, MICHIGAN

## Notes to the Financial Statements

### *Pensions*

For purposes 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 Plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the 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.

### *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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

## 2. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at fiscal year-end.

On or before the third Monday in January of each year, the City Manager must present the proposed budget to City Council for review. The City Council holds public hearings and a final budget must be prepared and adopted no later than the third Monday in February.

The budget document presents information by fund, function, activity, department, and line items. The legal level of budgetary control adopted by City Council is the activity level, which is the level at which expenditures may not legally exceed appropriations. The City Manager may make transfers of appropriations between departments within any funds; however, any supplemental appropriations that amend the total expenditures of any fund require City Council resolution.

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount budgeted. During the year ended March 31, 2018, the City incurred expenditures in the General Fund which were in excess of the amounts appropriated, as follows:

	Total Appropriations	Amount of Expenditures	Budget Variance
General Fund			
Public safety:			
Planning department	\$ 56,141	\$ 83,890	\$ 27,749
Public works:			
Waste collection	51,612	61,496	9,884
Health and welfare:			
Ambulance	487,024	535,426	48,402
Recreation and culture:			
Parks	480,225	511,073	30,848
Other expenditures	21,600	28,789	7,189

# CITY OF CHARLEVOIX, MICHIGAN

## Notes to the Financial Statements

The above budgeted amounts are presented at the activity level, which is the required minimum level of control per the Michigan Uniform Budget Manual.

### 3. DEPOSITS AND INVESTMENTS

Following is a reconciliation of deposit and investment balances as of March 31, 2018:

	Primary Government	Component Unit	Total
<b>Statement of Net Position</b>			
Cash and cash equivalents	\$ 12,539,280	\$ 485,292	\$ 13,024,572
Cash at fiscal agent	627,833	-	627,833
Investments	2,794,050	50,000	2,844,050
Deposits held by Michigan Public Power Agency	381,927	-	381,927
Restricted investments	300,000	-	300,000
<b>Total Statement of Net Position</b>	<b>\$ 16,643,090</b>	<b>\$ 535,292</b>	<b>17,178,382</b>
<b>Statement of Fiduciary Assets and Liabilities</b>			
Cash and cash equivalents			75,320
<b>Total</b>			<b>\$ 17,253,702</b>
<b>Deposits and investments</b>			
Bank deposits (checking and savings accounts)			\$ 13,109,995
Certificates of deposits:			
Maturing in less than 1 year			1,880,000
Maturing in more than 1 year			1,253,040
Cash with fiscal agent			627,833
Deposits held by Michigan Public Power Agency			381,927
Petty cash			907
<b>Total</b>			<b>\$ 17,253,702</b>

*Custodial Credit Risk.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require and the City does not have a policy for deposit custodial credit risk. As of year-end, approximately \$13,991,000 of the City's bank balance of approximately \$16,003,000 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Investment Credit Risk.* The City's investment policy does not have specific limits in excess of state law on investment credit risk. The City has no investments for which ratings are required.

# CITY OF CHARLEVOIX, MICHIGAN

## Notes to the Financial Statements

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At year end, the City did not have any investments subject to interest rate risk.

The City is authorized by statute to invest surplus funds in the following:

- a. Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940, limited to mutual fund securities whose intention is to maintain a net asset value of \$1.00 per share.
- g. External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

The City Council is authorized to designate depositories for City funds, and to determine that the funds are invested in accordance with State of Michigan statutory authority.

The City's deposits are in accordance with statutory authority.

# CITY OF CHARLEVOIX, MICHIGAN

## Notes to the Financial Statements

### 4. RECEIVABLES

Receivables are comprised of the following as of March 31, 2018:

	Governmental Activities	Business-type Activities	Component Unit
Accounts receivable	\$ 288,741	\$ 1,318,713	\$ 2,333
Taxes receivable	68,912	-	-
Interest receivable	7,966	17,919	-
Due from other governmental units	187,870	-	-
Allowance for uncollectible accounts	(30,000)	(5,000)	-
	<u>\$ 523,489</u>	<u>\$ 1,331,632</u>	<u>\$ 2,333</u>

### 5. OTHER ASSETS

Other assets consisted of the following amounts at March 31, 2018:

	Governmental Activities	Business-type Activities	Component Units
Inventories	\$ -	\$ 384,704	\$ -
Prepays	85,407	8,295	-
Totals	<u>\$ 85,407</u>	<u>\$ 392,999</u>	<u>\$ -</u>

# CITY OF CHARLEVOIX, MICHIGAN

## Notes to the Financial Statements

### 6. CAPITAL ASSETS

#### Primary Government

Capital assets activity for the primary government for the year ended March 31, 2018, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<b>Governmental activities</b>					
Capital assets not being depreciated:					
Land	\$ 16,932,797	\$ -	\$ -	\$ -	\$ 16,932,797
Construction in progress	-	621,704	-	-	621,704
	<u>16,932,797</u>	<u>621,704</u>	<u>-</u>	<u>-</u>	<u>17,554,501</u>
Capital assets being depreciated:					
Land improvements	3,679,183	184,255	(14,471)	-	3,848,967
Infrastructure	6,298,006	564,052	-	-	6,862,058
Buildings and improvements	7,430,185	-	(4,250)	-	7,425,935
Machinery and equipment	2,148,584	205,149	(47,215)	-	2,306,518
Vehicles	3,452,630	230,612	(106,694)	-	3,576,548
	<u>23,008,588</u>	<u>1,184,068</u>	<u>(172,630)</u>	<u>-</u>	<u>24,020,026</u>
Less accumulated depreciation for:					
Land improvements	(2,084,596)	(78,740)	14,471	-	(2,148,865)
Infrastructure	(857,034)	(282,075)	-	-	(1,139,109)
Buildings and improvements	(4,204,198)	(180,163)	4,250	-	(4,380,111)
Machinery and equipment	(1,565,733)	(108,597)	47,215	-	(1,627,115)
Vehicles	(2,339,906)	(283,296)	106,694	-	(2,516,508)
	<u>(11,051,467)</u>	<u>(932,871)</u>	<u>172,630</u>	<u>-</u>	<u>(11,811,708)</u>
Total capital assets being depreciated, net	<u>11,957,121</u>	<u>251,197</u>	<u>-</u>	<u>-</u>	<u>12,208,318</u>
Governmental activities capital assets, net	<u>\$ 28,889,918</u>	<u>\$ 872,901</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,762,819</u>

# CITY OF CHARLEVOIX, MICHIGAN

## Notes to the Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<b>Business-type activities</b>					
Capital assets not being depreciated:					
Land	\$ 1,569,534	\$ -	\$ -	\$ -	\$ 1,569,534
Construction in progress	-	826,978	-	-	826,978
	<u>1,569,534</u>	<u>826,978</u>	<u>-</u>	<u>-</u>	<u>2,396,512</u>
Capital assets being depreciated:					
Land improvements	20,588,159	1,492,639	-	-	22,080,798
Buildings and improvements	21,959,708	32,370	(2,130,901)	-	19,861,177
System improvements	27,241,222	346,502	(1,392)	-	27,586,332
Machinery and equipment	2,607,417	75,468	(125,910)	-	2,556,975
	<u>72,396,506</u>	<u>1,946,979</u>	<u>(2,258,203)</u>	<u>-</u>	<u>72,085,282</u>
Less accumulated depreciation for:					
Land improvements	(8,099,178)	(962,366)	-	-	(9,061,544)
Buildings and improvements	(6,662,067)	(591,579)	2,130,901	-	(5,122,745)
System improvements	(17,380,660)	(698,794)	1,392	-	(18,078,062)
Machinery and equipment	(2,250,197)	(133,378)	125,910	-	(2,257,665)
	<u>(34,392,102)</u>	<u>(2,386,117)</u>	<u>2,258,203</u>	<u>-</u>	<u>(34,520,016)</u>
Total capital assets being depreciated, net	<u>38,004,404</u>	<u>(439,138)</u>	<u>-</u>	<u>-</u>	<u>37,565,266</u>
Business-type activities capital assets, net	<u>\$ 39,573,938</u>	<u>\$ 387,840</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,961,778</u>

Depreciation expense for the year ended March 31, 2018 was charged to functions/programs of the primary government as follows:

<b>Depreciation of governmental activities by function</b>	
General government	\$ 174,468
Public safety	51,487
Public works	317,704
Recreation and culture	68,644
Health and welfare	1,429
Capital assets held by the governmental activity internal service funds are charged to the various functions based on their usage of the assets	<u>319,139</u>
	<u>\$ 932,871</u>

# CITY OF CHARLEVOIX, MICHIGAN

## Notes to the Financial Statements

Depreciation of business-type activities by function	
Electric utility	\$ 485,449
Sewage disposal utility	543,929
Water utility	265,058
Marina	648,796
Airport	439,389
Capital assets held by the business-type activity internal service fund are charged to the various functions based on their usage of the assets	3,496
	\$ 2,386,117

### Discretely presented component unit

Capital assets activity for the Downtown Development Authority ("DDA") component unit for the year ended March 31, 2018, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	\$ 923,071	\$ -	\$ -	\$ -	\$ 923,071
Capital assets being depreciated:					
Land Improvements	2,398,995	106,203	-	-	2,505,198
Buildings and improvements	3,897,817	-	-	-	3,897,817
Machinery and equipment	68,305	-	-	-	68,305
	6,365,117	106,203	-	-	6,471,320
Less accumulated depreciation for:					
Land improvements	(1,561,395)	(95,027)	-	-	(1,656,422)
Buildings and improvements	(2,203,687)	(89,477)	-	-	(2,293,164)
Machinery and equipment	(61,133)	(3,187)	-	-	(64,320)
	(3,826,215)	(187,691)	-	-	(4,013,906)
Total capital assets being depreciated, net	2,538,902	(81,488)	-	-	2,457,414
Component unit capital assets, net	\$ 3,461,973	\$ (81,488)	\$ -	\$ -	\$ 3,380,485

Depreciation expense for the component unit, included in the statement of activities, was \$187,691 for fiscal year 2018.

