

CITY OF CHARLEVOIX

FINANCIAL STATEMENTS

**For the Fiscal Year Ended
March 31, 2008**



REHMANN ROBSON

Certified Public Accountants

CITY OF CHARLEVOIX

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CITY OF CHARLEVOIX

List of Elected and Appointed Officials For the Fiscal Year Ended March 31, 2008

Elected Officials

Mayor	Norman Carlson
Mayor Pro Tem	Sherm Chamberlain
Council Member	Gabe Campbell
Council Member	Dennis Kusina
Council Member	Lyle Gennett
Council Member	Jill Picha
Council Member	Greg Stevens
Clerk	Carol Ochs

Appointed Officials

City Manager	Robert Straebel
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/Zoning Administrator	Mike Spencer
Recreation Director	Dwight Boss
Director of Golf	Tom Heid



INDEPENDENT AUDITORS' REPORT

August 22, 2008

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, 2008, 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, 2008, 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 August 22, 2008 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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of City of Charlevoix. The combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of federal awards 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

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, 2008.

Financial Highlights

- The assets of the City (primary government) exceeded its liabilities at the close of the most recent fiscal year by \$57,735,464 (*net assets*). Of this amount, \$10,806,466 (*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 \$5,218,218.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,987,946, an increase of \$496,720 in comparison with the prior year. Approximately 57 percent of this total amount or \$1,135,786 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 \$457,478 or 14 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 12 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, 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 internal service funds 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, water operations and Marina fund, each of which are considered to be major funds of the City.

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 57-62 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 \$57,735,464 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (80.7 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 (.6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (18.7 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>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Assets						
Cash and other assets	\$ 2,828,961	\$ 2,256,553	\$ 9,789,418	\$ 11,502,803	\$ 12,618,379	\$ 13,759,356
Capital assets not being depreciated	17,892,862	17,004,734	609,468	609,468	18,502,330	17,614,202
Capital assets, net of accumulated depreciation	<u>12,066,414</u>	<u>12,303,213</u>	<u>21,702,672</u>	<u>16,026,154</u>	<u>33,769,086</u>	<u>28,329,367</u>
Total assets	<u>32,788,237</u>	<u>31,564,500</u>	<u>32,101,558</u>	<u>28,138,425</u>	<u>64,889,795</u>	<u>59,702,925</u>
Liabilities						
Current and other liabilities	330,137	369,087	928,058	884,281	1,258,195	1,253,368
Long-term debt, net of current portion	<u>411,136</u>	<u>405,865</u>	<u>5,485,000</u>	<u>5,500,000</u>	<u>5,896,136</u>	<u>5,905,865</u>
Total liabilities	<u>741,273</u>	<u>774,952</u>	<u>6,413,058</u>	<u>6,384,281</u>	<u>7,154,331</u>	<u>7,159,233</u>
Net assets						
Invested in capital assets, net of related debt	29,770,898	29,099,437	16,812,140	11,135,622	46,583,038	40,235,059
Restricted	345,960	323,245	-	-	345,960	323,245
Unrestricted	<u>1,930,106</u>	<u>1,366,866</u>	<u>8,876,360</u>	<u>10,618,522</u>	<u>10,806,466</u>	<u>11,985,388</u>
Total net assets	<u>\$32,046,964</u>	<u>\$30,789,548</u>	<u>\$25,688,500</u>	<u>\$21,754,144</u>	<u>\$57,735,464</u>	<u>\$52,543,692</u>

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 \$5,191,772 during the current fiscal year.

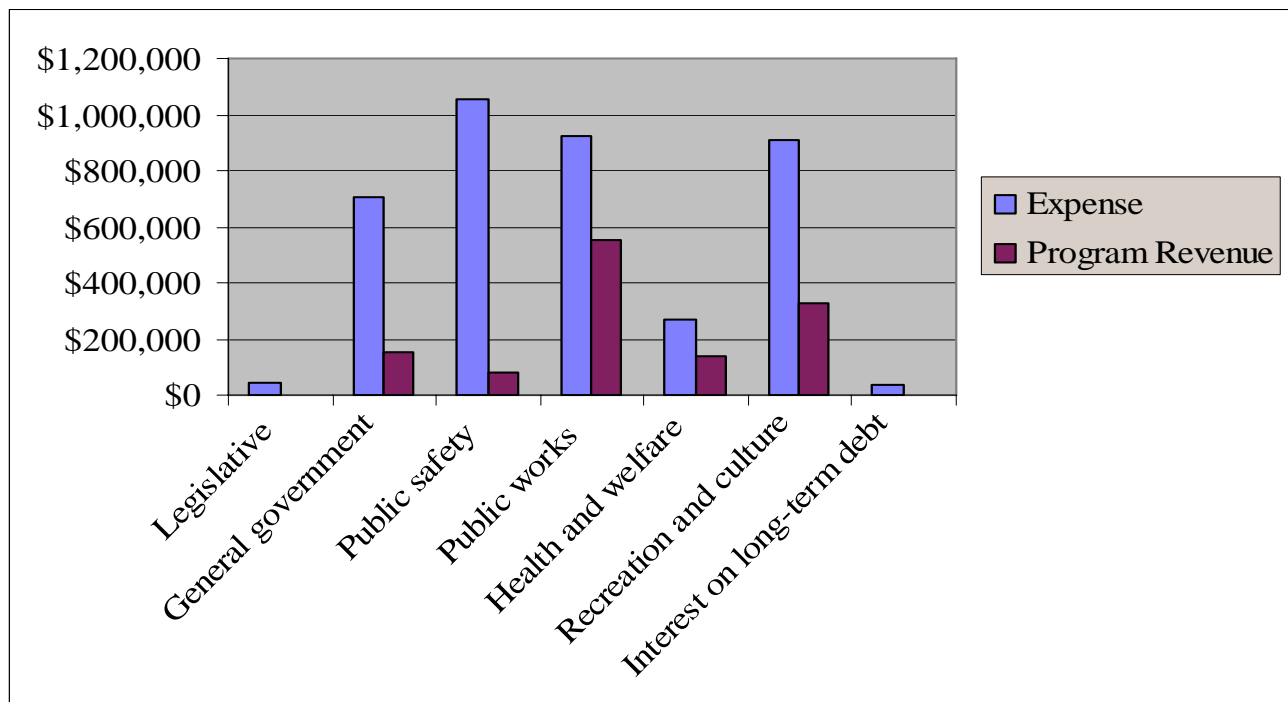
**City of Charlevoix - Primary Government
Condensed Statement of Changes in Net Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues						
Program revenues						
Charges for services	\$ 854,943	\$ 854,467	\$ 7,428,597	\$ 7,278,295	\$ 8,283,540	\$ 8,132,762
Operating grants and contributions	401,872	526,275	2,878	38,853	404,750	565,128
Capital grants and Contributions	884,278	-	4,137,892	1,576,613	5,022,170	1,576,613
General revenues						
Property taxes	2,617,824	2,468,750	-	-	2,617,824	2,468,750
Grants and contributions not restricted to specific programs	287,598	310,792	-	-	287,598	310,792
Unrestricted investment earnings	257,446	199,506	363,373	359,119	620,819	558,625
Gain on sale of capital assets	-	12,154	1,200	2,500	1,200	14,654
Total revenues	<u>5,303,961</u>	<u>4,371,944</u>	<u>11,933,940</u>	<u>9,255,380</u>	<u>17,237,901</u>	<u>13,627,324</u>
Expenses						
Legislative	43,462	58,518	-	-	43,462	58,518
General government	708,509	724,126	-	-	708,509	724,126
Public safety	1,054,925	999,129	-	-	1,054,925	999,129
Public works	923,396	915,506	-	-	923,396	915,506
Health and welfare	266,807	261,402	-	-	266,807	261,402
Recreation and culture	910,872	608,572	-	-	910,872	608,572
Interest on long-term debt	34,665	37,593	-	-	34,665	37,593
Electric	-	-	5,284,343	4,851,569	5,284,343	4,851,569
Sewage disposal	-	-	1,004,765	1,018,245	1,004,765	1,018,245
Water	-	-	896,596	909,694	896,596	909,694
Marina	-	-	612,343	364,350	612,343	364,350
Total expenses	<u>3,942,636</u>	<u>3,604,846</u>	<u>7,798,047</u>	<u>7,143,858</u>	<u>11,740,683</u>	<u>10,748,704</u>
Increase in net assets before transfers	1,361,325	767,098	4,135,893	2,111,522	5,497,218	2,878,620
Transfers	<u>(77,463)</u>	<u>6,170</u>	<u>(201,537)</u>	<u>(6,170)</u>	<u>(279,000)</u>	<u>-</u>
Change in net assets	1,283,862	773,268	3,934,356	2,105,352	5,218,218	2,878,620
Net assets – beginning of year	30,789,548	30,016,280	21,754,144	19,648,792	52,543,692	49,665,072
Prior period adjustment	<u>(26,446)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(26,446)</u>	<u>-</u>
Net assets – end of year	<u>\$32,046,964</u>	<u>\$30,789,548</u>	<u>\$25,688,500</u>	<u>\$21,754,144</u>	<u>\$57,735,464</u>	<u>\$52,543,692</u>

Governmental activities. Governmental activities increased the City’s net assets by \$1,283,862. Key elements of this increase are as follows:

- Property tax revenue increased by \$149,074 (6%), from a slight increase in the Refuse millage PA 213 (.1 mill) during the year. This increase is also the result of increased taxable value in the City.
- Operating grants and contributions decreased approximately \$125,000 resulting from reductions in State revenue sharing payments and fewer grants funding governmental type activities.
- Federal (FAA) and State of Michigan grants provided approximately \$884,000 for improvements and land purchase at the airport.
- The City Hall Improvements Capital Projects Fund received transfers of \$10,000 from the General Fund, \$60,000 from the Infrastructure Improvements Capital Projects fund, \$39,900 from the Electric, Water & Sewer Utility proprietary funds and \$139,600 from the DPW and Motor Vehicle funds, reducing the total outstanding advances to the fund.
- Interest rates increased and unrestricted investment earnings increased by approximately \$49,000 for the year due to rising interest rates during most of the year and additional available funds that could be invested.
- Recreation and culture expenses increased approximately \$300,000 from the prior year related primarily to major capital improvements at the ski hill for the water well project.

