

Charlotte Public Schools

Financial Statements

June 30, 2019



Table of Contents

Section		Page
1	Members of the Board of Education and Administration	1 – 1
2	Independent Auditors' Report	2 – 1
3	Management's Discussion and Analysis	3 – 1
4	Basic Financial Statements	
	District-wide Financial Statements	
	Statement of Net Position	4 – 1
	Statement of Activities	4 – 3
	Fund Financial Statements	
	Governmental Funds	
	Balance Sheet	4 – 4
	Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4 – 6
	Statement of Revenues, Expenditures and Changes in Fund Balances	4 – 7
	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	4 – 9
	Internal Service Fund	
	Statement of Net Position	4 – 10
	Statement of Revenues, Expenses, and Changes in Net Position	4 – 11
	Statement of Cash Flows	4 – 12
	Fiduciary Funds	
	Statement of Fiduciary Net Position	4 – 13
	Statement of Changes in Fiduciary Net Position	4 – 14
	Notes to the Financial Statements	4 – 15

Section	Page
5	Required Supplementary Information
	Budgetary Comparison Schedule – General Fund 5 – 1
	Budgetary Comparison Schedule – Broadband Lease Fund 5 – 3
	Schedule of the School District’s Proportionate Share of the Net Pension Liability 5 – 4
	Schedule of the School District’s Pension Contributions 5 – 5
	Schedule of the School District’s Proportionate Share of the Net OPEB Liability 5 – 6
	Schedule of the School District’s OPEB Contributions 5 – 7
6	Other Supplementary Information
	Nonmajor Governmental Funds
	Combining Balance Sheet 6 – 1
	Combining Statement of Revenues, Expenditures and Changes in Fund Balance 6 – 3
	General Fund
	Schedule of Revenues Compared to Budget 6 – 5
	Schedule of Expenditures Compared to Budget 6 – 7
	Schedule of Outstanding Bonded Indebtedness 6 – 16

Charlotte Public Schools
Members of the Board of Education and Administration
June 30, 2019

Members of the Board of Education

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Jim Hoyt	Vice-President
Stephanie Leavitt	Secretary
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Stacey Gingrich	Trustee
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Independent Auditors' Report

To the Board of Education of
Charlotte Public Schools
Charlotte, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Charlotte Public Schools, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Charlotte Public Schools, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters:

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the school district's proportionate share of the net pension liability, schedule of the school district's pension contributions, schedule of the school district's proportionate share of the net OPEB liability, and schedule of the school district's OPEB contributions as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charlotte Public Schools' basic financial statements. The other supplementary information, as identified in the table of contents, is presented for purpose of additional analysis and is not a required part of the basic financial statements.

The other supplementary information, as identified in the table of contents, is the responsibility of management and, was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2019 on our consideration of the Charlotte Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Charlotte Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Charlotte Public Schools' internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Lansing, Michigan
October 24, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Charlotte Public Schools

Management Discussion and Analysis

For the Fiscal Year Ended June 30, 2019

This section of Charlotte Public Schools' annual report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2019. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Charlotte Public Schools' Management's discussion and analysis of the financial results for the fiscal year ended June 30, 2019.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Charlotte Public Schools financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and longer-term view of the finances. The *Governmental Fund Financial Statements* provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant fund - the General Fund individually, the Food Service Fund individually and then remaining special revenue funds, capital project funds and debt service funds, collectively as other non-major governmental funds. The detailed financial statements for each of these funds can be found in the financial statement section titled, *Other Supplementary Information*. The *Proprietary Fund Financial Statements* present information about the District's internal service fund. The remaining statements, the statement of fiduciary net position, and the statement of changes in fiduciary net position, present financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

District-Wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The Statement of Net position and the Statement of Activities, which appear first in the basic financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. These statements are prepared to include all assets, liabilities, and deferred inflows and outflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Please note that GASB 75 is the newest standard adopted by the district with regard to Postemployment Benefits (employee retirement benefits). This standard, along with the previously adopted standards, have had a significant impact on all districts across the state of Michigan.

The Statement of Net position and the Statement of Activities report the School District's net position - the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, as reported in the Statement of Net position - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net position - as reported in the Statement of Activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not generate profits as commercial entities do. One must consider many other non-financial factors, such as student success, the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

Charlotte Public Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

The Statement of Net position and Statement of Activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, community services, athletics, transportation, and food service. Property taxes, unrestricted State Aid (foundation allowance revenue), State and Federal grants, and other local dollars finance most of these activities.

The district-wide financial statements are full accrual basis statements. They report all the District's assets and liabilities, both short and long-term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Service Funds solely for the payment of long-term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the District are reported in the Statement of Net position of the district-wide financial statements.

Fund Financial Statements

The governmental fund financial statements are reported on the modified accrual basis. Only those assets that are "measurable" and "available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Debt Service Funds, Capital Project Funds, and the Special Revenue (School Service) Funds which are comprised of: Food Service, Performing Arts, Childcare, Aquatic Center, and Playground and Recreation.

In the governmental fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No capital assets are reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

District Financial Activities:

The recent good health of the District's finances can be credited to the following innovative management approaches following several years of restricted state funding due to a weak economy and significant tax reductions at the state level:

- A board policy which requires a balanced budget with a fund balance goal of 15 percent of annual expenditures.
- The establishment of fund balance assignment at the fund financial statement level for future technology and bus replacement.
- Utilization of a total cost compensation approach for the negotiation of employee contracts with the District's employee groups and all other individual contracts. All employment contracts are settled through June 30, 2019.
- Utilization of modern business management techniques such as the use of business plans and monthly monitoring of operational systems and financial reporting for district support functions.

Charlotte Public Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

- New District Programs:
 - In an effort to continue to retain and recruit students, the District continues to implement an enhanced marketing plan with a focus on district and community pride, improving customer service and engaging the community. Additional work with Truscott Rosman and enhancing community partnerships is also contributing to positive growth in the district and the community.
 - More opportunities for teachers to collaborate to examine student progress, teaching strategies and curriculum focus. Enhanced professional development opportunities for all instructional staff through strategic collaborative efforts for grade level and K-12 vertical alignment.
 - The District has adopted a new strategic plan to be used as a comprehensive blueprint for continuous achievement and improvement at Charlotte Public Schools. This plan will be used as we look into the future to demonstrate progress made toward the current goals and to update the plan as necessary to reflect the changing needs of the students, district and community.
 - The Board of Education and administrative team continues to look at the short and long term facility and programmatic needs of the District and the opportunities to fund such needs through grants, bonds, and other means if not available through traditional state aid funding.

Charlotte Public Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

Summary of Net position:

The following summarizes the net position as of June 30, 2019 and 2018.