# CITY OF CHARLEVOIX, MICHIGAN

## Notes to the Financial Statements

### 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following as of March 31, 2018:

	Governmental Activities	Business-type Activities	Component Unit
Accounts payable	\$ 186,645	\$ 654,031	\$ 7,195
Accrued liabilities	99,440	230,117	-
Accrued interest	66,500	-	-
Customer deposits	-	157,917	-
	<u>\$ 352,585</u>	<u>\$ 1,042,065</u>	<u>\$ 7,195</u>

### 8. INTERFUND ADVANCES

The composition of interfund advances as of March 31, 2018, was as follows:

	Advance to Other Funds	Advance From Other Funds
Electric Utility Fund	\$ 683,000	\$ -
Marina Fund	-	593,000
Airport Fund	-	90,000
	<u>\$ 683,000</u>	<u>\$ 683,000</u>

During the year ended March 31, 2009, the Electric Utility Fund advanced a total of \$700,000 to the Marina Fund to cover planned additional costs on the marina and park area reconstruction project that was substantially complete in July 2008. This advance is to be repaid over eight years with interest charged at 0.5%. During fiscal year ended March 31, 2012, the Electric Utility Fund advanced a total of \$160,000 to the Airport Fund to cover initial costs of airport operations and for cash flow purposes. Interest is charged at 0.5% on this advance and became due annually beginning in fiscal year 2012/13 with principal to be repaid over six years, however, the City did not begin making payments until fiscal year 2015/16. During fiscal year 2017/18, the Electric Utility Fund received principal and interest payments of \$50,000 and \$6,430, respectively, from the Marina Fund and principal and interest payments of \$25,000 and \$7,580, respectively, from the Airport Fund.



# CITY OF CHARLEVOIX, MICHIGAN

## Notes to the Financial Statements

For the year ended March 31, 2018, interfund transfers consisted of the following:

	Transfers In	Transfers Out
General Fund	\$ 72,700	\$ 10,700
Infrastructure Improvements Fund	75,000	562,777
Nonmajor Governmental Funds	408,833	314,552
Electric Utility Fund	74,217	173,191
Sewage Disposal Utility Fund	199,321	123,004
Water Utility Fund	155,991	38,205
Airport Fund	60,500	-
Internal Service Funds	286,000	110,133
	<u>\$ 1,332,562</u>	<u>\$ 1,332,562</u>

Transfers are used to (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them, and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

# CITY OF CHARLEVOIX, MICHIGAN

## Notes to the Financial Statements

### 9. LONG-TERM DEBT

Long-term debt activity for the year ended March 31, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary government</b>					
Governmental activities:					
2016 capital					
improvement bonds	\$ 3,420,000	\$ -	\$ (190,000)	\$ 3,230,000	\$ 195,000
Deferred amounts-					
Bond premiums	396,789	-	(28,342)	368,447	28,342
Compensated					
absences - sick leave	28,101	49,635	(69,955)	7,781	4,555
Compensated					
absences - vacation	138,962	161,403	(163,886)	136,479	-
<b>Total governmental activities</b>	<b>3,983,852</b>	<b>211,038</b>	<b>(452,183)</b>	<b>3,742,707</b>	<b>227,897</b>
Business-type activities:					
General obligation					
bonds	3,805,000	-	(315,000)	3,490,000	330,000
Revenue bonds	9,457,599	1,963	(385,000)	9,074,562	380,000
<b>Total installment debt</b>	<b>13,262,599</b>	<b>1,963</b>	<b>(700,000)</b>	<b>12,564,562</b>	<b>710,000</b>
Deferred amounts-					
Bond premiums	420,661	-	(42,066)	378,595	42,066
<b>Total business-type activities</b>	<b>13,683,260</b>	<b>1,963</b>	<b>(742,066)</b>	<b>12,943,157</b>	<b>752,066</b>
<b>Total primary government</b>	<b>\$ 17,667,112</b>	<b>\$ 213,001</b>	<b>\$ (1,194,249)</b>	<b>\$ 16,685,864</b>	<b>\$ 979,963</b>

*Revenue bonds.* In 2015, the City issued revenue bonds totaling \$9,900,000 to fund the improvements to the City's wastewater treatment plant. These are 20-year bonds that bear interest at the rate of 2.50%. The first principal payment was due April 1, 2017. The City receives the bond proceeds as the stages of the wastewater treatment plant improvement project are completed. As of March 31, 2018, the City has received bond proceeds in the amount of \$9,459,562, with \$1,963 received in fiscal 2018.

Compensated absences related to accrued sick and vacation in governmental activities are generally liquidated by the Employee Fringe Benefits Internal Service Fund.

# CITY OF CHARLEVOIX, MICHIGAN

## Notes to the Financial Statements

General obligation bonds, are direct obligations and pledge the full faith and credit of the City. General obligation bonds and revenue bonds currently outstanding are as follows:

Purpose	Matures	Interest Rates	Amount
<b>Governmental activities</b>			
2016 capital improvement bonds	October 2030	4.0% - 4.2%	\$ 3,230,000
Premium on bonds	October 2030		<u>368,447</u>
			<u>\$ 3,598,447</u>
<b>Business-type activities</b>			
Marina - 2016 refunding bonds	April 2027	2.0% - 4.0%	\$ 3,490,000
Premium on Marina refunding bonds			378,595
Sewer - revenue bonds	April 2036	2.5%	<u>9,074,562</u>
			<u>\$ 12,943,157</u>

Annual debt service requirements to maturity for general obligation bonds and the revenue bonds are as follows:

Year Ending March 31,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 195,000	\$ 129,200	\$ 324,200	\$ 710,000	\$ 361,715	\$ 1,781,715
2020	200,000	121,400	321,400	730,000	339,014	1,799,014
2021	210,000	113,400	323,400	755,000	315,414	1,825,414
2022	220,000	105,000	325,000	780,000	291,089	1,851,089
2023	225,000	96,200	321,200	805,000	265,914	1,875,914
2024-2028	1,275,000	338,000	1,613,000	3,965,000	920,733	4,885,733
2029-2033	905,000	37,200	942,200	2,545,000	394,353	2,939,353
2034-2038	-	-	-	2,274,562	58,041	2,332,603
	<u>\$ 3,230,000</u>	<u>\$ 940,400</u>	<u>\$ 4,170,400</u>	<u>\$ 12,564,562</u>	<u>\$ 2,946,273</u>	<u>\$ 15,510,835</u>

# CITY OF CHARLEVOIX, MICHIGAN

## Notes to the Financial Statements

### 10. OPERATING LEASE AND COMMITMENT

The City has entered into an operating lease agreement with the Beaver Island Boat Company (“BIBCO”). BIBCO rents dock space and office space from the City. Both parties have agreed to a 5-year rental agreement, which BIBCO has a conditional right of renewal it may exercise five times for five years with each renewal. The City has also signed a \$26,000 promissory note payable to BIBCO in the event the City elects to terminate the rental agreement before 2028. Also, if the City were to terminate this agreement before 2028, then it would be liable to BIBCO for the balance on BIBCO’s note payable for the construction of a storage building, which approximates \$26,000 as of March 31, 2018. Projected operating lease proceeds through the year ended 2028 are as follows:

Year Ended March 31,	Amount
2019	\$ 28,963
2020	30,070
2021	31,215
2022	32,401
2023	33,628
2024-2028	<u>172,697</u>
	<u>\$ 328,974</u>

### 11. 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. During the year ended March 31, 2018, the City carried insurance through various commercial carriers, including the Michigan Municipal League and Michigan Township Participating Plan, to cover all risks of losses. The City has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

### 12. PROPERTY TAXES

The City’s property taxes are levied each July 1 on the taxable valuation of property located in the City as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through the first business day of September; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Charlevoix County.

Assessed values as established annually by the City, and subject to acceptance by the County, are equalized by the State at an estimated 50 percent of current market value. Real and personal property in the City for the 2017 levy was assessed and equalized at \$246,117,605 (not including properties subject to Industrial Facilities Tax exemption), representing 50 percent of estimated current market value. The City’s general operating tax rate for fiscal year 2017-18 was 9.0500 mills, with an additional 2.0459 mills levied for infrastructure improvements and an additional 1.0000 mill levied for refuse.