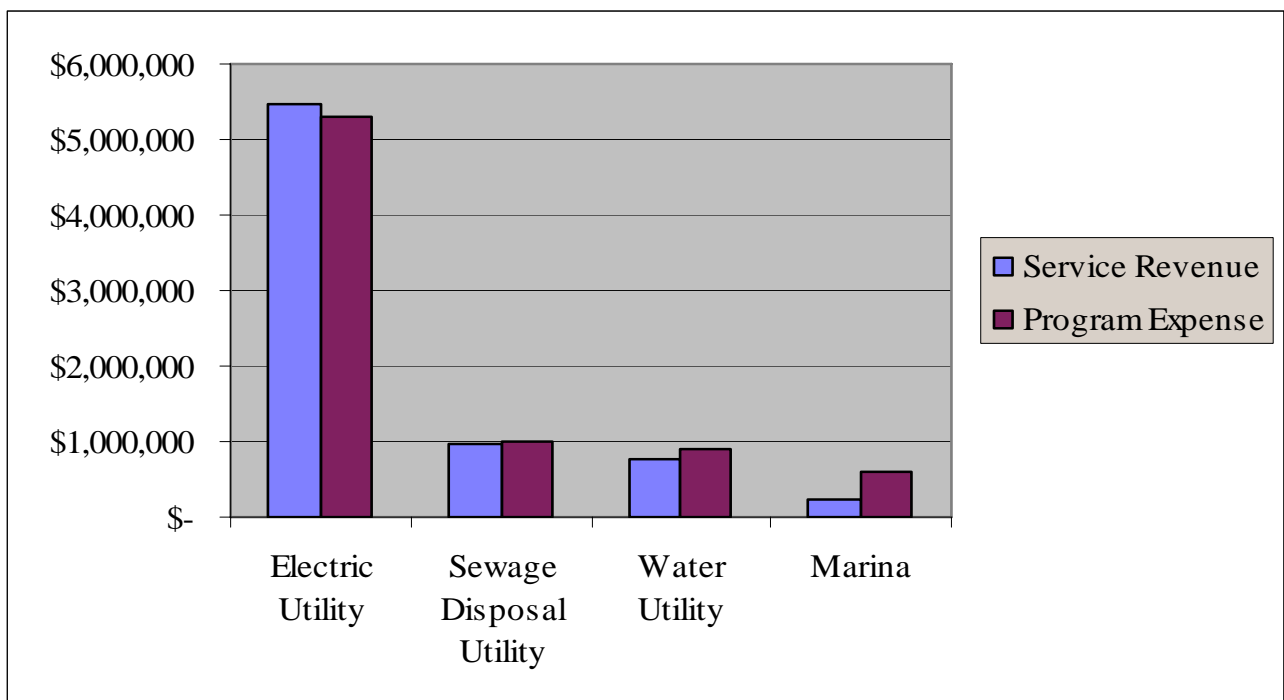
Expenses and Program Revenues – Governmental Activities



Business-type activities. Business-type activities increased the City’s net assets by \$3,934,356. Key elements of this change are as follows:

- Interest rates increased and unrestricted investment earnings increased by just over \$4,000 for the year due to rising interest rates during most of the year.
- Transfers in for 2007-08 were \$279,000 more than the prior year because of the reimbursement to the Downtown Development Authority by the Infrastructure for completion of the storm sewer in the East Park area.
- The addition to the marina resulting in an increase in capital grants and contributions of more than \$2.6 million in 2007-08.

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 \$1,987,946, an increase of \$496,720 in comparison with the prior year. A significant portion of the fund balances, \$1,641,986, 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 \$605,078; a portion of this amount (\$147,600) 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 14 percent of total General Fund expenditures and transfers out.

The fund balance of the City's General Fund increased by \$15,454 during the current fiscal year, compared to a budgeted decrease of \$222,372. Many factors contributed to this change during the year, but the main reasons for the increase were lower costs in the Planning, City Manager, City Attorney, Parks, Cemetery, Golf Course and Assessing areas than estimated prior to the year end in the budgeting process.

The Major Streets Fund had a total fund balance of \$87,604. The Major Streets Fund's fund balance increased by \$38,907, compared to a budgeted increase of \$25,039, due in most part to higher than estimated State Revenue.

The Local Streets Fund had a total fund balance of \$14,501. The Local Streets Fund's fund balance decreased by \$22,542, compared to a budgeted decrease of \$66,500, due in most part to more transfers in the Local Street fund than estimated.

The Airport Fund had a total fund balance of \$20,925. The Airport Fund's fund balance increased by \$30,609, compared to a budgeted increase of \$5,969, due in most part to higher 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 \$8,487,677 and the investment in capital assets net of related debt was \$16,704,132. The Electric Utility Fund had an increase in net assets for the year of \$129,213, the Sewage Disposal Utility Fund a decrease of \$47,236, the Water Utility Fund a decrease of \$119,648, whereas the Marina Fund had an increase of \$3,896,639. 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 an increase in fund balance of \$15,454 compared to a budgeted decrease of \$222,372.

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, 2008, amounted to \$52,271,416 (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 13.8 percent.

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

- Marina, East Park and Ferry boat launch improvements (continued design and construction).
- Water system improvements at Mt. McSauba
- Land/air rights purchases at the City airport
- Purchase of new vehicles, machinery and equipment by the Motor Pool fund.
- 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>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land	\$17,892,862	\$16,998,429	\$ 609,468	\$ 609,468	\$18,502,330	\$17,607,897
Construction- in-progress	-	6,305	4,355,254	-	4,355,254	6,305
Land improvements	3,704,352	3,679,951	4,908,077	3,303,924	8,612,429	6,983,875
Infrastructure	559,637	538,994	-	-	559,637	538,994
Buildings and systems	6,312,709	6,496,219	12,031,652	12,392,872	18,344,361	18,889,091
Equipment	878,880	1,020,742	407,689	329,358	1,286,569	1,350,100
Vehicles	610,836	567,307	-	-	610,836	567,307
Total	<u>\$29,959,276</u>	<u>\$29,307,947</u>	<u>\$22,312,140</u>	<u>\$16,635,622</u>	<u>\$52,271,416</u>	<u>\$45,943,569</u>

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 \$188,378. This amount comprises debt backed by the full faith and credit of the City. In 2006-07, a new bond was issued for construction of a marina. This bond has a balance of \$5,500,000 which is not included in the above balance. The City has also pledged its full faith and credit to the Downtown Development Authority Component Unit bonded and installment purchase debt agreements of \$1,580,000 and \$457,390, respectively.

**City of Charlevoix
Outstanding Debt**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Unit</u>
Installment purchase agreement	114,474	-	457,390
MDOT loan	73,904	-	-
Marina limited tax general obligation bonds	-	5,500,000	-
General obligation refunding bond	-	-	1,580,000
Total	<u>\$ 188,378</u>	<u>\$ 5,500,000</u>	<u>\$ 2,037,390</u>

The City's and Component Unit's total debt decreased by \$354,347.

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 \$23,833,400, 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 2008-09 fiscal year:

- The unemployment rate for the Northwest Michigan region is currently 7.2%, an increase from 5.7% a year ago. This compares to the state's current average unemployment rate of 7.4 % and the national average rate of 5%.
- The Michigan economy has significant problems and the State has a reduced credit rating. There have been reductions in revenues from sales tax and this trend is expected to continue for at least the next year. Problems with foreclosures and reduction in taxable values were considered in preparing the budget and are reflected in utility bad debt estimates and write offs, as well as in the calculations for tax revenue.
- 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 in the 2008-09 budget were factored in to the Employee Fringe Benefit (EFB) rate applied to all funds to maintain a break-even in the EFB. The latest proposal increase effective September 1, 2008 is 15% from MERS Premier Health. The City's share would increase by approximately 6% due to an increase in caps and differences in labor agreements and possible reduction in the benefit package being prepared by the healthcare committee.
- The budget includes an additional \$24,000 contribution beyond what the city is required to make to the MERS Retirement System to improve the funding level for employees covered by the plan.
- A revenue increase for State Revenue Sharing or Act 51 monies is not factored into the budget. Additional millage of .2 mills (1 mill total) 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. The operating millage of 9.05 mills remained the same as was adopted in the 2007-08 budget to enable the same level of service to taxpayers be provided by the General Fund. The infrastructure millage was again levied for 2.1028 mills and was not subject to the Headlee Rollback.
- 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 increased to \$605,078. The City has appropriated \$147,600 of this amount for spending in the 2008-09 fiscal year budgets.