	Governmental Activities 2019	Governmental Activities 2018
	<u>2019</u>	<u>2018</u>
Assets		
Current and other assets	\$ 11,513,689	\$ 8,822,739
Capital assets	<u>53,099,092</u>	<u>55,161,259</u>
Total assets	64,612,781	63,983,998
Deferred Outflows of Resources		
Deferred amount related to net pension liability	13,262,801	7,986,124
Deferred amount related to net OPEB liability	1,896,459	733,694
Deferred amount on debt refunding	<u>710,144</u>	<u>783,855</u>
Total assets and deferred outflows of resources	<u>80,482,185</u>	<u>73,487,671</u>
Liabilities		
Current liabilities	4,556,120	4,116,581
Long-term liabilities	<u>116,940,601</u>	<u>114,435,728</u>
Total liabilities	121,496,721	118,552,309
Deferred Inflows of Resources		
Deferred amount related to net pension liability	5,607,237	4,265,991
Deferred amount related to net OPEB liability	2,783,948	408,583
Noncancellable lease	<u>-</u>	<u>100,332</u>
Total liabilities and deferred inflows of resources	<u>129,887,906</u>	<u>123,327,215</u>
Net Position		
Net deficit capital assets	(9,232,009)	(7,794,700)
Restricted	2,331,205	304,656
Unrestricted (deficit)	<u>(42,504,950)</u>	<u>(42,349,500)</u>
Total net position	<u>\$ (49,405,754)</u>	<u>\$ (49,839,544)</u>

Charlotte Public Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

Analysis of Financial Position:

As detailed above, the District shows a total net position of \$(49,405,754) for the fiscal year ended June 30, 2019. This statement has been affected by the following:

In accordance with various GASB Statements, including GASB 75 which was newly adopted, the School District reports the net pension liability and net OPEB liability associated with the Michigan Public School Employees Retirement System. Since the State of Michigan has no employees in this plan and is not a participating employer in the plan, these liabilities and expense are required to be recorded by the participants in the plan – Michigan public school districts. The School District must record its proportionate share of the total Michigan Public School Employees Retirement System net pension liability, net OPEB liability and related expense in the district-wide financial statements. Additional information regarding the liability and expense can be found in the disclosure footnotes to the Financial Statements.

The net pension liability, net OPEB liability and related expenses have a significant impact on the district's Total Net Position. This is not a new liability. It has been a shared responsibility of all Michigan public schools since the 1990's. In order to provide useful employer-level pension and other post-employment benefit information, improve transparency, and to make it easier to compare public pension and OPEB plans by standardizing financial reporting requirements, the net pension liability and net OPEB liability are now being recorded on the district-wide financial statements. What is new is that the total liability is now being divided proportionately among state-wide employers and recorded on the financial statements. There are unlike any other liability reported on a balance sheet. They are not immediately due and cannot be paid off under an accelerated schedule. The pension and OPEB expense represents the change in net pension liability and net OPEB liability from year to year and can change materially from year to year depending on new retirees to the system and the number of employer contributions made to the system. In addition, this is not something that is able to be controlled or modified by the district. This is a state mandated system.

The Office of Retirement Services calculates the net pension liability and net OPEB liability. The proportionate share for each school district is calculated based on the prior year's total pension and OPEB contributions to the retirement system. These large liabilities have a significant impact on the unrestricted net position of the School District but do not affect the School District's governmental-fund financial statements. The majority of Michigan public school districts, if not every single one of them, will report a significant decrease in net position based on the implementation of GASB standards related to pensions and postemployment benefits. For Charlotte Public Schools, the net pension liability, net OPEB liability and related deferred inflows and outflows of resources amounted to \$44,074,289 for the fiscal year ending June 30, 2019.

Charlotte Public Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

Results of Operations:

For the fiscal year ended June 30, 2019 and 2018, the district-wide results of operations were:

	Governmental Activities 2019	Governmental Activities 2018
	<u>2019</u>	<u>2018</u>
Revenues		
Program revenues		
Charges for services	\$ 1,757,531	\$ 1,800,644
Operating and capital grants	8,836,446	8,075,607
General revenues		
Property taxes	7,230,310	6,854,897
State school aid - unrestricted	16,355,271	15,802,527
Other	<u>1,014,134</u>	<u>399,599</u>
Total revenue	<u>35,193,692</u>	<u>32,933,274</u>
Functions/ Program Expenses		
Instruction	15,574,213	14,658,654
Supporting services	10,584,927	9,551,345
Food service	1,119,398	1,134,476
Community services	673,332	629,522
Childcare	1,038,442	907,045
Playground and recreation	48,082	10,466
Intergovernmental	-	2,500
Interest and fees on long-term debt	2,997,271	3,124,210
Unallocated depreciation	<u>2,724,237</u>	<u>2,762,200</u>
Total expenses	<u>34,759,902</u>	<u>32,780,418</u>
Change in Net Position	<u>\$ 433,790</u>	<u>\$ 152,856</u>

Charlotte Public Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

ANALYSIS OF RESULTS OF OPERATIONS:

During the fiscal year ended June 30, 2019, the District's net position increased by \$433,790. Several factors which contributed to the increase are discussed in the following sections.

Governmental Fund Operating Results

The District's revenues and other financing sources from governmental fund operations exceeded expenditures and other financing uses for governmental fund operations by \$1,963,148 for the fiscal year ended June 30, 2019 but there were net changes in capital assets, debt, and various other adjustments that resulted in \$(1,529,358) in net reconciling items as presented in the statements that caused the change in net position at the government-wide level to be \$433,790. Further discussion of the District's operating results is available in the section entitled "Results of 2018-2019 Operations" located on the following pages.

RESULTS OF 2018-2019 OPERATIONS

General Fund Operations

The General Fund is the main fund for the District and includes all the costs related to educating the students of the Charlotte Public Schools such as: Salaries and benefits for Teachers, Classroom Paraprofessionals, Administrators, Secretaries, Maintenance staff, Librarians, Counselors, Bus Drivers and other miscellaneous positions; teaching supplies, employee training, utilities, building maintenance supplies, custodial services and other.

The District's actual revenues and other financing sources exceeded expenditures and other financing uses from General Fund by \$(135,779) for the fiscal year ended June 30, 2019. The General Fund as of June 30, 2019, had a fund balance of \$4,305,810 or 16% of expenditures for the 2018-2019 fiscal year. This fund balance exceeds the board policy of 15%. However, of this total fund balance amount the following are reserved for specific uses:

- Non-Spendable for Inventory and Prepaid Items: \$342,933
- Committed for Technology and Bus Replacement: \$790,000
- Assigned for 2018-2019 Adopted Budget Shortfall: \$428,928

Therefore, this leaves an unreserved or unassigned fund balance of \$2,743,949, or 11% of expenditures at June 30, 2019.

Charlotte Public Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

Debt Service Fund Operations

The Debt Service Funds consist of five separate debt funds as follows: 2011 Debt, 2010A Debt, 2012 Debt, 2015 refunding, and 2016 refunding. The Debt Service Funds are set up to collect taxes and pay annual debt payments. At June 30, 2019, the Debt Service Funds had \$379,144 in fund equity available for future bond payments. The School District levies taxes to make debt payment obligations. If taxes levied were not sufficient the School District would borrow funds from the Michigan School Bond Loan Fund. During the current year the District borrowed \$2,080,212 from the Michigan School Bond Loan Fund. The District also had termination benefits outstanding at June 30, 2019, which totaled \$17,270. The District paid principal of \$2,425,000 on bonded debt during the fiscal year. A detailed presentation of the District's long-term debt is presented in Note 9 of the notes to the financial statements.

Special Revenue Funds

The Charlotte Public Schools also has special revenue funds that include the following: Food Service Fund, Performing Arts Fund, Childcare Fund, Aquatic Center Fund, and Playground and Recreation Fund.