# CITY OF CHARLEVOIX, MICHIGAN

## Notes to the Financial Statements

Property taxes for the DDA are derived from a tax increment financing agreement between the DDA and other taxing districts. Under this arrangement, the DDA receives those property taxes levied on the increment of current taxable valuations (determined as of the preceding December 31, the lien date) over base year assessed valuations on certain property located in the City of Charlevoix, which are within the DDA district. The DDA also has an operating levy of 1.3580 mills. Property taxes are recognized in the fiscal year in which they are levied.

### *Tax Abatements*

Industrial property tax abatements are granted by the State of Michigan under public Act 198, as amended, to promote economic development, creation of jobs, and new or improvement facilities. The industrial facilities tax (IFT) exemption must be approved by both the local unit (after a public hearing is held) and the State of Michigan. IFT exemptions can cover real and/or personal property. By State law, the exemption must be applied for no later than six months after commencement of the project, and must be accompanied by a written agreement between the taxpayer and the local unit. An exemption allows for taxation on IFT property at 25%, 50%, or 100% of the local property tax millage rate for a period of up to 12 years, depending on the agreement. Accordingly, such agreements meet the criteria of "tax abatements" under GASB Statement No. 77. Property taxes abated by the City of Charlevoix, in fiscal 2018, was \$11,171 for IFT abatements.

## 13. DEFINED BENEFIT PENSION PLAN

### *General Information About the Plan*

*Plan Description.* The City participates in the Municipal Employees' Retirement System (MERS) of Michigan, a defined benefit pension plan providing certain retirement, disability and death benefits to plan members and beneficiaries. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. Public Act 427 of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at [www.mersofmich.com](http://www.mersofmich.com).

*Benefits Provided.* Pension benefits vary by division/bargaining unit and are calculated as final average compensation (based on a 3 year period) and multipliers ranging from 1.5% to 2.5%. Participants are considered to be fully vested in the plan after 10 years. Normal retirement age is 60 with early retirement at age 50 with 25 years of service. Member contributions range from 0% to 3% of covered wages as presented in the table below.

*Employees Covered by Benefit Terms.* At December 31, 2017, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	44
Inactive employees entitled to but not yet receiving benefits	4
Active employees	41
	<hr/>
Total membership	89
	<hr/> <hr/>

# CITY OF CHARLEVOIX, MICHIGAN

## Notes to the Financial Statements

*Contributions.* The City 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 cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions are expressed as a percentage of payroll as summarized in the following table:

Division	Plan Type	Status	Employer Contribution Rate	Employee Contribution Rate
Comm Workers	Defined Benefit	Open	17.46%	3.00%
Non-Union	Defined Benefit	Open	17.52%	0.00%
Police Officers	Defined Benefit	Open	6.18%	3.00%

*Net Pension Liability.* The City's net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

*Actuarial Assumptions.* The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.75% in the long-term
Investment rate of return	7.75%, net of investment and administrative expense including inflation

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2009-2013.

# CITY OF CHARLEVOIX, MICHIGAN

## Notes to the Financial Statements

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses 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 for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Global equity	55.50%	5.02%	2.79%
Global fixed income	18.50%	2.18%	0.40%
Real assets	13.50%	4.23%	0.51%
Diversifying strategies	12.50%	6.56%	0.82%
	<u>100.00%</u>		
Inflation			3.25%
Administrative expenses netted above			<u>0.25%</u>
Investment rate of return			<u>8.00%</u>

*Discount Rate.* The discount rate used to measure the total pension liability is 8.00% for 2017, consistent with the rate used in the prior year. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay 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.

# CITY OF CHARLEVOIX, MICHIGAN

## Notes to the Financial Statements

### *Changes in Net Pension Liability*

The components of the change in the net pension liability are summarized as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2016	\$ 13,333,864	\$ 8,264,805	\$ 5,069,059
Changes for the year:			
Service cost	156,135	-	156,135
Interest	1,034,166	-	1,034,166
Differences between expected and actual experience	144,372	-	144,372
Employer contributions	-	337,044	(337,044)
Employee contributions	-	47,103	(47,103)
Net investment income	-	1,063,210	(1,063,210)
Benefit payments, including refunds of employee contributions	(969,686)	(969,686)	-
Administrative expense	-	(16,887)	16,887
Net changes	364,987	460,784	(95,797)
Balances at December 31, 2017	\$ 13,698,851	\$ 8,725,589	\$ 4,973,262

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate.* The following presents the net pension liability of the City, calculated using the discount rate of 8.00%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower (7.00%) or 1% higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's net pension liability	\$ 6,359,670	\$ 4,973,262	\$ 3,790,308

*Pension Plan Fiduciary Net Position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Plan financial statements.



# CITY OF CHARLEVOIX, MICHIGAN

## Notes to the Financial Statements

### *Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to*

For the year ended March 31, 2018, the City recognized pension expense of \$693,482. 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	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ 142,467	\$ 107,596	\$ 34,871
Changes in assumptions	259,350	-	259,350
Net difference between projected and actual earnings on pension plan investments	-	176,881	(176,881)
	<u>401,817</u>	<u>284,477</u>	<u>117,340</u>
Contributions subsequent to the measurement date	202,803	-	202,803
	<u>202,803</u>	<u>-</u>	<u>202,803</u>
Total	<u>\$ 604,620</u>	<u>\$ 284,477</u>	<u>\$ 320,143</u>

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending March 31, 2019. Other amounts reported as deferred outflows/inflows of resources related to the pension will be recognized in pension expense as follows:

Year Ended March 31,	Amount
2019	\$ 170,485
2020	170,482
2021	(138,401)
2022	<u>(85,226)</u>
Total	<u>\$ 117,340</u>

## 14. DEFINED CONTRIBUTION PLAN

The City provided pension benefits to its City Manager through a defined contribution plan, "City of Charlevoix City Manager Money Purchase Plan." In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the City Council, the City contributed 21.60% of the City Manager's gross earnings to the plan or provides this percentage as an increase to annual compensation or a combination of both, at the discretion of the City Manager. The City contributed \$18,977 to the Plan during the year ended March 31, 2018. Contributions and interest are allocated to the account and benefits are fully vested at March 31, 2018.

# CITY OF CHARLEVOIX, MICHIGAN

## Notes to the Financial Statements

### 15. ENTITLEMENT COMMITMENT

During 1979 and 1982, the Michigan Public Power Agency (“MPPA”), of which the City is a member, acquired an ownership interest in the Consumer Power Campbell No. 3 plant, the Detroit Edison Belle River Unit and other related assets.

The City has entered into contracts with MPPA for the City’s electric entitlement share of the Campbell No. 3 and Belle River Unit generating capacities of 2074(kw) and 3869(kw), respectively and the Combustion Turbine No. 1 and AFEC Project generating electrical output of 55(mw) and 180(mw), respectively.

The Power Sales Contract requires payments on a “take-or-pay” basis for the City’s entitlement share of power and energy from the project as is available under the Project Agreements. In the event payment is not required for any month under the City’s Power Sales Contract, the City is required to make payment for such month under this Project Support Contract on a “take-or-pay” basis. The payment under the Project Support Contract would be the amount the City would have been required to pay under its Power Sales Contract for such month if any power and energy from the Project that is available under the Project Agreements had been made available to the City. If a participant of the MPPA defaults in the performance of its obligations under its Power Sales Contract or Project Support Contract, and the MPPA is unable to sell such participant’s entitlement share, the remaining participants not in default are obligated to assume pro rata shares of such entitlement share up to 25 percent of their original entitlement shares.

The City’s share of MPPA annual debt service requirements, used as a measure of minimum annual payments, are as follows:

Year Ended December 31,	Belle River		Combustion Turbine No. 1	
	Principal	Interest	Principal	Interest
2018	\$ 431,063	\$ 22,631	\$ 69,620	\$ 43,790
2019	-	-	73,160	40,309
2020	-	-	76,700	36,651
2021	-	-	80,712	32,816
2022	-	-	84,724	28,780
2023-2027	-	-	490,880	76,050
<b>Total</b>	<b>\$ 431,063</b>	<b>\$ 22,631</b>	<b>\$ 875,796</b>	<b>\$ 258,396</b>

# CITY OF CHARLEVOIX, MICHIGAN

## Notes to the Financial Statements

Year Ended December 31,	Campbell Project Bank		AFEC Project	
	Principal	Interest	Principal	Interest
2018	\$ 204,213	\$ 18,181	\$ 19,380	\$ 47,945
2019	208,692	13,480	20,349	47,073
2020	213,699	8,671	21,157	46,158
2021	218,442	3,753	22,126	45,205
2022	-	-	23,256	44,099
2023-2027	-	-	134,047	202,662
2028-2032	-	-	170,546	166,225
2033-2037	-	-	217,541	119,114
2038-2042	-	-	277,620	59,020
2043	-	-	64,116	3,206
<b>Total</b>	<b>\$ 845,046</b>	<b>\$ 44,085</b>	<b>\$ 970,138</b>	<b>\$ 780,707</b>

Year Ended December 31,	Total	
	Principal	Interest
2018	\$ 724,276	\$ 132,547
2019	302,201	100,862
2020	311,556	91,480
2021	321,280	81,774
2022	107,980	72,879
2023-2027	624,927	278,712
2028-2032	170,546	166,225
2033-2037	217,541	119,114
2038-2042	277,620	59,020
2043	64,116	3,206
<b>Total</b>	<b>\$ 3,122,043</b>	<b>\$ 1,105,819</b>

The MPPA and its member utilities were over-charged on their power sales contract agreements. Because of this, MPPA and the member utilities have established a trust fund ("The Municipal Competitive Trust"). Specific policies have been established by each member regarding the use of these funds. The City's share of this trust fund was approximately \$382,000 at March 31, 2018 and is reported as Deposit with the Michigan Public Power Agency in the Statement of Net Position.

