

**CITY OF CHARLEVOIX**

**FINANCIAL STATEMENTS**

**For the Fiscal Year Ended  
March 31, 2006**

# CITY OF CHARLEVOIX

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# CITY OF CHARLEVOIX

## List of Elected and Appointed Officials For the Fiscal Year Ended March 31, 2006

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### Elected Officials

|                |                   |
|----------------|-------------------|
| Mayor          | Norman Carlson    |
| Mayor Pro Tem  | Shirley Gibson    |
| Council Member | Gene Beer         |
| Council Member | Karen Campbell    |
| Council Member | Sherm Chamberlain |
| Council Member | Bill Haggard      |
| Council Member | Robert Timms      |
| Clerk          | Carol Ochs        |

### Appointed Officials

|                                 |                    |
|---------------------------------|--------------------|
| Manager                         | Michael R. Wiesner |
| Attorney                        | James Young        |
| Police Chief                    | Gerard Doan        |
| Fire & Ambulance                | Paul Ivan          |
| Electric & Water Superintendent | Donald Swem        |
| Treasurer                       | Richard Brandi     |
| Street Superintendent           | Pat Elliott        |
| Wastewater/Water Superintendent | James Caldwell     |
| Harbormaster                    | Hal Evans          |
| Planning Director               | Gerry Harsch       |
| Zoning Administrator            | Dianne Manore      |
| Recreation Director             | Dwight Boss        |
| Director of Golf                | Tom Heid           |



## INDEPENDENT AUDITORS' REPORT

June 28, 2006

The Honorable Mayor and  
Members of the City Council  
City of Charlevoix  
Charlevoix County, Michigan

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* (the "City"), as of and for the year ended March 31, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and major Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2006 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3-13 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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 and schedules listed in the table of contents 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 and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Lehmann Johnson".

## Management's Discussion and Analysis

As management of the **City of Charlevoix** (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, 2006.

### Financial Highlights

- The assets of the City (primary government) exceeded its liabilities at the close of the most recent fiscal year by \$49,665,072 (*net assets*). Of this amount, \$6,099,672 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The primary government's total net assets increased by \$2,095,729.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,278,183, a decrease of \$72,711 in comparison with the prior year. Approximately 40 percent of this total amount or \$508,916 is *available for spending* at the City's discretion (*unreserved, undesignated fund balance*).
- At the end of the current fiscal year, unreserved, undesignated fund balance for the General Fund was \$375,786 or 12 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 assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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).

Both of 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, sewer, water and marina operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate authority – 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.

The government-wide financial statements can be found on pages 14-16 of this report.

**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*.

The City maintains 13 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Major Streets, Local Streets, Airport, and City Hall Improvements funds, each of which are considered to be major 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 and Special Revenue Funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 17-20 and 27-32 of this report.



**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, and marina operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its motor pool and employee fringe benefits. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements. The City also uses an internal service fund to account for DPW site maintenance. Services provided by this fund predominantly benefit business-type functions 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, sewage disposal and water operations, each of which are considered to be major funds of the City, as well as the Marina fund, which is a nonmajor fund.

The basic proprietary fund financial statements can be found on pages 21-26 of this report.

**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.

The basic fiduciary fund financial statement can be found on page 33 of this report.

**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. The notes to the financial statements can be found on pages 34-56 of this report.

**Other information.** The combining statements referred to earlier in connection with nonmajor governmental funds is presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 57-61 of this report.

## **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Charlevoix, assets exceeded liabilities by \$49,665,072 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (87 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 assets (1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (12 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

**City of Charlevoix - Primary Government  
Condensed Statement of Net Assets**

|   | <u>Governmental Activities</u> |                            | <u>Business-type Activities</u> |                            | <u>Total</u>               |                            |
|---|--------------------------------|----------------------------|---------------------------------|----------------------------|----------------------------|----------------------------|
|   | <u>2006</u>                    | <u>2005</u>                | <u>2006</u>                     | <u>2005</u>                | <u>2006</u>                | <u>2005</u>                |
| <b>Assets</b>                                   |                                |                            |                                 |                            |                            |                            |
| Cash and other assets                           | \$ 1,861,054                   | \$ 1,940,372               | \$ 5,508,254                    | \$ 5,012,236               | \$ 7,369,308               | \$ 6,952,608               |
| Capital assets not being depreciated            | 16,953,529                     | 17,744,612                 | 609,468                         | 609,468                    | 17,562,997                 | 18,354,080                 |
| Capital assets, net of accumulated depreciation | <u>11,949,669</u>              | <u>8,518,837</u>           | <u>13,927,079</u>               | <u>14,687,864</u>          | <u>25,876,748</u>          | <u>23,206,701</u>          |
| <b>Total assets</b>                             | <b><u>30,764,252</u></b>       | <b><u>28,203,821</u></b>   | <b><u>20,044,801</u></b>        | <b><u>20,309,568</u></b>   | <b><u>50,809,053</u></b>   | <b><u>48,513,389</u></b>   |
| <b>Liabilities</b>                              |                                |                            |                                 |                            |                            |                            |
| Current and other liabilities                   | 333,715                        | 337,731                    | 396,009                         | 991,097                    | 729,724                    | 1,328,828                  |
| Long-term debt, net of current portion          | <u>414,257</u>                 | <u>342,211</u>             | <u>-</u>                        | <u>-</u>                   | <u>414,257</u>             | <u>342,211</u>             |
| <b>Total liabilities</b>                        | <b><u>747,972</u></b>          | <b><u>679,942</u></b>      | <b><u>396,009</u></b>           | <b><u>991,097</u></b>      | <b><u>1,143,981</u></b>    | <b><u>1,671,039</u></b>    |
| <b>Net assets</b>                               |                                |                            |                                 |                            |                            |                            |
| Invested in capital assets, net of related debt | 28,675,486                     | 26,117,419                 | 14,536,547                      | 14,947,332                 | 43,212,033                 | 41,064,751                 |
| Restricted                                      | 353,367                        | 338,780                    | -                               | -                          | 353,367                    | 338,780                    |
| Unrestricted                                    | <u>987,427</u>                 | <u>1,067,680</u>           | <u>5,112,245</u>                | <u>4,371,139</u>           | <u>6,099,672</u>           | <u>5,438,819</u>           |
| <b>Total net assets</b>                         | <b><u>\$30,016,280</u></b>     | <b><u>\$27,523,879</u></b> | <b><u>\$19,648,792</u></b>      | <b><u>\$19,318,471</u></b> | <b><u>\$49,665,072</u></b> | <b><u>\$46,842,350</u></b> |

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

The City's net assets increased by \$2,822,722 during the current fiscal year.

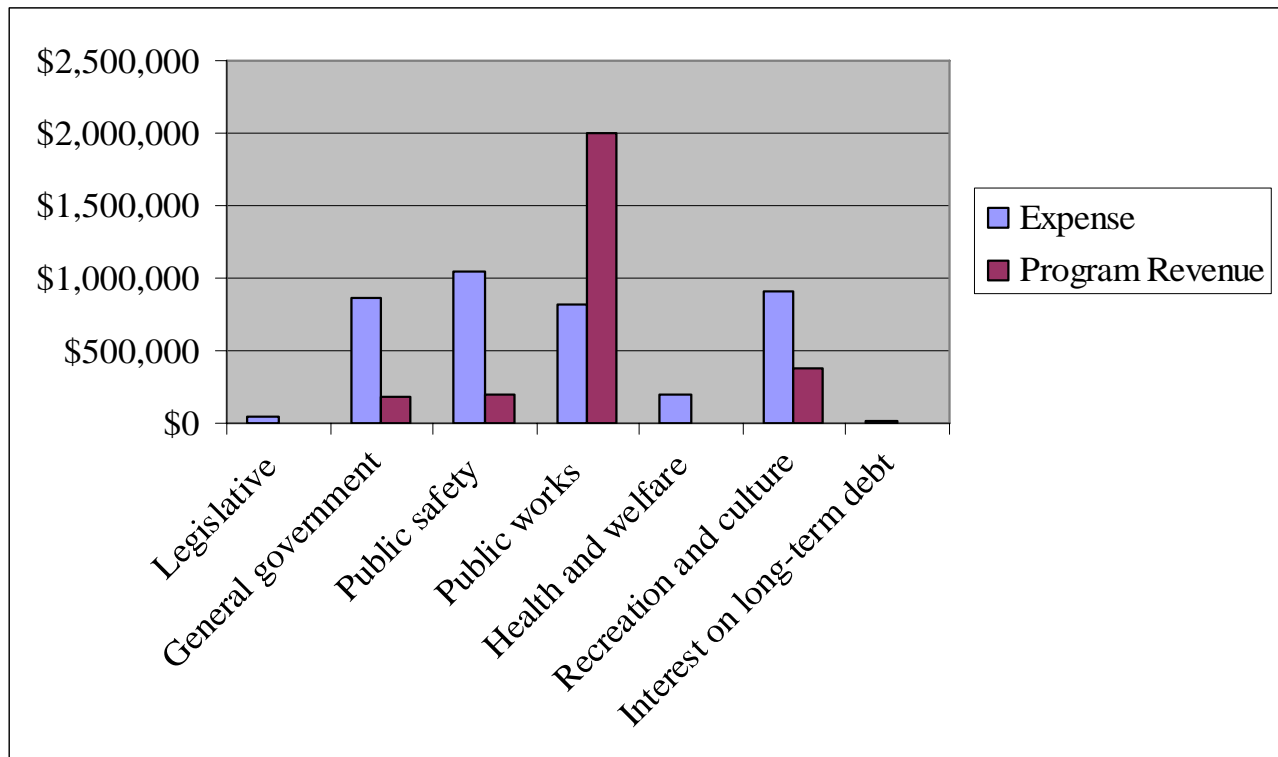
**City of Charlevoix - Primary Government**  
**Condensed Statement of Changes in Net Assets**

|  | <u>Governmental Activities</u> |                            | <u>Business-type Activities</u> |                            | <u>Total</u>               |                            |
|--|--------------------------------|----------------------------|---------------------------------|----------------------------|----------------------------|----------------------------|
|  | <u>2006</u>                    | <u>2005</u>                | <u>2006</u>                     | <u>2005</u>                | <u>2006</u>                | <u>2005</u>                |
| <b>Revenues</b>  |                                |                            |                                 |                            |                            |                            |
| Program revenues   |                                |                            |                                 |                            |                            |                            |
| Charges for services   | \$ 896,553                     | \$ 859,606                 | \$ 7,442,399                    | \$ 6,898,112               | \$ 8,338,952               | \$ 7,757,718               |
| Operating grants and contributions                           | 1,864,178                      | 1,705,261                  | 4,073                           | 8,640                      | 1,868,251                  | 1,713,901                  |
| General revenues   |                                |                            |                                 |                            |                            |                            |
| Property taxes   | 2,303,118                      | 2,253,138                  | -                               | -                          | 2,303,118                  | 2,253,138                  |
| Grants and contributions not restricted to specific programs | 312,453                        | 326,327                    | -                               | -                          | 312,453                    | 326,327                    |
| Unrestricted investment earnings                             | 59,097                         | 32,675                     | 159,508                         | 74,714                     | 218,605                    | 107,389                    |
| Gain on sale of capital assets                               | <u>78,471</u>                  | <u>16,939</u>              | <u>-</u>                        | <u>-</u>                   | <u>78,471</u>              | <u>16,939</u>              |
| <b>Total revenues</b>  | <b><u>5,513,870</u></b>        | <b><u>5,193,946</u></b>    | <b><u>7,605,980</u></b>         | <b><u>6,981,466</u></b>    | <b><u>13,119,850</u></b>   | <b><u>12,175,412</u></b>   |
| <b>Expenses</b>  |                                |                            |                                 |                            |                            |                            |
| Legislative  | 49,919                         | 55,222                     | -                               | -                          | 49,919                     | 55,222                     |
| General government   | 866,213                        | 779,660                    | -                               | -                          | 866,213                    | 779,660                    |
| Public safety  | 1,048,875                      | 1,001,985                  | -                               | -                          | 1,048,875                  | 1,001,985                  |
| Public works   | 824,180                        | 691,855                    | -                               | -                          | 824,180                    | 691,855                    |
| Health and welfare   | 196,502                        | 178,524                    | -                               | -                          | 196,502                    | 178,524                    |
| Recreation and culture                                       | 910,727                        | 865,223                    | -                               | -                          | 910,727                    | 865,223                    |
| Interest on long-term debt                                   | 13,591                         | 8,817                      | -                               | -                          | 13,591                     | 8,817                      |
| Electric   | -                              | -                          | 5,168,030                       | 4,652,897                  | 5,168,030                  | 4,652,897                  |
| Sewage disposal  | -                              | -                          | 977,476                         | 1,095,699                  | 977,476                    | 1,095,699                  |
| Water  | -                              | -                          | 819,957                         | 774,655                    | 819,957                    | 774,655                    |
| Marina   | -                              | -                          | 148,651                         | 144,795                    | 148,651                    | 144,795                    |
| <b>Total expenses</b>  | <b><u>3,910,007</u></b>        | <b><u>3,581,286</u></b>    | <b><u>7,114,114</u></b>         | <b><u>6,668,046</u></b>    | <b><u>11,024,121</u></b>   | <b><u>10,249,332</u></b>   |
| Increase in net assets before transfers                      | 1,603,863                      | 1,612,660                  | 491,866                         | 313,420                    | 2,095,729                  | 1,926,080                  |
| Transfers  | <u>161,545</u>                 | <u>275,920</u>             | <u>(161,545)</u>                | <u>(275,920)</u>           | <u>-</u>                   | <u>-</u>                   |
| <b>Change in net assets</b>                                  | <b><u>1,765,408</u></b>        | <b><u>1,888,580</u></b>    | <b><u>330,321</u></b>           | <b><u>37,500</u></b>       | <b><u>2,095,729</u></b>    | <b><u>1,926,080</u></b>    |
| Net assets – beginning of year                               | 27,523,879                     | 25,635,299                 | 19,318,471                      | 19,396,593                 | 46,842,350                 | 45,031,892                 |
| Prior period adjustment                                      | <u>726,993</u>                 | <u>-</u>                   | <u>-</u>                        | <u>(115,622)</u>           | <u>726,993</u>             | <u>(115,622)</u>           |
| <b>Net assets – end of year</b>                              | <b><u>\$30,016,280</u></b>     | <b><u>\$27,523,879</u></b> | <b><u>\$19,648,792</u></b>      | <b><u>\$19,318,471</u></b> | <b><u>\$49,665,072</u></b> | <b><u>\$46,842,350</u></b> |

**Governmental activities.** Governmental activities increased the City’s net assets by \$2,492,401. Key elements of this increase are as follows:

- Property tax revenue increased by approximately \$50,000 (3%) during the year. This increase is the result of increased taxable value in the City.
- Federal and State of Michigan grants provided an additional \$1,507,568 for improvements at the airport.
- The City Hall Improvements Capital Projects Fund received transfers of \$60,000 and \$118,100 from the Infrastructure Improvements Capital Projects fund and Electric, Water & Sewer Utility proprietary funds, respectively, and an additional \$30,000 advance from the Electric Fund to partially fund the City Hall renovation project.
- A prior period adjustment in the amount of \$826,993 to reflect the net book value of the airport parking lot construction and lighting not capitalized in prior years. Also, a prior period adjustment in the amount of \$100,000 to reflect long-term debt not recorded in the prior year.

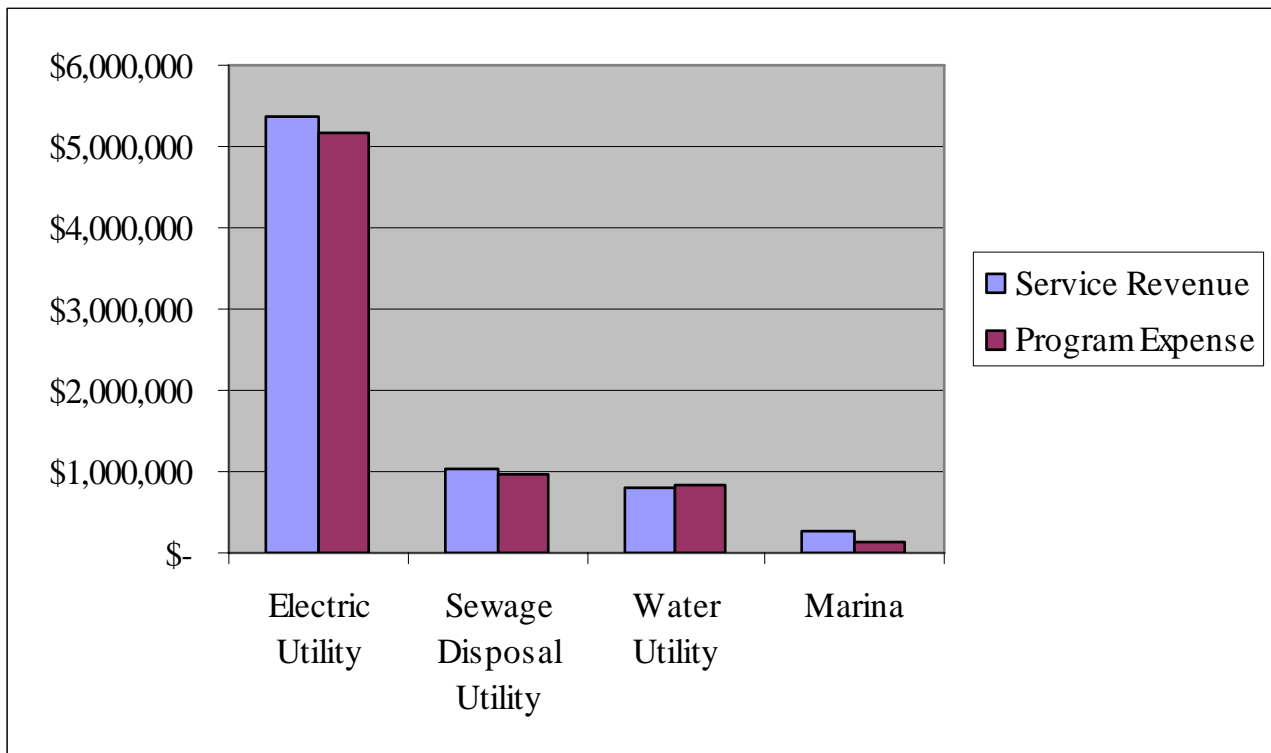
**Expenses and Program Revenues – Governmental Activities**



**Business-type activities.** Business-type activities increased the City’s net assets by \$330,321. Key elements of this change are as follows:

- Interest rates increased and unrestricted investment earnings increased by \$84,794 for the year due to rising interest rates.
- Charges for services revenue increased by \$544,287 for the year, from Electric, Sewer, Water & Marina charges for services. Expenditures also increased for these activities by \$446,068.
- Transfers out for 2005-06 were \$114,375 less than the prior year.