The Food Service Fund is a fund that reports the food service program activities. In 2018-2019 the Food Service Fund had revenues of \$1,174,021 and expenditures and other financing uses of \$1,178,964. The Food Service Fund is self-supporting and reimburses the General Fund for all identified overhead costs associated with its operation. The Food Service Fund had a total fund balance of \$293,346 at June 30, 2019. This represents 27% of annual expenditures. In order to meet state and federal guidelines, the district plans to intentionally reduce fund balance by replacing equipment and making cafeteria improvements during the 2019-2020 school year.

The Performing Arts Fund is a fund that reports activities of the professional performances at the Charlotte Performing Arts Center, including facility specific rentals. In 2018-2019 the Performing Arts Fund generated revenues of \$112,328 and had expenditures and other financing uses of \$118,415. The fund balance has been exhausted, requiring General Fund to transfer \$6,089 to cover the operational shortfall. This area and the activity will continue to be monitored closely as we reorganize the operations.

The Childcare Fund is a fund that reports the activities of the District's childcare program. In 2018-2019 the Childcare Fund generated revenues and other financing sources of \$946,783. Expenditures and other financing uses for the fund totaled \$1,054,760. The fund decreased by \$107,977, to end the year with a fund balance of \$166,087, or 16% of annual expenditures. The program has plans to purchase additional equipment and program supplies during the 2019-2020 that will reduce the fund balance slightly.

The Aquatic Center Fund is a fund that presents the activities related to the pool facilities and operations maintained by the district. In 2018-2019 the Aquatic Center Fund generated revenues and other financing sources of \$428,493. Expenditures and other financing uses for the fund totaled \$428,493. The Aquatic Center revenues included an operational transfer from the Recreation and Playground Fund in the amount of \$190,178 and General Fund in the amount of \$41,336.

**Charlotte Public Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2019**

The Playground and Recreation Fund is funded by a tax levy of 0.5000 mills with an expiration date in 2022. The playground and recreation fund activities primarily consisted of tax collection of \$309,636, of which \$190,178 was transferred out of the fund, primarily to the Aquatic Center Fund. This fund ended the year with a fund balance of \$342,799. The intent of this fund is to support the operations of the Charlotte Aquatic Center, provide for greater access to school facilities, and support youth recreation opportunities. The fund balance will be used for long-term maintenance and repairs at the Aquatic Center and recreation spaces.

Net Investment in Capital Assets

The District's net deficit capital assets increased by \$1,437,309 during the fiscal year. This can be summarized as follows:

Charlotte Public Schools voters approved several general obligation bond issues in the past. The proceeds from those bond issues were used for constructing new facilities and additions and partial remodeling of existing school facilities, and equipping and re-equipping facilities.

	Balance June 30, 2019	Balance June 30, 2018	Change
Capital assets net of accumulated depreciation	\$ 53,099,092	\$ 55,161,259	\$ (2,062,167)
Less: related debt and other	(62,331,101)	(62,955,959)	624,858
Net deficit capital assets	\$ (9,232,009)	\$ (7,794,700)	\$ (1,437,309)

IMPORTANT ECONOMIC FACTORS

State of Michigan Unrestricted Aid (Net State Foundation Grant)

In 2018-2019 State of Michigan aid, unrestricted, is determined with the following variables:

- a. State of Michigan State Aid Act per student foundation allowance
- b. Student Enrollment - Blended at 90 percent of prior year's fall count and 10 percent of prior year's winter count
- c. The District's non-homestead property valuation

Per Student Foundation Allowance

Annually, the State of Michigan establishes the per student foundation allowance. The Charlotte Public Schools foundation allowance was \$7,871 per student for the 2018-2019 school year, which is an increase of \$240 from Charlotte Public Schools 2017-2018 foundation allowance of \$7,631.

**Charlotte Public Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2019**

Student Enrollment

The District's blended State Aid Membership for 2018-2019 was 2,463 students. The District's enrollment increased from the prior school year's fall student count. Early indications show that student growth can be expected for the 2019-2020 school year.

The following summarizes the State Aid Membership counts for the past five years:

	Student FTE	FTE Change From Prior Year
2018 - 2019	2,463	42
2017 - 2018	2,421	(4)
2016 - 2017	2,425	(38)
2015 - 2016	2,463	(87)
2014 - 2015	2,550	(73)

Property Taxes levied for General Operations (General Fund Non-homestead Taxes)

The District levies taxes of \$18.00 per \$1,000 of taxable valuation on most non-primary residency exempt property and \$6.00 per \$1,000 of taxable value on commercial personal property for operations (General Fund). Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or five (5) percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value. In June 2003, the District was successful in passing a Headlee Ballot Proposal which will have the effect of allowing the District to levy during the succeeding five years the full 18 mill non-homestead millage for operations as originally approved by voters in 1996. The 18 mill levy was renewed in May of 2014 for a period of eleven years.

Debt Fund and Other Property Taxes

The District's debt fund levy, which is used to pay the principal and interest on bond obligations (7.59 mills) and aquatics/recreation operations (0.50 mills) levy, is based on the taxable valuation of all properties: homestead and non-homestead. For 2018-2019 the District's debt and other millage levy totaled 8.09 mills, which generated revenue of approximately \$4,500,000.

**Charlotte Public Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2019**

GENERAL FUND BUDGET & ACTUAL REVENUES & EXPENDITURES

Listed below is an analysis of the original budget and final budget to the final actual.

General Fund Expenditures and Other Uses Budget vs. Actual

Original Budget	Final Budget	Actual	Variances	
			Actual and Original Budget	Actual and Final Budget
\$ 25,643,235	\$ 26,859,489	\$ 26,714,762	4.2%	-0.5%

General Fund Revenues and Other Sources, Budget vs. Actual

Original Budget	Final Budget	Actual	Variances	
			Actual and Original Budget	Actual and Final Budget
\$ 25,328,569	\$ 26,676,502	\$ 26,578,983	4.9%	-0.4%

Original vs. Final Budget:

The Uniform Budget Act of the State of Michigan requires that the Board of Education approve the original budget for the upcoming year prior to July 1, the start of the fiscal year. As a matter of practice, Charlotte Public Schools amends its budget periodically during the school year.

**Charlotte Public Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2019**

General Fund Expenditures:

The District's budget for expenditures changed as follows during the year:

		<u>Percent</u>
Total Expenditures and Other Uses Original Budget	\$ 25,643,235	100%
Total Expenditures and Other Uses Final Budget	<u>26,859,489</u>	<u>103%</u>
Increase in Budget Expenditures	<u>\$ 1,216,254</u>	<u>5%</u>

Revenue Change from Original to Final Budget:

		<u>Percent</u>
Total Revenues and Other Sources Original Budget	\$ 25,328,569	100%
Total Revenues and Other Sources Final Budget	<u>26,676,502</u>	<u>103%</u>
Increase in Budget Revenues	<u>\$ 1,347,933</u>	<u>5%</u>

Additional Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration considered many factors when setting the School District's 2020 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2020 fiscal year budget was adopted in May 2019, based on an estimate of students that will be enrolled in October 2019. Approximately 80 percent of total General Fund revenue is from the foundation allowance. Under State law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2019-2020 school year, we anticipate that the fall student count will be more than the estimates used in creating the 2020 fiscal year budget, and higher than Fall 2018 enrollment. This will be the first time in eleven years that the district has experienced significant year over year student growth. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Charlotte Public Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

Since the School District's revenue is heavily dependent on State funding and the status of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The inability of the State to collect adequate revenues has resulted in mid-year reductions in State funding in prior years.