# CITY OF CHARLEVOIX, MICHIGAN

## Notes to the Financial Statements

### 16. COMMITMENTS

The City has entered into several contracts for goods and services including certain infrastructure and capital improvement projects. The total commitment related to these various contracts is as follows at March 31, 2018:

Street projects	\$ 122,822
Server project	66,611
Wastewater treatment plant project	316,321
Airport taxiway project	<u>155,615</u>
Total	<u>\$ 661,369</u>

### 17. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of March 31, 2018, was as follows:

	Governmental Activities	Business-type Activities	Component Unit
Capital assets:			
Capital assets, not being depreciated	\$ 17,554,501	\$ 2,396,512	\$ 923,071
Capital assets being depreciated, net	<u>12,208,318</u>	<u>37,565,266</u>	<u>2,457,414</u>
	<u>29,762,819</u>	<u>39,961,778</u>	<u>3,380,485</u>
Less related debt:			
Noncurrent liabilities:			
Due within one year	(227,897)	(752,066)	-
Due in more than one year	(3,514,810)	(12,191,091)	-
Add back: compensated absences	144,260	-	-
Add back: deferred charge on bond refunding	-	161,591	-
Add back: unexpended bond proceeds	<u>232,023</u>	<u>-</u>	<u>-</u>
	<u>(3,366,424)</u>	<u>(12,781,566)</u>	<u>-</u>
Net investment in capital assets	<u>\$ 26,396,395</u>	<u>\$ 27,180,212</u>	<u>\$ 3,380,485</u>

# CITY OF CHARLEVOIX, MICHIGAN

## Notes to the Financial Statements

### 18 FUND BALANCES - GOVERNMENTAL FUNDS

Detailed information on fund balances of governmental funds at March 31, 2018 is as follows:

	General Fund	Infrastructure Improvements	Nonmajor Governmental Funds	Total
<b>Nonspendable:</b>				
Perpetual care	\$ -	\$ -	\$ 426,419	\$ 426,419
Prepays	36,225	-	-	36,225
<b>Total nonspendable</b>	<b>36,225</b>	<b>-</b>	<b>426,419</b>	<b>462,644</b>
<b>Restricted:</b>				
Special revenue funds:				
Major streets	-	-	212,692	212,692
Local streets	-	-	13,243	13,243
Capital project funds:				
Street improvements	-	232,023	100,214	332,237
<b>Total restricted</b>	<b>-</b>	<b>232,023</b>	<b>326,149</b>	<b>558,172</b>
<b>Assigned:</b>				
Capital project funds:				
Fire truck and ambulance	-	-	257,352	257,352
Industrial park	-	-	35,258	35,258
Mt. McSauba improvements	-	-	28,381	28,381
Debt service fund:				
Debt service infrastructure	-	-	69,565	69,565
<b>Total assigned</b>	<b>-</b>	<b>-</b>	<b>390,556</b>	<b>390,556</b>
<b>Unassigned</b>	<b>1,500,664</b>	<b>-</b>	<b>-</b>	<b>1,500,664</b>
<b>Total fund balances, governmental funds</b>	<b>\$ 1,536,889</b>	<b>\$ 232,023</b>	<b>\$ 1,143,124</b>	<b>\$ 2,912,036</b>

# CITY OF CHARLEVOIX, MICHIGAN

## Notes to the Financial Statements

### 19. SUBSEQUENT EVENT

Subsequent to year-end, the City has executed various equipment purchases and entered into contracts as follows:

Equipment purchases	
Various vehicles and heavy equipment	\$ 524,898
Bridge Park pump	11,460
Computer back-up system	11,125
Defibrillators	45,870
	<u>593,353</u>
Contracts	
Airport taxilane project	24,412
Pavement improvements	16,890
	<u>41,302</u>
Total	<u>\$ 634,655</u>

## REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CHARLEVOIX, MICHIGAN

Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan

Schedule of Changes in the City's Net Pension Liability and Related Ratios

	Year Ended December 31		
	2018	2017	2016
Total pension liability			
Service cost	\$ 156,135	\$ 165,666	\$ 167,849
Interest	1,034,166	1,028,535	976,917
Differences between expected and actual experience	144,372	(179,328)	85,473
Changes of assumptions	-	-	648,378
Benefit payments, including refunds of employee contributions	(969,686)	(909,054)	(815,464)
Other changes	-	(341)	-
Net change in total pension liability	364,987	105,478	1,063,153
Total pension liability, beginning of year	13,333,864	13,228,386	12,165,233
Total pension liability, end of year	13,698,851	13,333,864	13,228,386
Plan fiduciary net position			
Employer contributions	337,044	311,253	303,782
Employee contributions	47,103	46,738	53,025
Net investment income (loss)	1,063,210	880,516	(124,534)
Benefit payments, including refunds of employee contributions	(969,686)	(909,054)	(815,464)
Administrative expense	(16,887)	(17,408)	(18,424)
Net change in plan fiduciary net position	460,784	312,045	(601,615)
Plan fiduciary net position, beginning of year	8,264,805	7,952,760	8,554,375
Plan fiduciary net position, end of year	8,725,589	8,264,805	7,952,760
City's net pension liability	\$ 4,973,262	\$ 5,069,059	\$ 5,275,626
Plan fiduciary net position as a percentage of total pension liability	63.70%	61.98%	60.12%
Covered payroll	\$ 2,334,109	\$ 2,444,252	\$ 2,601,560
City's net pension liability as a percentage of covered payroll	213.07%	207.39%	202.79%

Notes:

The amounts presented for each fiscal year were determined as of December 31 of the preceding year.

GASB 68 was implemented in fiscal year 2016. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.



CITY OF CHARLEVOIX, MICHIGAN

**Required Supplementary Information**  
MERS Agent Multiple-Employer Defined Benefit Pension Plan

Schedule of the Net Pension Liability

Fiscal Year Ended March 31,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as Percentage of Total Pension Liability	Covered Payroll	Net Pension Liability as Percentage of Covered Payroll
2018	\$ 13,698,851	\$ 8,725,589	\$ 4,973,262	63.7%	\$ 2,334,109	213.1%
2017	13,333,864	8,264,805	5,069,059	62.0%	2,444,252	207.4%
2016	13,228,386	7,952,760	5,275,626	60.1%	2,601,560	202.8%

The amounts presented for each fiscal year were determined as of December 31 of the preceding year.

Note: GASB 68 was implemented in fiscal year 2016. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

# CITY OF CHARLEVOIX, MICHIGAN

## Required Supplementary Information MERS Agent Multiple-Employer Defined Benefit Pension Plan

### Schedule of Contributions

Fiscal Year Ending March 31,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Covered Payroll
2018	\$ 347,625	\$ 467,625	\$ (120,000)	\$ 2,408,496	19.42%
2017	318,731	318,731	-	2,412,999	13.21%
2016	290,280	290,280	-	2,552,035	11.37%

Note: GASB 68 was implemented in fiscal year 2016. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

#### Notes to Schedule of Contributions

Valuation Date Actuarially determined contribution rates are calculated as of December 31, which is 15 months prior to the beginning of the fiscal year in which contributions are reported.

#### Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll, open
Remaining amortization period	21 years
Asset valuation method	5 year smoothed
Inflation	2.5%
Salary increases	3.75% in the long-term
Investment rate of return	7.75%, net of investment and administrative expense including inflation
Retirement age	Age-based table of rates that are specific to the type of eligibility condition. The Normal Retirement rates were first used for the December 31, 2015 actuarial valuations. The Early Retirement rates were first used for the December 31, 2015 actuarial valuations.
Mortality	Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS**

# CITY OF CHARLEVOIX, MICHIGAN

## Combining Balance Sheet Nonmajor Governmental Funds March 31, 2018

	Special Revenue Funds		Capital Projects Funds	
	Major Streets	Local Streets	Fire Truck and Ambulance	Industrial Park
<b>Assets</b>				
Cash and cash equivalents	\$ 139,414	\$ 4,395	\$ 257,332	\$ 35,249
Cash at fiscal agent	-	-	-	-
Investments	-	-	-	-
Accounts receivable	-	-	20	9
Taxes receivable	-	-	-	-
Interest receivable	-	-	-	-
Due from other governmental units	104,956	29,303	-	-
<b>Total assets</b>	<b>\$ 244,370</b>	<b>\$ 33,698</b>	<b>\$ 257,352</b>	<b>\$ 35,258</b>
<b>Liabilities</b>				
Accounts payable	\$ 30,815	\$ 20,000	\$ -	\$ -
Accrued liabilities	863	455	-	-
Unearned revenue	-	-	-	-
<b>Total liabilities</b>	<b>31,678</b>	<b>20,455</b>	<b>-</b>	<b>-</b>
<b>Fund balances</b>				
Nonspendable	-	-	-	-
Restricted	212,692	13,243	-	-
Assigned	-	-	257,352	35,258
<b>Total fund balances</b>	<b>212,692</b>	<b>13,243</b>	<b>257,352</b>	<b>35,258</b>
<b>Total liabilities and fund balances</b>	<b>\$ 244,370</b>	<b>\$ 33,698</b>	<b>\$ 257,352</b>	<b>\$ 35,258</b>