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 or by visiting our website at www.cityofcharlevoix.org for additional supplemental budgetary information.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF CHARLEVOIX
STATEMENT OF NET ASSETS

MARCH 31, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 1,685,548	\$ 5,398,485	\$ 7,084,033	\$ 4,748
Cash with fiscal agent	-	-	-	232,702
Investments	1,282,110	1,972,571	3,254,681	416,702
Receivables	262,762	1,614,315	1,877,077	20,407
Internal balances	(434,133)	434,133	-	-
Other assets	32,674	369,914	402,588	26,953
Capital assets not being depreciated	17,892,862	4,964,722	22,857,584	923,071
Capital assets, net of depreciaton	12,066,414	17,347,418	29,413,832	4,058,594
Total assets	32,788,237	32,101,558	64,889,795	5,683,177
Liabilities				
Accounts payable	170,834	878,824	1,049,658	130,732
Accrued liabilities	113,449	34,234	147,683	13,846
Noncurrent liabilities				
Long term debt due within one year	37,317	15,000	52,317	359,347
Long term debt due in more than one year	419,673	5,485,000	5,904,673	1,678,043
Total liabilities	741,273	6,413,058	7,154,331	2,181,968
Net assets				
Invested in capital assets, net of related debt	29,770,898	16,812,140	46,583,038	2,944,275
Restricted for				
Nonexpendable perpetual care	345,960	-	345,960	-
Unrestricted	1,930,106	8,876,360	10,806,466	556,934
Total net assets	\$ 32,046,964	\$ 25,688,500	\$ 57,735,464	\$ 3,501,209

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

CITY OF CHARLEVOIX

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED MARCH 31, 2008

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Capital Grants and Contributions	
Primary government				
Governmental activities				
Legislative	\$ 43,462	\$ -	\$ -	\$ (43,462)
General government	708,509	149,850	-	(552,603)
Public safety	1,054,925	72,056	-	(977,996)
Public works	923,396	165,274	884,278	515,489
Health and welfare	266,807	141,656	-	(125,151)
Recreation and culture	910,872	326,107	-	(583,155)
Interest on long-term debt	34,665	-	-	(34,665)
Total governmental activities	3,942,636	854,943	884,278	(1,801,543)
Business-type activities				
Electric	5,284,343	5,454,720	-	170,377
Sewage disposal	1,004,765	966,092	-	(35,795)
Water	896,596	775,705	-	(120,891)
Marina	612,343	672,983	3,417,989	3,478,629
Total business-type activities	7,798,047	7,869,500	3,417,989	3,492,320
Total primary government	\$ 11,740,683	\$ 8,724,443	\$ 4,302,267	\$ 1,690,777
Component unit				
Downtown Development Authority	\$ 906,132	\$ 38,760	\$ -	\$ (867,372)

Continued...

CITY OF CHARLEVOIX
STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED MARCH 31, 2008

	<u>Primary Government</u>			Component Unit
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
Changes in net assets				
Net (expense) revenue	\$ (1,801,543)	\$ 3,492,320	\$ 1,690,777	\$ (867,372)
General revenues				
Property taxes	2,617,824	-	2,617,824	756,220
Grants and contributions not restricted to specific programs	287,598	-	287,598	-
Unrestricted investment earnings	257,446	363,373	620,819	29,433
Gain on sale of capital assets	-	1,200	1,200	-
Transfers - internal activities	(77,463)	77,463	-	-
Total general revenues and transfers	<u>3,085,405</u>	<u>442,036</u>	<u>3,527,441</u>	<u>785,653</u>
Changes in net assets	<u>1,283,862</u>	<u>3,934,356</u>	<u>5,218,218</u>	<u>(81,719)</u>
Net assets, beginning of year, as previously reported	30,789,548	21,754,144	52,543,692	3,582,928
Prior period adjustments	(26,446)	-	(26,446)	-
Net assets, beginning of year, as restated	<u>30,763,102</u>	<u>21,754,144</u>	<u>52,517,246</u>	<u>3,582,928</u>
Net assets, end of year	<u>\$ 32,046,964</u>	<u>\$ 25,688,500</u>	<u>\$ 57,735,464</u>	<u>\$ 3,501,209</u>

Concluded

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

FUND FINANCIAL STATEMENTS

CITY OF CHARLEVOIX

**BALANCE SHEET
GOVERNMENTAL FUNDS**

MARCH 31, 2008

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Airport</u>	<u>City Hall Improvements</u>
ASSETS					
Cash and cash equivalents	\$ 190,293	\$ 26,905	\$ 3,044	\$ 50,035	\$ 127
Investments	368,375	4,213	-	-	-
Accounts receivable	19,438	-	-	1,108	-
Taxes receivable	84,767	-	-	-	-
Interest receivable	6,280	112	729	-	-
Other assets	580	-	-	-	-
Due from other governments	53,771	59,944	11,837	-	-
Total assets	\$ 723,504	\$ 91,174	\$ 15,610	\$ 51,143	\$ 127
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 82,613	\$ 167	\$ -	\$ 29,097	\$ -
Accrued expenses	35,813	3,403	1,109	1,121	-
Advance from other funds	-	-	-	-	296,650
Total liabilities	118,426	3,570	1,109	30,218	296,650
Fund balances (deficits)					
Reserved					
Perpetual care	-	-	-	-	-
Unreserved					
Designated for subsequent year's expenditures	147,600	-	-	-	-
Undesignated (deficit)	457,478	87,604	14,501	20,925	(296,523)
Undesignated - reported in nonmajor Capital Projects Funds	-	-	-	-	-
Total fund balances (deficits)	605,078	87,604	14,501	20,925	(296,523)
Total liabilities and fund balances	\$ 723,504	\$ 91,174	\$ 15,610	\$ 51,143	\$ 127

Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 782,910	\$ 1,053,314
752,660	1,125,248
1,012	21,558
16,373	101,140
5,910	13,031
-	580
-	125,552
\$ 1,558,865	\$ 2,440,423

\$ 2,504	\$ 114,381
-	41,446
-	296,650
2,504	452,477

345,960	345,960
358,600	506,200
-	283,985
851,801	851,801
1,556,361	1,987,946
\$ 1,558,865	\$ 2,440,423

Continued...

CITY OF CHARLEVOIX

**BALANCE SHEET
GOVERNMENTAL FUNDS**

MARCH 31, 2008

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 **\$ 1,987,946**

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	35,550,000
Deduct - accumulated depreciation	(6,183,613)

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	1,165,961
Deduct - portion of internal service funds net operating income attributed to business-type funds	(137,483)

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	(188,378)
Deduct - compensated absences - sick	(97,361)
Deduct - accrued interest on bonds and advances	(50,108)

Net assets of governmental activities **\$ 32,046,964**

Concluded

CITY OF CHARLEVOIX

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

FOR THE YEAR ENDED MARCH 31, 2008

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Airport</u>	<u>City Hall Improvements</u>
Revenues					
Taxes	\$ 2,163,283	\$ -	\$ -	\$ -	\$ -
Federal revenue	-	-	-	884,278	-
State revenue	274,160	254,876	86,945	52,568	-
Licenses and permits	5,865	-	-	-	-
Charges for services	534,830	-	-	120,315	-
Fines and forfeits	19,911	-	-	-	-
Interest	35,688	490	1,485	1,138	129
Rents and royalties	105,285	-	-	44,959	-
Other revenue	15,977	-	-	-	-
Total revenues	3,154,999	255,366	88,430	1,103,258	129
Expenditures					
Current					
Legislative	46,518	-	-	-	-
General government	509,160	-	-	-	-
Public safety	1,091,801	-	-	-	-
Public works	224,685	237,252	140,972	1,042,219	-
Health and welfare	277,420	-	-	-	-
Recreation and culture	951,543	-	-	-	-
Other expenditures	60,718	-	-	-	-
Debt service					
Principal	-	-	-	20,153	-
Interest	-	-	-	10,277	24,388
Total expenditures	3,161,845	237,252	140,972	1,072,649	24,388
Revenues (under) over expenditures	(6,846)	18,114	(52,542)	30,609	(24,259)
Other financing sources (uses)					
Transfers in	82,300	20,793	30,000	-	249,500
Transfers out	(60,000)	-	-	-	(14,618)
Total other financing sources (uses)	22,300	20,793	30,000	-	234,882
Net change in fund balances	15,454	38,907	(22,542)	30,609	210,623
Fund balances (deficits), beginning of year, as previously reported	589,624	48,697	37,043	24,099	(514,483)
Prior period adjustment	-	-	-	(33,783)	7,337
Fund balances (deficits), beginning of year, as restated	589,624	48,697	37,043	(9,684)	(507,146)
Fund balances (deficits), end of year	\$ 605,078	\$ 87,604	\$ 14,501	\$ 20,925	\$ (296,523)

	Other Nonmajor Governmental Funds	Total Governmental Funds
\$	454,541	\$ 2,617,824
	-	884,278
	-	668,549
	-	5,865
	3,825	658,970
	-	19,911
	193,617	232,547
	15,460	165,704
	1,500	17,477
	668,943	5,271,125
	-	46,518
	41,290	550,450
	-	1,091,801
	-	1,645,128
	-	277,420
	-	951,543
	-	60,718
	-	20,153
	-	34,665
	41,290	4,678,396
	627,653	592,729
	33,900	416,493
	(411,438)	(486,056)
	(377,538)	(69,563)
	250,115	523,166
	1,306,246	1,491,226
	-	(26,446)
	1,306,246	1,464,780
\$	1,556,361	\$ 1,987,946

Continued...

CITY OF CHARLEVOIX

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

FOR THE YEAR ENDED MARCH 31, 2008

**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 **\$ 523,166**

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	1,183,375
Deduct - depreciation expense	(536,676)

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	20,132
---	--------

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	24,899
Add - other revenue from governmental internal service funds	7,937
Add - net operating income of internal service funds charged to governmental activities	167,529
Deduct - internal activities (transfers) accounted for in internal service funds	(7,900)

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.