Contacting the District's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Services Office, Charlotte Public Schools, 378 State Street, Charlotte, Michigan 48813.

Respectfully,

Michelle Sine, CFO
Executive Director of Business, Operations & Human Resources
Charlotte Public Schools
Our Kids. Our Community. Our Future.

BASIC FINANCIAL STATEMENTS

Charlotte Public Schools
Statement of Net Position
June 30, 2019

	<u>Governmental Activities</u>
Assets	
Cash	\$ 3,983,465
Taxes receivable	4,687
Accounts receivable	238,774
Due from other governmental units	4,304,415
Inventory	35,970
Prepaid items	404,492
Lease receivable	553,480
Investments - Sinking fund	1,988,406
Capital assets not being depreciated	220,496
Capital assets - net of accumulated depreciation	<u>52,878,596</u>
 Total assets	 <u>64,612,781</u>
Deferred Outflows of Resources	
Deferred amount related to the net pension liability	13,262,801
Deferred amount related to the net OPEB liability	1,896,459
Deferred amount on debt refundings	<u>710,114</u>
 Total deferred outflows of resources	 <u>15,869,374</u>
 Total assets and deferred outflows of resources	 <u>80,482,155</u>

See Accompanying Notes to the Financial Statements

Charlotte Public Schools
Statement of Net Position
June 30, 2019

	Governmental Activities
Liabilities	
Accounts payable	\$ 541,023
Due to other governmental units	270,730
Accrued expenditures	2,668,387
Accrued salaries	1,019,493
Unearned revenue	56,490
Long-term liabilities	
Net pension liability	40,430,934
Net OPEB liability	10,411,430
Debt due within one year	2,564,680
Debt due in more than one year	63,533,557
Total liabilities	121,496,724
Deferred Inflows of Resources	
Deferred amount related to the net pension liability	5,607,237
Deferred amount related to the net OPEB liability	2,783,948
Total deferred inflows of resources	8,391,185
Total liabilities and deferred inflows of resources	129,887,909
Net Position	
Net deficit capital assets	(9,232,009)
Restricted for	
Debt service - sinking fund	1,988,406
Playground and recreation	342,799
Unrestricted (deficit)	(42,504,950)
Total net position	\$ (49,405,754)

See Accompanying Notes to the Financial Statements

Charlotte Public Schools
Statement of Activities
For the Year Ended June 30, 2019

	Program Revenues			Net (Expense)
Expenses	Charges for Services	Operating Grants and Contributions		Revenue and Changes in Net Position
Functions/Programs				
Governmental activities				
Instruction	\$ 15,574,213	\$ 1,667	\$ 6,165,206	\$ (9,407,340)
Supporting services	10,584,927	142,716	799,269	(9,642,942)
Food services	1,119,398	442,055	731,897	54,554
Community services	673,332	341,029	-	(332,303)
Childcare	1,038,442	830,064	116,259	(92,119)
Interest and fees on long-term debt	2,997,271	-	1,023,815	(1,973,456)
Unallocated depreciation	2,724,237	-	-	(2,724,237)
	\$ 34,759,902	\$ 1,757,531	\$ 8,836,446	(24,165,925)
General revenues				
				2,608,239
				4,336,937
				285,134
				16,355,271
				52,097
				397
				676,776
				284,864
				24,599,715
				433,790
				(49,839,544)
				\$ (49,405,754)

See Accompanying Notes to the Financial Statements

Charlotte Public Schools
Governmental Funds
Balance Sheet
June 30, 2019

	General Fund	Debt Service Fund 2011 Debt	Capital Projects Fund Broadband Lease	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash	\$ 1,905,995	\$ 167,839	\$ 407,053	\$ 1,023,283	\$ 3,504,170
Taxes receivable	1,294	1,365	-	2,028	4,687
Accounts receivable	20,527	-	-	44,495	65,022
Due from other funds	522,414	96,766	56,408	311,893	987,481
Due from other governmental units	4,123,692	-	-	13,797	4,137,489
Inventory	25,032	-	-	10,938	35,970
Prepaid items	317,901	-	-	-	317,901
Lease receivable	-	-	553,480	-	553,480
Investments	-	1,987,375	-	1,031	1,988,406
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 6,916,855</u>	<u>\$ 2,253,345</u>	<u>\$ 1,016,941</u>	<u>\$ 1,407,465</u>	<u>\$ 11,594,606</u>
Liabilities					
Accounts payable	\$ 418,209	\$ -	\$ 2,885	\$ 72,377	\$ 493,471
Due to other funds	387,322	-	-	386,051	773,373
Due to other governmental units	270,730	-	-	-	270,730
Accrued expenditures	487,103	-	-	5,329	492,432
Accrued salaries	1,001,158	-	-	18,335	1,019,493
Unearned revenue	46,523	-	-	9,967	56,490
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>2,611,045</u>	<u>-</u>	<u>2,885</u>	<u>492,059</u>	<u>3,105,989</u>
Deferred Inflows of Resources					
Unavailable revenue					
Noncancellable lease	\$ -	\$ -	\$ 541,998	\$ -	\$ 541,998
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

See Accompanying Notes to the Financial Statements

Charlotte Public Schools
Governmental Funds
Balance Sheet
June 30, 2019

	General Fund	Debt Service Fund 2011 Debt	Capital Projects Fund Broadband Lease	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balance					
Non-spendable					
Inventory	25,032	-	-	10,938	35,970
Prepaid items	317,901	-	-	-	317,901
Restricted for					
Food service	-	-	-	282,408	282,408
Debt service	-	265,970	-	113,174	379,144
Debt service sinking fund	-	1,987,375	-	-	1,987,375
Playground and recreation	-	-	-	342,799	342,799
Committed for					
Technology	700,000	-	-	-	700,000
Bus replacement	90,000	-	-	-	90,000
Assigned for					
Future year budgeted expenditures	428,928	-	-	-	428,928
Childcare	-	-	-	166,087	166,087
Unassigned	2,743,949	-	472,058	-	3,216,007
Total fund balance	<u>4,305,810</u>	<u>2,253,345</u>	<u>472,058</u>	<u>915,406</u>	<u>7,946,619</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,916,855</u>	<u>\$ 2,253,345</u>	<u>\$ 1,016,941</u>	<u>\$ 1,407,465</u>	<u>\$ 11,594,606</u>

See Accompanying Notes to the Financial Statements

Charlotte Public Schools
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2019