**Expenses and Program Revenues - Business-type Activities**



**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. In particular, *unreserved fund balance* may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$1,278,183, a decrease of \$72,711 in comparison with the prior year. A significant portion of the fund balances, \$924,816, constitutes *unreserved fund balance*, which is available for spending at the City’s discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed for Perpetual Care.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$595,386; a portion of this amount (\$219,600) has been designated for use in the subsequent year's budget. As a measure of the General Fund's liquidity, it may be useful to compare unreserved, undesignated fund balance to total fund expenditures and transfers out. Unreserved, undesignated fund balance represents 12 percent of total General Fund expenditures and transfers out.

The fund balance of the City's General Fund decreased by \$59,975 during the current fiscal year, compared to a budgeted increase of \$858. Many factors contributed to this change during the year, but the main reasons for the decrease were 1) an overestimation of revenues for property taxes due to board of review changes, 2) lower Federal revenue than anticipated and 3) fewer ambulance runs than anticipated. Expenditures were also higher than anticipated in the General Fund by approximately \$2,800. The expenditures occurred in the General Fund rather than in Major & Local Street Funds, due to seasonal differences in the workload (less work done than planned in Major and Local Street funds and more in the General Fund). This decrease in fund balance for the current year was planned by administration in order to maintain approximately \$440,000 in fund balance over a three year period to ensure financial stability of the General Fund. A Citizens Committee is currently evaluating options and recommendations to City Council to provide for a more financially stable future of the General Fund.

The Major Streets Fund had a total fund balance of \$93,514. The Major Streets Fund's fund balance decreased by \$4,853, compared to a budgeted decrease of \$12,201, due in most part to less spending on Major Streets for snow removal than estimated.

The Local Streets Fund had a total fund balance of \$94,037. The Local Streets Fund's fund balance increased by \$23,462, compared to a budgeted increase of \$7,994, due in most part to lower spending on Local Streets for snow removal than estimated.

The Airport Fund had a total fund balance of \$109,589. The Airport Fund's fund balance increased by \$3,309, compared to a budgeted decrease of \$44,211, due in most part to lower Federal revenues and expenditures for grant projects during the year than expected.

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

Unrestricted net assets of the Electric Utility, Sewage Disposal Utility, Water Utility and Marina Funds at the end of the year amounted to \$5,016,627 and the investment in capital assets net of related debt was \$14,406,583. The Electric Utility Fund had an increase in net assets for the year of \$211,638, the Sewage Disposal Utility Fund an increase of \$43,665, the Water Utility Fund a decrease of \$38,591, whereas the Marina Fund had an increase of \$110,059. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

### **General Fund Budgetary Highlights**

During the year, General Fund revenues and expenditures were lower than budgetary estimates. There was a decrease in fund balance of \$59,975 compared to a budgeted increase of \$858. Substantially all of this decrease resulted from increased expenditures in the fund that were budgeted in the Major & Local Street Funds and over estimation of revenues for property taxes, Federal revenue and for charges for services (ambulance runs).

## 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, 2006, amounted to \$43,439,745 (net of accumulated depreciation). This investment in capital assets includes land improvements, buildings and systems, equipment, vehicles and infrastructures including park facilities, roads, highways, and bridges. The total increase in the City's investment in capital assets for the current fiscal year was 4.5 percent.

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

- Completion of City Hall improvements
- Construction of snow removal equipment (SRE) building addition at the airport
- Purchase of new vehicles, machinery and equipment by the Airport and the Motor Pool funds.
- Utility system improvements and equipment purchases.

### City of Charlevoix - Primary Government Capital Assets (net of depreciation)

|                          | <u>Governmental Activities</u> |                            | <u>Business-type Activities</u> |                            | <u>Total</u>               |                            |
|--------------------------|--------------------------------|----------------------------|---------------------------------|----------------------------|----------------------------|----------------------------|
|                          | <u>2006</u>                    | <u>2005</u>                | <u>2006</u>                     | <u>2005</u>                | <u>2006</u>                | <u>2005</u>                |
| Land                     | \$16,953,529                   | \$16,953,529               | \$ 609,468                      | \$ 609,468                 | \$17,562,997               | \$17,562,997               |
| Construction-in-progress | -                              | 791,083                    | -                               | -                          | -                          | 791,083                    |
| Land improvements        | 3,490,244                      | 2,399,931                  | 478,694                         | 560,694                    | 3,968,938                  | 2,960,625                  |
| Infrastructure           | 538,353                        | 543,255                    | -                               | -                          | 538,353                    | 543,255                    |
| Buildings and systems    | 6,526,988                      | 4,393,128                  | 13,139,418                      | 13,845,957                 | 19,666,406                 | 18,239,085                 |
| Equipment                | 748,504                        | 508,134                    | 308,967                         | 281,213                    | 1,057,471                  | 789,347                    |
| Vehicles                 | <u>645,580</u>                 | <u>674,389</u>             | <u>-</u>                        | <u>-</u>                   | <u>645,580</u>             | <u>674,389</u>             |
| <b>Total</b>             | <b><u>\$28,903,198</u></b>     | <b><u>\$26,263,449</u></b> | <b><u>\$14,536,547</u></b>      | <b><u>\$15,297,332</u></b> | <b><u>\$43,439,745</u></b> | <b><u>\$41,560,781</u></b> |

Additional information on the City's capital assets can be found in Note III C on pages 43-46 of this report.

**Long-term debt.** At the end of the current fiscal year, the City (primary government) had total installment purchase agreements and loans outstanding of \$227,712. This amount comprises debt backed by the full faith and credit of the City. The City has also pledged its full faith and credit to the Downtown Development Authority Component Unit bonded and installment purchase debt agreements of \$2,055,000 and \$686,084, respectively.

**City of Charlevoix  
Outstanding Debt**

|                                 | <b>Governmental<br/>Activities</b> | <b>Component<br/>Unit</b> |
|---------------------------------|------------------------------------|---------------------------|
| General obligation bonds        | \$ 136,080                         | \$ 2,055,000              |
| Installment purchase agreements | 91,632                             | 686,084                   |
| <b>Total</b>                    | <b>\$ 227,712</b>                  | <b>\$ 2,741,084</b>       |

The City's and Component Unit's total debt decreased by \$617,665.

The City has an "AAA" rating from Moody's for the General Obligation Bond issue for the DDA.

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 \$21,130,908, which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in Note III F on pages 48-50 of this report.

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

The following factors were considered in preparing the City's budget for the 2006-07 fiscal year:

- The unemployment rate for the Northwest Michigan region is currently 5.7 %, which is a decrease from a rate of 6.8% a year ago. This compares to the state's current average unemployment rate of 6.3 % and the national average rate of 4.6%.
- The tax collection rate for the year remained at 97% of billed taxes. This rate has remained virtually unchanged for the last 5 years. The County tax revolving fund reimburses the City for delinquent real property taxes in May each year following the March settlement.
- An increase of 5% in health care costs were factored in to the Employee Fringe Benefit (EFB) rate applied to all funds to maintain a break-even in the EFB. The actual increase effective August 1, 2006 is 14.4% from Blue Cross Blue Shield of Michigan. The City's portion of this increase will be just over the 5% budgeted, due to increases in caps on health coverage for Police and non-union employees. The City's health care committee has chosen to move to MERS Premier Health from Blue Cross which will lower substantially the increases experienced by the employees share of health care costs. Costs to the City may also be reduced due to the change in health insurance carrier.



- A revenue increase for State Revenue Sharing or Act 51 monies is not factored into the budget. An additional millage of .7 mills was levied to offset the cost of refuse pickup, leaf and brush collection and composting operations in attempt to offset some of the inflationary increases in costs. An increase in operating millage to 9.05 mills from 8.50 mills was adopted in the 2006-07 budget to enable the same level of service to taxpayers be provided by the General Fund. Correspondingly, the infrastructure millage was reduced to 2.2337 mills as required by the Headlee Rollback.
- The Communication Workers of America (CWA) contract expired March 31, 2006. A new contract is in negotiation and back pay is an issue. The 2006-07 Budget assumes an increase in wages to account for anticipated wage increases for the twenty three employees. The Fringe Benefit Fund also reflects costs of increasing caps for health insurance which is also an issue of the negotiations.
- Sewer rates increased 5.5%, in line with a cost of service study to offset projected losses in the business type fund.

During the current fiscal year, unreserved fund balance in the General Fund decreased to \$595,386. The City has appropriated \$219,600 of this amount for spending in the 2006-07 fiscal year budgets. Such appropriations are intended to finance one-time capital expenditures.

### **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 [rbrandi@cityofcharlevoix.org](mailto:rbrandi@cityofcharlevoix.org) or by visiting our website at [www.cityofcharlevoix.org](http://www.cityofcharlevoix.org) for additional supplemental budgetary information.

**CITY OF CHARLEVOIX**  
**STATEMENT OF NET ASSETS**

**MARCH 31, 2006**

|   | <b>Primary Government</b>      |                                 |                      | <b>Component Unit</b> |
|---|--------------------------------|---------------------------------|----------------------|-----------------------|
|   | <b>Governmental Activities</b> | <b>Business-type Activities</b> | <b>Total</b>         |                       |
| <b>Assets</b>                                   |                                |                                 |                      |                       |
| Cash and cash equivalents                       | \$ 828,099                     | \$ 1,439,937                    | \$ 2,268,036         | \$ 184,418            |
| Cash with fiscal agent                          | -                              | -                               | -                    | 125,473               |
| Investments                                     | 1,251,186                      | 2,277,143                       | 3,528,329            | 640,339               |
| Receivables                                     | 277,387                        | 991,909                         | 1,269,296            | 7,079                 |
| Internal balances                               | (495,618)                      | 495,618                         | -                    | -                     |
| Other assets                                    | -                              | 303,647                         | 303,647              | 36,073                |
| Capital assets not being depreciated            | 16,953,529                     | 609,468                         | 17,562,997           | 923,071               |
| Capital assets, net of depreciaton              | 11,949,669                     | 13,927,079                      | 25,876,748           | 4,325,858             |
| <b>Total assets</b>                             | <b>30,764,252</b>              | <b>20,044,801</b>               | <b>50,809,053</b>    | <b>6,242,311</b>      |
| <b>Liabilities</b>                              |                                |                                 |                      |                       |
| Accounts payable                                | 175,151                        | 363,356                         | 538,507              | 33,979                |
| Accrued liabilities                             | 130,300                        | 32,653                          | 162,953              | 16,413                |
| Noncurrent liabilities                          |                                |                                 |                      |                       |
| Long term debt due within one year              | 28,264                         | -                               | 28,264               | 349,347               |
| Long term debt due in more than one year        | 414,257                        | -                               | 414,257              | 2,391,737             |
| <b>Total liabilities</b>                        | <b>747,972</b>                 | <b>396,009</b>                  | <b>1,143,981</b>     | <b>2,791,476</b>      |
| <b>Net assets</b>                               |                                |                                 |                      |                       |
| Invested in capital assets, net of related debt | 28,675,486                     | 14,536,547                      | 43,212,033           | 2,507,845             |
| Restricted for                                  |                                |                                 |                      |                       |
| Nonexpendable perpetual care                    | 353,367                        | -                               | 353,367              | -                     |
| Unrestricted                                    | 987,427                        | 5,112,245                       | 6,099,672            | 942,990               |
| <b>Total net assets</b>                         | <b>\$ 30,016,280</b>           | <b>\$ 19,648,792</b>            | <b>\$ 49,665,072</b> | <b>\$ 3,450,835</b>   |

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

**CITY OF CHARLEVOIX**  
**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED MARCH 31, 2006**

| <u>Functions / Programs</u>     | <u>Expenses</u>             | <u>Program Revenues</u>         |   | <u>Net<br/>(Expense)<br/>Revenue</u> |
|---------------------------------|-----------------------------|---------------------------------|---|--------------------------------------|
|                                 |                             | <u>Charges<br/>for Services</u> | <u>Operating<br/>Grants and<br/>Contributions</u> |                                      |
| <b>Primary government</b>       |                             |                                 |   |                                      |
| Governmental activities         |                             |                                 |   |                                      |
| Legislative                     | \$ 49,919                   | \$ -                            | \$ -  | \$ (49,919)                          |
| General government              | 866,213                     | 177,603                         | 4,296   | (684,314)                            |
| Public safety                   | 1,048,875                   | 189,478                         | 11,125  | (848,272)                            |
| Public works                    | 824,180                     | 200,546                         | 1,804,728   | 1,181,094                            |
| Health and welfare              | 196,502                     | -                               | -   | (196,502)                            |
| Recreation and culture          | 910,727                     | 328,926                         | 44,029  | (537,772)                            |
| Interest on long-term debt      | 13,591                      | -                               | -   | (13,591)                             |
| Total governmental activities   | <u>3,910,007</u>            | <u>896,553</u>                  | <u>1,864,178</u>                                  | <u>(1,149,276)</u>                   |
| Business-type activities        |                             |                                 |   |                                      |
| Electric                        | 5,168,030                   | 5,375,442                       | -   | 207,412                              |
| Sewage disposal                 | 977,476                     | 1,029,017                       | 4,073   | 55,614                               |
| Water                           | 819,957                     | 784,940                         | -   | (35,017)                             |
| Marina                          | 148,651                     | 253,000                         | -   | 104,349                              |
| Total business-type activities  | <u>7,114,114</u>            | <u>7,442,399</u>                | <u>4,073</u>                                      | <u>332,358</u>                       |
| <b>Total primary government</b> | <b><u>\$ 11,024,121</u></b> | <b><u>\$ 8,338,952</u></b>      | <b><u>\$ 1,868,251</u></b>                        | <b><u>\$ (816,918)</u></b>           |
| <b>Component unit</b>           |                             |                                 |   |                                      |
| Downtown Development Authority  | <u>\$ 532,574</u>           | <u>\$ 17,044</u>                | <u>\$ -</u>                                       | <u>\$ (515,530)</u>                  |

Continued...

**CITY OF CHARLEVOIX**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED MARCH 31, 2006**

|   | <b>Primary Government</b>          |                                     |                      | <b>Component<br/>Unit</b> |
|---|------------------------------------|-------------------------------------|----------------------|---------------------------|
|   | <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Total</b>         |                           |
| <b>Changes in net assets</b>                                    |                                    |                                     |                      |                           |
| Net (expense) revenue   | \$ (1,149,276)                     | \$ 332,358                          | \$ (816,918)         | \$ (515,530)              |
| General revenues  |                                    |                                     |                      |                           |
| Property taxes  | 2,303,118                          | -                                   | 2,303,118            | 734,834                   |
| Grants and contributions not<br>restricted to specific programs | 312,453                            | -                                   | 312,453              | -                         |
| Unrestricted investment earnings                                | 59,097                             | 159,508                             | 218,605              | 29,206                    |
| Gain on sale of capital assets                                  | 78,471                             | -                                   | 78,471               | -                         |
| Transfers - internal activities                                 | 161,545                            | (161,545)                           | -                    | -                         |
| Total general revenues<br>and transfers                         | 2,914,684                          | (2,037)                             | 2,912,647            | 764,040                   |
| <b>Changes in net assets</b>                                    | <b>1,765,408</b>                   | <b>330,321</b>                      | <b>2,095,729</b>     | <b>248,510</b>            |
| Net assets, beginning of year                                   | 27,523,879                         | 19,318,471                          | 46,842,350           | 3,202,325                 |
| Prior period adjustments  | 726,993                            | -                                   | 726,993              | -                         |
| Net assets, beginning of year, as restated                      | 28,250,872                         | 19,318,471                          | 47,569,343           | 3,202,325                 |
| <b>Net assets, end of year</b>                                  | <b>\$ 30,016,280</b>               | <b>\$ 19,648,792</b>                | <b>\$ 49,665,072</b> | <b>\$ 3,450,835</b>       |

Concluded

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

**CITY OF CHARLEVOIX**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**MARCH 31, 2006**

|  | <b>General</b>    | <b>Major<br/>Streets</b> | <b>Local<br/>Streets</b> | <b>Airport</b>    | <b>City Hall<br/>Improvements</b> |
|--|-------------------|--------------------------|--------------------------|-------------------|-----------------------------------|
| <b>ASSETS</b>  |                   |                          |                          |                   |                                   |
| Cash and cash equivalents                                      | \$ 231,612        | \$ 48,400                | \$ 56,795                | \$ 54,334         | \$ -                              |
| Designated cash and cash equivalents -<br>Skate park           | 37,977            | -                        | -                        | -                 | -                                 |
| Investments  | 353,398           | 4,000                    | 26,000                   | -                 | 12,615                            |
| Accounts receivable  | 36,568            | -                        | -                        | 32,447            | -                                 |
| Taxes receivable   | 44,140            | -                        | -                        | -                 | -                                 |
| Interest receivable  | 6,845             | 87                       | 567                      | -                 | 224                               |
| Due from other funds   | -                 | -                        | -                        | -                 | 170,618                           |
| Due from other governments                                     | 38,319            | 45,430                   | 12,555                   | 33,783            | -                                 |
| <b>Total assets</b>  | <b>748,859</b>    | <b>97,917</b>            | <b>95,917</b>            | <b>120,564</b>    | <b>183,457</b>                    |
| <b>LIABILITIES AND FUND BALANCES</b>                           |                   |                          |                          |                   |                                   |
| <b>Liabilities</b>   |                   |                          |                          |                   |                                   |
| Accounts payable   | 95,136            | 459                      | 65                       | 10,784            | 27,312                            |
| Accrued expenses   | 58,337            | 3,944                    | 1,815                    | 191               | -                                 |
| Due to other funds   | -                 | -                        | -                        | -                 | -                                 |
| Advance from other funds                                       | -                 | -                        | -                        | -                 | 655,000                           |
| <b>Total liabilities</b>                                       | <b>153,473</b>    | <b>4,403</b>             | <b>1,880</b>             | <b>10,975</b>     | <b>682,312</b>                    |
| <b>Fund balances (deficits)</b>                                |                   |                          |                          |                   |                                   |
| Reserved   |                   |                          |                          |                   |                                   |
| Perpetual care   | -                 | -                        | -                        | -                 | -                                 |
| Unreserved   |                   |                          |                          |                   |                                   |
| Designated for subsequent year's expenditures                  | 219,600           | 31,000                   | 17,400                   | -                 | -                                 |
| Undesignated   | 375,786           | 62,514                   | 76,637                   | 109,589           | (498,855)                         |
| Undesignated - reported in non-major<br>Capital Projects Funds | -                 | -                        | -                        | -                 | -                                 |
| <b>Total fund balances (deficits)</b>                          | <b>595,386</b>    | <b>93,514</b>            | <b>94,037</b>            | <b>109,589</b>    | <b>(498,855)</b>                  |
| <b>Total liabilities and fund balances</b>                     | <b>\$ 748,859</b> | <b>\$ 97,917</b>         | <b>\$ 95,917</b>         | <b>\$ 120,564</b> | <b>\$ 183,457</b>                 |

| <b>Other Nonmajor<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|--|---|
| \$ 193,391                                       | \$ 584,532                              |
| -  | 37,977                                  |
| 700,173  | 1,096,186                               |
| 661  | 69,676                                  |
| 12,824   | 56,964                                  |
| 10,914   | 18,637                                  |
| -  | 170,618                                 |
| -  | 130,087                                 |
| <b>917,963</b>                                   | <b>2,164,677</b>                        |
| 22,796   | 156,552                                 |
| -  | 64,287                                  |
| 10,655   | 10,655                                  |
| -  | 655,000                                 |
| <b>33,451</b>                                    | <b>886,494</b>                          |
| 353,367  | 353,367                                 |
| 147,900  | 415,900                                 |
| -  | 125,671                                 |
| 383,245  | 383,245                                 |
| <b>884,512</b>                                   | <b>1,278,183</b>                        |
| <b>\$ 917,963</b>                                | <b>\$ 2,164,677</b>                     |

Continued...