Capital Projects Funds		Debt Service Fund	Permanent Fund	
Street Improvement	Mt. McSauba Improvements	Debt Service Infrastructure	Cemetery Care	Total
\$ 89,109	\$ 28,378	\$ 4,965	\$ 148,148	\$ 706,990
-	-	64,600	-	64,600
-	-	-	276,734	276,734
26	619	-	17	691
11,079	-	-	-	11,079
-	-	-	1,520	1,520
-	-	-	-	134,259
<u>\$ 100,214</u>	<u>\$ 28,997</u>	<u>\$ 69,565</u>	<u>\$ 426,419</u>	<u>\$ 1,195,873</u>
\$ -	\$ -	\$ -	\$ -	\$ 50,815
-	-	-	-	1,318
-	616	-	-	616
-	616	-	-	52,749
-	-	-	426,419	426,419
100,214	-	-	-	326,149
-	28,381	69,565	-	390,556
<u>100,214</u>	<u>28,381</u>	<u>69,565</u>	<u>426,419</u>	<u>1,143,124</u>
<u>\$ 100,214</u>	<u>\$ 28,997</u>	<u>\$ 69,565</u>	<u>\$ 426,419</u>	<u>\$ 1,195,873</u>

# CITY OF CHARLEVOIX, MICHIGAN

## Combining Statement of Revenues, Expenditures and Change in Fund Balances

Nonmajor Governmental Funds  
For the Year Ended March 31, 2018

	Special Revenue Funds		Capital Projects Funds	
	Major Streets	Local Streets	Fire Truck and Ambulance	Industrial Park
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal revenue	-	-	-	36,000
State revenue	366,716	125,275	-	-
Charges for services	-	-	-	-
Interest	214	18	260	107
Rents and royalties	-	-	-	-
Other revenue	6,000	4,000	-	-
<b>Total revenues</b>	<b>372,930</b>	<b>129,293</b>	<b>260</b>	<b>36,107</b>
<b>Expenditures</b>				
Current:				
General government	-	-	-	44,519
Public works	286,733	129,909	-	-
Recreation and culture	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>286,733</b>	<b>129,909</b>	<b>-</b>	<b>44,519</b>
<b>Revenues over (under) expenditures</b>	<b>86,197</b>	<b>(616)</b>	<b>260</b>	<b>(8,412)</b>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	85,833	-
Transfers out	-	-	-	(39,552)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>85,833</b>	<b>(39,552)</b>
<b>Net change in fund balances</b>	<b>86,197</b>	<b>(616)</b>	<b>86,093</b>	<b>(47,964)</b>
<b>Fund balances, beginning of year</b>	<b>126,495</b>	<b>13,859</b>	<b>171,259</b>	<b>83,222</b>
<b>Fund balances, end of year</b>	<b>\$ 212,692</b>	<b>\$ 13,243</b>	<b>\$ 257,352</b>	<b>\$ 35,258</b>

Capital Projects Funds		Debt Service Fund	Permanent Fund	
Street Improvement	Mt. McSauba Improvements	Debt Service Infrastructure	Cemetery Care	Total
\$ 228,232	\$ -	\$ -	\$ -	\$ 228,232
-	-	-	-	36,000
-	-	-	-	491,991
-	-	-	4,725	4,725
195	38	4	3,416	4,252
-	7,230	-	-	7,230
-	-	-	-	10,000
<u>228,427</u>	<u>7,268</u>	<u>4</u>	<u>8,141</u>	<u>782,430</u>
-	-	-	-	44,519
-	-	-	-	416,642
319	-	-	-	319
-	-	190,000	-	190,000
-	-	133,411	-	133,411
-	-	-	-	-
<u>319</u>	<u>-</u>	<u>323,411</u>	<u>-</u>	<u>784,891</u>
<u>228,108</u>	<u>7,268</u>	<u>(323,407)</u>	<u>8,141</u>	<u>(2,461)</u>
-	-	323,000	-	408,833
(275,000)	-	-	-	(314,552)
<u>(275,000)</u>	<u>-</u>	<u>323,000</u>	<u>-</u>	<u>94,281</u>
(46,892)	7,268	(407)	8,141	91,820
<u>147,106</u>	<u>21,113</u>	<u>69,972</u>	<u>418,278</u>	<u>1,051,304</u>
<u>\$ 100,214</u>	<u>\$ 28,381</u>	<u>\$ 69,565</u>	<u>\$ 426,419</u>	<u>\$ 1,143,124</u>

# CITY OF CHARLEVOIX, MICHIGAN

## Combining Statement of Net Position

Internal Service Funds

March 31, 2018

	Governmental Activities		Business-type Activities	Total
	Employee Fringe Benefits	Motor Vehicle	DPW Site	
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 707,996	\$ 662,538	\$ 1,289,657	\$ 2,660,191
Investments	100,734	100,000	403,311	604,045
Accounts receivable	2,542	82	-	2,624
Interest receivable	889	970	5,161	7,020
Other assets	48,802	380	-	49,182
<b>Total current assets</b>	<b>860,963</b>	<b>763,970</b>	<b>1,698,129</b>	<b>3,323,062</b>
Noncurrent assets:				
Capital assets, not being depreciated	-	20,653	100,689	121,342
Capital assets being depreciated, net	-	1,213,395	43,520	1,256,915
<b>Total noncurrent assets</b>	<b>-</b>	<b>1,234,048</b>	<b>144,209</b>	<b>1,378,257</b>
<b>Total assets</b>	<b>860,963</b>	<b>1,998,018</b>	<b>1,842,338</b>	<b>4,701,319</b>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	9,718	26,810	20,189	56,717
Accrued liabilities	26,223	6,677	-	32,900
Unearned revenue	1,380	-	-	1,380
<b>Total current liabilities</b>	<b>37,321</b>	<b>33,487</b>	<b>20,189</b>	<b>90,997</b>
Noncurrent liabilities:				
Compensated absences, net of current portion	136,479	-	-	136,479
<b>Total liabilities</b>	<b>173,800</b>	<b>33,487</b>	<b>20,189</b>	<b>227,476</b>
<b>Net position</b>				
Investment in capital assets	-	1,234,048	144,209	1,378,257
Unrestricted	687,163	730,483	1,677,940	3,095,586
<b>Total net position</b>	<b>\$ 687,163</b>	<b>\$ 1,964,531</b>	<b>\$ 1,822,149</b>	<b>\$ 4,473,843</b>



# CITY OF CHARLEVOIX, MICHIGAN

## Combining Statement of Revenues, Expenses and Change in Fund Net Position

Internal Service Funds

For the Year Ended March 31, 2018

	Governmental Activities		Business-type Activities	Total
	Employee Fringe Benefits	Motor Vehicle	DPW Site	
Operating revenues				
Charges for services	\$ 2,172,035	\$ 718,528	\$ -	\$ 2,890,563
Operating expenses				
Personnel services	2,224,071	200,713	-	2,424,784
Contractual services	3,567	47,947	78	51,592
Supplies	-	70,926	-	70,926
Utilities	-	11,328	-	11,328
Repairs and maintenance	-	105,037	-	105,037
Depreciation	-	319,139	3,496	322,635
Miscellaneous	3,749	-	-	3,749
Total operating expenses	2,231,387	755,090	3,574	2,990,051
Operating income (loss)	(59,352)	(36,562)	(3,574)	(99,488)
Nonoperating revenues				
Interest revenue	3,108	2,372	10,243	15,723
Gain on sale of capital assets	-	6,148	-	6,148
Other revenue	-	530	14,000	14,530
Total nonoperating revenues	3,108	9,050	24,243	36,401
Income (loss) before transfers	(56,244)	(27,512)	20,669	(63,087)
Transfers				
Transfers in	-	70,000	216,000	286,000
Transfers out	-	(110,133)	-	(110,133)
Total transfers	-	(40,133)	216,000	175,867
Change in net position	(56,244)	(67,645)	236,669	112,780
Net position, beginning of year	743,407	2,032,176	1,585,480	4,361,063
Net position, end of year	\$ 687,163	\$ 1,964,531	\$ 1,822,149	\$ 4,473,843

# CITY OF CHARLEVOIX, MICHIGAN

## Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended March 31, 2018

	Governmental Activities		Business-type Activities	Total
	Employee Fringe Benefits	Motor Vehicle	DPW Site	
Cash flows from operating activities				
Cash received from interfund services	\$ 2,170,739	\$ 718,485	\$ -	\$ 2,889,224
Cash payments to employees	(2,213,546)	(198,103)	-	(2,411,649)
Cash payments to suppliers for goods and services	(5,308)	(243,365)	13,111	(235,562)
Net cash provided by (used in) operating activities	(48,115)	277,017	13,111	242,013
Cash flows from noncapital financing activities				
Other receipts	-	530	14,000	14,530
Transfers in	-	70,000	216,000	286,000
Transfers out	-	(110,133)	-	(110,133)
Net cash (used in) provided by noncapital financing activities	-	(39,603)	230,000	190,397
Cash flows from capital and related financing activities				
Proceeds from sale of capital assets	-	6,148	-	6,148
Purchase of capital assets	-	(262,881)	(37,689)	(300,570)
Net cash used in capital and related financing activities	-	(256,733)	(37,689)	(294,422)
Cash flows from investing activities				
Interest received	1,811	2,153	3,085	7,049
Net change in cash and cash equivalents	(46,304)	(17,166)	208,507	145,037
Cash and cash equivalents, beginning of year	754,300	679,704	1,081,150	2,515,154
Cash and cash equivalents, end of year	\$ 707,996	\$ 662,538	\$ 1,289,657	\$ 2,660,191

Continued...