Total fund balances for governmental funds	\$ 7,946,619
Total net position for governmental activities in the statement of net position is different because:	
Certain receivables are not available to pay for current period expenditures and, therefore, are unavailable in the funds.	
Noncancellable lease	541,998
Interest credit subsidy receivable from the Federal Subsidy Program	166,926
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	220,496
Capital assets - net of accumulated depreciation	52,878,596
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from debt refunding	710,114
Deferred outflows of resources resulting from net pension liability	13,262,801
Deferred outflows of resources resulting from net OPEB liability	1,896,459
Deferred inflows of resources resulting from net pension liability	(5,607,237)
Deferred inflows of resources resulting from net OPEB liability	(2,783,948)
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest on long-term debt	(1,894,339)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Compensated absences	(17,270)
Bonds payable	(54,548,507)
School loan revolving fund payable	(11,532,460)
Net pension liability	(40,430,934)
Net OPEB liability	(10,411,430)
Internal service fund assets and liabilities are included in the governmental activities in the statement of net position	196,362
Net position of governmental activities	\$ (49,405,754)

See Accompanying Notes to the Financial Statements

Charlotte Public Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2019

	General Fund	Debt Service Fund 2011 Debt	Capital Projects Fund Broadband Lease	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Local sources	\$ 2,978,161	\$ 2,343,013	\$ 141,826	\$ 3,907,499	\$ 9,370,499
State sources	19,847,984	-	-	45,142	19,893,126
Federal sources	1,850,730	772,930	-	1,054,001	3,677,661
Interdistrict sources	1,710,011	-	-	-	1,710,011
Total revenues	<u>26,386,886</u>	<u>3,115,943</u>	<u>141,826</u>	<u>5,006,642</u>	<u>34,651,297</u>
Expenditures					
Current					
Instruction	15,473,091	-	-	-	15,473,091
Supporting services	10,516,200	-	-	-	10,516,200
Food services	-	-	-	1,102,514	1,102,514
Community services	145,228	-	-	-	145,228
Performing arts	-	-	-	102,972	102,972
Childcare	-	-	-	1,020,296	1,020,296
Aquatic center	-	-	-	413,365	413,365
Playground and recreation	-	-	-	47,357	47,357
Capital outlay	482,606	-	78,454	33,958	595,018
Debt service					
Principal	-	-	-	2,425,000	2,425,000
Interest and other expenditures	-	918,000	-	2,009,717	2,927,717
Total expenditures	<u>26,617,125</u>	<u>918,000</u>	<u>78,454</u>	<u>7,155,179</u>	<u>34,768,758</u>

See Accompanying Notes to the Financial Statements

Charlotte Public Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2019

	General Fund	Debt Service Fund 2011 Debt	Capital Projects Fund Broadband Lease	Nonmajor Governmental Funds	Total Governmental Funds
Excess (deficiency) of revenues over expenditures	\$ (230,239)	\$ 2,197,943	\$ 63,372	\$ (2,148,537)	\$ (117,461)
Other Financing Sources (Uses)					
Proceeds from school loan revolving fund	-	-	-	2,080,212	2,080,212
Proceeds from sale of capital assets	397	-	-	-	397
Transfers in	191,700	-	-	237,603	429,303
Transfers out	(97,637)	-	-	(331,666)	(429,303)
Total other financing sources (uses)	94,460	-	-	1,986,149	2,080,609
Net change in fund balance	(135,779)	2,197,943	63,372	(162,388)	1,963,148
Fund balance - beginning	4,441,589	55,402	408,686	1,077,794	5,983,471
Fund balance - ending	\$ 4,305,810	\$ 2,253,345	\$ 472,058	\$ 915,406	\$ 7,946,619

See Accompanying Notes to the Financial Statements

Charlotte Public Schools
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2019

Net change in fund balances - Total governmental funds	\$ 1,963,148
Total change in net position reported for governmental activities in the statement of activities is different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Broadband lease revenue	541,998
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.	
Depreciation expense	(2,724,237)
Capital outlay	662,070
Expenses are recorded when incurred in the statement of activities.	
Interest	(349,624)
Termination benefit	31,944
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in pension liability	(4,909,638)
Net change in the deferred amount of resources related to the net pension liability	3,935,431
The statement of net position reports the net OPEB liability and deferred outflows of resources and deferred inflows related to the net OPEB liability and OPEB expense. However, the amount recorded on the governmental funds equals actual OPEB contributions.	
Net change in OPEB liability	1,674,222
Net change in the deferred amount of resources related to the net OPEB liability	(1,212,600)
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
School loan revolving fund proceeds	(2,080,212)
Repayments of long-term debt	2,425,000
Amortization of bond premium	447,247
Amortization of deferred amount on debt refunding	(73,741)
Amortization of bond discount	(93,436)
Internal service fund revenues and expenses are included in governmental activities in the statement of activities	196,218
Change in net position of governmental activities	\$ 433,790

See Accompanying Notes to the Financial Statements

Charlotte Public Schools
Proprietary Fund
Internal Service Fund - Self Funded Insurance
Statement of Net Position
June 30, 2019

Assets

Cash	\$ 479,295
Accounts receivable	173,752
Prepaid expenses	<u>86,591</u>
 Total assets	 739,638

Liabilities

Accounts payable	47,552
Due to other funds	214,108
Accrued expenses	<u>281,616</u>
 Total liabilities	 <u>543,276</u>

Net Position

Unrestricted	<u><u>\$ 196,362</u></u>
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Charlotte Public Schools
Proprietary Fund
Internal Service Fund - Self Funded Insurance
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2019

Operating Revenues

Charges to other funds \$ 2,410,347

Operating Expenses

Claims 1,714,710

Purchased services 52,796

Supplies 415

Administrative fees 446,208

Total operating expenditures 2,214,129

Change in net position 196,218

Net position - beginning of the year 144

Net position - end of year \$ 196,362

Charlotte Public Schools
Proprietary Fund
Internal Service Fund - Self Funded Insurance
Statement of Cash Flows
For the Year Ended June 30, 2019

Cash Flows from operating activities

Receipts from other funds	\$ 2,522,602
Claims and administrative fees paid	<u>(2,043,340)</u>

Net change in cash and cash equivalents	479,262
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Cash and cash equivalents - beginning of the year	<u>33</u>
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Cash and cash equivalents - end of year	<u>\$ 479,295</u>
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Reconciliation of operating loss to net cash from operating activities

Operating profit	\$ 196,218
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Adjustments to reconcile operating profit to net cash from operating activities - changes in assets and liabilities	
Accounts receivable	(173,752)
Due from other funds	319,134
Prepaid expenses	(7,391)
Accounts payable	47,552
Due to other funds	(33,127)
Accrued expenses	<u>130,628</u>

Net cash and cash equivalents used by operating activities	<u>\$ 479,262</u>
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Charlotte Public Schools
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2019

	Private Purpose Trust Funds	Agency Funds
Assets		
Cash	\$ 11,022	\$ 81,190
Investments	31,000	43,000
Total assets	42,022	\$ 124,190
Liabilities		
Due to:		
High school student activities	-	\$ 90,017
Middle school student activities	-	14,207
Galewood elementary student activities	-	788
Parkview elementary student activities	-	3,216
Upper elementary student activities	-	14,281
Washington elementary student activities	-	1,681
Total liabilities	-	\$ 124,190
Net Position		
Assets held in trust for scholarship awards and loans	\$ 42,022	

See Accompanying Notes to the Financial Statements

Charlotte Public Schools
Fiduciary Funds
Private Purpose Trust Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2019

	<u>Private Purpose Trust Funds</u>
Additions	
Local sources	\$ 62
Net position - beginning	<u>41,960</u>
Net position - ending	<u>\$ 42,022</u>

See Accompanying Notes to Financial Statements

Charlotte Public Schools
Notes to the Financial Statements
June 30, 2019

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Charlotte Public Schools (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide Financial Statements

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by

general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net position resulting from current year activities.