Deduct - increase in compensated absences - sick	(25,384)
Deduct - increase in compensated absences - vacation	(20,844)
Deduct - accrued interest on bonds payable and advances	(52,372)

Change in net assets of governmental activities **\$ 1,283,862**

Concluded

CITY OF CHARLEVOIX
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

MARCH 31, 2008

	Business-type Activities - Enterprise Funds					
	Major Funds					Internal Service Fund
	Electric Utility	Sewage Disposal Utility	Water Utility	Marina	Total	
Assets						
Current assets						
Cash and cash equivalents	\$ 2,160,216	\$ 628,088	\$ 372,900	\$ 2,211,081	\$ 5,372,285	\$ 658,434
Investments	1,407,456	28,971	281,144	30,000	1,747,571	156,862
Accounts receivable	749,252	106,848	63,511	626,444	1,546,055	-
Interest receivable	53,170	7,147	7,879	64	68,260	1,481
Debt issue cost	-	-	-	43,916	43,916	32,094
Inventory	285,729	-	40,269	-	325,998	-
Total current assets	4,655,823	771,054	765,703	2,911,505	9,104,085	848,871
Noncurrent assets						
Restricted investments						
For replacement	75,000	75,000	75,000	-	225,000	-
Capital assets, net of accumulated depreciation	5,621,450	3,708,936	4,043,691	8,830,055	22,204,132	700,898
Advance to other funds	296,650	-	-	-	296,650	-
Total noncurrent assets	5,993,100	3,783,936	4,118,691	8,830,055	22,725,782	700,898
Total assets	10,648,923	4,554,990	4,884,394	11,741,560	31,829,867	1,549,769
Liabilities						
Current liabilities						
Accounts payable	275,118	105,757	22,018	475,931	878,824	56,453
Accrued expenses	12,337	9,656	10,916	1,325	34,234	21,895
Compensated absences	-	-	-	-	-	8,517
Total current liabilities	287,455	115,413	32,934	477,256	913,058	86,865
Noncurrent liabilities						
Bonds payable	-	-	-	5,500,000	5,500,000	-
Compensated absences	-	-	-	-	-	162,735
Total noncurrent liabilities	-	-	-	5,500,000	5,500,000	162,735
Total liabilities	287,455	115,413	32,934	5,977,256	6,413,058	249,600
Net assets						
Invested in capital assets, net of related debt	5,621,450	3,708,936	4,043,691	3,330,055	16,704,132	700,898
Restricted for replacement and redemption	75,000	75,000	75,000	-	225,000	-
Unrestricted	4,665,018	655,641	732,769	2,434,249	8,487,677	599,271
Total net assets	\$ 10,361,468	\$ 4,439,577	\$ 4,851,460	\$ 5,764,304	\$ 25,416,809	\$ 1,300,169

Continued...

CITY OF CHARLEVOIX
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

MARCH 31, 2008

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 **\$ 25,416,809**

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 134,208

Add - portion of internal service funds net operating income attributed to business-type funds 137,483

Net assets of business-type activities **\$ 25,688,500**

Concluded

CITY OF CHARLEVOIX

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

FOR THE YEAR ENDED MARCH 31, 2008

	<u>Business-type Activities - Enterprise Funds</u>					<u>Internal Service Fund</u>
	<u>Major Funds</u>				<u>Total</u>	
	<u>Electric Utility</u>	<u>Sewage Disposal Utility</u>	<u>Water Utility</u>	<u>Marina</u>		
Operating revenues						
Charges for services	\$ 5,445,730	\$ 949,587	\$ 769,204	\$ 232,080	\$ 7,396,601	\$ 2,261,679
Operating expenses						
Purchased power	3,591,749	-	-	-	3,591,749	-
Personal services	710,871	398,971	449,233	141,276	1,700,351	1,677,571
Contractual services	69,001	82,338	44,471	18,080	213,890	89,001
Insurance	952	17,372	6,908	2,401	27,633	-
Building rental	37,833	19,250	19,250	-	76,333	-
Equipment rental	105,802	82,883	27,561	679	216,925	-
Supplies	61,219	63,630	56,373	6,217	187,439	92,067
Utilities	17,360	139,303	66,580	17,360	240,603	13,025
Repair and maintenance	36,401	42,437	38,217	54	117,109	80,716
Depreciation	599,143	164,248	184,332	211,325	1,159,048	148,899
Amortization	-	-	-	2,440	2,440	-
Miscellaneous	79,184	15,480	13,183	2,423	110,270	3,836
Total operating expenses	5,309,515	1,025,912	906,108	402,255	7,643,790	2,105,115
Operating income (loss)	136,215	(76,325)	(136,904)	(170,175)	(247,189)	156,564
Nonoperating revenues (expenses)						
Interest revenue	142,898	41,406	38,755	140,172	363,231	25,041
Gain on sale of capital assets	1,200	-	-	-	1,200	-
Other revenue	8,990	16,505	6,501	440,903	472,899	7,937
Federal revenue	-	2,878	-	-	2,878	-
State revenue	-	-	-	3,417,989	3,417,989	-
Interest expense	(90)	-	-	(211,250)	(211,340)	-
Total nonoperating revenues	152,998	60,789	45,256	3,787,814	4,046,857	32,978
Income (loss) before transfers	289,213	(15,536)	(91,648)	3,617,639	3,799,668	189,542
Transfers						
Transfers in	-	-	-	279,000	279,000	198,163
Transfers out	(160,000)	(31,700)	(28,000)	-	(219,700)	(187,900)
Total transfers	(160,000)	(31,700)	(28,000)	279,000	59,300	10,263
Change in net assets	129,213	(47,236)	(119,648)	3,896,639	3,858,968	199,805
Net assets, beginning of year	10,232,255	4,486,813	4,971,108	1,867,665	21,557,841	1,100,364
Net assets, end of year	\$ 10,361,468	\$ 4,439,577	\$ 4,851,460	\$ 5,764,304	\$ 25,416,809	\$ 1,300,169

Continued...

CITY OF CHARLEVOIX

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

FOR THE YEAR ENDED MARCH 31, 2008

**Reconciliation of the statement of revenues, expenses and changes in net assets of enterprise funds to the to the
statement of activities**

Change in net assets - all enterprise funds **\$ 3,858,968**

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.

Add - interest revenue from business-type internal service fund	144
Add - net operating income of internal service funds charged to business-type funds	57,081
Add - internal activities (transfers) accounted for in business-type internal service fund	<u>18,163</u>

Change in net assets of business-type activities **\$ 3,934,356**

Concluded

CITY OF CHARLEVOIX

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

FOR THE YEAR ENDED MARCH 31, 2008

	<u>Enterprise Funds</u>					
	<u>Major Funds</u>					
	<u>Electric Utility</u>	<u>Sewage Disposal Utility</u>	<u>Water Utility</u>	<u>Marina</u>	<u>Total</u>	<u>Internal Service Fund</u>
Cash flows from operating activities						
Cash received from customers	\$ 5,352,910	\$ 953,831	\$ 773,160	\$ (394,364)	\$ 6,685,537	\$ -
Cash received from interfund services	-	-	-	-	-	2,269,623
Cash payments to employees	(710,871)	(403,705)	(453,567)	(141,727)	(1,709,870)	(1,662,343)
Cash payments to suppliers for goods and services	(4,102,639)	(438,893)	(230,425)	41,814	(4,730,143)	(270,110)
Net cash provided by (used in) operating activities	539,400	111,233	89,168	(494,277)	245,524	337,170
Cash flows from noncapital financing activities						
Miscellaneous income	8,990	16,505	6,501	440,903	472,899	7,937
Receipt of amounts due from other funds	-	-	-	-	-	10,655
Repayment of amounts due to other funds	-	-	-	-	-	(14,618)
Transfers in from other funds	-	-	-	279,000	279,000	198,163
Transfers out to other funds	(160,000)	(31,700)	(28,000)	-	(219,700)	(187,900)
Net cash (used in) provided by noncapital financing activities	(151,010)	(15,195)	(21,499)	719,903	532,199	14,237
Cash flows from capital and related financing activities						
State and federal grants	-	2,878	-	3,417,989	3,420,867	-
Purchase of capital assets	(321,005)	(218,613)	(112,001)	(6,194,912)	(6,846,531)	(148,896)
Bond interest payments	(90)	-	-	(211,250)	(211,340)	-
Net cash used in capital and related financing activities	(321,095)	(215,735)	(112,001)	(2,988,173)	(3,637,004)	(148,896)
Cash flows from investing activities						
Proceeds from matured investments	1,466,372	382,641	524,239	30,000	2,403,252	-
Purchase of investments	(1,482,456)	(103,971)	(356,144)	(30,000)	(1,972,571)	(1,862)
Advance to other funds	191,112	-	-	-	191,112	-
Bond issue cost	-	-	-	2,440	2,440	-
Investment income	157,190	43,133	41,164	142,003	383,490	25,079
Net cash provided by investing activities	332,218	321,803	209,259	144,443	1,007,723	23,217
Net increase (decrease) in cash and cash equivalents	399,513	202,106	164,927	(2,618,104)	(1,851,558)	225,728
Cash and cash equivalents, beginning of year	1,760,703	425,982	207,973	4,829,185	7,223,843	432,706
Cash and cash equivalents, end of year	\$ 2,160,216	\$ 628,088	\$ 372,900	\$ 2,211,081	\$ 5,372,285	\$ 658,434

Noncash capital and related financing activities

The City capitalized \$383,976 in the marina fund for which payment had not been made (recorded in accounts payable) at year end

Continued...

CITY OF CHARLEVOIX
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED MARCH 31, 2007

	<u>Enterprise Funds</u>					
	<u>Major Funds</u>					<u>Internal Service Fund</u>
	<u>Electric Utility</u>	<u>Sewage Disposal Utility</u>	<u>Water Utility</u>	<u>Marina</u>	<u>Total</u>	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities						
Operating income (loss)	\$ 136,215	\$ (76,325)	\$ (136,904)	\$ (170,175)	\$ (247,189)	\$ 156,564
Adjustments to reconcile operating income (loss) to net cash provided by operating activities						
Depreciation	599,143	164,248	184,332	211,325	1,159,048	148,899
Changes in assets and liabilities						
Accounts receivable	(92,820)	4,244	3,956	(626,444)	(711,064)	7,944
Inventory	(7,208)	-	23,159	-	15,951	-
Other assets	-	-	-	-	-	(32,094)
Accounts payable	(83,798)	23,800	18,959	91,468	50,429	40,629
Accrued expenses	(12,132)	(4,734)	(4,334)	(451)	(21,651)	(5,636)
Accrued compensated absences	-	-	-	-	-	20,864
Net cash provided by (used in) operating activities	\$ 539,400	\$ 111,233	\$ 89,168	\$ (494,277)	\$ 245,524	\$ 337,170

Concluded

CITY OF CHARLEVOIX

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

FOR THE YEAR ENDED MARCH 31, 2008

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Taxes				
Property taxes	\$ 2,088,500	\$ 2,119,430	\$ 2,121,567	\$ 2,137
Payments in lieu of taxes	3,000	3,366	3,366	-
Interest and penalties on delinquent taxes	6,800	10,000	22,003	12,003
Tax collection fees	20,000	15,955	16,347	392
Total taxes	2,118,300	2,148,751	2,163,283	14,532
State revenue	281,300	273,044	274,160	1,116
Licenses and permits	6,200	5,600	5,865	265
Charges for services				
Fire runs	69,300	71,606	72,056	450
Ambulance runs	175,000	146,200	99,742	(46,458)
Ambulance contracts	40,400	41,914	41,914	-
Charges for services - other	5,700	3,743	4,042	299
Cemetery	49,000	34,200	31,040	(3,160)
Golf course	171,300	162,451	162,551	100
Summer sports	6,700	6,701	6,701	-
Day camp	45,500	41,253	41,253	-
Winter sports	50,200	50,200	47,632	(2,568)
Basketball	6,000	3,884	3,951	67
Skate park	9,000	6,463	6,163	(300)
Parking	21,500	16,677	17,785	1,108
Total charges for services	649,600	585,292	534,830	(50,462)
Fines and forfeits	28,300	19,425	19,911	486
Interest and dividends	20,000	34,000	35,688	1,688
Rents and royalties				
Harbor building	-	41	(40)	(81)
City hall	87,300	87,299	81,217	(6,082)
Boat launch	24,600	24,100	24,108	8
Total rents and royalties	111,900	111,440	105,285	(6,155)
Other revenues	5,100	5,276	15,977	10,701
Total revenues	3,220,700	3,182,828	3,154,999	(27,829)

Continued...