# CITY OF CHARLEVOIX, MICHIGAN

## Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended March 31, 2018

	Governmental Activities		Business-type Activities	Total
	Employee Fringe Benefits	Motor Vehicle	DPW Site	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ (59,352)	\$ (36,562)	\$ (3,574)	\$ (99,488)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation expense	-	319,139	3,496	322,635
Changes in operating assets and liabilities that provided (used) cash:				
Accounts receivable	(2,542)	(43)	-	(2,585)
Other assets	(2,812)	315	-	(2,497)
Accounts payable	4,820	(8,442)	13,189	9,567
Accrued liabilities	13,008	2,610	-	15,618
Accrued compensated absences	(2,483)	-	-	(2,483)
Net cash provided by (used in) operating activities	<u>\$ (48,115)</u>	<u>\$ 277,017</u>	<u>\$ 13,111</u>	<u>\$ 242,013</u>

Concluded

# CITY OF CHARLEVOIX, MICHIGAN

## Balance Sheet and Statement of Net Position Downtown Development Authority Component Unit March 31, 2018

	Balance Sheet	Adjustments	Statement of Net Position
<b>Assets</b>			
Cash and cash equivalents	\$ 485,292	\$ -	\$ 485,292
Investments	50,000	-	50,000
Receivables	2,333	-	2,333
Capital assets not being depreciated	-	923,071	923,071
Capital assets being depreciated, net	-	2,457,414	2,457,414
<b>Total assets</b>	<b>\$ 537,625</b>	<b>3,380,485</b>	<b>3,918,110</b>
<b>Liabilities</b>			
Accounts payable	\$ 5,394	1,801	7,195
Accrued liabilities	1,801	(1,801)	-
Unearned revenue	5,626	-	5,626
<b>Total liabilities</b>	<b>12,821</b>	<b>-</b>	<b>12,821</b>
<b>Fund balance</b>			
Restricted	524,804	(524,804)	-
<b>Total liabilities and fund balance</b>	<b>\$ 537,625</b>		
<b>Net position</b>			
Investment in capital assets		3,380,485	3,380,485
Restricted		524,804	524,804
<b>Total net position</b>		<b>\$ 3,905,289</b>	<b>\$ 3,905,289</b>

# CITY OF CHARLEVOIX, MICHIGAN

**Statement of Revenues, Expenditures and Change in Fund Balance  
and Statement of Activities**  
Downtown Development Authority Component Unit  
For the Year Ended March 31, 2018

	Statement of Revenues, Expenditures and Changes in Fund Balance	Adjustments	Statement of Activities
Revenues			
Property taxes	\$ 433,925	\$ -	\$ 433,925
Rents	79,706	-	79,706
Miscellaneous	53,623	-	53,623
	<hr/>	<hr/>	<hr/>
Total revenues	567,254	-	567,254
Expenditures / expenses			
Current:			
Other functions	715,802	81,488	797,290
	<hr/>	<hr/>	<hr/>
Change in fund balance / net position	(148,548)	(81,488)	(230,036)
Fund balance / net position, beginning of year	673,352	3,461,973	4,135,325
	<hr/>	<hr/>	<hr/>
Fund balance / net position, end of year	<u>\$ 524,804</u>	<u>\$ 3,380,485</u>	<u>\$ 3,905,289</u>

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**Independent Auditors' Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

September 28, 2018

Members of City Council  
City of Charlevoix  
Charlevoix, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the *City of Charlevoix, Michigan* (the "City"), as of and for the year ended March 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 28, 2018.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2018-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2018-002 to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**City of Charlevoix’s Response to Findings**

The City’s responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City’s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.





# CITY OF CHARLEVOIX, MICHIGAN

## Schedule of Findings and Responses

For the Year Ended March 31, 2018

2018-001 - Material Audit Adjustments (Repeated from Prior Year)

Finding Type. Material Weakness in Internal Control over Financial Reporting.

Criteria. Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).

Condition. During our audit, we identified and proposed several material adjustments related to capital assets, pension, accrued liabilities and the receivables allowance (which were approved and posted by management) to adjust the City's general ledger to the appropriate balances.

Cause. This condition was the result of dependence on external auditors, who by definition cannot be a part of the City's internal control, to make adjustments to the general ledger and reconcile certain balance sheet accounts to their underlying detail.

Effect: As a result of this condition, the City's accounting records were initially misstated by amounts material to the financial statements.

Recommendation. The City should record all journal entries necessary to arrive at a reasonably adjusted trial balance prior to generating trial balances to be used for preparation of year-end financial statements.

View of Responsible Officials. The City will continue its efforts to record all known adjustments in order to provide a reasonably adjusted trial balance for the purposes of the audit.

# CITY OF CHARLEVOIX, MICHIGAN

## Schedule of Findings and Responses

For the Year Ended March 31, 2018

2018-002 - Preparation of Financial Statements in Accordance with GAAP (Repeated from Prior Year)

Finding Type. Significant Deficiency in Internal Control over Financial Reporting.

Criteria. All governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial reporting).

Condition. As this is the case with many smaller and medium-sized entities, the City has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the City's ability to prepare external financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the City's internal controls.

Cause. This condition was caused by the City's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the City to complete this task internally.

Effect. As a result of this condition, the City lacks appropriate internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

Recommendation. The City's decision to rely, in part, on its auditors, for the preparation of external financial statements is allowable provided that the City accepts responsibility for the financial statements and it is disclosed as part of the report on internal control and compliance in accordance with *Government Auditing Standards*. Therefore, no specific corrective actions are required at this time.

View of Responsible Officials. The City has evaluated the benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interest of the City to outsource this task to its external auditors and to carefully review the proposed journal entries, draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

**INDEPENDENT AUDITORS' COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE**

September 28, 2018

Members of City Council  
City of Charlevoix, Michigan  
Charlevoix, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the *City of Charlevoix, Michigan* (the "City") as of and for the year ended March 31, 2018, and have issued our report thereon dated September 28, 2018. Professional standards require that we advise you of the following matters relating to our audit.

**Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated March 30, 2018, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding internal control over financial reporting and compliance noted during our audit in a separate letter to you dated September 28, 2018. In addition, we noted certain other matters which are included in Attachment A to this letter.

**Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and in our meeting about planning matters on July 5, 2018.

### Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm has complied with all relevant ethical requirements regarding independence.

### Qualitative Aspects of the City's Significant Accounting Practices

#### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in Note 1 to the financial statements.

There have been no initial selections of accounting policies and no changes in significant accounting policies or their application during the year.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

#### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- Management's estimate of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances.

We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units. In addition, the financial statements include a net pension liability and other pension-related amounts, which are dependent on estimates made by the plan. These estimates are based on historical trends and industry standards, but are not within the control of management.

### Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The material misstatements detected as a result of audit procedures and corrected by management are described in Attachment B to this letter.

The schedule of adjustments passed is included with management's written representations in Attachment D to this letter, and summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and each applicable opinion unit.

### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City's financial statements or the auditors' report. No such disagreements arose during the course of the audit.

### Representations Requested from Management

We have requested certain written representations from management, which are included in Attachment D to this letter.

### Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the City, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditors.

### Other Information in Documents Containing Audited Financial Statements

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. We made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior

period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Upcoming Changes in Accounting Standards

Generally accepted accounting principles (GAAP) are continually changing in order to promote the usability and enhance the applicability of information included in external financial reporting. While it would not be practical to include an in-depth discussion of every upcoming change in professional standards, Attachment C to this letter contains a brief overview of recent pronouncements of the Governmental Accounting Standards Board (GASB) and their related effective dates. Management is responsible for reviewing these standards, determining their applicability, and implementing them in future accounting periods.

This information is intended solely for the use of the governing body and management of the City of Charlevoix, Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Rehmann Lobson LLC". The signature is written in a cursive, flowing style.