Fund Financial Statements

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District 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.

Charlotte Public Schools
Notes to the Financial Statements
June 30, 2019

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Proprietary and fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental fund:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

2011 Debt Service Fund – The 2011 Debt Service Fund is used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

Broadband Lease Fund – The Capital Projects Fund is used to record disbursements specifically for acquiring new school sites, buildings, equipment, and for remodeling and repairs funded with proceeds from the broadband lease. The funds are kept open until the purposes for which the funds were created have been accomplished.

Additionally, the School District reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's non-major Special Revenue Funds include the Performing Arts, Food Service, Childcare, Aquatic Center and Playground and Recreation Funds. Operating deficits generated by these activities are generally transferred from the General Fund.

Debt Service Funds – Debt Service Funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

Internal Service Fund – The Internal Service Fund accounts for risk management services to include employee dental, vision, health and prescription insurance claim obligations provided to other departments of the school district on a cost reimbursement basis.

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Trust Funds are funds entrusted to the School District for scholarship awards and loans and the principal and interest of the trust may be spent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school-related purposes.

Assets, Liabilities and Net Position or Equity

Cash – Cash include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2019, the rates are as follows per \$1,000 of assessed value.

Charlotte Public Schools
Notes to the Financial Statements
June 30, 2019

General Fund	
Non-principal residence	18.00000
Commercial personal property	6.00000
Recreation and Playground	0.50000
Debt Service Funds	7.59000

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the County of Eaton and remitted to the School District by May 15.

Investments – Investments are stated at fair value. Certificates of deposit are stated at cost which approximates fair value.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed, rather than when purchased.

Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the School District follows the consumption method, and they therefore are capitalized as prepaid items in both district-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Buildings, equipment, and vehicles are

depreciated using the straight-line method over the following useful lives:

Buildings and additions	15-50 years
Site improvements	20 years
Equipment and furniture	10-20 years
Vehicles	8 years
Other capital equipment	7-25 years

Deferred Outflows of Resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt. For district-wide financial statements, the School District reports deferred outflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. The School District also reported deferred outflows of resources for pension and OPEB contributions made after the measurement date. This amount will reduce the net pension and OPEB liabilities in the following year.

Compensated Absences – The School District has recorded all liabilities associated with compensated absences. Accumulated vested severance amounts and nonvested severance amounts that are probable to vest and be paid at termination are considered payable from future resources and are recorded along with the related payroll taxes as a long-term liability in the district-wide financial statements.

Charlotte Public Schools
Notes to the Financial Statements
June 30, 2019

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period.

In the School District's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses.

Pension – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPSERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

Fund Equity – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable – amounts that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts that have been formally set aside by the Board of Education for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Education.

Assigned – amounts intended to be used for specific purposes, as determined by the finance committee, or the Superintendent. The Board of Education has granted the finance committee and Superintendent the authority to assign

Charlotte Public Schools
Notes to the Financial Statements
June 30, 2019

funds. Residual amounts in governmental funds other than the general fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the School District's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

The School District has adopted a minimum fund balance policy to maintain a fund balance of fifteen (15%) percent of the District's General Fund annual operating expenditures. If a fund balance declines below twelve (12%) percent, it shall be recovered at a rate of one (1%) percent, minimally, each year.

Use of Estimates

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

Eliminations and Reclassifications

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Adoption of New Accounting Standards

Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* improves the information that is disclosed in notes to the District's financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities districts should include when disclosing information related to debt. It requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. It will also require that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

Charlotte Public Schools
Notes to the Financial Statements
June 30, 2019

Upcoming Accounting and Reporting Changes

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria includes the following: (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable are: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria. The requirements of this Statement are effective for the fiscal year ending June 30, 2020.

Statement No. 87, *Leases* increases the usefulness of the District's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the District's leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end

of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

Statement No. 90, *Majority Equity Interests* improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain components. This statement is effective for the year ending June 30, 2020.

Statement No. 91, *Conduit Debt Obligations* provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This statement is effective for the year ending June 30, 2022.

The School District is evaluating the impact that the above pronouncements will have on its financial reporting.

Charlotte Public Schools
Notes to the Financial Statements
June 30, 2019

Note 2 - Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year-end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the law if reasonable procedures are in use by the School District to detect violations.

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations.

Excess of Expenditures over Appropriations

During the year, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Basic programs	\$ 11,157,707	\$ 11,423,643	\$ 265,936
School administration	1,708,553	1,751,103	42,550
Capital outlay	448,751	482,606	33,855

Note 3 - Deposits and Investments

The School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	\$ 3,983,465	\$ 92,212	\$ 4,075,677
Investments	1,988,406	74,000	2,062,406
Total	\$ 5,971,871	\$ 166,212	\$ 6,138,083

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking, savings accounts, and money markets)	\$ 4,075,591
Investments in certificates of deposit	74,000
Other investments	1,988,406
Petty cash and cash on hand	86
Total	\$ 6,138,083

Interest rate risk – The District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Charlotte Public Schools
Notes to the Financial Statements
June 30, 2019

Credit risk – State statutes and the School District’s investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers’ acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles.

Concentration of credit risk – The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District’s investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of year-end, the District’s bank balance (certificates of deposit, checking and savings accounts) of \$4,236,121 had \$3,733,559 exposed to custodial credit risk because it was uninsured or uncollateralized.

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District held investments of \$1,988,406 subject to custodial credit risk at year end.

Note 4 - Fair Value Measurements

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in

active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The School District has the following recurring fair value measurements as of June 30, 2019:

- U.S. Treasury STRIP of \$1,982,143 are valued using matrix pricing model (Level 2 inputs).

Note 5 - Leases

On December 17, 2007, the School District entered into a lease agreement with America Telecasting of Lansing, Inc. for the channels for Educational Broadband Service within the School District. This lease is recorded as a receivable and a deferred inflow of resources at the fund level in the Capital Projects Fund as well as at the district wide level based on generally accepted accounting principles.

The effective date of the lease was December 17, 2007 with an initial term of five (5) years and automatic renewal terms up to twenty-five (25) years. At the end of each five (5) year time period either party can terminate the lease. Therefore, the noncancellable period is recorded as a receivable and deferred inflow at June 30, 2019. In addition, the June 2018 payment of \$11,148 was not received as of year-end, so that payment is included in the receivable at June 30, 2019. The lease payments are paid to the School District monthly at \$11,148 during the current five (5) year period under lease. Because the amounts are not earned as revenue until the end of each month, the amounts not earned are recorded as deferred inflows of resources at the fund level and district-wide level.