CITY OF CHARLEVOIX

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

FOR THE YEAR ENDED MARCH 31, 2008

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Legislative				
City council	\$ 53,400	\$ 53,400	\$ 46,518	\$ (6,882)
General government				
Mayor	11,700	11,700	15,142	3,442
City manager	69,200	69,200	62,097	(7,103)
Elections	15,800	15,800	15,059	(741)
Assessor	64,300	64,300	15,594	(48,706)
City attorney	101,600	101,600	79,583	(22,017)
City clerk	35,700	35,700	32,239	(3,461)
City treasurer	62,300	62,300	57,527	(4,773)
City hall and grounds	125,800	125,800	123,460	(2,340)
Cemetery	125,100	125,100	108,459	(16,641)
Total general government	611,500	611,500	509,160	(102,340)
Public safety				
Police department	686,400	654,142	659,677	5,535
Parking law enforcement	17,600	17,600	9,579	(8,021)
Fire department	354,100	354,100	345,589	(8,511)
Planning department	143,500	143,500	76,956	(66,544)
Total public safety	1,201,600	1,169,342	1,091,801	(77,541)
Public works				
Highways and streets	29,100	29,100	27,586	(1,514)
Leaf pick up	92,100	92,100	104,238	12,138
Waste collection	22,000	54,258	43,842	(10,416)
Brush pickup	53,900	53,900	49,019	(4,881)
Total public works	197,100	229,358	224,685	(4,673)

Continued...

CITY OF CHARLEVOIX

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

FOR THE YEAR ENDED MARCH 31, 2008

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Health and welfare				
Ambulance	\$ 292,600	\$ 292,600	\$ 277,420	\$ (15,180)
Recreation and culture				
Parks	272,800	272,800	254,743	(18,057)
Recreation administration	42,300	42,300	37,094	(5,206)
City beaches	49,500	49,500	48,928	(572)
Ball fields	28,300	28,300	25,609	(2,691)
Day camp	43,800	43,800	42,216	(1,584)
Ice rink	12,300	12,300	5,347	(6,953)
Mt. McSauba ski hill	206,600	206,600	271,276	64,676
Basketball and volleyball	8,000	8,000	4,396	(3,604)
Golf course	230,400	230,400	212,881	(17,519)
Boat launch	15,800	15,800	16,227	427
Skate park	10,500	10,500	13,263	2,763
Community promotion	18,600	18,600	19,563	963
Total recreation and culture	938,900	938,900	951,543	12,643
Other expenditures	107,400	107,400	60,718	(46,682)
Total expenditures	3,402,500	3,402,500	3,161,845	(240,655)
Revenues (under) over expenditures	(181,800)	(219,672)	(6,846)	212,826
Other financing sources (uses)				
Transfers in	82,300	82,300	82,300	-
Transfers out	(85,000)	(85,000)	(60,000)	(25,000)
Total other financing sources (uses)	(2,700)	(2,700)	22,300	(25,000)
Net change in fund balance	(184,500)	(222,372)	15,454	237,826
Fund balance, beginning of year	589,624	589,624	589,624	-
Fund balance, end of year	\$ 405,124	\$ 367,252	\$ 605,078	\$ 237,826

Concluded

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
MAJOR STREETS FUND**

FOR THE YEAR ENDED MARCH 31, 2008

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Revenues				
State revenue	\$ 225,200	\$ 221,022	\$ 254,876	\$ 33,854
Interest	1,500	1,000	490	(510)
Total revenues	226,700	222,022	255,366	33,344
Expenditures				
Public works - Highways and streets	604,500	217,776	237,252	19,476
Revenues over (under) expenditures	(377,800)	4,246	18,114	13,868
Other financing sources				
Transfers in	397,800	20,793	20,793	-
Net change in fund balance	20,000	25,039	38,907	13,868
Fund balance, beginning of year	48,697	48,697	48,697	-
Fund balance, end of year	\$ 68,697	\$ 73,736	\$ 87,604	\$ 13,868

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
LOCAL STREETS FUND**

FOR THE YEAR ENDED MARCH 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under) Final Budget</u>
Revenues				
State revenue	\$ 68,300	\$ 68,300	\$ 86,945	\$ 18,645
Interest	1,500	1,500	1,485	(15)
Total revenues	69,800	69,800	88,430	18,630
Expenditures				
Public works - Highways and streets	140,300	140,300	140,972	672
Revenues (under) over expenditures	(70,500)	(70,500)	(52,542)	17,958
Other financing sources				
Transfers in	4,000	4,000	30,000	26,000
Net change in fund balance	(66,500)	(66,500)	(22,542)	43,958
Fund balance, beginning of year	37,043	37,043	37,043	-
Fund balance (deficits) end of year	\$ (29,457)	\$ (29,457)	\$ 14,501	\$ 43,958

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, 2008

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Revenues				
Federal revenue	\$ 919,000	\$ 828,724	\$ 884,278	\$ 55,554
State revenue	24,200	73,477	52,568	(20,909)
Charges for services	116,900	113,005	120,315	7,310
Interest	5,300	1,400	1,138	(262)
Rents and royalties	46,700	41,150	44,959	3,809
Total revenues	1,112,100	1,057,756	1,103,258	45,502
Expenditures				
Public works	1,070,100	1,021,357	1,042,219	20,862
Debt service				
Principal	20,000	20,153	20,153	-
Interest	10,400	10,277	10,277	-
Total expenditures	1,100,500	1,051,787	1,072,649	20,862
Net change in fund balance	11,600	5,969	30,609	24,640
Fund balances, beginning of year, as previously reported	24,099	24,099	24,099	-
Prior period adjustment	-	-	(33,783)	(33,783)
Fund balances, beginning of year, as restated	24,099	24,099	(9,684)	(33,783)
Fund balance, end of year	\$ 35,699	\$ 30,068	\$ 20,925	\$ (9,143)

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, 2008

Assets	
Cash and cash equivalents	<u>\$ 45,996</u>
Liabilities	
Undistributed receipts	<u>\$ 45,996</u>

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

CITY OF CHARLEVOIX
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MARCH 31, 2008

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CITY OF CHARLEVOIX

NOTES TO THE FINANCIAL STATEMENTS

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 substantially complete 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.

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

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 *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 (\$2,000 beginning December 2007) 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	20-50
System infrastructure	30-50
Equipment	5-10
Vehicles	5-20
Public domain infrastructure	30-50

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

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> <u>Appropriation</u>	<u>Expenditures</u>	<u>Variance</u>
General Fund			
Recreation and culture	\$ 938,900	\$ 951,543	\$ 12,643
Major Street Fund			
Public Works (Highways and Streets)	217,776	237,252	19,476
Local Street Fund			
Public Works (Highways and Streets)	140,300	140,972	672
Airport			
Public Works	1,021,357	1,042,219	20,862

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 \$296,523 in the City Hall Improvements Capital Projects Fund. Rather than issuing bonds and incurring the related costs, the Electric Utility Enterprise Fund transferred \$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> <u>Government</u>	<u>Component</u> <u>Unit</u>	<u>Total</u>
Statement of Net Assets			
Cash and cash equivalents	\$ 7,084,033	\$ 237,450	\$ 7,321,483
Investments	<u>3,254,681</u>	<u>416,702</u>	<u>3,671,383</u>
Total Statement of Net Assets	<u>\$ 10,338,714</u>	<u>\$ 654,152</u>	
Statement of Fiduciary Net Assets			
Cash and cash equivalents			<u>45,996</u>
Total deposits and investments			<u>\$ 11,038,862</u>

CITY OF CHARLEVOIX

NOTES TO THE FINANCIAL STATEMENTS

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 and savings accounts and certificates of deposit)	\$ 10,806,160
Cash with fiscal agent	<u>232,702</u>
Total deposits and investments	<u>\$ 11,038,862</u>

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 \$7,081,000 of the City's bank balance of \$10,822,000 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 48 percent due from other governments, 6 percent interest receivable, 38 percent taxes receivable and 8 percent accounts receivable. Receivables in the business-type activities consist of 4 percent interest receivable, and 96 percent due from customers. Receivables in the component unit consist of 3 percent interest receivable, 7 percent taxes receivable and 90 percent accounts receivable.