**CITY OF CHARLEVOIX**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**MARCH 31, 2006**

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**Reconciliation of fund balances on the balance sheet for governmental funds to net assets of governmental activities on the statement of net assets**

**Fund balances - total governmental funds** **\$ 1,278,183**

Amounts reported for governmental activities in the statement of net assets are different because

Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.

|                                   |             |
|-----------------------------------|-------------|
| Add - capital assets              | 33,528,912  |
| Deduct - accumulated depreciation | (5,225,267) |

Internal service funds are used by management to charge the costs of certain activities, such as equipment costs, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.

|   |         |
|---|---------|
| Add - net assets of governmental activities accounted for in the internal service funds           | 784,032 |
| Deduct - portion of internal service funds net operating income attributed to business-type funds | (581)   |

Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.

|  |           |
|--|-----------|
| Deduct - installment contracts and loans   | (227,712) |
| Deduct - compensated absences - sick       | (70,176)  |
| Deduct - accrued interest on bonds payable | (51,111)  |

**Net assets of governmental activities** **\$ 30,016,280**

Concluded

**CITY OF CHARLEVOIX**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES (DEFICITS) - GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED MARCH 31, 2006**

|  | <u>General</u>    | <u>Major<br/>Streets</u> | <u>Local<br/>Streets</u> | <u>Airport</u>    | <u>City Hall<br/>Improvements</u> |
|--|-------------------|--------------------------|--------------------------|-------------------|-----------------------------------|
| <b>Revenues</b>                              |                   |                          |                          |                   |                                   |
| Taxes  | \$ 1,745,832      | \$ -                     | \$ -                     | \$ -              | \$ -                              |
| Federal revenue                              | 4,296             | -                        | -                        | 1,469,078         | -                                 |
| State revenue                                | 297,321           | 227,197                  | 69,963                   | 38,490            | -                                 |
| Licenses and permits                         | 6,102             | -                        | -                        | -                 | -                                 |
| Charges for services                         | 539,052           | -                        | -                        | 114,680           | -                                 |
| Fines and forfeits                           | 24,244            | -                        | -                        | -                 | -                                 |
| Interest                                     | 18,222            | 481                      | 1,172                    | 1,034             | 1,414                             |
| Rents and royalties                          | 109,586           | -                        | -                        | 47,730            | -                                 |
| Gain on sale of capital assets               | -                 | -                        | -                        | 63,000            | -                                 |
| Other revenue                                | 44,309            | -                        | -                        | 38,136            | -                                 |
| <b>Total revenues</b>                        | <b>2,788,964</b>  | <b>227,678</b>           | <b>71,135</b>            | <b>1,772,148</b>  | <b>1,414</b>                      |
| <b>Expenditures</b>                          |                   |                          |                          |                   |                                   |
| Current                                      |                   |                          |                          |                   |                                   |
| Legislative                                  | 49,432            | -                        | -                        | -                 | -                                 |
| General government                           | 496,226           | -                        | -                        | -                 | 417,256                           |
| Public safety                                | 987,436           | -                        | -                        | -                 | -                                 |
| Public works                                 | 173,997           | 232,531                  | 130,192                  | 1,763,420         | -                                 |
| Health and welfare                           | 195,592           | -                        | -                        | -                 | -                                 |
| Recreation and culture                       | 1,056,037         | -                        | -                        | -                 | -                                 |
| Other expenditures                           | 52,516            | -                        | -                        | -                 | -                                 |
| Debt service                                 |                   |                          |                          |                   |                                   |
| Principal                                    | -                 | -                        | -                        | 18,318            | -                                 |
| Interest                                     | -                 | -                        | -                        | 12,101            | -                                 |
| <b>Total expenditures</b>                    | <b>3,011,236</b>  | <b>232,531</b>           | <b>130,192</b>           | <b>1,793,839</b>  | <b>417,256</b>                    |
| <b>Revenues over (under) expenditures</b>    | <b>(222,272)</b>  | <b>(4,853)</b>           | <b>(59,057)</b>          | <b>(21,691)</b>   | <b>(415,842)</b>                  |
| <b>Other financing sources (uses)</b>        |                   |                          |                          |                   |                                   |
| Transfers in                                 | 272,297           | -                        | 82,519                   | 25,000            | 253,900                           |
| Transfers out                                | (110,000)         | -                        | -                        | -                 | -                                 |
| <b>Total other financing sources (uses)</b>  | <b>162,297</b>    | <b>-</b>                 | <b>82,519</b>            | <b>25,000</b>     | <b>253,900</b>                    |
| <b>Net change in fund balances</b>           | <b>(59,975)</b>   | <b>(4,853)</b>           | <b>23,462</b>            | <b>3,309</b>      | <b>(161,942)</b>                  |
| Fund balances (deficits), beginning of year  | 655,361           | 98,367                   | 70,575                   | 106,280           | (336,913)                         |
| <b>Fund balances (deficits), end of year</b> | <b>\$ 595,386</b> | <b>\$ 93,514</b>         | <b>\$ 94,037</b>         | <b>\$ 109,589</b> | <b>\$ (498,855)</b>               |



| <b>Other<br/>Nonmajor<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|--|---|
| 557,286  | \$ 2,303,118                            |
|  | 1,473,374                               |
| -  | 632,971                                 |
| -  | 6,102                                   |
| 6,375  | 660,107                                 |
| -  | 24,244                                  |
| 28,234   | 50,557                                  |
| 13,684   | 171,000                                 |
| -  | 63,000                                  |
| 4,027  | 86,472                                  |
| <b>609,606</b>                                       | <b>5,470,945</b>                        |
| -  | 49,432                                  |
| 158,947  | 1,072,429                               |
| -  | 987,436                                 |
| -  | 2,300,140                               |
| -  | 195,592                                 |
| -  | 1,056,037                               |
| -  | 52,516                                  |
| -  | 18,318                                  |
| -  | 12,101                                  |
| <b>158,947</b>                                       | <b>5,744,001</b>                        |
| <b>450,659</b>                                       | <b>(273,056)</b>                        |
| 27,796   | 661,512                                 |
| (351,167)  | (461,167)                               |
| <b>(323,371)</b>                                     | <b>200,345</b>                          |
| 127,288  | (72,711)                                |
| 757,224  | 1,350,894                               |
| <b>\$ 884,512</b>                                    | <b>\$ 1,278,183</b>                     |

Continued...

**CITY OF CHARLEVOIX**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES (DEFICITS) - GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED MARCH 31, 2006**

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**Reconciliation of statement of revenues, expenditures and changes in fund balances of governmental funds  
to statement of activities**

**Net change in fund balances - total governmental funds** **\$ (72,711)**

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 is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay 2,305,007  
Deduct - depreciation expense (457,478)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term liabilities 18,318

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.

Add - interest revenue from governmental internal service funds 8,540  
Add - other revenue from governmental internal service funds 19,415  
Add - gain on sale of capital asset 15,471  
Add - net operating income of internal service funds charged to governmental activities 13,465  
Deduct - internal activities (transfers) accounted for in internal service funds (38,800)

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.

Add - decrease in compensated absences - sick 859  
Deduct - increase in accrued interest payable on bonds (46,678)

**Change in net assets of governmental activities** **\$ 1,765,408**

Concluded

**CITY OF CHARLEVOIX**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**

MARCH 31, 2006

|   | Business-type Activities - Enterprise Funds |                         |                     |                   |
|---|---|-------------------------|---------------------|-------------------|
|   | Major Funds                                 |                         |                     | Non-Major Fund    |
|   | Electric Utility                            | Sewage Disposal Utility | Water Utility       | Marina            |
| <b>Assets</b>                             |   |                         |                     |                   |
| <b>Current assets</b>                     |   |                         |                     |                   |
| Cash and cash equivalents                 | \$ 490,738                                  | \$ 490,829              | \$ 235,271          | \$ 223,099        |
| Investments                               | 1,344,500                                   | 257,297                 | 420,346             | 30,000            |
| Accounts receivable                       | 707,598                                     | 114,272                 | 82,468              | 75                |
| Interest receivable                       | 70,362                                      | 1,814                   | 5,966               | 97                |
| Due from other funds                      | -   | -                       | -                   | -                 |
| Inventory                                 | 264,597                                     | -                       | 39,050              | -                 |
| <b>Total current assets</b>               | <b>2,877,795</b>                            | <b>864,212</b>          | <b>783,101</b>      | <b>253,271</b>    |
| <b>Noncurrent assets</b>                  |   |                         |                     |                   |
| Restricted investments                    |   |                         |                     |                   |
| For replacement                           | 75,000                                      | 75,000                  | 75,000              | -                 |
| Capital assets,                           |   |                         |                     |                   |
| net of accumulated depreciation           | 6,417,947                                   | 3,675,613               | 4,298,674           | 14,349            |
| Advance to other funds                    | 655,000                                     | -                       | -                   | -                 |
| Notes receivable                          | -   | 9,257                   | -                   | -                 |
| <b>Total noncurrent assets</b>            | <b>7,147,947</b>                            | <b>3,759,870</b>        | <b>4,373,674</b>    | <b>14,349</b>     |
| <b>Total assets</b>                       | <b>10,025,742</b>                           | <b>4,624,082</b>        | <b>5,156,775</b>    | <b>267,620</b>    |
| <b>Liabilities</b>                        |   |                         |                     |                   |
| <b>Current liabilities</b>                |   |                         |                     |                   |
| Accounts payable                          | 258,368                                     | 95,043                  | 9,460               | 485               |
| Accrued expenses                          | 14,140                                      | 8,629                   | 9,092               | 792               |
| Compensated absences                      | -   | -                       | -                   | -                 |
| Due to other funds                        | 30,000                                      | -                       | -                   | -                 |
| <b>Total current liabilities</b>          | <b>302,508</b>                              | <b>103,672</b>          | <b>18,552</b>       | <b>1,277</b>      |
| <b>Noncurrent liabilities</b>             |   |                         |                     |                   |
| Compensated absences                      | -   | -                       | -                   | -                 |
| <b>Total liabilities</b>                  | <b>302,508</b>                              | <b>103,672</b>          | <b>18,552</b>       | <b>1,277</b>      |
| <b>Net assets</b>                         |   |                         |                     |                   |
| Invested in capital assets                | 6,417,947                                   | 3,675,613               | 4,298,674           | 14,349            |
| Restricted for replacement and redemption | 75,000                                      | 75,000                  | 75,000              | -                 |
| Unrestricted                              | 3,230,287                                   | 769,797                 | 764,549             | 251,994           |
| <b>Total net assets</b>                   | <b>\$ 9,723,234</b>                         | <b>\$ 4,520,410</b>     | <b>\$ 5,138,223</b> | <b>\$ 266,343</b> |

| <b>Total</b>         | <b>Internal<br/>Service Fund</b> |
|----------------------|----------------------------------|
| \$ 1,439,937         | \$ 205,590                       |
| 2,052,143            | 155,000                          |
| 904,413              | -                                |
| 78,239               | 2,023                            |
| -                    | 10,655                           |
| 303,647              | -                                |
| <b>4,778,379</b>     | <b>373,268</b>                   |
| 225,000              | -                                |
| 14,406,583           | 729,517                          |
| 655,000              | -                                |
| 9,257                | -                                |
| <b>15,295,840</b>    | <b>729,517</b>                   |
| <b>20,074,219</b>    | <b>1,102,785</b>                 |
| 363,356              | 18,599                           |
| 32,653               | 14,902                           |
| -                    | 6,674                            |
| 30,000               | 140,618                          |
| <b>426,009</b>       | <b>180,793</b>                   |
| -                    | <b>137,959</b>                   |
| <b>426,009</b>       | <b>318,752</b>                   |
| 14,406,583           | 729,517                          |
| 225,000              | -                                |
| 5,016,627            | 54,516                           |
| <b>\$ 19,648,210</b> | <b>\$ 784,033</b>                |

Continued...

**CITY OF CHARLEVOIX**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**

**MARCH 31, 2006**

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**Reconciliation of net assets on the statement of net assets for proprietary funds to net assets of business-type activities on the statement of net assets**

**Net assets - total enterprise funds** **\$ 19,648,210**

Amounts reported for business-type activities in the statement of net assets are different because

An internal service fund is used by management to charge the costs of certain DPW site activities to individual proprietary funds. Assets and liabilities of this internal service fund are included in business-type activities in the statement of net assets.

Add - net assets of business-type activities accounted for in the internal service fund 1  
Add - portion of internal service funds net operating income attributed to business-type funds 581

**Net assets of business-type activities** **\$ 19,648,792**

Concluded

**CITY OF CHARLEVOIX**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN NET ASSETS - PROPRIETARY FUNDS**

**FOR THE YEAR ENDED MARCH 31, 2006**

|   | <b>Business-type Activities - Enterprise Funds</b> |                                    |                          |                            |
|---|--|------------------------------------|--------------------------|----------------------------|
|   | <b>Major Funds</b>                                 |                                    |                          | <b>Non-<br/>Major Fund</b> |
|   | <b>Electric<br/>Utility</b>                        | <b>Sewage Disposal<br/>Utility</b> | <b>Water<br/>Utility</b> | <b>Marina</b>              |
| <b>Operating revenues</b>                         |  |                                    |                          |                            |
| Charges for services                              | \$ 5,366,724                                       | \$ 980,592                         | \$ 766,502               | \$ 253,000                 |
| <b>Operating expenses</b>                         |  |                                    |                          |                            |
| Purchased power                                   | 3,438,416  | -                                  | -                        | -                          |
| Personal services                                 | 603,623  | 358,284                            | 421,116                  | 105,347                    |
| Contractual services                              | 48,208   | 96,936                             | 13,597                   | 5,061                      |
| Insurance   | 4,778  | 22,111                             | 7,672                    | -                          |
| Building rental                                   | 42,804   | 19,704                             | 19,704                   | -                          |
| Equipment rental                                  | 94,027   | 53,983                             | 20,577                   | 891                        |
| Supplies  | 49,605   | 66,890                             | 38,515                   | 4,607                      |
| Utilities   | 18,886   | 127,724                            | 62,366                   | 19,581                     |
| Repair and maintenance                            | 20,878   | 26,111                             | 38,844                   | 635                        |
| Depreciation                                      | 735,549  | 181,026                            | 182,055                  | 7,080                      |
| Amortization                                      | 4,400  | -                                  | -                        | -                          |
| Miscellaneous                                     | 73,040   | 24,859                             | 11,014                   | 4,869                      |
| <b>Total operating expenses</b>                   | <b>5,134,214</b>                                   | <b>977,628</b>                     | <b>815,460</b>           | <b>148,071</b>             |
| <b>Operating income (loss)</b>                    | <b>232,510</b>                                     | <b>2,964</b>                       | <b>(48,958)</b>          | <b>104,929</b>             |
| <b>Nonoperating<br/>revenues (expenses)</b>       |  |                                    |                          |                            |
| Interest revenue                                  | 120,146  | 17,803                             | 16,429                   | 5,130                      |
| Gain on sale of capital assets                    | -  | -                                  | -                        | -                          |
| Other revenue                                     | 8,718  | 52,498                             | 18,438                   | -                          |
| Interest expense                                  | (31,636)   | -                                  | -                        | -                          |
| <b>Total nonoperating<br/>revenues (expenses)</b> | <b>97,228</b>                                      | <b>70,301</b>                      | <b>34,867</b>            | <b>5,130</b>               |
| <b>Income (loss) before transfers</b>             | <b>329,738</b>                                     | <b>73,265</b>                      | <b>(14,091)</b>          | <b>110,059</b>             |
| <b>Transfers</b>                                  |  |                                    |                          |                            |
| Transfers in                                      | -  | -                                  | -                        | -                          |
| Transfers out                                     | (118,100)  | (29,600)                           | (24,500)                 | -                          |
| <b>Total transfers</b>                            | <b>(118,100)</b>                                   | <b>(29,600)</b>                    | <b>(24,500)</b>          | <b>-</b>                   |
| <b>Change in net assets</b>                       | <b>211,638</b>                                     | <b>43,665</b>                      | <b>(38,591)</b>          | <b>110,059</b>             |
| Net assets, beginning of year                     | 9,511,596  | 4,476,745                          | 5,176,814                | 156,284                    |
| <b>Net assets, end of year</b>                    | <b>\$ 9,723,234</b>                                | <b>\$ 4,520,410</b>                | <b>\$ 5,138,223</b>      | <b>\$ 266,343</b>          |

| <b>Total</b>         | <b>Internal<br/>Service Fund</b> |
|----------------------|----------------------------------|
| <b>\$ 7,366,818</b>  | <b>\$ 1,988,707</b>              |
| 3,438,416            | -                                |
| 1,488,370            | 1,552,815                        |
| 163,802              | 147,415                          |
| 34,561               | -                                |
| 82,212               | -                                |
| 169,478              | -                                |
| 159,617              | 62,048                           |
| 228,557              | 12,752                           |
| 86,468               | 55,538                           |
| 1,105,710            | 149,210                          |
| 4,400                | -                                |
| 113,782              | 2,569                            |
| <b>7,075,373</b>     | <b>1,982,347</b>                 |
| <b>291,445</b>       | <b>6,360</b>                     |
| 159,508              | 8,540                            |
| -                    | 15,471                           |
| 79,654               | 19,415                           |
| (31,636)             | -                                |
| <b>207,526</b>       | <b>43,426</b>                    |
| <b>498,971</b>       | <b>49,786</b>                    |
| -                    | 20,655                           |
| (172,200)            | (48,800)                         |
| <b>(172,200)</b>     | <b>(28,145)</b>                  |
| <b>326,771</b>       | <b>21,641</b>                    |
| 19,321,439           | 762,392                          |
| <b>\$ 19,648,210</b> | <b>\$ 784,033</b>                |

Continued...