Charlotte Public Schools
Notes to the Financial Statements
June 30, 2019

Future lease payments to be received under the noncancellable portion of the lease are as follows at June 30:

Year ending June 30,

2020	\$ 114,820
2021	141,924
2022	146,172
2023	<u>150,564</u>
Total	<u>\$ 553,480</u>

Note 6 - Capital Assets

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 220,496	\$ -	\$ -	\$ 220,496
Capital assets being depreciated				
Buildings and additions	85,258,479	275,621	-	85,534,100
Equipment and furniture	5,609,331	125,760	-	5,735,091
Vehicles	1,994,766	260,689	136,049	2,119,406
Other capital equipment	<u>977,472</u>	<u>-</u>	<u>-</u>	<u>977,472</u>
Total capital assets being depreciated	<u>93,840,048</u>	<u>662,070</u>	<u>136,049</u>	<u>94,366,069</u>
Less accumulated depreciation for				
Buildings and additions	33,036,413	2,162,082	-	35,198,495
Equipment and furniture	3,911,384	327,192	-	4,238,576
Vehicles	1,205,707	177,413	136,049	1,247,071
Other capital equipment	<u>745,781</u>	<u>57,550</u>	<u>-</u>	<u>803,331</u>
Total accumulated depreciation	<u>38,899,285</u>	<u>2,724,237</u>	<u>136,049</u>	<u>41,487,473</u>
Net capital assets being depreciated	<u>54,940,763</u>	<u>(2,062,167)</u>	<u>-</u>	<u>52,878,596</u>
Net capital assets	<u>\$ 55,161,259</u>	<u>\$ (2,062,167)</u>	<u>\$ -</u>	<u>\$ 53,099,092</u>

Depreciation for the fiscal year ended June 30, 2019, amounted to \$2,724,237. The School District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

Note 7 - Interfund Receivable and Payable and Transfers

Individual interfund receivable and payable balances at year end were:

Due From Fund	Due to Fund	Amount
General fund	Nonmajor governmental funds	\$ 308,308
Nonmajor governmental funds	Nonmajor governmental funds	77,743
General fund	Internal service fund	214,108
Broadband lease	General fund	56,408
Nonmajor governmental funds	General fund	234,148
2011 Debt	General fund	<u>96,766</u>
		<u>\$ 987,481</u>

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made. Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Interfund transfers consist of the following:

	Transfers Out		
	General Fund	Nonmajor Governmental Funds	Total
Transfers in			
General Fund	\$ -	\$ 191,700	\$ 191,700
Nonmajor governmental funds	<u>97,637</u>	<u>139,966</u>	<u>237,603</u>
	<u>\$ 97,637</u>	<u>\$ 331,666</u>	<u>\$ 429,303</u>

Charlotte Public Schools
Notes to the Financial Statements
June 30, 2019

Interfund transfers were made from the general fund and playground and recreation funds to the performing arts and aquatic center fund to cover expenditures.

The transfer from Food Service Fund to the General Fund is for overhead cost reimbursement.

Note 8 - Unearned Revenue

The School District reports unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the components of unearned revenue are as follows:

Grant and categorical aid payments received prior to meeting all eligibility requirements	\$ 321,487
Student food service meal balances	10,427
Childcare fees received in advance	15,399
Total	<u>\$ 347,313</u>

Note 9 - Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. The State can withhold state aid if it has to make a bond payment on behalf of the School District related to qualified bonds. For the School Bond Loan Fund or School Loan Revolving Fund, the State may withhold state aid if the School District is in default, or apply late charges in an instance of default or fails to appropriately levy debt mills. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Bonds and notes payable					
Government obligation bonds	\$ 54,500,000	\$ -	\$ 2,425,000	\$ 52,075,000	\$ 2,555,000
Premium on bonds	3,056,058	-	447,247	2,608,811	-
Discount on bonds	<u>(228,740)</u>	<u>-</u>	<u>(93,436)</u>	<u>(135,304)</u>	<u>-</u>
Total bonds payable	57,327,318	-	2,778,811	54,548,507	2,555,000
Notes from direct borrowings and direct placements					
School loan revolving fund	9,452,248	2,080,212	-	11,532,460	-
Other liabilities					
Compensated absences	<u>49,214</u>	<u>1,030</u>	<u>32,974</u>	<u>17,270</u>	<u>9,680</u>
Total	<u>\$ 66,828,780</u>	<u>\$ 2,081,242</u>	<u>\$ 2,811,785</u>	<u>\$ 66,098,237</u>	<u>\$ 2,564,680</u>

General obligation bonds payable at year end, consist of the following:

\$ 6,875,000 serial bond due in annual installments of \$ 960,000 to \$ 1,615,000 through May 1, 2027 interest ranging from 2.25% to 4.00%	\$ 6,875,000
\$ 23,605,000 serial bond due in annual installments of \$ 1,515,000 to \$ 1,955,000 through May 1, 2029 interest at 5.00%	18,215,000
\$ 8,600,000 serial bond due in annual installments of \$ 780,000 to \$ 785,000 from May 2030 to May 1, 2040, interest at 6.80% to 7.00%	8,600,000
\$ 15,000,000 serial bond due in two annual installments of \$ 6,000,000 on May 1, 2025 and \$ 9,000,000 on May 1, 2026, interest at 6.05% to 6.15%	15,000,000
\$ 9,005,000 serial bond due in annual installments of \$ 250,000 to \$ 1,115,000 through May 1, 2023, interest at 2.75% to 5.00%	<u>3,385,000</u>
Total general obligation bonded debt	<u>\$ 52,075,000</u>

Charlotte Public Schools
Notes to the Financial Statements
June 30, 2019

Future principal and interest requirements for bonded debt are as follows:

Year Ending June 30,	Bonds		
	Principal	Interest	Total
2020	2,555,000	2,886,376	5,441,376
2021	2,685,000	2,761,876	5,446,876
2022	2,825,000	2,630,626	5,455,626
2023	2,975,000	2,517,964	5,492,964
2024	3,145,000	2,387,188	5,532,188
2025 - 2029	29,290,000	6,636,188	35,926,188
2030 - 3034	3,920,000	2,440,846	6,360,846
2035 - 2039	3,900,000	1,095,220	4,995,220
2040 - 2044	780,000	54,600	834,600
Total	\$ 52,075,000	\$ 23,410,884	\$ 75,485,884

The general obligation bonds are payable from the Debt Service Funds. As of year-end, the funds had a balance of \$379,144 to pay this debt. Future debt and interest will be payable from future tax levies, and from a debt sinking fund as described below.

The 2010 School Building and Site Bonds (Series A) and 2011 School Building and Site Bonds (Series B) gross interest payments due are reflected as part of the above annual requirements for the general obligation bonds. These bonds were issued under the Federal government's "Build America Bonds" program. It is the expectation of the District that through this program they will receive an interest subsidy credit from the Federal government each time interest payments are made on these bonds. In relation to the 2010 Series A Bonds, there is a cumulative gross amount of interest due of \$13,105,865. Of this amount, there is an expected interest subsidy to be received over the life of the bonds in the cumulative amount of \$5,897,639 for net interest owed by the District over the life of the bonds of \$7,208,226. In relation to the 2011 Series B Bonds, there is a cumulative gross amount of interest due of \$11,551,500. Of this

amount, there is an expected interest subsidy to be received over the life of the bonds in the cumulative amount of \$10,395,264 for a net interest owed by the District over the life of the bonds of \$1,156,236.