# CITY OF CHARLEVOIX, MICHIGAN

## Attachment A - Comments and Recommendations

For the March 31, 2018 Audit

During our audit, we became aware of certain other matters that are opportunities for strengthening internal control and/or improving operating efficiency. This memorandum summarizes our comments and recommendations regarding those matters. Our consideration of the City's internal control over financial reporting is described in our report, dated September 28, 2018, issued in accordance with *Government Auditing Standards*. This memorandum does not affect that report or our report dated September 28, 2018, on the financial statements of the City of Charlevoix, Michigan.

### Untimely Tax Disbursements

Section 43(3)(a) of Public Act 206 of 1893, the General Property Tax Act, MCL 211.43(3)(a), provides that local units of Government with a State equalized value of more than \$15,000,000 shall, within 10 business days after the first and fifteenth day of each month, account for and deliver to the county treasurer and other tax assessing units, the tax collections on hand on the first and fifteenth day of each month. During the City's 2018 audit fieldwork, 15 of the selected 16 tested tax disbursements were documented as untimely disbursements. Rehmann recommends that the City implement procedures and a policy to adhere to section 43(3)(a) of Public Act 206 of 1893.



CITY OF CHARLEVOIX, MICHIGAN

Attachment B - Fund Audit Adjustments

For the March 31, 2018 Audit

Entry #	Account Number	Account Description	Debit	Credit
1	582-539-719.000	Employee Fringe Benefits	\$ 128,538	\$ -
	591-000-300.000	Net Pension Liability	123,236	-
	581-000-300.000	Net Pension Liability	57,041	-
	590-558-719.000	Employee Fringe Benefits	41,210	-
	582-000-190.000	Deferred Outflows - Contributions	38,043	-
	582-000-192.000	Deferred Outflows - Experience	26,673	-
	591-000-190.000	Deferred Outflows - Contributions	10,767	-
	582-000-194.000	Deferred Inflow - Experience	8,612	-
	590-000-190.000	Deferred Outflows - Contributions	6,855	-
	591-000-192.000	Deferred Outflows - Experience	6,622	-
	590-000-192.000	Deferred Outflows - Experience	4,873	-
	581-000-190.000	Deferred Outflows - Contributions	3,835	-
	581-000-194.000	Deferred Inflow - Experience	3,828	-
	581-000-192.000	Deferred Outflows - Experience	2,823	-
	590-000-194.000	Deferred Inflow - Experience	1,224	-
	591-000-194.000	Deferred Inflow - Experience	656	-
	590-000-193.000	Deferred Outflows - Assumptions	-	3,067
	581-000-193.000	Deferred Outflows - Assumptions	-	7,970
	581-000-191.000	Deferred Outflows - Investment Returns	-	16,457
	590-000-191.000	Deferred Outflows - Investment Returns	-	18,624
	591-000-193.000	Deferred Outflows - Assumptions	-	25,166
	582-000-193.000	Deferred Outflows - Assumptions	-	30,349
	590-000-300.000	Net Pension Liability	-	32,471
	581-581-719.000	Employee Fringe Benefits	-	43,100
	582-000-300.000	Net Pension Liability	-	49,828
	591-579-719.000	Employee Fringe Benefits	-	54,338
	591-000-191.000	Deferred Outflows - Investment Returns	-	61,777
	582-000-191.000	Deferred Outflows - Investment Returns	-	121,689
		<i>To record change in net pension liability and related deferred amounts.</i>		
2	202-466-818.000	Contractual Services	9,944	-
	203-000-202.000	Accounts Payable	9,944	-
	203-466-818.000	Contractual Services	-	9,944
	202-000-202.000	Account Payable	-	9,944
		<i>Reclass payable from the Local Street fund to the Major Street fund.</i>		
3	406-406-818.000	Contractual Services	19,905	-
	406-000-257.000	Accrued Liabilities	-	19,905
		<i>To recognize retainage.</i>		
4	582-000-140.000	Machinery & Equipment	15,424	-
	582-539-977.000	Mach & Equip (Trans & Regulat)	-	15,424
		<i>To record current year additions to actual.</i>		
5	581-901-818.000	Contractual Services	12,450	-
	581-000-132.000	Land Improvements	-	12,450
		<i>To adjust capital assets to actual.</i>		



CITY OF CHARLEVOIX, MICHIGAN

Attachment B - Fund Audit Adjustments

For the March 31, 2018 Audit

Entry #	Account Number	Account Description	Debit	Credit	
6	590-000-136.000	Building & Improvements	\$ 2,121,290	\$ -	
	590-000-158.000	Construction In Progress	199,321	-	
	591-000-158.000	Construction In Progress	158,029	-	
	591-000-132.000	Land Improvements	49,560	-	
	590-000-158.000	Construction In Progress	5,746	-	
	594-000-131.000	Accumulated Depreciation	1	-	
	591-581-740.000	Operating Supplies	-	1	
	591-000-136.000	Building & Improvements	-	2,038	
	590-000-136.000	Building & Improvements	-	5,746	
	591-000-153.005	Transmission & Distrib. Mains	-	49,560	
	591-000-153.005	Transmission & Distrib. Mains	-	155,991	
	590-000-155.002	Transmission & Collection Main	-	199,321	
	590-000-136.001	Building & Improvement - Wwtp	-	2,121,290	
		<i>To recognize capital asset additions.</i>			
	7	582-000-046.000	Allowance-Uncollect Acct	14,279	-
405-000-041.000		Allowance-Uncollect. Acct	3,500	-	
590-000-692.000		Miscellaneous	3,500	-	
590-000-046.000		Allowance-Uncollect Acct	2,400	-	
591-000-630.002		Water Services - Miscellaneous	280	-	
591-000-046.000		Allowance-Uncollect Acct	-	280	
590-000-692.000		Miscellaneous	-	2,400	
405-000-692.000		Miscellaneous	-	3,500	
590-000-046.000		Allowance-Uncollect Acct	-	3,500	
582-000-627.001		Elec. Serv. - Misc.	-	14,279	
	<i>To adjust receivables allowance.</i>				
8	638-000-259.001	Accrued Vacation Payroll-Current Portion	105,993	-	
	638-638-723.000	Vacation Pay	20	-	
	638-000-259.000	Accrued Vacation Payroll	-	106,013	
	<i>To adjust vacation accrual.</i>				
9	582-000-699.000	Contributions From Other Funds	50,000	-	
	594-000-314.000	Advance From Electric	50,000	-	
	594-784-999.000	Transfer To Other Fund-Efb	-	50,000	
	591-580-962.000	Miscellaneous	-	50,000	
	<i>To recognize the repayment on advance from electric fund.</i>				
10	582-000-699.000	Contributions From Other Funds	25,000	-	
	581-000-314.000	Advance From Electric	25,000	-	
	581-581-999.000	Transfers Out	-	25,000	
	582-000-198.000	Advance To Other Funds	-	25,000	
	<i>To recognize the repayment on advance from electric fund.</i>				
11	590-000-698.000	Proceeds From Bond Sale	1,963	-	
	590-000-307.000	Bonds Payable	-	1,963	
	<i>To recognize bond proceeds for wastewater revenue bond.</i>				

CITY OF CHARLEVOIX, MICHIGAN

Attachment B - Fund Audit Adjustments

For the March 31, 2018 Audit

Entry #	Account Number	Account Description	Debit	Credit
12	582-000-158.000	Construction In Progress	\$ 61,157	\$ -
	582-000-143.001	Undergrnd Conductors & Devices	-	34,665
	582-000-136.000	Building & Improvements	-	26,492
		<i>To reclassify CY additions to CIP.</i>		
13	671-000-130.002	CIP	37,689	-
	671-000-136.000	Buildings	-	37,689
		<i>To reclassify CY additions to CIP.</i>		
14	581-000-131.000	Construction In Progress	37,350	-
	581-000-132.000	Land Improvements	-	37,350
		<i>To reclassify CY additions to CIP.</i>		
15	582-000-111.000	Inventory Of Material & Supply	29,067	-
	582-539-775.000	Repairs & Maintenance Supplies	-	29,067
		<i>To adjust inventory to actual.</i>		
16	582-000-665.000	Interest Earnings	1,242	
	590-000-665.000	Interest Earnings	583	
	591-000-665.000	Interest Earnings	603	
	711-000-665.000	Interest Earnings	765	
	582-000-003.000	Cash-Certificates Of Deposits		1,242
	590-000-003.000	Cash-Certificates Of Deposits		583
	591-000-003.000	Cash-Certificates Of Deposits		603
	711-000-003.000	Cash-Certificates Of Deposits		765
		<i>Adjustment to accrued interest.</i>		
17	101-000-003.000	Cash-Certificates Of Deposits	751	
	582-000-003.000	Cash-Certificates Of Deposits	751	
	671-000-003.000	Cash-Certificates Of Deposits	375	
	101-000-665.000	Interest Earnings		751
	582-000-665.000	Interest Earnings		751
	671-000-665.000	Interest Earnings		375
		<i>To adjust accrued interest on Chemical Bank CD.</i>		
18	582-000-003.000	Cash-Certificates Of Deposits	1,163	
	582-000-665.000	Interest Earnings		1,163
		<i>To adjust accrued interest on Flagstar Bank CD.</i>		
19	582-000-003.000	Cash-Certificates Of Deposits	3,670	
	101-000-003.000	Cash-Certificates Of Deposits	2,936	
	671-000-003.000	Cash-Certificates Of Deposits	2,936	
	638-000-003.000	Cash-Certificates Of Deposits	734	
	711-000-003.000	Cash-Certificates Of Deposits	734	
	638-000-665.000	Interest Earnings		734
	711-000-665.000	Interest Earnings		734
	101-000-665.000	Interest Earnings		2,936
	671-000-665.000	Interest Earnings		2,936
	582-000-665.000	Interest Earnings		3,670
		<i>To adjust accrued interest on Huntington HUB account.</i>		

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# CITY OF CHARLEVOIX, MICHIGAN

## Attachment C - Upcoming Changes in Accounting Standards / Regulations

For the March 31, 2018 Audit

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the City in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the City. For the complete text of these and other GASB standards, visit [www.gasb.org](http://www.gasb.org) and click on the "Standards & Guidance" tab. If you have questions regarding the applicability, timing, or implementation approach for any of these standards, please contact your audit team.