**CITY OF CHARLEVOIX**  
**STATEMENT OF REVENUE, EXPENSES AND CHANGES**  
**IN NET ASSETS - PROPRIETARY FUNDS**

**FOR THE YEAR ENDED MARCH 31, 2006**

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|  |                          |
|--|--------------------------|
| <b>Reconciliation of the statement of revenues, expenses and changes in net assets of enterprise funds to the to the statement of activities</b>   |                          |
| <b>Change in net assets - all enterprise funds</b>   | <b>\$ 326,771</b>        |
| An internal service fund is used by management to charge the costs of certain DPW site capital improvements to individual enterprise funds. The net revenue (expense) attributable to that fund is reported with business-type activities. |                          |
| Deduct - net operating loss of internal service funds charged to business-type funds   | (7,105)                  |
| Add - internal activities (transfers) accounted for in business-type internal service fund   | <u>10,655</u>            |
| <b>Change in net assets of business-type activities</b>  | <b><u>\$ 330,321</u></b> |
|  | Concluded                |

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



**CITY OF CHARLEVOIX**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**

**FOR THE YEAR ENDED MARCH 31, 2006**

|  | Enterprise Funds    |                            |                   |                     |
|--|---------------------|----------------------------|-------------------|---------------------|
|  | Major Funds         |                            |                   | Non -<br>Major Fund |
|  | Electric<br>Utility | Sewage Disposal<br>Utility | Water<br>Utility  | Marina              |
| <b>Cash flows from operating activities</b>                            |                     |                            |                   |                     |
| Cash received from customers   | \$ 5,304,389        | \$ 956,252                 | \$ 747,791        | \$ 253,129          |
| Cash received from interfund services                                  |                     |                            |                   |                     |
| Cash payments to employees   | (603,581)           | (357,444)                  | (419,296)         | (105,200)           |
| Cash payments to suppliers for goods and services                      | (4,008,815)         | (468,211)                  | (218,468)         | (35,888)            |
| <b>Net cash provided by operating activities</b>                       | <b>691,993</b>      | <b>130,597</b>             | <b>110,027</b>    | <b>112,041</b>      |
| <b>Cash flows from non-capital financing activities</b>                |                     |                            |                   |                     |
| Miscellaneous income   | 8,718               | 52,498                     | 18,438            | -                   |
| Receipt of amounts due from other funds                                | 43,826              | -                          | 43,443            | -                   |
| Repayment of amounts due to other funds                                | (43,443)            | -                          | -                 | -                   |
| Transfers in from other funds  | -                   | -                          | -                 | -                   |
| Transfers out to other funds   | (118,100)           | (29,600)                   | (24,500)          | -                   |
| <b>Net cash provided by (used in) non-capital financing activities</b> | <b>(108,999)</b>    | <b>22,898</b>              | <b>37,381</b>     | <b>-</b>            |
| <b>Cash flows from capital and related financing activities</b>        |                     |                            |                   |                     |
| Proceeds from sale of capital assets                                   | -                   | -                          | -                 | -                   |
| Purchase of capital assets   | (252,610)           | (40,990)                   | (61,980)          | -                   |
| Bond principal payments  | (350,000)           | -                          | -                 | -                   |
| Bond interest payments   | (27,236)            | -                          | -                 | -                   |
| <b>Net cash used in capital and related financing activities</b>       | <b>(629,846)</b>    | <b>(40,990)</b>            | <b>(61,980)</b>   | <b>-</b>            |
| <b>Cash flows from investing activities</b>                            |                     |                            |                   |                     |
| Proceeds from matured investments                                      | 1,828,815           | 176,906                    | 250,670           | 30,000              |
| Purchase of investments  | (1,419,500)         | (332,297)                  | (495,346)         | (30,000)            |
| Investment income  | 69,948              | 17,195                     | 15,304            | 5,093               |
| <b>Net cash provided by (used in) investing activities</b>             | <b>479,263</b>      | <b>(138,196)</b>           | <b>(229,372)</b>  | <b>5,093</b>        |
| <b>Net increase (decrease) in cash and cash equivalents</b>            | <b>432,411</b>      | <b>(25,691)</b>            | <b>(143,944)</b>  | <b>117,134</b>      |
| Cash and cash equivalents, beginning of year                           | 58,327              | 516,520                    | 379,215           | 105,965             |
| <b>Cash and cash equivalents, end of year</b>                          | <b>\$ 490,738</b>   | <b>\$ 490,829</b>          | <b>\$ 235,271</b> | <b>\$ 223,099</b>   |

| <u>Total</u>               | <u>Internal<br/>Service Fund</u> |
|----------------------------|----------------------------------|
| \$ 7,261,561               | \$ -                             |
| (1,485,521)                | 1,989,810                        |
| <u>(4,731,382)</u>         | <u>(1,569,690)</u>               |
| <b><u>1,044,658</u></b>    | <b><u>127,847</u></b>            |
| 79,654                     | 19,415                           |
| 87,269                     | -                                |
| (43,443)                   | 2,467                            |
| -                          | 10,000                           |
| <u>(172,200)</u>           | <u>(48,800)</u>                  |
| <b><u>(48,720)</u></b>     | <b><u>(16,918)</u></b>           |
| -                          | 15,471                           |
| (355,580)                  | (103,782)                        |
| (350,000)                  | -                                |
| <u>(27,236)</u>            | <u>-</u>                         |
| <b><u>(732,816)</u></b>    | <b><u>(88,311)</u></b>           |
| 2,286,391                  | 121,435                          |
| (2,277,143)                | (155,000)                        |
| <u>107,540</u>             | <u>7,193</u>                     |
| <b><u>116,788</u></b>      | <b><u>(26,372)</u></b>           |
| <b>379,910</b>             | <b>(3,754)</b>                   |
| <u>1,060,027</u>           | <u>209,344</u>                   |
| <b><u>\$ 1,439,937</u></b> | <b><u>\$ 205,590</u></b>         |

Continued...

**CITY OF CHARLEVOIX**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

**FOR THE YEAR ENDED MARCH 31, 2006**

|   | <b>Enterprise Funds</b>     |                                    |                          |                            |
|---|-----------------------------|------------------------------------|--------------------------|----------------------------|
|   | <b>Major Funds</b>          |                                    |                          | <b>Non-<br/>Major Fund</b> |
|   | <b>Electric<br/>Utility</b> | <b>Sewage Disposal<br/>Utility</b> | <b>Water<br/>Utility</b> | <b>Marina</b>              |
| <b>Reconciliation of operating income<br/>(loss) to net cash provided by<br/>(used in) operating activities</b> |                             |                                    |                          |                            |
| Operating income (loss)   | \$ 232,510                  | \$ 2,964                           | \$ (48,958)              | \$ 104,929                 |
| Adjustments to reconcile operating<br>income (loss) to net cash provided<br>by operating activities             |                             |                                    |                          |                            |
| Depreciation  | 735,549                     | 181,026                            | 182,055                  | 7,080                      |
| Changes in assets and liabilities   |                             |                                    |                          |                            |
| Accounts receivable   | (62,335)                    | (24,340)                           | (18,711)                 | 129                        |
| Inventory   | (913)                       | -                                  | (1,239)                  | -                          |
| Accounts payable  | (216,329)                   | (29,893)                           | (4,940)                  | (244)                      |
| Accrued expenses  | 3,511                       | 840                                | 1,820                    | 147                        |
| Accrued compensated absences  | -                           | -                                  | -                        | -                          |
| <b>Net cash provided by<br/>operating activities</b>  | <b>\$ 691,993</b>           | <b>\$ 130,597</b>                  | <b>\$ 110,027</b>        | <b>\$ 112,041</b>          |
| <b>Noncash non-capital financing and investing activities</b>   |                             |                                    |                          |                            |
| Advance to City Hall Improvements Capital Project Fund  | <b>\$ 30,000</b>            |                                    |                          |                            |

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

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| <u>Total</u>        | <u>Internal<br/>Service Fund</u> |
|---------------------|----------------------------------|
| \$ 291,445          | \$ 6,360                         |
| 1,105,710           | 149,210                          |
| (105,257)           | 1,103                            |
| (2,152)             | -                                |
| (251,406)           | (11,951)                         |
| 6,318               | (14,123)                         |
| -                   | (2,752)                          |
| <b>\$ 1,044,658</b> | <b>\$ 127,847</b>                |

Concluded

**CITY OF CHARLEVOIX**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND**

**FOR THE YEAR ENDED MARCH 31, 2006**

|  | Budgeted Amounts |                  | Actual           | Actual                       |
|--|------------------|------------------|------------------|------------------------------|
|  | Original         | Final            |                  | Over (Under)<br>Final Budget |
| <b>Taxes</b>                               |                  |                  |                  |                              |
| Property taxes                             | \$ 1,695,900     | \$ 1,745,780     | \$ 1,715,739     | \$ (30,041)                  |
| Payments in lieu of taxes                  | 2,100            | 1,806            | 2,831            | 1,025                        |
| Interest and penalties on delinquent taxes | 10,500           | 6,500            | 6,802            | 302                          |
| Tax collection fees                        | 20,000           | 20,860           | 20,460           | (400)                        |
| <b>Total taxes</b>                         | <b>1,728,500</b> | <b>1,774,946</b> | <b>1,745,832</b> | <b>(29,114)</b>              |
| <b>Federal revenue</b>                     | <b>-</b>         | <b>15,796</b>    | <b>4,296</b>     | <b>(11,500)</b>              |
| <b>State revenue</b>                       | <b>276,500</b>   | <b>295,802</b>   | <b>297,321</b>   | <b>1,519</b>                 |
| <b>Licenses and permits</b>                | <b>8,500</b>     | <b>6,500</b>     | <b>6,102</b>     | <b>(398)</b>                 |
| <b>Charges for services</b>                |                  |                  |                  |                              |
| Fire runs                                  | 60,200           | 62,631           | 62,631           | -                            |
| Ambulance runs                             | 142,800          | 128,600          | 89,528           | (39,072)                     |
| Ambulance contracts                        | 36,100           | 36,919           | 37,319           | 400                          |
| Charges for services - other               | 8,900            | 2,798            | 3,573            | 775                          |
| Cemetery                                   | 43,200           | 49,156           | 56,856           | 7,700                        |
| Golf course                                | 184,400          | 154,469          | 155,286          | 817                          |
| Summer sports                              | 12,000           | 11,033           | 11,033           | -                            |
| Day camp                                   | 45,400           | 45,448           | 45,963           | 515                          |
| Winter sports                              | 68,000           | 50,000           | 50,186           | 186                          |
| Basketball                                 | 6,000            | 6,000            | 5,347            | (653)                        |
| Skate park                                 | 11,700           | 131              | 108              | (23)                         |
| Parking                                    | 23,800           | 18,813           | 21,222           | 2,409                        |
| <b>Total charges for services</b>          | <b>642,500</b>   | <b>565,998</b>   | <b>539,052</b>   | <b>(26,946)</b>              |
| <b>Fine and forfeits</b>                   | <b>27,600</b>    | <b>23,925</b>    | <b>24,244</b>    | <b>319</b>                   |
| <b>Interest and dividends</b>              | <b>9,000</b>     | <b>18,000</b>    | <b>18,222</b>    | <b>222</b>                   |
| <b>Rents and royalties</b>                 |                  |                  |                  |                              |
| Harbor building                            | 1,200            | 1,200            | 1,200            | -                            |
| City hall                                  | 82,300           | 82,300           | 83,512           | 1,212                        |
| Boat launch                                | 24,000           | 24,874           | 24,874           | -                            |
| <b>Total rents and royalties</b>           | <b>107,500</b>   | <b>108,374</b>   | <b>109,586</b>   | <b>1,212</b>                 |
| <b>Other revenues</b>                      | <b>4,900</b>     | <b>37,697</b>    | <b>44,309</b>    | <b>6,612</b>                 |
| <b>Total revenues</b>                      | <b>2,805,000</b> | <b>2,847,038</b> | <b>2,788,964</b> | <b>(58,074)</b>              |

Continued...

**CITY OF CHARLEVOIX**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND**

**FOR THE YEAR ENDED MARCH 31, 2006**

|                                 | Budgeted Amounts |                | Actual         | Actual                       |
|---------------------------------|------------------|----------------|----------------|------------------------------|
|                                 | Original         | Final          |                | Over (Under)<br>Final Budget |
| <b>Legislative</b>              |                  |                |                |                              |
| City council                    | \$ 51,000        | \$ 54,235      | \$ 49,432      | \$ (4,803)                   |
| <b>General government</b>       |                  |                |                |                              |
| Mayor                           | 12,900           | 8,043          | 7,691          | (352)                        |
| City manager                    | 65,300           | 56,443         | 58,822         | 2,379                        |
| Elections                       | 18,100           | 15,242         | 13,771         | (1,471)                      |
| Assessor                        | 61,400           | 59,973         | 62,775         | 2,802                        |
| City attorney                   | 77,500           | 86,095         | 86,933         | 838                          |
| City clerk                      | 29,400           | 32,053         | 32,519         | 466                          |
| City treasurer                  | 82,200           | 56,698         | 57,751         | 1,053                        |
| City hall and grounds           | 63,900           | 101,945        | 86,578         | (15,367)                     |
| Cemetery                        | 78,000           | 76,891         | 89,386         | 12,495                       |
| <b>Total general government</b> | <b>488,700</b>   | <b>493,383</b> | <b>496,226</b> | <b>2,843</b>                 |
| <b>Public safety</b>            |                  |                |                |                              |
| Police department               | 612,600          | 594,485        | 609,574        | 15,089                       |
| Parking law enforcement         | 13,000           | 13,915         | 14,021         | 106                          |
| Fire department                 | 276,200          | 296,492        | 307,226        | 10,734                       |
| Planning department             | 62,700           | 58,366         | 56,615         | (1,751)                      |
| <b>Total public safety</b>      | <b>964,500</b>   | <b>963,258</b> | <b>987,436</b> | <b>24,178</b>                |
| <b>Public works</b>             |                  |                |                |                              |
| Highways and streets            | 27,400           | 27,400         | 26,672         | (728)                        |
| Leaf pick up                    | 87,100           | 108,466        | 111,437        | 2,971                        |
| Waste collection                | 20,700           | 18,500         | 22,520         | 4,020                        |
| Brush pickup                    | 23,000           | 15,200         | 13,368         | (1,832)                      |
| <b>Total public works</b>       | <b>158,200</b>   | <b>169,566</b> | <b>173,997</b> | <b>4,431</b>                 |

Continued...

**CITY OF CHARLEVOIX**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND**

**FOR THE YEAR ENDED MARCH 31, 2006**

|   | Budgeted Amounts  |                   | Actual            | Actual                       |
|---|-------------------|-------------------|-------------------|------------------------------|
|   | Original          | Final             |                   | Over (Under)<br>Final Budget |
| <b>Health and welfare</b>                   |                   |                   |                   |                              |
| Ambulance                                   | \$ 193,500        | \$ 195,264        | \$ 195,592        | \$ 328                       |
| <b>Recreation and culture</b>               |                   |                   |                   |                              |
| Parks                                       | 234,400           | 248,307           | 263,074           | 14,767                       |
| Recreation administration                   | 39,200            | 40,876            | 41,332            | 456                          |
| City beaches                                | 64,400            | 47,503            | 47,805            | 302                          |
| Ball fields                                 | 36,000            | 31,430            | 31,780            | 350                          |
| Day camp                                    | 43,100            | 40,818            | 40,385            | (433)                        |
| Ice rink                                    | 13,300            | 10,400            | 3,090             | (7,310)                      |
| Mt. McSauba ski hill                        | 161,900           | 137,303           | 132,341           | (4,962)                      |
| Basketball and volleyball                   | 9,200             | 9,200             | 5,916             | (3,284)                      |
| Golf course                                 | 298,600           | 407,118           | 416,115           | 8,997                        |
| Boat launch                                 | 19,100            | 11,298            | 11,451            | 153                          |
| Skate park                                  | 17,400            | 60,580            | 36,630            | (23,950)                     |
| Recreation capital outlay                   | 5,000             | 4,000             | 4,659             | 659                          |
| Community promotion                         | 20,600            | 20,428            | 21,459            | 1,031                        |
| <b>Total recreation and culture</b>         | <b>962,200</b>    | <b>1,069,261</b>  | <b>1,056,037</b>  | <b>(13,224)</b>              |
| <b>Other expenditures</b>                   | <b>171,500</b>    | <b>63,510</b>     | <b>52,516</b>     | <b>(10,994)</b>              |
| <b>Total expenditures</b>                   | <b>2,989,600</b>  | <b>3,008,477</b>  | <b>3,011,236</b>  | <b>2,759</b>                 |
| <b>Revenues over (under) expenditures</b>   | <b>(184,600)</b>  | <b>(161,439)</b>  | <b>(222,272)</b>  | <b>(60,833)</b>              |
| <b>Other financing sources (uses)</b>       |                   |                   |                   |                              |
| Transfers in                                | 172,500           | 272,297           | 272,297           | -                            |
| Transfers out                               | (110,000)         | (110,000)         | (110,000)         | -                            |
| <b>Total other financing sources (uses)</b> | <b>62,500</b>     | <b>162,297</b>    | <b>162,297</b>    | <b>-</b>                     |
| <b>Net change in fund balance</b>           | <b>(122,100)</b>  | <b>858</b>        | <b>(59,975)</b>   | <b>(60,833)</b>              |
| Fund balance, beginning of year             | 655,361           | 655,361           | 655,361           | -                            |
| <b>Fund balance, end of year</b>            | <b>\$ 533,261</b> | <b>\$ 656,219</b> | <b>\$ 595,386</b> | <b>\$ (60,833)</b>           |

Concluded

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

**CITY OF CHARLEVOIX**

**STATEMENT OF REVENUES, EXPENDITURES AND CHARGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
MAJOR STREETS FUND**