C. Capital assets

Capital assets activity for the year ended March 31, 2008 was as follows:

	<u>Balance</u>	<u>Beginning Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<u>Primary Government</u>					
Governmental activities					
Capital assets not being depreciated					
Land	\$ 16,998,429	\$ 894,433	\$ -		\$ 17,892,862
Construction-in-process	6,305	-	-	(6,305)	-
Total capital assets not being depreciated	17,004,734	894,433		(6,305)	17,892,862
Capital assets being depreciated					
Land improvements	5,259,380	135,653	-	6,305	5,401,338
Infrastructure	584,695	33,904	-	-	618,599
Buildings and improvements	9,413,386	53,835	-	-	9,467,221
Machinery and equipment	2,168,148	56,896	-	-	2,225,044
Engineering equipment	47,184	-	-	-	47,184
Furniture and equipment	210,101	2,349	-	-	212,450
Vehicles	2,012,510	148,869	-	-	2,161,379
Total capital assets being depreciated	19,695,404	431,506	-	6,305	20,133,215

CITY OF CHARLEVOIX

NOTES TO THE FINANCIAL STATEMENTS

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Less accumulated depreciation for					
Land improvements	\$ (1,579,429)	\$ (117,557)	\$ -	-	\$ (1,696,986)
Infrastructure	(45,701)	(13,261)	-	-	(58,962)
Buildings and improvements	(2,917,167)	(237,345)	-	-	(3,154,512)
Machinery and equipment	(1,185,762)	(190,077)	-	-	(1,375,839)
Engineering equipment	(33,378)	(6,180)	-	-	(39,558)
Furniture and equipment	(185,551)	(4,850)	-	-	(190,401)
Vehicles	<u>(1,445,203)</u>	<u>(105,340)</u>	<u>-</u>	<u>-</u>	<u>(1,550,543)</u>
Total accumulated depreciation	<u>(7,392,191)</u>	<u>(674,610)</u>	<u>-</u>	<u>-</u>	<u>(8,066,801)</u>
Total capital assets being depreciated, net of depreciation	<u>12,303,213</u>	<u>(243,104)</u>	<u>-</u>	<u>6,305</u>	<u>12,066,414</u>
Governmental activities capital assets, net of depreciation	<u>\$ 29,307,947</u>	<u>\$ 651,329</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,959,276</u>
Business-type activities					
Capital assets not being depreciated					
Land	\$ 609,468	\$ -	\$ -	\$ -	\$ 609,468
Construction-in-progress	<u>-</u>	<u>4,355,254</u>	<u>-</u>	<u>-</u>	<u>4,355,254</u>
Total capital assets not being depreciated	<u>609,468</u>	<u>4,355,254</u>	<u>-</u>	<u>-</u>	<u>4,964,722</u>
Capital assets being depreciated					
Land improvements	3,620,596	1,838,301	-	-	5,458,897
Buildings and improvements	6,498,530	169,055	-	-	6,667,585
System improvements	20,409,195	339,518	-	-	20,748,713
Equipment	<u>1,213,386</u>	<u>144,403</u>	<u>-</u>	<u>-</u>	<u>1,357,789</u>
Total capital assets being depreciated	<u>31,741,707</u>	<u>2,491,277</u>	<u>-</u>	<u>-</u>	<u>34,232,984</u>

CITY OF CHARLEVOIX

NOTES TO THE FINANCIAL STATEMENTS

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Less accumulated depreciation for					
Land improvements	\$ (316,672)	\$ (234,148)	\$ -	\$ -	\$ (550,820)
Buildings and improvements	(3,895,054)	(177,392)	-	-	(4,072,446)
System improvements	(10,619,799)	(692,401)	-	-	(11,312,200)
Equipment	<u>(884,028)</u>	<u>(66,072)</u>	<u>-</u>	<u>-</u>	<u>(950,100)</u>
Total accumulated depreciation	<u>(15,715,553)</u>	<u>(1,170,013)</u>	<u>-</u>	<u>-</u>	<u>(16,885,566)</u>
Total capital assets being depreciated, net of depreciation	<u>\$ 16,026,154</u>	<u>\$ 1,321,264</u>	<u>\$ -</u>	<u>-</u>	<u>\$ 17,347,418</u>
Business-type activities capital assets, net of depreciation	<u>\$ 16,635,622</u>	<u>\$ 5,676,518</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,312,140</u>
<u>Component Unit</u>					
Capital assets not being depreciated – land	<u>\$ 923,071</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 923,071</u>
Capital assets being depreciated					
Land improvements	2,253,948	61,101	-	-	2,315,049
Buildings and improvements	3,932,024	-	-	-	3,932,024
Machinery and equipment	26,150	3,385	-	-	29,535
Engineering equipment	31,347	-	-	-	31,347
Furniture and equipment	<u>4,814</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,814</u>
Total capital assets being depreciated	<u>6,248,283</u>	<u>64,486</u>	<u>-</u>	<u>-</u>	<u>6,312,769</u>

CITY OF CHARLEVOIX

NOTES TO THE FINANCIAL STATEMENTS

	Beginning Balance	Increases	Decreases	Ending Transfers	Balance
Less accumulated depreciation for					
Land improvements	\$ (783,989)	\$ (76,636)	\$ -	\$ -	\$ (860,625)
Buildings and improvements	(1,260,759)	(102,340)	-	-	(1,363,099)
Machinery and equipment	(5,354)	(1,564)	-	-	(6,918)
Engineering equipment	(18,545)	(2,631)	-	-	(21,176)
Furniture and equipment	(2,117)	(240)	-	-	(2,357)
 Total accumulated depreciation	 (2,070,764)	 (183,411)	 -	 -	 (2,254,175)
 Total capital assets being depreciated, net of depreciation	 4,177,519	 (118,925)	 -	 -	 4,058,594
 Component unit capital assets, net of depreciation	 \$ 5,100,590	 \$ (118,925)	 \$ -	 \$ -	 \$ 4,981,665

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

Governmental activities

General government	\$ 136,936
Public safety	56,749
Public works, including depreciation of general infrastructure assets	242,979
Recreation and culture	100,012
Capital assets held by the governmental activity internal service funds are charged to the various functions based on their usage of the assets	137,934

Total depreciation expense – governmental activities **\$ 674,610**

Business-type activities

Electric	\$ 599,143
Sewage disposal	164,248
Water	184,332
Marina	211,325
Capital assets held by the business-type activity internal service funds are charged to the various functions based on their usage of the assets	10,965

Total depreciation expense – business-type activities **\$ 1,170,013**

CITY OF CHARLEVOIX

NOTES TO THE FINANCIAL STATEMENTS

D. Payables

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

E. Interfund receivables, payables and transfers

In prior years, the Electric Utility Enterprise Fund advanced a total of \$655,000 to the City Hall Improvements Fund for the purpose of assisting in the City Hall renovation project. The remaining advance is to be repaid over two years with interest charged at 5%. The current balance of this advance is \$296,650.

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

<u>Transfers in</u>	<u>Transfers out</u>				<u>Subtotal Transfers In</u>
	<u>General Fund</u>	<u>City Hall Improvements</u>	<u>Component Unit</u>	<u>Nonmajor Governmental Funds</u>	
General Fund	\$ -	\$ -	\$ -	\$ 82,300	\$ 82,300
Major Streets	20,000	-	-	793	20,793
Local Streets	30,000	-	-	-	30,000
City Hall Improvements	10,000	-	-	60,000	70,000
Marina	-	-	440,903	279,000	719,903
Internal Service	-	14,618	-	-	14,618
Subtotal transfers out	<u>\$ 60,000</u>	<u>\$ 14,618</u>	<u>\$ 440,903</u>	<u>\$ 426,056</u>	<u>\$ 937,614</u>

<u>Transfers in</u>	<u>Transfers out</u>				<u>Subtotal Transfers In</u>
	<u>Electric Utility</u>	<u>Sewage Disposal Utility</u>	<u>Water Utility</u>	<u>Internal Service Funds</u>	
Fire Truck and Ambulance	\$ -	\$ -	\$ -	\$ 33,900	\$ 33,900
City Hall Improvements	27,600	6,100	6,200	128,945	168,845
Internal Service	132,400	25,600	21,800	14,400	194,200
Subtotal transfers out	<u>\$ 160,000</u>	<u>\$ 31,700</u>	<u>\$ 28,000</u>	<u>\$ 177,245</u>	<u>\$ 396,945</u>

Transfers in/out totaled \$1,334,559 for the year ended March 31, 2008.

CITY OF CHARLEVOIX

NOTES TO THE FINANCIAL STATEMENTS

Interfund transfers are: (1) to transfer funds from Mt. McSauba Improvement Funds to the General Fund, (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 Water, Sewer, Motor Pool and Infrastructure Improvements funds to cover depreciation costs of the DPW Site fund and City Hall capital improvements, (4) to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, (5) transfer annual planned amount from General Fund to Major and Local Streets Funds, (6) to use accumulated Infrastructure Improvement funds on the Mercer/Cherry Street work recorded in the Major Street fund, (7) to use accumulated Infrastructure Improvement funds on cemetery chapel improvements recorded in the General Fund, (8) transfer funds from the Motor Pool fund to the Fire Truck and Ambulance fund to replenish the reserve, (9) transfer funds from the Electric fund to the Motor Pool fund to cover the cost of a bucket truck, (10) transfer funds from the City Hall fund to the Electric fund to repay funds borrowed from the Electric fund to finance city hall renovations, (11) transfer funds from the component unit to the Marina for interactive fountain, and (12) to use accumulated Infrastructure Improvement funds to purchase a storm sewer recorded in the Marina fund.

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 discretely presented 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>
Governmental Activities		
General government – installment purchase	5.625%	\$ 114,474
General government – loan (MDOT)	3.9%	<u>73,904</u>
		<u>\$ 188,378</u>
Business-Type Activities		
Marina – Limited tax general obligation bonds	4.14%	<u>\$ 5,500,000</u>
Component Unit – Downtown Development Authority		
General government – general obligation refunding bond	2.0% - 3.5%	\$ 1,580,000
General government – installment purchase	4.3% - 4.8%	<u>457,390</u>
		<u>\$ 2,037,390</u>

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

<u>Year Ending March 31,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Component Unit</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 21,109	\$ 9,321	\$ 15,000	\$ 223,995	\$ 359,347	\$ 57,924
2010	22,134	8,296	35,000	223,395	364,347	49,109
2011	23,211	7,219	100,000	221,995	374,347	39,430
2012	24,342	6,089	160,000	217,995	379,349	28,451
2013	25,530	4,901	180,000	211,595	275,000	18,912
2014-2018	72,052	6,964	1,275,000	928,175	285,000	9,976
2019-2023	-	-	1,820,000	631,375	-	-
2024-2027	-	-	<u>1,915,000</u>	<u>204,478</u>	-	-
Total	<u>\$ 188,378</u>	<u>\$ 42,790</u>	<u>\$5,500,000</u>	<u>\$2,863,003</u>	<u>\$2,037,390</u>	<u>\$ 203,802</u>

CITY OF CHARLEVOIX

NOTES TO THE FINANCIAL STATEMENTS

Revenue bonds. The City also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. No revenue bonds were issued during the current year.