### **GASB 75 ■ Postemployment Benefits Other than Pensions**

*Effective 06/15/2018 (your FY 2019)*

This standard builds on the requirements of GASB 74 by requiring employers that provide other postemployment benefits (OPEB) to recognize a net OPEB liability on their statements of net position. It mirrors the new accounting and financial reporting requirements of GASB 68 for pension benefits. We do not expect this standard to have any significant effect on the City.

### **GASB 83 ■ Certain Asset Retirement Obligations**

*Effective 06/15/2019 (your FY 2020)*

This standard addresses accounting and financial reporting for certain asset retirement obligations--legally enforceable liabilities associated with the retirement of a tangible capital asset. We do not expect this standard to have any significant effect on the City.

### **GASB 84 ■ Fiduciary Activities**

*Effective 12/15/2019 (your FY 2020)*

This standard establishes new criteria for determining how to report fiduciary activities in governmental financial statements. The focus is on whether the government is controlling the assets, and who the beneficiaries are. Under this revised standard, certain activities previously reported in agency funds may be reclassified in future periods. Due to the number of specific factors to consider, we will continue to assess the degree to which this standard may impact the City.

### **GASB 85 ■ Omnibus 2017**

*Effective 06/15/2018 (your FY 2019)*

This standard includes a variety of small technical revisions to previously issued GASB statements. We do not expect this standard to have any significant effect on the City.

### **GASB 86 ■ Certain Debt Extinguishment Issues**

*Effective 06/15/2018 (your FY 2019)*

This standard provides guidance for reporting the in-substance defeasance of outstanding debt obligations using existing resources. Qualifying transactions will remove both the assets placed into trust and the related debt obligation from the government's statement of net position. We do not expect this standard to have any significant effect on the City.

# CITY OF CHARLEVOIX, MICHIGAN

## Attachment C - Upcoming Changes in Accounting Standards / Regulations

For the March 31, 2018 Audit

### **GASB 87 ■ Leases**

*Effective 12/15/2020 (your FY 2021)*

This standard establishes a single model for reporting all leases (including those previously classified as operating and capital). Lessees will now report offsetting intangible lease assets and lease liabilities equal to the present value of future lease payments. Lessors will report offsetting lease receivables and deferred inflows of resources.

### **GASB 88 ■ Certain Disclosures Related to Debt**

*Effective 06/15/2019 (your FY 2020)*

This standard provides guidance on note disclosures related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. We do not expect this standard to have any significant effect on the City.

### **GASB 89 ■ Accounting for Interest Cost Incurred before the End of a Construction Period**

*Effective 12/15/2020 (your FY 2021)*

This standard eliminates the requirement for governments to capitalize interest during the construction period for business-type activities. As this simplifies the accounting for interest, early implementation is encouraged. We do not expect this standard to have any significant effect on the City.



# CITY OF CHARLEVOIX, MICHIGAN

## Attachment D - Management Representations

For the March 31, 2018 Audit

The following pages contain the written representations that we requested from management.



September 28, 2018

Rehmann Robson  
PO Box 250  
Cheboygan, MI 49721

This representation letter is provided in connection with your audit of the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the *City of Charlevoix, Michigan* (the "City"), as of and for the year ended March 31, 2018, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, and the respective budgetary comparison for the General Fund of the City in conformity with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of September 28, 2018:

#### Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated March 30, 2018, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP. We have reviewed, approved, and taken responsibility for the financial statements and related notes.
2. We have reviewed and approved the various adjusting journal entries that were proposed by you for recording in our books and records and reflected in the financial statements.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
6. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. For the purposes of this letter, related parties mean members of the governing body; board members; administrative officials; immediate families of administrative officials, board members, and members of the governing body; and any companies affiliated with or owned by such individuals.
7. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

8. The effects of uncorrected misstatements summarized in the attached schedule and aggregated by you during the current engagement are immaterial, both individually and in the aggregate, to the applicable opinion units and to the financial statements as a whole.
9. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
10. With regard to items reported at fair value:
  - a. The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
  - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
  - c. The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
  - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
11. All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
12. All funds and activities are properly classified.
13. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*, and GASB Statement No. 37, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
14. All components of net position and fund balance classifications have been properly reported.
15. All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
16. All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
17. All interfund and intra-entity transactions and balances have been properly classified and reported.
18. Special items and extraordinary items have been properly classified and reported.
19. Deposit and investment risks have been properly and fully disclosed.
20. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
21. All required supplementary information is measured and presented within the prescribed guidelines.
22. We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefit liabilities and costs for financial accounting purposes are appropriate in the circumstances.
23. We are responsible for the fair presentation of the City's net pension liability as calculated by the Municipal Employees' Retirement System of Michigan (MERS) and related amounts. We provided MERS with complete and accurate information regarding the City's participation in the plan, and have reviewed the information provided by MERS for inclusion in the City's financial statements.

#### **Information Provided**

24. We have provided you with:
  - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
  - b. Additional information that you have requested from us for the purpose of the audit; and

- c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
25. All transactions have been recorded in the accounting records and are reflected in the financial statements.
  26. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
  27. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
    - a. Management;
    - b. Employees who have significant roles in internal control; or
    - c. Others where the fraud could have a material effect on the financial statements.
  28. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
  29. We not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation or claims.
  30. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
  31. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
  32. The government has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
  33. We have disclosed to you all guarantees, whether written or oral, under which the government is contingently liable.
  34. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
  35. There are no:
    - a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
    - b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
    - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.
  36. The government has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
  37. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
  38. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB-62. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.



**Supplementary Information in Relation to the Financial Statements as a Whole**

39. With respect to the supplementary information accompanying the financial statements:
- a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with accounting principles generally accepted in the United States of America.
  - b. We believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.
  - d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

**Required Supplementary Information**

40. With respect to the required supplementary information accompanying the financial statements:
- a. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with accounting principles generally accepted in the United States of America.
  - b. We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with accounting principles generally accepted in the United States of America.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.
  - d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

  
\_\_\_\_\_  
Mark Heydlauff, City Manager

  
\_\_\_\_\_  
Kelly McGinn, Treasurer

# CITY OF CHARLEVOIX, MICHIGAN

## Schedule of Adjustments Passed (SOAP)

For the March 31, 2018 Audit

In accordance with generally accepted auditing standards, we have prepared the following schedule of proposed audit adjustments, which we believe are immaterial both individually and in the aggregate. We are providing this schedule to both management and those charged with governance to receive their assurance that they agree that the amounts listed below are not material to the financial statements, either individually or in the aggregate, and do not need to be recorded.

	Effect of Passed Adjustment - Over(Under)Statement				
	Assets	Liabilities	Beginning Equity	Revenues	Expenses/ Expenditures
Previous year's passed adjustments (fiscal 2017)					
General Fund					
Understatement of accounts receivable	\$ -	\$ -	\$ (29,225)	\$ 29,225	\$ -
Understatement of unearned revenue	-	-	5,478	(5,478)	-
Understatement of allowance for doubtful accounts	-	-	24,000	-	24,000
Cumulative effect of items noted above	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 253</u>	<u>\$ 23,747</u>	<u>\$ 24,000</u>
Misstatement as a percentage of total expenditures - general fund	0.00%	0.00%	0.01%	0.63%	0.63%
Airport Fund					
Understatement of capital assets, fiscal 2017	(67,592)	-	(67,592)	-	-
Understatement of expense due to capitalization of prior year capital asset additions, fiscal 2018	67,592	-	-	-	(67,592)
Cumulative effect of items noted above	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (67,592)</u>	<u>\$ -</u>	<u>\$ (67,592)</u>
Misstatement as a percentage of total assets - airport fund	0.00%	0.00%	-0.82%	0.00%	-0.82%
Electric Fund					
Overstatement of inventory	26,305	-	-	-	(26,305)
Misstatement as a percentage of total assets - electric fund	0.22%	0.00%	0.00%	0.00%	-0.22%
Total business-type activities	<u>\$ 26,305</u>	<u>\$ -</u>	<u>\$ (67,592)</u>	<u>\$ -</u>	<u>\$ (93,897)</u>
Misstatement as a percentage of total program/general revenues - business-type	0.05%	0.00%	-0.12%	0.00%	-0.17%