**FOR THE YEAR ENDED MARCH 31, 2006**

|   | Budgeted Amounts  |                  | Actual           | Actual                       |
|---|-------------------|------------------|------------------|------------------------------|
|   | Original          | Final            |                  | Over (Under)<br>Final Budget |
| <b>Revenues</b>                           |                   |                  |                  |                              |
| State revenue                             | \$ 229,800        | \$ 228,435       | \$ 227,197       | \$ (1,238)                   |
| Interest                                  | 300               | 700              | 481              | (219)                        |
| <b>Total revenues</b>                     | <b>230,100</b>    | <b>229,135</b>   | <b>227,678</b>   | <b>(1,457)</b>               |
| <b>Expenditures</b>                       |                   |                  |                  |                              |
| Public works - Highways and streets       | 220,700           | 239,436          | 232,531          | (6,905)                      |
| <b>Revenues over (under) expenditures</b> | <b>9,400</b>      | <b>(10,301)</b>  | <b>(4,853)</b>   | <b>5,448</b>                 |
| <b>Other financing uses</b>               |                   |                  |                  |                              |
| Transfers out                             | 1,900             | 1,900            | -                | (1,900)                      |
| <b>Net change in fund balance</b>         | <b>7,500</b>      | <b>(12,201)</b>  | <b>(4,853)</b>   | <b>7,348</b>                 |
| Fund balance, beginning of year           | 98,367            | 98,367           | 98,367           | -                            |
| <b>Fund balance, end of year</b>          | <b>\$ 105,867</b> | <b>\$ 86,166</b> | <b>\$ 93,514</b> | <b>\$ 7,348</b>              |

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



**CITY OF CHARLEVOIX**

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
LOCAL STREETS FUND**

**FOR THE YEAR ENDED MARCH 31, 2006**

|   | <b>Budgeted Amounts</b> |                  | <b>Actual</b>    | <b>Actual</b>                        |
|---|-------------------------|------------------|------------------|--------------------------------------|
|   | <b>Original</b>         | <b>Final</b>     |                  | <b>Over (Under)<br/>Final Budget</b> |
| <b>Revenues</b>                           |                         |                  |                  |                                      |
| State revenue                             | \$ 70,400               | \$ 67,639        | \$ 69,963        | \$ 2,324                             |
| Interest                                  | 800                     | 1,400            | 1,172            | (228)                                |
| <b>Total revenues</b>                     | <b>71,200</b>           | <b>69,039</b>    | <b>71,135</b>    | <b>2,096</b>                         |
| <b>Expenditures</b>                       |                         |                  |                  |                                      |
| Public works - Highways and streets       | <u>149,200</u>          | <u>143,564</u>   | <u>130,192</u>   | <u>(13,372)</u>                      |
| <b>Revenues over (under) expenditures</b> | <b>(78,000)</b>         | <b>(74,525)</b>  | <b>(59,057)</b>  | <b>15,468</b>                        |
| <b>Other financing sources</b>            |                         |                  |                  |                                      |
| Transfers in                              | <u>85,000</u>           | <u>82,519</u>    | <u>82,519</u>    | <u>-</u>                             |
| <b>Net change in fund balance</b>         | <b>7,000</b>            | <b>7,994</b>     | <b>23,462</b>    | <b>15,468</b>                        |
| Fund balance, beginning of year           | <u>70,575</u>           | <u>70,575</u>    | <u>70,575</u>    | <u>-</u>                             |
| <b>Fund balance, end of year</b>          | <b>\$ 77,575</b>        | <b>\$ 78,569</b> | <b>\$ 94,037</b> | <b>\$ 15,468</b>                     |

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

**CITY OF CHARLEVOIX**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
AIRPORT FUND**

**FOR THE YEAR ENDED MARCH 31, 2006**

|   | <u>Budgeted Amounts</u> |                  | <u>Actual</u>     | <u>Actual</u>                        |
|---|-------------------------|------------------|-------------------|--------------------------------------|
|   | <u>Original</u>         | <u>Final</u>     |                   | <u>Over (Under)<br/>Final Budget</u> |
| <b>Revenues</b>                           |                         |                  |                   |                                      |
| Federal revenue                           | \$ 1,905,200            | \$ 1,886,573     | \$ 1,469,078      | \$ (417,495)                         |
| State revenue                             | -                       | -                | 38,490            | 38,490                               |
| Charges for services                      | 92,200                  | 98,324           | 114,680           | 16,356                               |
| Interest                                  | 1,600                   | 1,100            | 1,034             | (66)                                 |
| Rents and royalties                       | 45,000                  | 43,100           | 47,730            | 4,630                                |
| Gain on sale of capital assets            | -                       | 63,000           | 63,000            | -                                    |
| Other revenue                             | -                       | -                | 38,136            | 38,136                               |
| <b>Total revenues</b>                     | <b>2,044,000</b>        | <b>2,092,097</b> | <b>1,772,148</b>  | <b>(319,949)</b>                     |
| <b>Expenditures</b>                       |                         |                  |                   |                                      |
| Public works                              | 2,080,300               | 2,130,879        | 1,763,420         | (367,459)                            |
| Debt service                              |                         |                  |                   |                                      |
| Principal                                 | 18,300                  | 18,329           | 18,318            | (11)                                 |
| Interest                                  | 12,100                  | 12,100           | 12,101            | 1                                    |
| <b>Total expenditures</b>                 | <b>2,110,700</b>        | <b>2,161,308</b> | <b>1,793,839</b>  | <b>(367,469)</b>                     |
| <b>Revenues over (under) expenditures</b> | <b>(66,700)</b>         | <b>(69,211)</b>  | <b>(21,691)</b>   | <b>47,520</b>                        |
| <b>Other financing sources</b>            |                         |                  |                   |                                      |
| <b>Transfers in</b>                       | <b>25,000</b>           | <b>25,000</b>    | <b>25,000</b>     | <b>-</b>                             |
| <b>Net change in fund balance</b>         | <b>(41,700)</b>         | <b>(44,211)</b>  | <b>3,309</b>      | <b>47,520</b>                        |
| Fund balance, beginning of year           | 106,280                 | 106,280          | 106,280           | -                                    |
| <b>Fund balance, end of year</b>          | <b>\$ 64,580</b>        | <b>\$ 62,069</b> | <b>\$ 109,589</b> | <b>\$ 47,520</b>                     |

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

**CITY OF CHARLEVOIX**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**AGENCY FUND**  
**CURRENT TAX COLLECTION FUND**  
**MARCH 31, 2006**

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|                           |                  |
|---------------------------|------------------|
| <b>Assets</b>             |                  |
| Cash and cash equivalents | <u>\$ 58,974</u> |
| <b>Liabilities</b>        |                  |
| Undistributed receipts    | <u>\$ 58,974</u> |

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

**CITY OF CHARLEVOIX**  
**INDEX**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2006**

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# CITY OF CHARLEVOIX

## NOTES TO THE FINANCIAL STATEMENTS

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting entity

The **City of Charlevoix** (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 government 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: public safety (police and fire), highways and streets, sanitation, electricity, health and social services, culture-recreation, public improvements, planning and zoning and general administrative services.

*Discretely presented component unit.* The Charlevoix 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. The City also has the ability to significantly influence the operations of the DDA. A complete financial statement of the Downtown Development Authority can be obtained from the City Treasurer at the City of Charlevoix, 210 State Street, Charlevoix, MI 49720.

#### B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets 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 certain legally separate *component units* 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*.

# CITY OF CHARLEVOIX

## NOTES TO THE FINANCIAL STATEMENTS

---

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.

### **C. 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, except for agency funds, which do not have a measurement focus. 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.

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. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal 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, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so 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 financial resources of the general government, except those required to be accounted for in another fund.

The *Major Streets Fund* accounts for the use of motor fuel taxes and trunkline maintenance funds, which are earmarked by state statute for major street and highway purposes.

The *Local Streets Fund* accounts for the use of motor fuel taxes, which are earmarked by state statute for local street and highway purposes.

# CITY OF CHARLEVOIX

## NOTES TO THE FINANCIAL STATEMENTS

---

The *Airport Fund* accounts for revenue sources that are legally restricted to expenditures for the Airport.

The *City Hall Improvements Fund* is used to account for the major renovation project underway at City Hall; the project was completed in December 2005.

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.

Additionally, the City reports the following fund types:

The *Capital Projects Funds* account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.

The *Permanent Fund* accounts for the perpetual care portion of the fee collected from the sale of cemetery lots. These monies are accumulating until such a time when they become adequate to be used to support cemetery operations.

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

The *Internal Service Funds* account for fleet and equipment management, employee fringe benefits, and construction of the DPW building provided to other departments or agencies of the City, or to other governments, on a cost reimbursement basis.

The *Agency Fund* accounts for assets held for other governments in an agency capacity, specifically tax collections.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

# CITY OF CHARLEVOIX

## NOTES TO THE FINANCIAL STATEMENTS

---

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 function, 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.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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, sewage disposal and water enterprise funds and of the City's internal service funds are charges to customers 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.

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.

### **D. Assets, liabilities and net assets or equity**

#### ***1. 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.

Investments are reported at fair value.



# CITY OF CHARLEVOIX

## NOTES TO THE FINANCIAL STATEMENTS

---

### **2. *Receivables and payables***

Activity 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). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are generally offset by a fund balance reserve account in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

### **3. *Restricted assets***

Certain resources have been set aside to fund capital asset replacements and customer deposits payable.

### **4. *Inventory***

Inventory held by the enterprise funds are 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 inventories is not considered material. The cost value of such inventories has been treated as an expenditure at the time of purchase.

### **5. *Capital assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), 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 \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

# CITY OF CHARLEVOIX

## NOTES TO THE FINANCIAL STATEMENTS

---

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. No such interest expense was incurred during the current fiscal year.

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

|                              | <u>Years</u> |
|------------------------------|--------------|
| Buildings                    | 40           |
| Land improvements            | 20-30        |
| System infrastructure        | 50           |
| Equipment                    | 5-10         |
| Vehicles                     | 7-25         |
| Public domain infrastructure | 50           |

### **6. *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 government-wide and proprietary funds; otherwise, total accumulated and unused vacation time is reported as a liability in the employees fringe benefit internal service fund as a result of employee resignations or retirements.

### **7. *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 statement of net assets. Bond premiums and discounts, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

# CITY OF CHARLEVOIX

## NOTES TO THE FINANCIAL STATEMENTS

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In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, 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.

### **8. Fund equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## **II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **A. 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 the City's 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, department, and line items. The legal level of budgetary control adopted by the governing board is the function 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.

# CITY OF CHARLEVOIX

## NOTES TO THE FINANCIAL STATEMENTS

### B. Excess of expenditures over appropriations

|                     | <u>Final</u><br><u>Appropriation</u> | <u>Expenditures</u> | <u>Variance</u> |
|---------------------|--------------------------------------|---------------------|-----------------|
| <b>General Fund</b> |                                      |                     |                 |
| General government  | \$ 493,383                           | \$ 496,226          | \$ 2,843        |
| Public safety       | 963,258                              | 987,436             | 24,178          |
| Public works        | 169,566                              | 173,997             | 4,431           |
| Health and welfare  | 195,264                              | 195,592             | 328             |

### C. Deficit fund balance

The costs of the City Hall renovations have exceeded the revenues generated for the project resulting in a deficit fund balance at year end of \$498,855 in the City Hall Improvements Capital Projects Fund. Rather than issuing bonds and incurring the related costs, the Electric Utility Enterprise Fund advanced \$504,000 in fiscal 2004, \$121,000 in fiscal 2005 and \$30,000 in fiscal 2006 to provide funds for construction costs. The City plans to transfer future amounts budgeted for improvements into the City Hall Improvements Capital Projects Fund until such time that the advance has been repaid and the deficit fund balance is eliminated.

## III. DETAILED NOTES ON ALL FUNDS

### A. Deposits and investments

A reconciliation of cash and cash equivalents and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets is as follows:

|  | <u>Primary</u><br><u>Government</u> | <u>Component</u><br><u>Unit</u> | <u>Total</u>               |
|--|-------------------------------------|---------------------------------|----------------------------|
| <b>Statement of Net Assets</b>           |                                     |                                 |                            |
| Cash and cash equivalents                | \$ 2,268,036                        | \$ 309,891                      | \$ 2,577,927               |
| Investments                              | <u>3,528,329</u>                    | <u>640,339</u>                  | <u>4,168,668</u>           |
| <b>Total Statement of Net Assets</b>     | <b><u>\$ 5,796,365</u></b>          | <b><u>\$ 950,230</u></b>        |                            |
| <b>Statement of Fiduciary Net Assets</b> |                                     |                                 |                            |
| Cash and cash equivalents                |                                     |                                 | <u>58,974</u>              |
| <b>Total deposits and investments</b>    |                                     |                                 | <b><u>\$ 6,805,569</u></b> |

# CITY OF CHARLEVOIX

## NOTES TO THE FINANCIAL STATEMENTS

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A reconciliation of cash and investments as shown in the financial statements to the City's deposits and investments is as follows:

|   |                            |
|---|----------------------------|
| Bank deposits (checking accounts<br>and savings accounts) | \$ 2,511,428               |
| Investments (certificates of deposit)                     | 4,168,668                  |
| Cash with fiscal agent                                    | <u>125,473</u>             |
| <b>Total deposits and investments</b>                     | <b><u>\$ 6,805,569</u></b> |

### **Investment and deposit risk**

*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.

*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.

*Custodial credit risk - deposits.* 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 \$6,317,000 of the City's bank balance of \$6,917,000 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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 or 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 12/31/97.

# CITY OF CHARLEVOIX

## NOTES TO THE FINANCIAL STATEMENTS

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.

### B. Receivables

Receivables in the governmental activities consist of 47 percent due from other governments, 7 percent interest receivable, 21 percent taxes receivable and 25 percent accounts receivable. Receivables in the business-type activities consist of 8 percent interest receivable, 1 percent note receivable and 91 percent due from customers. Receivables in the component unit consist of 14 percent taxes receivable and 86 percent interest receivable.

### C. Capital assets

Capital assets activity for the year ended March 31, 2006 was as follows:

|  | <b>Beginning<br/>Balance</b> | <b>Increases</b> | <b>Transfers</b> | <b>Prior<br/>Period<br/>Adjustment</b> | <b>Decreases</b> | <b>Ending<br/>Balance</b> |
|--|------------------------------|------------------|------------------|--|------------------|---------------------------|
| <b><u>Primary Government</u></b>           |                              |                  |                  |  |                  |                           |
| <b>Governmental activities</b>             |                              |                  |                  |  |                  |                           |
| Capital assets not being depreciated       |                              |                  |                  |  |                  |                           |
| Land                                       | \$16,953,529                 | \$ -             | \$ -             | \$ -                                   | \$ -             | \$16,953,529              |
| Construction-in-process                    | <u>791,083</u>               | <u>-</u>         | <u>(791,083)</u> | <u>-</u>                               | <u>-</u>         | <u>-</u>                  |
| Total capital assets not being depreciated | <u>17,744,612</u>            | <u>-</u>         | <u>(791,083)</u> | <u>-</u>                               | <u>-</u>         | <u>16,953,529</u>         |
| Capital assets being depreciated           |                              |                  |                  |  |                  |                           |
| Land improvements                          | 3,700,914                    | 240,446          | 144,770          | 852,570                                | -                | 4,938,700                 |
| Infrastructure                             | 564,084                      | 7,519            | -                | -                                      | -                | 571,603                   |
| Buildings and improvements                 | 6,936,068                    | 1,689,097        | 646,313          | -                                      | -                | 9,271,478                 |
| Machinery and equipment                    | 1,433,695                    | 369,650          | -                | -                                      | (26,895)         | 1,776,450                 |
| Engineering equipment                      | 47,184                       | -                | -                | -                                      | -                | 47,184                    |
| Furniture and equipment                    | 200,239                      | 2,324            | -                | -                                      | -                | 202,563                   |
| Vehicles                                   | <u>2,073,947</u>             | <u>99,753</u>    | <u>-</u>         | <u>-</u>                               | <u>(187,425)</u> | <u>1,986,275</u>          |
| Total capital assets being depreciated     | <u>14,956,131</u>            | <u>2,408,789</u> | <u>791,083</u>   | <u>852,570</u>                         | <u>(214,320)</u> | <u>18,794,253</u>         |

# CITY OF CHARLEVOIX

## NOTES TO THE FINANCIAL STATEMENTS

|  | <u>Beginning<br/>Balance</u> | <u>Increases</u>           | <u>Transfers</u>   | <u>Prior<br/>Period<br/>Adjustment</u> | <u>Decreases</u>   | <u>Ending<br/>Balance</u>  |
|--|------------------------------|----------------------------|--------------------|--|--------------------|----------------------------|
| Less accumulated depreciation for  |                              |                            |                    |  |                    |                            |
| Land improvements  | \$(1,300,983)                | \$ (121,896)               | \$ -               | \$ (25,577)                            | \$ -               | \$(1,448,456)              |
| Infrastructure   | (20,829)                     | (12,421)                   | -                  | -                                      | -                  | (33,250)                   |
| Buildings and<br>improvements  | (2,542,940)                  | (201,550)                  | -                  | -                                      | -                  | (2,744,490)                |
| Machinery and equipment  | (991,260)                    | (107,413)                  | -                  | -                                      | 26,895             | (1,071,778)                |
| Engineering equipment  | (19,721)                     | (7,986)                    | -                  | -                                      | -                  | (27,707)                   |
| Furniture and equipment  | (162,003)                    | (16,205)                   | -                  | -                                      | -                  | (178,208)                  |
| Vehicles   | (1,399,558)                  | (128,562)                  | -                  | -                                      | 187,425            | (1,340,695)                |
| Total accumulated<br>depreciation  | <u>(6,437,294)</u>           | <u>(596,033)</u>           | <u>-</u>           | <u>(25,577)</u>                        | <u>214,320</u>     | <u>(6,844,584)</u>         |
| Total capital assets being<br>depreciated, net of<br>depreciation          | <u>8,518,837</u>             | <u>1,812,756</u>           | <u>791,083</u>     | <u>826,993</u>                         | <u>-</u>           | <u>11,949,669</u>          |
| <b>Governmental activities<br/>capital assets,<br/>net of depreciation</b> | <b><u>\$26,263,449</u></b>   | <b><u>\$ 1,812,756</u></b> | <b><u>\$ -</u></b> | <b><u>\$ 826,993</u></b>               | <b><u>\$ -</u></b> | <b><u>\$28,903,198</u></b> |
| <b>Business-type activities</b>  |                              |                            |                    |  |                    |                            |
| Capital assets not being<br>depreciated – land                             | <u>\$ 609,468</u>            | <u>\$ -</u>                | <u>\$ -</u>        | <u>\$ -</u>                            | <u>\$ -</u>        | <u>\$ 609,468</u>          |
| Capital assets being depreciated   |                              |                            |                    |  |                    |                            |
| Land improvements  | 763,230                      | -                          | -                  | -                                      | -                  | 763,230                    |
| Buildings and<br>improvements  | 6,494,440                    | -                          | -                  | -                                      | -                  | 6,494,440                  |
| System improvements  | 20,000,514                   | 251,348                    | -                  | -                                      | -                  | 20,251,862                 |
| Equipment  | <u>1,028,894</u>             | <u>104,235</u>             | <u>-</u>           | <u>-</u>                               | <u>-</u>           | <u>1,133,129</u>           |
| Total capital assets being<br>depreciated                                  | <u>28,287,078</u>            | <u>355,583</u>             | <u>-</u>           | <u>-</u>                               | <u>-</u>           | <u>28,642,661</u>          |
| Less accumulated depreciation for  |                              |                            |                    |  |                    |                            |
| Land improvements  | (202,536)                    | (82,000)                   | -                  | -                                      | -                  | (284,536)                  |
| Buildings and<br>improvements  | (3,543,813)                  | (175,231)                  | -                  | -                                      | -                  | (3,719,044)                |
| System improvements  | (9,105,184)                  | (782,656)                  | -                  | -                                      | -                  | (9,887,840)                |
| Equipment  | <u>(747,681)</u>             | <u>(76,481)</u>            | <u>-</u>           | <u>-</u>                               | <u>-</u>           | <u>(824,162)</u>           |
| Total accumulated<br>depreciation  | <u>(13,599,214)</u>          | <u>(1,116,368)</u>         | <u>-</u>           | <u>-</u>                               | <u>-</u>           | <u>(14,715,582)</u>        |