Changes in long-term debt. Long-term debt activity for the year ended March 31, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Primary Government</u>					
Governmental activities					
Installment purchase agreements	\$ 125,572	\$ -	\$ (11,099)	\$ 114,473	\$ 11,723
Loans	82,938	-	(9,054)	73,884	9,386
Compensated absences – sick	71,977	25,384	-	97,361	7,691
Compensated absences – vacation	150,388	20,864	-	171,252	8,517
Total governmental activities	430,875	46,248	(20,153)	456,970	37,317
Business-type activities					
General obligation bonds	5,500,000	-	-	5,500,000	15,000
Total primary government	\$ 5,930,875	\$ 46,248	\$ (20,153)	\$ 5,956,970	\$ 52,317
<u>Component unit</u>					
General obligation bonds	\$ 1,820,000	\$ -	\$ (240,000)	\$ 1,580,000	\$ 245,000
Installment purchase agreements	571,737	-	(114,347)	457,390	114,347
Total component unit	\$ 2,391,737	\$ -	\$ (354,347)	\$ 2,037,390	\$ 359,347

Compensated absences in governmental activities are generally liquidated by the Employee Fringe Benefits Internal Service Fund.

CITY OF CHARLEVOIX

NOTES TO THE FINANCIAL STATEMENTS

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 storage building, which approximates \$61,000 as of March 31, 2008. Projected operating lease proceeds through the year ended 2028 are as follows:

Year Ended <u>March 31,</u>	<u>Amount</u>
2009	\$ 19,759
2010	20,543
2011	21,355
2012	22,196
2013	23,066
2014-2018	129,481
2019-2023	156,277
2024-2028	<u>219,394</u>
	<u>\$ 612,071</u>

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, 2008, 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.

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.

CITY OF CHARLEVOIX

NOTES TO THE FINANCIAL STATEMENTS

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 2007 levy were assessed and equalized at \$233,564,238 (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 2007-08 was 9.05 mills, with an additional 2.1028 mills levied for infrastructure improvements and an additional .8 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

Plan Description

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.

Funding Policy

The City is required to contribute at an actuarially determined rate; the current rate for the Communication Workers of America (CWA) is 12.86% of annual covered payroll, the Police and Fire (POLC) rate is 13.27% and the non-union rate is 18.62% 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.

CITY OF CHARLEVOIX

NOTES TO THE FINANCIAL STATEMENTS

Annual Pension Cost

For the year ended March 31, 2008 the City's annual pension cost of \$302,536 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2006 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, 2007, the date of the last actuarial valuation, was 28 years.

Three-year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
3/31/06	\$ 217,443	100%	\$ -
3/31/07	256,120	100%	-
3/31/08	302,536	100%	-

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) Entry Age (b)</u>	<u>Actuarial Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
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%
12/31/06	6,813,506	9,464,744	2,651,238	72%	1,860,553	142%
12/31/07	7,285,089	10,111,411	2,826,322	72%	2,079,727	136%

CITY OF CHARLEVOIX

NOTES TO THE FINANCIAL STATEMENTS

D. Defined contribution plan

The City provided pension benefits to its City Manager through a defined contribution plan “City of Charlevoix City Manager Money Purchase Plan.” In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the City Council, the City contributed 21.62% 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, 2008.

The City Manager’s base payroll during the year ended March 31, 2008 was \$79,000. The current year calculation resulted in a benefit of \$9,197 which was contributed to the plan. There was no increase to compensation for the year ended March 31, 2008.

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 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.

CITY OF CHARLEVOIX

NOTES TO THE FINANCIAL STATEMENTS

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

<u>Year Ended</u> <u>December 31,</u>	<u>Campbell No. 3</u>		<u>Belle River</u>		<u>Combustion</u> <u>Turbine No. 1</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 162,579	\$ 52,050	\$ 272,333	\$ 181,291	\$ 46,492	\$ 73,926	\$ 481,404	\$ 307,267
2010	135,439	44,870	286,275	167,356	48,616	71,834	470,330	284,060
2011	141,763	39,255	301,373	152,327	50,976	69,646	494,112	261,228
2012	148,087	33,313	317,130	136,567	53,100	67,352	518,317	237,232
2013	154,411	26,996	333,713	119,928	55,932	64,564	544,056	211,488
2014-2018	474,301	47,431	1,950,629	317,693	326,860	275,578	2,751,790	640,702
2019-2023	-	-	-	-	422,204	180,275	422,204	180,275
2024-2028	-	-	-	-	424,800	57,180	424,800	57,180
Total	<u>\$1,216,580</u>	<u>\$ 243,915</u>	<u>\$3,461,453</u>	<u>\$1,075,162</u>	<u>\$1,428,980</u>	<u>\$ 860,355</u>	<u>\$6,107,013</u>	<u>\$2,179,432</u>

During the year ended March 31, 2008, the City purchased power from the Campbell No. 3, Belle River, and Combustion Turbine No. 1 Units.

The City has a deposit of approximately \$123,000 in trust as security for annual debt payments.

F. Prior Period Adjustments

Fund Financial Statements

	<u>Airport</u>	<u>City Hall</u> <u>Improvements</u>
Fund balances, beginning of year, as previously reported	\$ 24,099	\$ (514,483)
Error in recording accounts receivable	(33,783)	-
Error in recording accounts payable	-	7,337
Fund balances, beginning of year, as restated	<u>\$ (9,684)</u>	<u>\$ (507,146)</u>

Government-wide Financial Statements

	<u>Governmental</u> <u>Activities</u>
Net assets, beginning of year, as previously reported	\$ 30,789,548
Error in recording accounts receivable	(33,783)
Error in recording accounts payable	7,337
Net assets, beginning of year, as restated	<u>\$ 30,763,102</u>

CITY OF CHARLEVOIX

NOTES TO THE FINANCIAL STATEMENTS

G. Subsequent events

The City issued limited tax general obligation bonds in August 2006 in the amount of \$5,500,000 for the reconstruction of the marina and park area developed by the Charlevoix DDA. Marina and park area reconstruction costs totaled approximately \$8.9 million at March 31, 2008. The total cost of the project is estimated at approximately \$13 million. The project was completed in July 2008 and approximately \$4.1 million was paid on this project subsequent to year end.

* * * * *

SUPPLEMENTARY INFORMATION

CITY OF CHARLEVOIX
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

MARCH 31, 2008

	Capital Projects Funds				
	Fire Truck and Ambulance	Industrial Park	Infrastructure Improvements	Recreation Improvements	Mt. McSauba Improvements
ASSETS					
Cash and cash equivalents	\$ 65,007	\$ 31,459	\$ 449,347	\$ 1,943	\$ 7,771
Investments	55,000	115,000	340,000	-	-
Accounts receivable	-	-	509	-	503
Taxes receivable	-	-	16,373	-	-
Interest receivable	385	489	2,380	-	-
Total assets	\$ 120,392	\$ 146,948	\$ 808,609	\$ 1,943	\$ 8,274
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ -	\$ 2,504	\$ -	\$ -
Total liabilities	-	-	2,504	-	-
Fund Balances					
Reserved for perpetual care	-	-	-	-	-
Unreserved					
Designated for subsequent year's expenditures	119,400	-	238,900	-	300
Undesignated	992	146,948	567,205	1,943	7,974
Total fund balances	120,392	146,948	806,105	1,943	8,274
Total liabilities and fund balances	\$ 120,392	\$ 146,948	\$ 808,609	\$ 1,943	\$ 8,274

		Permanent Fund		Total Nonmajor Governmental Funds	
Downtown Parking	Total	Cemetery Care			
\$ 86,629	\$ 642,156	\$ 140,754	\$ 782,910		
40,000	550,000	202,660	752,660		
-	1,012	-	1,012		
-	16,373	-	16,373		
110	3,364	2,546	5,910		
\$ 126,739	\$ 1,212,905	\$ 345,960	\$ 1,558,865		
\$ -	\$ 2,504	\$ -	\$ 2,504		
-	2,504	-	2,504		
-	-	345,960	345,960		
-	358,600	-	358,600		
126,739	851,801	-	851,801		
126,739	1,210,401	345,960	1,556,361		
\$ 126,739	\$ 1,212,905	\$ 345,960	\$ 1,558,865		

CITY OF CHARLEVOIX
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2008

	Capital Projects Funds				
	Fire Truck and Ambulance	Industrial Park	Infrastructure Improvements	Recreation Improvements	Mt. McSauba Improvements
Revenues					
Taxes	\$ -	\$ -	\$ 454,541	\$ -	\$ -
Charges for services	-	-	-	-	-
Interest	3,804	6,535	155,446	51	2,546
Rents and royalties	-	-	-	-	15,460
Other revenue	-	500	-	1,000	-
Total revenues	3,804	7,035	609,987	1,051	18,006
Expenditures					
Current					
General government	-	3,500	37,790	-	-
Revenues over expenditures	3,804	3,535	572,197	1,051	18,006
Other financing sources (uses)					
Transfers in	33,900	-	-	-	-
Transfers out	-	-	(348,438)	-	(63,000)
Total other financing sources (uses)	33,900	-	(348,438)	-	(63,000)
Net change in fund balances	37,704	3,535	223,759	1,051	(44,994)
Fund balances, beginning of year	82,688	143,413	582,346	892	53,268
Fund balances, end of year	\$ 120,392	\$ 146,948	\$ 806,105	\$ 1,943	\$ 8,274