# CITY OF CHARLEVOIX

## NOTES TO THE FINANCIAL STATEMENTS

|   | <u>Beginning<br/>Balance</u> | <u>Increases</u>           | <u>Transfers</u>   | <u>Prior<br/>Period<br/>Adjustment</u> | <u>Decreases</u>   | <u>Ending<br/>Balance</u>  |
|---|------------------------------|----------------------------|--------------------|--|--------------------|----------------------------|
| Total capital assets being depreciated, net of depreciation         | \$14,687,864                 | \$ (760,785)               | \$ -               | \$ -                                   | \$ -               | \$13,927,079               |
| <b>Business-type activities capital assets, net of depreciation</b> | <b><u>\$15,297,332</u></b>   | <b><u>\$ (760,785)</u></b> | <b><u>\$ -</u></b> | <b><u>\$ -</u></b>                     | <b><u>\$ -</u></b> | <b><u>\$14,536,547</u></b> |
| <b><u>Component Unit</u></b>  |                              |                            |                    |  |                    |                            |
| Capital assets not being depreciated – land                         | \$ 923,071                   | \$ -                       | \$ -               | \$ -                                   | \$ -               | \$ 923,071                 |
| Capital assets being depreciated                                    |                              |                            |                    |  |                    |                            |
| Land improvements   | 2,236,197                    | -                          | -                  | -                                      | -                  | 2,236,197                  |
| Buildings and improvements  | 3,921,526                    | -                          | -                  | -                                      | -                  | 3,921,526                  |
| Machinery and equipment   | 2,000                        | 20,475                     | -                  | -                                      | -                  | 22,475                     |
| Engineering equipment   | 31,347                       | -                          | -                  | -                                      | -                  | 31,347                     |
| Furniture and equipment   | 3,400                        | -                          | -                  | -                                      | -                  | 3,400                      |
| Total capital assets being depreciated                              | <u>6,194,470</u>             | <u>20,475</u>              | <u>-</u>           | <u>-</u>                               | <u>-</u>           | <u>6,214,945</u>           |
| Less accumulated depreciation for                                   |                              |                            |                    |  |                    |                            |
| Land improvements   | (627,268)                    | (80,699)                   | -                  | -                                      | -                  | (707,967)                  |
| Buildings and improvements  | (1,057,345)                  | (101,270)                  | -                  | -                                      | -                  | (1,158,615)                |
| Machinery and equipment   | (2,240)                      | (2,844)                    | 240                | -                                      | -                  | (4,844)                    |
| Engineering equipment   | (13,337)                     | (2,604)                    | -                  | -                                      | -                  | (15,941)                   |
| Furniture and equipment   | (1,240)                      | (240)                      | (240)              | -                                      | -                  | (1,720)                    |
| Total accumulated depreciation                                      | <u>(1,701,430)</u>           | <u>(187,656)</u>           | <u>-</u>           | <u>-</u>                               | <u>-</u>           | <u>(1,889,087)</u>         |
| Total capital assets being depreciated, net of depreciation         | <u>4,493,040</u>             | <u>(167,181)</u>           | <u>-</u>           | <u>-</u>                               | <u>-</u>           | <u>4,325,858</u>           |
| <b>Component unit capital assets, net of depreciation</b>           | <b><u>\$ 5,416,111</u></b>   | <b><u>\$ (167,181)</u></b> | <b><u>\$ -</u></b> | <b><u>\$ -</u></b>                     | <b><u>\$ -</u></b> | <b><u>\$ 5,248,929</u></b> |



# CITY OF CHARLEVOIX

## NOTES TO THE FINANCIAL STATEMENTS

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

**Governmental activities**

|   |                |
|---|----------------|
| City council  | \$ 400         |
| General government  | 113,130        |
| Public safety   | 82,328         |
| Public works, including depreciation<br>of general infrastructure assets  | 166,779        |
| Health and welfare  | 262            |
| Recreation and culture  | 94,579         |
| Capital assets held by the governmental activity<br>internal service funds are charged to the various<br>functions based on their usage of the assets | <u>138,555</u> |

**Total depreciation expense – governmental activities** **\$ 596,033**

**Business-type activities**

|  |               |
|--|---------------|
| Electric   | \$ 735,552    |
| Sewage disposal  | 181,026       |
| Water  | 182,055       |
| Marina   | 7,080         |
| Capital assets held by the business-type activity<br>internal service funds are charged to the various<br>functions based on their usage of the assets | <u>10,655</u> |

**Total depreciation expense – business-type activities** **\$1,116,368**

**D. Payables**

Governmental activities, business-type activities and component unit accounts payable are composed entirely of amounts due to vendors.

# CITY OF CHARLEVOIX

## NOTES TO THE FINANCIAL STATEMENTS

### E. Interfund receivables, payables and transfers

The Electric Utility Enterprise Fund advanced an additional \$30,000 to the City Hall Improvements Fund during the year ended March 31, 2006 for the purpose of assisting in the City Hall renovation project, for a total advance of \$655,000. The advance is to be repaid over four years with interest charged at 4%.

The composition of interfund balances is as follows:

| <u>Due from</u>                | <u>Due To</u>                     |                          |                             | <u>Total</u>      |
|--------------------------------|-----------------------------------|--------------------------|-----------------------------|-------------------|
|                                | <u>City Hall<br/>Improvements</u> | <u>Local<br/>Streets</u> | <u>Internal<br/>Service</u> |                   |
| Internal Service               | \$ 140,618                        | \$ -                     | \$ -                        | \$ 140,618        |
| Electric Fund                  | 30,000                            | -                        | -                           | 30,000            |
| Nonmajor<br>governmental funds | -                                 | -                        | 10,655                      | 10,655            |
| <b>Total</b>                   | <b>\$ 170,618</b>                 | <b>\$ -</b>              | <b>\$ 10,655</b>            | <b>\$ 181,273</b> |

Interfund receivables and payables are established to cover temporary cash deficits.

| <u>Transfers in</u>           | <u>Transfers out</u>    |  |                                      |
|-------------------------------|-------------------------|--|--------------------------------------|
|                               | <u>General<br/>Fund</u> | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Subtotal<br/>Transfers<br/>In</u> |
| General Fund                  | \$ -                    | \$ 272,297                                 | \$ 272,297                           |
| Local Streets                 | 75,000                  | 7,519                                      | 82,519                               |
| Airport                       | 25,000                  | -  | 25,000                               |
| City Hall Improvements        | -                       | 60,000                                     | 60,000                               |
| Internal Service              | 10,000                  | 10,655                                     | 20,655                               |
| Nonmajor governmental funds   | -                       | 696  | 696                                  |
| <b>Subtotal transfers out</b> | <b>\$ 110,000</b>       | <b>\$ 351,167</b>                          | <b>\$ 461,167</b>                    |

# CITY OF CHARLEVOIX

## NOTES TO THE FINANCIAL STATEMENTS

| <u>Transfers in</u>            | <u>Transfers out</u>        |  |                          |                                       | <u>Subtotal<br/>Transfers<br/>In</u> |
|--------------------------------|-----------------------------|--|--------------------------|---------------------------------------|--------------------------------------|
|                                | <u>Electric<br/>Utility</u> | <u>Sewage<br/>Disposal<br/>Utility</u> | <u>Water<br/>Utility</u> | <u>Internal<br/>Service<br/>Funds</u> |                                      |
| City Hall Improvements         | \$ 118,100                  | \$ 29,600                              | \$ 24,500                | \$ 21,700                             | \$ 193,900                           |
| Nonmajor<br>governmental funds | -                           | -                                      | -                        | 27,100                                | 27,100                               |
| <b>Subtotal transfers out</b>  | <b><u>\$ 118,100</u></b>    | <b><u>\$ 29,600</u></b>                | <b><u>\$ 24,500</u></b>  | <b><u>\$ 48,800</u></b>               | <b><u>\$ 221,000</u></b>             |

Transfers in/out totaled \$682,167 for the year ended March 31, 2006.

Interfund transfers are: (1) to transfer funds from Infrastructure Improvements to the General Fund to supplement budgeted revenues (2) to transfer available funds to the City Hall Improvements Capital Projects Fund to cover costs of the city hall renovation project (3) to use accumulated Infrastructure Improvement funds on the sidewalk repair project recorded in the Local Street Fund (4) to use accumulated Infrastructure Improvements funds on the water irrigation project at the golf course recorded in the General Fund, (5) to use accumulated Infrastructure Improvements funds to cover depreciation costs of the DPW Site fund and (6) to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

### F. Long-term debt

**General obligation bonds.** The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued by the DDA discrete component unit.

**Installment purchases.** The primary government's and component unit's Public Act 99 installment purchase agreements are also general obligations of the City. The original amount of the primary government's installment purchase agreement was \$180,000 and the component unit's installment purchase agreement was \$1,500,000.

In addition, the primary government has a loan with the Michigan Aeronautics Commission of the Michigan Department of Transportation (MDOT) in accordance with Act 107, Public Acts of 1969, as amended. The original amount of the loan was \$100,000.

# CITY OF CHARLEVOIX

## NOTES TO THE FINANCIAL STATEMENTS

General obligation bonds, installment purchase agreements, and loans are direct obligations and pledge the full faith and credit of the City. The bonds are issued as 15 to 20 year serial bonds with varying amounts of principal maturing each year. General obligation bonds, installment purchase agreements, and loans currently outstanding are as follows:

| <u>Purpose</u>   | <u>Interest Rates</u> | <u>Amount</u>              |
|--|-----------------------|----------------------------|
| <b>Governmental Activities</b>                         |                       |                            |
| General government – installment purchase              | 5.625%                | \$ 136,080                 |
| General government – loan (MDOT)                       | 3.9%                  | <u>91,632</u>              |
|  |                       | <b><u>\$ 227,712</u></b>   |
| <b>Component Unit – Downtown Development Authority</b> |                       |                            |
| General government – general obligation refunding bond | 2.0% - 3.5%           | \$ 2,055,000               |
| General government – installment purchase              | 4.3% - 4.8%           | <u>686,084</u>             |
|  |                       | <b><u>\$ 2,741,084</u></b> |

Annual debt service requirements to maturity for general obligation bonds, installment purchase agreements, and loans are as follows:

| <u>Year Ending<br/>March 31,</u> | <u>Governmental Activities</u> |                         | <u>Component Unit</u>     |                          |
|----------------------------------|--------------------------------|-------------------------|---------------------------|--------------------------|
|                                  | <u>Principal</u>               | <u>Interest</u>         | <u>Principal</u>          | <u>Interest</u>          |
| 2007                             | \$ 19,202                      | \$ 11,229               | \$ 349,347                | \$ 73,782                |
| 2008                             | 20,132                         | 10,299                  | 354,347                   | 65,901                   |
| 2009                             | 21,109                         | 9,321                   | 359,347                   | 57,924                   |
| 2010                             | 22,134                         | 8,296                   | 364,347                   | 49,109                   |
| 2011                             | 23,211                         | 7,219                   | 374,347                   | 39,430                   |
| 2012-2016                        | <u>121,924</u>                 | <u>17,954</u>           | <u>939,349</u>            | <u>57,339</u>            |
| <b>Total</b>                     | <b><u>\$ 227,712</u></b>       | <b><u>\$ 64,318</u></b> | <b><u>\$2,741,084</u></b> | <b><u>\$ 343,485</u></b> |

**Revenue bonds.** The City also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. The original amount of the revenue bonds issued in prior years was \$3,300,000. The revenue bonds were paid off during the year ended March 31, 2006. No revenue bonds were issued during the current year.

# CITY OF CHARLEVOIX

## NOTES TO THE FINANCIAL STATEMENTS

*Changes in long-term debt.* Long-term debt activity for the year ended March 31, 2006, was as follows:

|                                  | <b>Beginning<br/>Balance</b> | <b>Additions</b>   | <b>Prior<br/>Period<br/>Adjustment</b> | <b>Reductions</b>        | <b>Ending<br/>Balance</b>  | <b>Due<br/>Within<br/>One Year</b> |
|----------------------------------|------------------------------|--------------------|--|--------------------------|----------------------------|------------------------------------|
| <b><u>Primary Government</u></b> |                              |                    |  |                          |                            |                                    |
| <b>Governmental activities</b>   |                              |                    |  |                          |                            |                                    |
| Installment purchase agreements  | \$ 146,030                   | \$ -               | \$ -                                   | \$ 9,950                 | \$136,080                  | \$10,508                           |
| Loans                            | -                            | -                  | 100,000                                | 8,368                    | 91,632                     | 8,694                              |
| Compensated absences – sick      | 71,035                       | -                  | -                                      | 859                      | 70,176                     | 2,388                              |
| Compensated absences – vacation  | 147,385                      | -                  | -                                      | 2,752                    | 144,633                    | 6,674                              |
|                                  | <b><u>\$ 364,450</u></b>     | <b><u>\$ -</u></b> | <b><u>\$ 100,000</u></b>               | <b><u>\$ 21,929</u></b>  | <b><u>\$ 442,521</u></b>   | <b><u>\$ 28,264</u></b>            |
| <b>Business-type activities</b>  |                              |                    |  |                          |                            |                                    |
| Revenue bonds                    | <b><u>\$ 350,000</u></b>     | <b><u>\$ -</u></b> | <b><u>\$ -</u></b>                     | <b><u>\$ 350,000</u></b> | <b><u>\$ -</u></b>         | <b><u>\$ -</u></b>                 |
| <b><u>Component unit</u></b>     |                              |                    |  |                          |                            |                                    |
| General obligation bonds         | \$ 2,290,000                 | \$ -               | \$ -                                   | \$ 235,000               | \$ 2,055,000               | \$ 235,000                         |
| Installment purchase agreements  | 800,431                      | -                  | -                                      | 114,347                  | 686,084                    | 114,347                            |
|                                  | <b><u>\$ 3,090,431</u></b>   | <b><u>\$ -</u></b> | <b><u>\$ -</u></b>                     | <b><u>\$ 349,347</u></b> | <b><u>\$ 2,741,084</u></b> | <b><u>\$ 349,347</u></b>           |

Compensated absences in governmental activities are generally liquidated by the Employee Fringe Benefits internal service fund.

# CITY OF CHARLEVOIX

## NOTES TO THE FINANCIAL STATEMENTS

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### G. 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. The City has also signed a \$30,000 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 for the construction of a new storage building, which approximates \$66,000 as of March 31, 2006. Projected operating lease proceeds through the year ended 2028 are as follows:

| <b>Year Ended<br/><u>March 31,</u></b> | <b><u>Amount</u></b>     |
|--|--------------------------|
| 2007                                   | \$ 18,268                |
| 2008                                   | 19,001                   |
| 2009                                   | 19,759                   |
| 2010                                   | 20,543                   |
| 2011                                   | 21,355                   |
| 2012-2016                              | 119,988                  |
| 2017-2021                              | 145,003                  |
| 2022-2026                              | 193,487                  |
| 2027-2028                              | <u>91,936</u>            |
|  | <b><u>\$ 649,340</u></b> |

### IV. OTHER INFORMATION

#### A. 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, 2006, the City carried insurance through various commercial carriers, including the Michigan Municipal League, 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.

# CITY OF CHARLEVOIX

## NOTES TO THE FINANCIAL STATEMENTS

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### **B. 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 August 31; 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 2005 levy were assessed and equalized at \$206,768,485 (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 2005-06 was 8.5 mills, with an additional 2.9521 mills levied for infrastructure improvements and an additional .6 mills levied for refuse.

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. Property taxes are recognized in the fiscal year in which they are levied.

### **C. Defined benefit pension plan**

The City's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The City participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, MI 48917 or by calling (800) 767-6377.

# CITY OF CHARLEVOIX

## NOTES TO THE FINANCIAL STATEMENTS

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### Funding Policy

The City is required to contribute at an actuarially determined rate; the current rate for the Communication Workers of America (CWA) is 11.44% of annual covered payroll, the Police and Fire (POLC) rate is 11.14% and the non-union rate is 14.65% of covered payroll. Communication Workers of America affiliated City employees are required to contribute 3% of their annual covered payroll. The contribution requirements of the City are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the City depending on the MERS contribution program adopted by the City.

### Annual Pension Cost

For the year ended March 31, 2006 the City's annual pension cost of \$217,443 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2003 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) additional projected salary increases of 0% to 8.4% per year, depending on age, attributable to seniority/merit and (c) projected salary increases of 4.5% per year, compounded annually, attributable to inflation. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect fair value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2005, the date of the last actuarial valuation, was 30 years.

### Three-year Trend Information

| <b><u>Fiscal<br/>Year<br/>Ending</u></b> | <b><u>Annual<br/>Pension<br/>Cost (APC)</u></b> | <b><u>Percentage<br/>of APC<br/>Contributed</u></b> | <b><u>Net<br/>Pension<br/>Obligation</u></b> |
|--|---|---|--|
| 3/31/04                                  | \$ 213,511                                      | 100%  | \$ -   |
| 3/31/05                                  | 211,482   | 100%  | -  |
| 3/31/06                                  | 217,443   | 100%  | -  |



# CITY OF CHARLEVOIX

## NOTES TO THE FINANCIAL STATEMENTS

### Schedule of Funding Progress

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial Liability (AAL)<br>Entry Age<br>(b) | Accrued Unfunded<br>AAL (UAAL)<br>(b-a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as a<br>Percentage of<br>Covered Payroll<br>((b-a)/c) |
|--------------------------------|--|---|---|--------------------------|---------------------------|--|
| 12/31/01                       | \$ 4,831,440                           | \$ 6,440,200                                  | \$1,608,760                             | 75%                      | \$ 1,611,123              | 100%   |
| 12/31/02                       | 5,064,673                              | 6,797,909                                     | 1,733,246                               | 75%                      | 1,676,077                 | 103%   |
| 12/31/03                       | 5,521,367                              | 7,238,779                                     | 1,717,412                               | 76%                      | 1,654,097                 | 104%   |
| 12/31/04                       | 6,023,710                              | 8,423,342                                     | 2,399,632                               | 72%                      | 1,833,018                 | 131%   |
| 12/31/05                       | 6,372,687                              | 8,733,885                                     | 2,361,198                               | 73%                      | 1,716,207                 | 138%   |

#### D. Defined contribution plan

The City provides 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 contributes 21.8% 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. Contributions and interest are allocated to the account and benefits are fully vested at March 31, 2006.

The City Manager’s base payroll during the current year was \$84,159. The current year calculation resulted in a benefit of \$18,347 of which \$3,120 was contributed to the plan and \$15,227 was provided as an increase to compensation.

#### E. 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.

The Power Sales Contract requires payments on a “take-and-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

# CITY OF CHARLEVOIX

## NOTES TO THE FINANCIAL STATEMENTS

MPPA defaults in the performance of its obligations under its Power Sales Contract or Project Support Contract, 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.

In prior years, the MPPA over-charged its member utilities on their power sales contract agreements. 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 of Charlevoix's share of this trust fund was exhausted during the year ended March 31, 2006.

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

| <b>Year Ended<br/>December 31,</b> | <b>Campbell No. 3</b> |                   | <b>Belle River Unit</b> |                     | <b>Total</b>        |                     |
|------------------------------------|-----------------------|-------------------|-------------------------|---------------------|---------------------|---------------------|
|                                    | <b>Principal</b>      | <b>Interest</b>   | <b>Principal</b>        | <b>Interest</b>     | <b>Principal</b>    | <b>Interest</b>     |
| 2007                               | \$ 145,979            | \$ 45,298         | \$ 247,087              | \$ 206,530          | \$ 393,066          | \$ 251,828          |
| 2008                               | 154,148               | 37,045            | 258,802                 | 194,878             | 412,950             | 231,923             |
| 2009                               | 162,579               | 28,335            | 272,333                 | 181,291             | 434,912             | 209,626             |
| 2010                               | 135,439               | 21,155            | 286,275                 | 167,356             | 421,714             | 188,511             |
| 2011                               | 141,763               | 15,540            | 301,373                 | 152,327             | 443,136             | 167,867             |
| 2012-2016                          | 302,498               | 12,879            | 1,760,880               | 507,426             | 2,063,378           | 520,305             |
| 2017-2019                          | -                     | -                 | 840,592                 | 66,762              | 840,592             | 66,762              |
| <b>Total</b>                       | <b>\$ 1,042,406</b>   | <b>\$ 160,252</b> | <b>\$ 3,967,342</b>     | <b>\$ 1,476,570</b> | <b>\$ 5,009,748</b> | <b>\$ 1,636,822</b> |

During the year ended March 31, 2006, the City purchased power from both the Campbell No. 3 and Belle River Units.

### F. Single Audit

The Michigan Department of Transportation (MDOT) requires Airports to report total federal awards for planning and construction pertaining to their facility.

During the year ended March 31, 2006 the Airport of the City of Charlevoix expended federal awards in the amount of \$1,461,746. The entire amount of these expenditures represent Department of Transportation Federal Aviation Administration grant proceeds expended on airport improvement projects under the Airport Improvement Program, whereby work was administered by the Michigan Department of Transportation. Due to the work and funding of these projects being performed at the State level, these expenditures will be included in the single audit procedures of the State. No federal awards expenditures were administered by the City of Charlevoix Airport; therefore, a single audit for the City of Charlevoix Airport is not required.

# CITY OF CHARLEVOIX

## NOTES TO THE FINANCIAL STATEMENTS

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### **G. Prior period adjustments**

Beginning net assets for the governmental activities in the government-wide financial statements were adjusted by (\$100,000) to reflect long-term debt not recorded as debt in the prior year. This amount was incorrectly recorded as operating grant revenue in the prior year.

Also, beginning net assets for the governmental activities in the government-wide financial statements were adjusted by \$826,993 to reflect the net book value of the airport parking lot construction and lighting not capitalized in prior years.

### **H. Subsequent events**

In June, 2006, the City received a favorable ruling from the Charlevoix County Circuit Court regarding a settlement of approximately \$223,000 related to a construction related claim that occurred in fiscal 2004. Through July, 2006 the City received \$100,000 related to the claim. The ruling is subject to appeal.

Also, subsequent to year end, the City Council adopted a resolution to authorize the issuance of limited tax general obligation bonds not to exceed \$5,500,000. The purpose is to defray part of the cost of the implementation of the marina and park area development plan prepared and adopted by the Charlevoix DDA.

\* \* \* \* \*

**CITY OF CHARLEVOIX**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**

**MARCH 31, 2006**

|   | <b>Capital Projects Funds</b>           |                                |                            |                        |                                |
|---|---|--------------------------------|----------------------------|------------------------|--------------------------------|
|   | <b>Fire Truck<br/>and<br/>Ambulance</b> | <b>Marina<br/>Improvements</b> | <b>Industrial<br/>Park</b> | <b>Depot<br/>Beach</b> | <b>Lake Michigan<br/>Beach</b> |
| <b>ASSETS</b>                                 |   |                                |                            |                        |                                |
| Cash and cash equivalents                     | \$ 22,768                               | \$ -                           | \$ 4,256                   | \$ -                   | \$ -                           |
| Investments                                   | 55,000                                  | -                              | 145,173                    | -                      | -                              |
| Accounts receivable                           | -                                       | -                              | -                          | -                      | -                              |
| Taxes receivable                              | -                                       | -                              | -                          | -                      | -                              |
| Interest receivable                           | 1,137                                   | -                              | 2,143                      | -                      | -                              |
| <b>Total assets</b>                           | <b>78,905</b>                           | <b>-</b>                       | <b>151,572</b>             | <b>-</b>               | <b>-</b>                       |
| <br><b>LIABILITIES AND FUND BALANCES</b>      |   |                                |                            |                        |                                |
| <b>Liabilities</b>                            |   |                                |                            |                        |                                |
| Accounts payable                              | -                                       | -                              | 3,000                      | -                      | -                              |
| Due to other funds                            | -                                       | -                              | -                          | -                      | -                              |
| <b>Total liabilities</b>                      | <b>-</b>                                | <b>-</b>                       | <b>3,000</b>               | <b>-</b>               | <b>-</b>                       |
| <b>Fund Balances</b>                          |   |                                |                            |                        |                                |
| Reserved for perpetual care                   | -                                       | -                              | -                          | -                      | -                              |
| Unreserved                                    |   |                                |                            |                        |                                |
| Designated for subsequent year's expenditures | -                                       | -                              | 11,800                     | -                      | -                              |
| Undesignated                                  | 78,905                                  | -                              | 136,772                    | -                      | -                              |
| <b>Total fund balances</b>                    | <b>78,905</b>                           | <b>-</b>                       | <b>148,572</b>             | <b>-</b>               | <b>-</b>                       |
| <b>Total liabilities and fund balances</b>    | <b>\$ 78,905</b>                        | <b>\$ -</b>                    | <b>\$ 151,572</b>          | <b>\$ -</b>            | <b>\$ -</b>                    |

| <b>Capital Projects Funds</b>      |                                |                                 |                         |                   | <b>Permanent Fund</b> | <b>Total Nonmajor Governmental Funds</b> |
|------------------------------------|--------------------------------|---------------------------------|-------------------------|-------------------|-----------------------|--|
| <b>Infrastructure Improvements</b> | <b>Recreation Improvements</b> | <b>Mt. McSauba Improvements</b> | <b>Downtown Parking</b> | <b>Total</b>      | <b>Cemetery Care</b>  |  |
| \$ -                               | \$ 696                         | \$ 8,230                        | \$ 74,675               | \$ 110,625        | \$ 82,766             | \$ 193,391                               |
| 150,000                            | -                              | 40,000                          | 40,000                  | 430,173           | 270,000               | 700,173                                  |
| -                                  | -                              | 661                             | -                       | 661               | -                     | 661                                      |
| 12,824                             | -                              | -                               | -                       | 12,824            | -                     | 12,824                                   |
| 3,101                              | -                              | 391                             | 216                     | 6,988             | 3,926                 | 10,914                                   |
| <b>165,925</b>                     | <b>696</b>                     | <b>49,282</b>                   | <b>114,891</b>          | <b>561,271</b>    | <b>356,692</b>        | <b>917,963</b>                           |
| 16,471                             | -                              | -                               | -                       | 19,471            | 3,325                 | 22,796                                   |
| 10,655                             | -                              | -                               | -                       | 10,655            | -                     | 10,655                                   |
| <b>27,126</b>                      | <b>-</b>                       | <b>-</b>                        | <b>-</b>                | <b>30,126</b>     | <b>3,325</b>          | <b>33,451</b>                            |
| -                                  | -                              | -                               | -                       | -                 | 353,367               | 353,367                                  |
| 136,100                            | -                              | -                               | -                       | 147,900           | -                     | 147,900                                  |
| 2,699                              | 696                            | 49,282                          | 114,891                 | 383,245           | -                     | 383,245                                  |
| <b>138,799</b>                     | <b>696</b>                     | <b>49,282</b>                   | <b>114,891</b>          | <b>531,145</b>    | <b>353,367</b>        | <b>884,512</b>                           |
| <b>\$ 165,925</b>                  | <b>\$ 696</b>                  | <b>\$ 49,282</b>                | <b>\$ 114,891</b>       | <b>\$ 561,271</b> | <b>\$ 356,692</b>     | <b>\$ 917,963</b>                        |

**CITY OF CHARLEVOIX**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED MARCH 31, 2006**

|   | <b>Capital Projects Funds</b>           |                                |                            |                        |                                |
|---|---|--------------------------------|----------------------------|------------------------|--------------------------------|
|   | <b>Fire Truck<br/>and<br/>Ambulance</b> | <b>Marina<br/>Improvements</b> | <b>Industrial<br/>Park</b> | <b>Depot<br/>Beach</b> | <b>Lake Michigan<br/>Beach</b> |
| <b>Revenues</b>                             |   |                                |                            |                        |                                |
| Taxes                                       | \$ -                                    | \$ -                           | \$ -                       | \$ -                   | \$ -                           |
| Charges for services                        | -                                       | -                              | -                          | -                      | -                              |
| Interest                                    | 1,951                                   | 5                              | 5,234                      | 86                     | 192                            |
| Rents and royalties                         | -                                       | -                              | -                          | -                      | -                              |
| Other revenue                               | 4,002                                   | -                              | -                          | -                      | -                              |
| <b>Total revenues</b>                       | <b>5,953</b>                            | <b>5</b>                       | <b>5,234</b>               | <b>86</b>              | <b>192</b>                     |
| <b>Expenditures</b>                         |   |                                |                            |                        |                                |
| <b>Current</b>                              |   |                                |                            |                        |                                |
| General government                          | -                                       | -                              | 28,358                     | -                      | -                              |
| Contracted services                         | -                                       | -                              | -                          | -                      | -                              |
| <b>Total current expenditures</b>           | <b>-</b>                                | <b>-</b>                       | <b>28,358</b>              | <b>-</b>               | <b>-</b>                       |
| <b>Revenues over (under) expenditures</b>   | <b>5,953</b>                            | <b>5</b>                       | <b>(23,124)</b>            | <b>86</b>              | <b>192</b>                     |
| <b>Other financing sources (uses)</b>       |   |                                |                            |                        |                                |
| Transfers in                                | 27,100                                  | -                              | -                          | -                      | -                              |
| Transfers out                               | -                                       | (25)                           | -                          | (251)                  | (420)                          |
| <b>Total other financing sources (uses)</b> | <b>27,100</b>                           | <b>(25)</b>                    | <b>-</b>                   | <b>(251)</b>           | <b>(420)</b>                   |
| <b>Net change in fund balances</b>          | <b>33,053</b>                           | <b>(20)</b>                    | <b>(23,124)</b>            | <b>(165)</b>           | <b>(228)</b>                   |
| Fund balances, beginning of year            | 45,852                                  | 20                             | 171,696                    | 165                    | 228                            |
| <b>Fund balances, end of year</b>           | <b>\$ 78,905</b>                        | <b>\$ -</b>                    | <b>\$ 148,572</b>          | <b>\$ -</b>            | <b>\$ -</b>                    |

| <b>Capital Projects Funds</b>      |                                |                                 |                         |                   | <b>Permanent Fund</b> | <b>Total Nonmajor Governmental Funds</b> |
|------------------------------------|--------------------------------|---------------------------------|-------------------------|-------------------|-----------------------|--|
| <b>Infrastructure Improvements</b> | <b>Recreation Improvements</b> | <b>Mt. McSauba Improvements</b> | <b>Downtown Parking</b> | <b>Total</b>      | <b>Cemetery Care</b>  |  |
| \$ 557,286                         | \$ -                           | \$ -                            | \$ -                    | \$ 557,286        | \$ -                  | \$ 557,286                               |
| -                                  | -                              | -                               | -                       | -                 | 6,375                 | 6,375                                    |
| 3,816                              | -                              | 1,336                           | 4,077                   | 16,697            | 11,537                | 28,234                                   |
| -                                  | -                              | 13,684                          | -                       | 13,684            | -                     | 13,684                                   |
| -                                  | -                              | 25                              | -                       | 4,027             | -                     | 4,027                                    |
| <b>561,102</b>                     | <b>-</b>                       | <b>15,045</b>                   | <b>4,077</b>            | <b>591,694</b>    | <b>17,912</b>         | <b>609,606</b>                           |
| 127,264                            | -                              | -                               | -                       | 155,622           | -                     | 155,622                                  |
| -                                  | -                              | -                               | -                       | -                 | 3,325                 | 3,325                                    |
| <b>127,264</b>                     | <b>-</b>                       | <b>-</b>                        | <b>-</b>                | <b>155,622</b>    | <b>3,325</b>          | <b>158,947</b>                           |
| <b>433,838</b>                     | <b>-</b>                       | <b>15,045</b>                   | <b>4,077</b>            | <b>436,072</b>    | <b>14,587</b>         | <b>450,659</b>                           |
| -                                  | 696                            | -                               | -                       | 27,796            | -                     | 27,796                                   |
| (350,471)                          | -                              | -                               | -                       | (351,167)         | -                     | (351,167)                                |
| <b>(350,471)</b>                   | <b>696</b>                     | <b>-</b>                        | <b>-</b>                | <b>(323,371)</b>  | <b>-</b>              | <b>(323,371)</b>                         |
| <b>83,367</b>                      | <b>696</b>                     | <b>15,045</b>                   | <b>4,077</b>            | <b>112,701</b>    | <b>14,587</b>         | <b>127,288</b>                           |
| 55,432                             | -                              | 34,237                          | 110,814                 | 418,444           | 338,780               | 757,224                                  |
| <b>\$ 138,799</b>                  | <b>\$ 696</b>                  | <b>\$ 49,282</b>                | <b>\$ 114,891</b>       | <b>\$ 531,145</b> | <b>\$ 353,367</b>     | <b>\$ 884,512</b>                        |

**CITY OF CHARLEVOIX**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**

**MARCH 31, 2006**

|                                  | <b>Employee<br/>Fringe<br/>Benefits</b> | <b>Motor<br/>Vehicle</b> | <b>DPW<br/>Site</b> | <b>Total</b>      |
|----------------------------------|---|--------------------------|---------------------|-------------------|
| <b>Assets</b>                    |   |                          |                     |                   |
| <b>Current assets</b>            |   |                          |                     |                   |
| Cash and cash equivalents        | \$ 135,357                              | \$ 70,233                | \$ -                | \$ 205,590        |
| Investments                      | 35,000                                  | 120,000                  | -                   | 155,000           |
| Interest receivable              | 764                                     | 1,259                    | -                   | 2,023             |
| Due from other funds             | -                                       | -                        | 10,655              | 10,655            |
| <b>Total current assets</b>      | <b>171,121</b>                          | <b>191,492</b>           | <b>10,655</b>       | <b>373,268</b>    |
| <b>Noncurrent assets</b>         |   |                          |                     |                   |
| <b>Capital assets, net</b>       | <b>-</b>                                | <b>599,553</b>           | <b>129,964</b>      | <b>729,517</b>    |
| <b>Total assets</b>              | <b>171,121</b>                          | <b>791,045</b>           | <b>140,619</b>      | <b>1,102,785</b>  |
| <b>Liabilities</b>               |   |                          |                     |                   |
| <b>Current liabilities</b>       |   |                          |                     |                   |
| Accounts payable                 | 10,652                                  | 7,947                    | -                   | 18,599            |
| Accrued expenses                 | 12,435                                  | 2,467                    | -                   | 14,902            |
| Compensated absences             | 6,674                                   | -                        | -                   | 6,674             |
| Due to other funds               | -                                       | -                        | 140,618             | 140,618           |
| <b>Total current liabilities</b> | <b>29,761</b>                           | <b>10,414</b>            | <b>140,618</b>      | <b>180,793</b>    |
| <b>Noncurrent liabilities</b>    |   |                          |                     |                   |
| <b>Compensated absences</b>      | <b>137,959</b>                          | <b>-</b>                 | <b>-</b>            | <b>137,959</b>    |
| <b>Total liabilities</b>         | <b>167,720</b>                          | <b>10,414</b>            | <b>140,618</b>      | <b>318,752</b>    |
| <b>Net assets</b>                |   |                          |                     |                   |
| Invested in capital assets       | -                                       | 599,553                  | 129,964             | 729,517           |
| Unrestricted (deficit)           | 3,401                                   | 181,078                  | (129,963)           | 54,516            |
| <b>Total net assets</b>          | <b>\$ 3,401</b>                         | <b>\$ 780,631</b>        | <b>\$ 1</b>         | <b>\$ 784,033</b> |