		Permanent Fund	Total Nonmajor Governmental Funds
Downtown Parking	Total	Cemetery Care	
\$ -	\$ 454,541	\$ -	\$ 454,541
-	-	3,825	3,825
6,345	174,727	18,890	193,617
-	15,460	-	15,460
-	1,500	-	1,500
6,345	646,228	22,715	668,943
-	41,290	-	41,290
6,345	604,938	22,715	627,653
-	33,900	-	33,900
-	(411,438)	-	(411,438)
-	(377,538)	-	(377,538)
6,345	227,400	22,715	250,115
120,394	983,001	323,245	1,306,246
\$ 126,739	\$ 1,210,401	\$ 345,960	\$ 1,556,361

CITY OF CHARLEVOIX
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS

MARCH 31, 2008

	<u>Employee Fringe Benefits</u>	<u>Motor Vehicle</u>	<u>DPW Site</u>	<u>Total</u>
Assets				
Current assets				
Cash and cash equivalents	\$ 263,186	\$ 369,048	\$ 26,200	\$ 658,434
Investments	36,862	120,000	-	156,862
Interest receivable	981	500	-	1,481
Other assets	32,094	-	-	32,094
Total current assets	333,123	489,548	26,200	848,871
Noncurrent assets				
Capital assets, net	-	592,890	108,008	700,898
Total assets	333,123	1,082,438	134,208	1,549,769
Liabilities				
Current liabilities				
Accounts payable	29,679	26,774	-	56,453
Accrued expenses	18,320	3,575	-	21,895
Compensated absences	8,517	-	-	8,517
Total current liabilities	56,516	30,349	-	86,865
Noncurrent liabilities				
Compensated absences	162,735	-	-	162,735
Total liabilities	219,251	30,349	-	249,600
Net assets				
Invested in capital assets	-	592,890	108,008	700,898
Unrestricted	113,872	459,199	26,200	599,271
Total net assets	\$ 113,872	\$ 1,052,089	\$ 134,208	\$ 1,300,169

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

FOR THE YEAR ENDED MARCH 31, 2008

	Employee Fringe Benefits	Motor Vehicle	DPW Site	Total
Operating revenues				
Charges for services	\$ 1,643,039	\$ 618,640	\$ -	\$ 2,261,679
Operating expenses				
Personal services	1,546,558	131,013	-	1,677,571
Contractual services	56,459	32,542	-	89,001
Supplies	-	92,067	-	92,067
Utilities	-	13,025	-	13,025
Repairs and maintenance	-	80,716	-	80,716
Depreciation	-	137,934	10,965	148,899
Miscellaneous	2,211	1,625	-	3,836
Total operating expenses	1,605,228	488,922	10,965	2,105,115
Operating income (loss)	37,811	129,718	(10,965)	156,564
Nonoperating revenues				
Interest revenue	7,521	17,378	142	25,041
Other revenue	7,937	-	-	7,937
Total nonoperating revenues	15,458	17,378	142	32,978
Income (loss) before transfers	53,269	147,096	(10,823)	189,542
Transfers				
Transfers in	-	50,000	148,163	198,163
Transfers out	-	(57,900)	(130,000)	(187,900)
Total transfers	-	(7,900)	18,163	10,263
Change in net assets	53,269	139,196	7,340	199,805
Net assets, beginning of year	60,603	912,893	126,868	1,100,364
Net assets, end of year	\$ 113,872	\$ 1,052,089	\$ 134,208	\$ 1,300,169

CITY OF CHARLEVOIX
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED MARCH 31, 2008

	Employee Fringe Benefits	Motor Vehicle	DPW Site	Total
Cash flows from operating activities				
Cash received from interfund services	\$ 1,650,983	\$ 618,640	\$ -	\$ 2,269,623
Cash payments to employees	(1,530,445)	(131,898)	-	(1,662,343)
Cash payments to suppliers for goods and services	(71,029)	(199,081)	-	(270,110)
Net cash provided by operating activities	49,509	287,661	-	337,170
Cash flows from noncapital financing activities				
Miscellaneous income	7,937	-	-	7,937
Receipt of amounts due from other funds	-	-	10,655	10,655
Repayment of amount due to other funds	-	-	(14,618)	(14,618)
Transfers in from other funds	-	50,000	148,163	198,163
Transfers out to other funds	-	(57,900)	(130,000)	(187,900)
Net cash provided by (used in) noncapital financing activities	7,937	(7,900)	14,200	14,237
Cash flows from capital and related financing activities				
Purchase of capital assets	-	(148,896)	-	(148,896)
Cash flows from investing activities				
Purchase of investments	(1,862)	-	-	(1,862)
Investment income	7,421	17,367	291	25,079
Net cash provided by investing activities	5,559	17,367	291	23,217
Net increase in cash and cash equivalents	63,005	148,232	14,491	225,728
Cash and cash equivalents, beginning of year	200,181	220,816	11,709	432,706
Cash and cash equivalents, end of year	\$ 263,186	\$ 369,048	\$ 26,200	\$ 658,434
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ 37,811	\$ 129,718	\$ (10,965)	\$ 156,564
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	-	137,934	10,965	148,899
Changes in assets and liabilities				
Accounts receivable	7,944	-	-	7,944
Other assets	(32,094)	-	-	(32,094)
Accounts payable	19,735	20,894	-	40,629
Accrued liabilities	(4,751)	(885)	-	(5,636)
Accrued compensated absences	20,864	-	-	20,864
Net cash provided by operating activities	\$ 49,509	\$ 287,661	\$ -	\$ 337,170
Noncash non-capital financing activities			\$ 10,965	
Transfer due from Infrastructure Improvements fund			<u>10,965</u>	

CITY OF CHARLEVOIX
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
CURRENT TAX COLLECTION FUND
FOR THE YEAR ENDED MARCH 31, 2008

	Beginning Balance	Additions	Deductions	Ending Balance
Assets				
Cash	\$ 56,184	\$ 12,305,219	\$ (12,315,407)	\$ 45,996
Liabilities				
Undistributed receipts	\$ 56,184	\$ 21,750,973	\$ (21,761,161)	\$ 45,996

CITY OF CHARLEVOIX

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

MARCH 31, 2008

	Downtown Development Authority	Adjustments	Statement of Net Assets
Assets			
Cash and cash equivalents	\$ 4,748	\$ -	\$ 4,748
Cash with fiscal agent	232,702	-	232,702
Investments	416,702	-	416,702
Accounts receivable	18,408	-	18,408
Taxes receivable	1,457	-	1,457
Interest receivable	542	-	542
Other assets	-	26,953	26,953
Capital assets not being depreciated	-	923,071	923,071
Capital assets, net of depreciaton	-	4,058,594	4,058,594
Total assets	\$ 674,559	5,008,618	5,683,177
Liabilities			
Accounts payable	\$ 130,732	-	130,732
Accrued liabilities	988	12,858	13,846
Noncurrent liabilities			
Long term debt due within one year	-	359,347	359,347
Long term debt due in more than one year	-	1,678,043	1,678,043
Total liabilities	131,720	2,050,248	2,181,968
Fund balance			
Unreserved	542,839	(542,839)	-
Total liabilities and fund balance	\$ 674,559		
Net assets			
Invested in capital assets, net of related debt		2,944,275	2,944,275
Unrestricted		556,934	556,934
Total net assets		\$ 3,501,209	\$ 3,501,209

CITY OF CHARLEVOIX
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES
COMPONENT UNIT
FOR THE YEAR ENDED MARCH 31, 2008

	Downtown Development Authority	Adjustments	Statement of Activities
Revenues			
Property taxes	\$ 756,220	\$ -	\$ 756,220
Rents	38,760	-	38,760
Interest	29,433	-	29,433
Total revenues	824,413	-	824,413
Expenditures / expenses			
Current			
Other functions	718,308	187,824	906,132
Debt service			
Principal	354,347	(354,347)	-
Interest and fiscal charges	66,127	(66,127)	-
Total expenditures / expenses	1,138,782	(232,650)	906,132
Revenues over expenditures	(314,369)	232,650	(81,719)
Change in fund balance / net assets	(314,369)	232,650	(81,719)
Fund balance / net assets, beginning of year	857,208	2,725,720	3,582,928
Fund balance / net assets, end of year	\$ 542,839	\$ 2,958,370	\$ 3,501,209



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

August 22, 2008

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* (the "City"), as of and for the year ended March 31, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 22, 2008. 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 (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

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*.

We noted certain other matters that we reported to management of the City in a separate letter dated August 22, 2008.

This report is intended solely 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 cursive script that reads "Lehmann Johnson".

SINGLE AUDIT SECTION

CITY OF CHARLEVOIX

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED MARCH 31, 2008

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Program or Award Grant Number	Expenditures
U.S. DEPARTMENT OF TRANSPORTATION			
Pass through Federal Aviation Administration			
Airport Improvement Program	20.106	3-26-0017-0907	<u>\$ 884,278</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Pass through Michigan Strategic Fund			
Michigan Scientific Corporation Infrastructure	14.228	MSC 205026-EDIG	<u>2,878</u>
Total Federal Award Expenditures			<u><u>\$ 887,156</u></u>



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A – 133**

August 22, 2008

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

Compliance

We have audited the compliance of the *City of Charlevoix* (the “City”) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended March 31, 2008. The City’s major federal programs are identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City’s management. Our responsibility is to express an opinion on the City’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City’s compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2008.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in the City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

CITY OF CHARLEVOIX

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED MARCH 31, 2008

SECTION 1 - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of Auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to basic financial statements noted?	No

Federal Awards

Internal control over major programs:		
Material weaknesses identified?	No	
Significant deficiencies identified not considered to be material weaknesses	None reported	
Type of auditors' report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	No	
Identification of major programs:		
<u>CFDA #</u>	<u>Name of Program</u>	
20.106	Airport Improvement Program	
Dollar threshold to distinguish between type A and type B programs:	\$300,000	
Auditee qualified as a low risk auditee?	No	

CITY OF CHARLEVOIX

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED MARCH 31, 2008

SECTION II – FINANCIAL STATEMENT FINDINGS

No financial statement findings.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No federal award findings and questioned costs.