**CITY OF CHARLEVOIX**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET ASSETS**  
**INTERNAL SERVICE FUNDS**

**FOR THE YEAR ENDED MARCH 31, 2006**

|   | <b>Employee<br/>Fringe<br/>Benefits</b> | <b>Motor<br/>Vehicle</b> | <b>DPW<br/>Site</b> | <b>Total</b>      |
|---|---|--------------------------|---------------------|-------------------|
| <b>Operating revenues</b>                     |   |                          |                     |                   |
| Charges for services                          | \$ 1,510,139                            | \$ 478,568               | \$ -                | \$ 1,988,707      |
| <b>Operating expenses</b>                     |   |                          |                     |                   |
| Personal services                             | 1,409,765                               | 143,050                  | -                   | 1,552,815         |
| Contractual services                          | 130,736                                 | 16,679                   | -                   | 147,415           |
| Supplies                                      | -                                       | 62,048                   | -                   | 62,048            |
| Utilities                                     | -                                       | 12,752                   | -                   | 12,752            |
| Repairs and maintenance                       | -                                       | 55,538                   | -                   | 55,538            |
| Depreciation                                  | -                                       | 138,555                  | 10,655              | 149,210           |
| Miscellaneous                                 | 1,200                                   | 1,369                    | -                   | 2,569             |
| <b>Total operating expenses</b>               | <b>1,541,701</b>                        | <b>429,991</b>           | <b>10,655</b>       | <b>1,982,347</b>  |
| <b>Operating income (loss)</b>                | <b>(31,562)</b>                         | <b>48,577</b>            | <b>(10,655)</b>     | <b>6,360</b>      |
| <b>Nonoperating revenues (expenses)</b>       |   |                          |                     |                   |
| Interest revenue                              | 1,576                                   | 6,964                    | -                   | 8,540             |
| Gain on sale of capital asset                 | -                                       | 15,471                   | -                   | 15,471            |
| Other revenue                                 | 18,914                                  | 501                      | -                   | 19,415            |
| <b>Total nonoperating revenues (expenses)</b> | <b>20,490</b>                           | <b>22,936</b>            | <b>-</b>            | <b>43,426</b>     |
| <b>Income (loss) before transfers</b>         | <b>(11,072)</b>                         | <b>71,513</b>            | <b>(10,655)</b>     | <b>49,786</b>     |
| <b>Transfers</b>                              |   |                          |                     |                   |
| Transfers in                                  | 10,000                                  | -                        | 10,655              | 20,655            |
| Transfers (out)                               | -                                       | (48,800)                 | -                   | (48,800)          |
| <b>Total transfers</b>                        | <b>10,000</b>                           | <b>(48,800)</b>          | <b>10,655</b>       | <b>(28,145)</b>   |
| <b>Change in net assets</b>                   | <b>(1,072)</b>                          | <b>22,713</b>            | <b>-</b>            | <b>21,641</b>     |
| Net assets, beginning of year                 | 4,473                                   | 757,918                  | 1                   | 762,392           |
| <b>Net assets, end of year</b>                | <b>\$ 3,401</b>                         | <b>\$ 780,631</b>        | <b>\$ 1</b>         | <b>\$ 784,033</b> |

**CITY OF CHARLEVOIX**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**

**FOR THE YEAR ENDED MARCH 31, 2006**

|   | <b>Employee<br/>Fringe<br/>Benefits</b> | <b>Motor<br/>Vehicle</b> | <b>DPW<br/>Site</b> | <b>Total</b>      |
|---|---|--------------------------|---------------------|-------------------|
| <b>Cash flows from operating activities</b>   |   |                          |                     |                   |
| Cash received from interfund services   | \$ 1,511,077                            | \$ 478,733               | \$ -                | \$ 1,989,810      |
| Cash payments to employees  | (1,432,194)                             | (137,496)                | -                   | (1,569,690)       |
| Cash payments to suppliers for goods and services   | (133,018)                               | (159,255)                | -                   | (292,273)         |
| <b>Net cash provided by (used in) operating activities</b>  | <b>(54,135)</b>                         | <b>181,982</b>           | <b>-</b>            | <b>127,847</b>    |
| <b>Cash flows from non-capital financing activities</b>   |   |                          |                     |                   |
| Miscellaneous income  | 18,914                                  | 501                      | -                   | 19,415            |
| Repayment of amount due to other funds  | -                                       | 2,467                    | -                   | 2,467             |
| Transfers in from other funds   | 10,000                                  | -                        | -                   | 10,000            |
| Transfers out to other funds  | -                                       | (48,800)                 | -                   | (48,800)          |
| <b>Net cash provided by (used in) non-capital financing activities</b>                                  | <b>28,914</b>                           | <b>(45,832)</b>          | <b>-</b>            | <b>(16,918)</b>   |
| <b>Cash flows from capital and related financing activities</b>   |   |                          |                     |                   |
| Proceeds from sale of capital assets  | -                                       | 15,471                   | -                   | 15,471            |
| Purchase of capital assets  | -                                       | (103,782)                | -                   | (103,782)         |
| <b>Net cash provided by (used in) capital and related financing activities</b>                          | <b>-</b>                                | <b>(88,311)</b>          | <b>-</b>            | <b>(88,311)</b>   |
| <b>Cash flows from investing activities</b>   |   |                          |                     |                   |
| Proceeds from matured investments   | 36,099                                  | 85,336                   | -                   | 121,435           |
| Purchase of investments   | (35,000)                                | (120,000)                | -                   | (155,000)         |
| Investment income   | 1,035                                   | 6,158                    | -                   | 7,193             |
| <b>Net cash provided by (used in) investing activities</b>  | <b>2,134</b>                            | <b>(28,506)</b>          | <b>-</b>            | <b>(26,372)</b>   |
| <b>Net increase (decrease) in cash and cash equivalents</b>   | <b>(23,087)</b>                         | <b>19,333</b>            | <b>-</b>            | <b>(3,754)</b>    |
| Cash and cash equivalents, beginning of year  | 158,444                                 | 50,900                   | -                   | 209,344           |
| <b>Cash and cash equivalents, end of year</b>   | <b>\$ 135,357</b>                       | <b>\$ 70,233</b>         | <b>\$ -</b>         | <b>\$ 205,590</b> |
| <b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b> |   |                          |                     |                   |
| Operating income (loss)   | \$ (31,562)                             | \$ 48,577                | \$ (10,655)         | \$ 6,360          |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities           |   |                          |                     |                   |
| Depreciation  | -                                       | 138,555                  | 10,655              | 149,210           |
| Changes in assets and liabilities   |   |                          |                     |                   |
| Accounts receivable   | 938                                     | 165                      | -                   | 1,103             |
| Inventory   | -                                       | -                        | -                   | -                 |
| Accounts payable  | (1,082)                                 | (10,869)                 | -                   | (11,951)          |
| Accrued liabilities   | (19,677)                                | 5,554                    | -                   | (14,123)          |
| Accrued compensated absences  | (2,752)                                 | -                        | -                   | (2,752)           |
| <b>Net cash provided by (used in) operating activities</b>  | <b>\$ (54,135)</b>                      | <b>\$ 181,982</b>        | <b>\$ -</b>         | <b>\$ 127,847</b> |
| <b>Noncash non-capital financing activities</b>   |   |                          |                     |                   |
| Transfer due from Infrastructure Improvements fund  |   |                          | <b>\$ 10,655</b>    |                   |

**CITY OF CHARLEVOIX**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUND**  
**CURRENT TAX COLLECTION FUND**  
**FOR THE YEAR ENDED MARCH 31, 2006**

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|                        | Beginning<br>Balance | Additions     | Deductions      | Ending<br>Balance |
|------------------------|----------------------|---------------|-----------------|-------------------|
| <b>Assets</b>          |                      |               |                 |                   |
| Cash                   | \$ 94,195            | \$ 9,083,796  | \$ (9,119,017)  | \$ 58,974         |
| <b>Liabilities</b>     |                      |               |                 |                   |
| Undistributed receipts | \$ 94,195            | \$ 16,479,363 | \$ (16,514,584) | \$ 58,974         |

**CITY OF CHARLEVOIX**

**BALANCE SHEET AND STATEMENT OF NET ASSETS  
COMPONENT UNIT**

**MARCH 31, 2006**

|   | <b>Downtown<br/>Development<br/>Authority</b> | <b>Adjustments</b>  | <b>Statement of<br/>Net Assets</b> |
|---|---|---------------------|------------------------------------|
| <b>Assets</b>                                   |   |                     |                                    |
| Cash and cash equivalents                       | \$ 184,418                                    | \$ -                | \$ 184,418                         |
| Cash with fiscal agent                          | 125,473                                       | -                   | 125,473                            |
| Investments                                     | 640,339                                       | -                   | 640,339                            |
| Taxes receivable                                | 1,012   | -                   | 1,012                              |
| Interest receivable                             | 6,067   | -                   | 6,067                              |
| Other assets                                    | -   | 36,073              | 36,073                             |
| Capital assets not being depreciated            | -   | 923,071             | 923,071                            |
| Capital assets, net of depreciaton              | -   | 4,325,858           | 4,325,858                          |
| <b>Total assets</b>                             | <b>957,309</b>                                | <b>5,285,002</b>    | <b>6,242,311</b>                   |
| <b>Liabilities</b>                              |   |                     |                                    |
| Accounts payable                                | 33,979  | -                   | 33,979                             |
| Accrued liabilities                             | -   | 16,413              | 16,413                             |
| Noncurrent liabilities                          |   |                     |                                    |
| Long term debt due within one year              | -   | 349,347             | 349,347                            |
| Long term debt due in more than one year        | -   | 2,391,737           | 2,391,737                          |
| <b>Total liabilities</b>                        | <b>33,979</b>                                 | <b>2,757,497</b>    | <b>2,791,476</b>                   |
| <b>Fund balance</b>                             |   |                     |                                    |
| Unreserved                                      | 923,330                                       | (923,330)           | -                                  |
| <b>Total liabilities and fund balance</b>       | <b>\$ 957,309</b>                             |                     |                                    |
| <b>Net assets</b>                               |   |                     |                                    |
| Invested in capital assets, net of related debt |   | 2,507,845           | 2,507,845                          |
| Unrestricted                                    |   | 942,990             | 942,990                            |
| <b>Total net assets</b>                         |   | <b>\$ 3,450,835</b> | <b>\$ 3,450,835</b>                |

**CITY OF CHARLEVOIX**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES**  
**COMPONENT UNIT**  
**FOR THE YEAR ENDED MARCH 31, 2006**

|   | <b>Downtown<br/>Development<br/>Authority</b> | <b>Adjustments</b>  | <b>Statement of<br/>Activities</b> |
|---|---|---------------------|------------------------------------|
| <b>Revenues</b>                               |   |                     |                                    |
| Property taxes                                | \$ 734,834                                    | \$ -                | \$ 734,834                         |
| Rents   | 17,044  | -                   | 17,044                             |
| Interest                                      | 29,206  | -                   | 29,206                             |
| <b>Total revenues</b>                         | <b>781,084</b>                                | <b>-</b>            | <b>781,084</b>                     |
| <b>Expenditures / expenses</b>                |   |                     |                                    |
| Current                                       |   |                     |                                    |
| Other functions                               | 285,486                                       | 247,088             | 532,574                            |
| Debt service                                  |   |                     |                                    |
| Principal                                     | 349,347                                       | (349,347)           | -                                  |
| Interest and fiscal charges                   | 81,660  | (81,660)            | -                                  |
| <b>Total expenditures / expenses</b>          | <b>716,493</b>                                | <b>(183,919)</b>    | <b>532,574</b>                     |
| <b>Change in fund balance / net assets</b>    | <b>64,591</b>                                 | <b>183,919</b>      | <b>248,510</b>                     |
| Fund balance / net assets, beginning of year  | 858,739                                       | 2,343,586           | 3,202,325                          |
| <b>Fund balance / net assets, end of year</b> | <b>\$ 923,330</b>                             | <b>\$ 2,527,505</b> | <b>\$ 3,450,835</b>                |



**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**

June 28, 2006

The Honorable Mayor and  
Members of the City Council  
City of Charlevoix  
Charlevoix County, 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*, as of and for the year ended March 31, 2006, which collectively comprise the *City of Charlevoix's* basic financial statements and have issued our report thereon dated June 28, 2006. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City in a separate letter dated June 28, 2006.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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*.

This report is intended for the information and use of members of the City Council and management, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Lehmann Johnson". The signature is written in a cursive, flowing style.



# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

June 28, 2006

City Council  
City of Charlevoix  
Charlevoix, MI 49720

Through our role in performing financial statement services for the past several years, we have become familiar with your systems, operations and management team. As we work with our clients, we strive to provide direction and constructive feedback to help facilitate their success. The better we get to know you and your objectives, the more we can offer in terms of proactive advice.

In planning and performing our audit of the financial statements of the *City of Charlevoix* (the "City") for the year ended March 31, 2006, we considered the City's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during the above-mentioned engagement, we became aware of opportunities for strengthening controls and improving operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters. This letter does not affect our report dated June 28, 2006 on the financial statements of City.

We have already discussed these comments with the City Manager and Treasurer, and we would be pleased to discuss them in further detail at your convenience.

If we can be of assistance, we hope you will view us as an integral part of your team.

Best wishes for a successful 2006-2007.

Encl.1



**City of Charlevoix**  
Comments and Recommendations  
March 31, 2006

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**DISASTER RECOVERY PLAN**

As noted in the prior year, disaster recovery plans are intended to minimize the extent of interruption to normal business operations in the event of a disaster, establish a means for orderly recovery of programs and data and instruct personnel how to handle emergency situations. Although the City has written disaster recovery plans in place in specific areas of the City's operations, including public safety and the airport, we recommend creating a disaster recovery plan that addresses operations City-wide.

**CAPITAL ASSET RECORD KEEPING**

As noted in the prior year, the City does not have a capital asset depreciation software program and is currently maintaining fixed asset records in a Microsoft Excel spreadsheet for the government-wide and fund level financial statements. The disadvantages of using spreadsheets includes the increased risk of error in the formulas used to compute the depreciation expense and the resulting net book value and the lack of security as the files can be manipulated easily at any computer as no specific program is required to access the data. It has also provided for difficulties from year to year as such spreadsheets have no roll-forward capabilities or a way of tracking additions and disposals. There are a number of inexpensive capital asset depreciation software packages available that could make the task of capital asset record keeping easier. We recommend that management investigate purchasing a depreciation software package.

**FEDERAL AND STATE GRANTS RECEIVED THROUGH THE MICHIGAN DEPARTMENT OF TRANSPORTATION FOR AIRPORT IMPROVEMENTS**

The City was awarded federal and state grant monies through the Michigan Department of Transportation (MDOT). These grants were used to purchase buildings and equipment at the City-owned municipal airport during the year ending March 31, 2006. Due to the nature of these grants, MDOT paid contractors directly with the grant monies. Therefore, the City did not record these grants nor the related capital outlay expenditures during the year. The City should record the transactions as federal and state revenue and as capital outlay expenditures. Also, the City should record the capital asset in its depreciation software program in order to compute depreciation expense. Expenditures from these grant monies will continue during the 2006/2007 fiscal year and possibly beyond. We recommend that, at the end of its fiscal year, the City obtain reports from MDOT that detail cash expended from grants during the fiscal year and the purpose of the expenditures. The amounts from these reports should then be recorded in the City's Airport Fund. The City Treasurer has been provided with contact information at MDOT in order to obtain the necessary reports.

**City of Charlevoix**  
Comments and Recommendations  
March 31, 2006

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**MUNICIPAL AIRPORT**

We noted that the fixed-base operator (FBO) agreement and related lease at the municipal airport expired April 1, 2006. We recommend that a signed agreement for the period of one year be obtained as soon as possible.

Per the agreement in effect through April 1, 2006, the FBO is required to remit certain amounts to the City. These amounts are for automobile parking fees, fuel flowage fees and landing fees. The FBO sends the City an assessments report which indicates the City's portion of these fees for each month. We noted during the audit that payments from the FBO to the City were, at times, several months behind. We recommend that the new lease agreement define appropriate payment terms.

We also noted that the revenue for the airport is recorded only when collected from the FBO. We recommend that, once the City receives the assessments report from the FBO for the month, a receivable and corresponding revenue be recorded in the City's accounting records. The City can then easily monitor what the FBO owes to the City.

**BANK ACCOUNT**

During our audit procedures, we noted that the Firefighters had a bank account at Charlevoix State Bank. This account is under the Federal Employer Identification Number (EIN) of the City and held a balance as of March 31, 2006 of \$7,814. However, the City did not account for this bank account in its accounting records. We recommend that the City require the Firefighters to open an account using its own EIN. If that is not done, the City should record the bank account activity in its accounting records.

**MICHIGAN FINANCE QUALIFYING STATEMENT**

All governmental units subject to the Revised Municipal Finance Act (PA34 of 2001) must submit a Michigan Finance Qualifying Statement that allows governmental units to be eligible to apply for financing during the fiscal year. The City must submit their qualifying statement electronically using the Michigan Department of Treasurer's website. The City Manager's assistant must contact the Local Audit Finance Division of the Department of Treasury to establish a password to access the system and electronically submit their qualifying statement. The qualifying statement is due to the Michigan Department of Treasury by September 30, 2006.

**City of Charlevoix**  
Comments and Recommendations  
March 31, 2006

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**ELECTRONICALLY FILING THE FINANCIAL STATEMENTS**

The Michigan Department of Treasury has issued Numbered Letter 2005-2 which requires (under the authority of Michigan Compiled Law 141.427(1) that all audits required in accordance with Public Act 2 of 1968 and Public Act 71 of 1919 be submitted electronically to the Treasury in a Portable Document Format (pdf) compatible with Adobe Acrobat. We have provided the necessary information, in this electronic format, to the City Treasurer to enable the City to comply. The financial statements must be submitted by September 30, 2006.

**SEC RULE 15C-12 DISCLOSURE REQUIREMENTS**

SEC Rule No. 240.15c2-12 requires issuers of municipal securities in principal amounts of \$1 million or more or whose outstanding aggregate debt exceeds \$10 million, to report financial and operational information as well as notice of material events to nationally recognized municipal securities information repositories annually. The City is subject to these reporting requirements. We recommend you contact your bond counsel who will generally assist in the preparation and timely submission of the annual disclosures required.

**EXPENDITURES**

Based on questions raised by various City personnel regarding the legality of various expenditures, we present below a list of examples of illegal or unauthorized expenditures as defined in the Bulletin for Audits of Local Units of Government in Michigan as revised (Appendix H).

- Contributions to churches, veterans, nonprofit organizations.
- Payment of funeral expenses for a person injured on government property.
- Donations to a private ambulance or EMS service not under contract with the governmental unit.
- Donations, including use of property or equipment to Little League, Scouts, Big Brothers/Sisters.
- Donations to community organizations.
- Expenses for private road constructions or maintenance.
- Office refreshments, picnics.
- Presents to officials and employees or retirement recognition events.
- Flowers to the sick or departed.
- Mileage of officials and employees to and from their residence to the City Hall.
- Extra compensation for summer tax collections unless part of the initial salary resolution or authorized with statutory procedures for an increase in salary.
- Extra compensation for special elections unless part of initial salary resolution or authorized under statutory procedures for an increase in salary.

**City of Charlevoix**  
Comments and Recommendations  
March 31, 2006

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**CONCLUSION**

It has been a pleasure to provide audit services to the *City of Charlevoix*. Management was prepared for the audit, providing us with a reasonably adjusted trial balance and all supporting documents requested. Thank you for providing all requested information.

We appreciate your business! Thank you.