To ensure that sufficient money will be available to pay the principal of the 2011 Series B Bonds at maturity, the School District shall annually deposit taxes collected into a mandatory sinking fund held by a bank or trust company eligible in the State of Michigan to hold such funds for the Bonds (the "Mandatory Sinking Fund"). Such annual deposited amounts shall, when combined with any earnings on monies held in the Mandatory Sinking Fund that have been earned since the previous deposit date, be sufficient as of May 1 of the given year to equal the annual sinking fund deposit as set forth in the table below. The annual deposit of taxes into the Mandatory Sinking Fund shall be made beginning on the fifth business day preceding May 1, 2019 and on the fifth business day preceding each May 1 thereafter through (i) the 2024 deposit for the May 1, 2025 maturity and (ii) the 2025 deposit for the May 1, 2026 maturity while the Bonds are outstanding. Not less than five business days prior to the maturity of any Bond of this issue, the monies held in the Mandatory Sinking Fund for that maturity shall be transferred to the debt retirement fund for the Bonds, along with the necessary tax deposits to fund the set aside amount for that maturity for that year, taking into account any earnings in the Mandatory Sinking Fund to such date. Such monies shall be used to repay the principal of the Bonds at maturity.

Charlotte Public Schools
Notes to the Financial Statements
June 30, 2019

Year	2025 Maturity	2026 Maturity	Total
2019	\$ 857,142	\$ 1,125,000	\$ 1,982,142
2020	857,143	1,125,000	1,982,143
2021	857,143	1,125,000	1,982,143
2022	857,143	1,125,000	1,982,143
2023	857,143	1,125,000	1,982,143
2024	857,143	1,125,000	1,982,143
2025	857,143	1,125,000	1,982,143
2026	-	1,125,000	1,125,000
Totals	<u>\$ 6,000,000</u>	<u>\$ 9,000,000</u>	<u>\$ 15,000,000</u>

Interest expenditures for the fiscal year in the Debt Service Funds were \$2,927,717.

State School Loan Revolving Fund

The State School Loan Revolving Fund loan consists of a borrowing agreement with the State of Michigan for the purpose of meeting the financing of current debt maturities on the School District's various bond issues. The bond election, as passed by the voters, specified that the School District debt millage would not exceed the pre-bond vote millage of 7.59 mills, but instead the election permitted the School District to extend this levy through the year 2040. Since the monies generated by the 7.59 mills are presently not sufficient to cover the entire debt service requirements of the School District, it has been necessary for the School District to borrow a total of \$2,080,212 during the year to meet debt service requirements. Management of the School District anticipates that as the other bonds mature, the revenues provided by the debt millage will be sufficient to satisfy the future debt service requirements of the bonds and all necessary borrowing from the State School Loan Revolving Fund. The School District had an outstanding principal balance at year-end of \$11,532,460 and accrued interest of \$1,423,734, from the State School Loan Revolving Fund. The School District has agreed to repay the loan amount with interest at rates and at times to be determined by the State Treasurer. Interest during the year ended June 30, 2019 ranged from 3.19 percent to 3.46 percent.

Subsequent to year end, the District refunded a portion of certain outstanding indebtedness under the State School Loan Revolving Fund with proceeds of \$13,220,000 from the 2019 Refunding Bonds with interest rates ranging from 2.1 percent to 2.45 percent due in semi-annual principal installments ranging from \$800,000 to \$4,170,000 beginning November 2026 through May 2030.

Compensated Absences

In recognition of services to the District, a termination benefit is made to eligible administrators with at least ten (10) years of service. Eligible administrators will be paid up to a maximum of ninety-five days of accumulated sick leave at a rate of \$75 to \$90 per day.

Deferred Amount on Refunding

The School District issued bonds in 2015 to advance refund and retire previously issued bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$841,290. This amount, less accumulated amortization, is reported in the accompanying statement of net position as a deferred outflow of resources and is being charged to activities through fiscal year 2029. The balance at June 30, 2019 is \$600,920.

The School District issued bonds in 2016 to advance refund and retire previously issued bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$150,135. This amount, less accumulated amortization, is reported in the accompanying statement of net position as a deferred outflow of resources and is being charged to activities through fiscal year 2027. The balance at June 30, 2019 is \$109,194.

Note 10 - Risk Management

The School District participates in a pool, the MASB-SEG Property and Casualty Pool with other school districts for boiler and machinery, property, fleet, liability, in-land marine, crime, employee

Charlotte Public Schools
Notes to the Financial Statements
June 30, 2019

dishonesty, and errors and omissions. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The School District has not been informed of any special assessments being required.

The District also participates in a pool, the SEG Self-Insurer Workers' Disability Compensation Fund, with other school districts for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event toe pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to a special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

The School District is self-insured for dental and vision insurance. The School District has contracted with an independent administrator to process the dental and vision claims and perform other administrative duties. According to the provisions of the dental program, the School District pays 80% of claims, up to \$1,000 annually, to each covered employee and the remaining 20% is paid by the employee. The vision plan contains service-specific co-pays, with service limitations being provided on an annual basis. The School District evaluates the liability related to the dental and vision claims at the end of the fiscal year. The liability is calculated based on claims already incurred and reported. For governmental activities, the liability for dental and vision benefits is primarily liquidated by the General Fund.

The School District is self-insured for health and prescription benefits paid on behalf of the District employees that are eligible to receive these various benefits. Payments are made to the claims administrator each month based on actual claims paid out and associated administration fees. The health plan provides a stop loss provision of \$70,000 specific excess coverage per covered person and

\$1,207,490 aggregate. For governmental activities, the liability of the health benefits is primarily liquidated by the General Fund.

Change in estimated liabilities for claims for health benefits for the year is as follows:

	2019	2018
Estimated liability at the beginning of the year	\$ 150,988	\$ -
Estimated claims incurred including changes in estimates	1,505,067	1,621,818
Claim payments	(1,374,439)	(1,470,830)
Estimated at liability end of year	\$ 281,616	\$ 150,988

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method, the School District must reimburse the Employment Commission for all benefits charged against the School District. The School District had \$1,766 of unemployment compensation expense for the year. No provision has been made for possible future claims.

Note 11 - Pension Plan

Plan Description

The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members— eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

Charlotte Public Schools
Notes to the Financial Statements
June 30, 2019

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 20-year period for the 2017 fiscal year.

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2018.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	17.89%
Member Investment Plan	3.0 - 7.0%	17.89%
Pension Plus	3.0 - 6.4%	16.61%
Pension Plus 2	6.2%	19.74%
Defined Contribution	0.0%	13.54%

Required contributions to the pension plan from the School District were \$3,662,265 for the year ending September 30, 2018.

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

At June 30, 2019, School District reported a liability of \$40,430,934 for its proportionate share of the MPERS net pension liability. The net pension liability was measured as of September 30, 2018, and the total

Charlotte Public Schools
Notes to the Financial Statements
June 30, 2019

pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2017. *The School District's* proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2018, the School District's proportion was 0.01345 percent, which was a decrease of 0.0026 percent from its proportion measured as of September 30, 2017. At September 30, 2018 the total pension expense for the School District was \$4,653,068. For the year ending June 30, 2019, the School District recognized pension expense of \$3,515,903.

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Amount to Amortize
Difference between expected and actual experience	\$ 187,607	\$ (293,805)	\$ (106,198)
Changes in assumptions	9,363,771	-	9,363,771
Net difference between projected and actual earnings on pension plan investments	-	(2,764,448)	(2,764,448)
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>474,341</u>	<u>(1,098,910)</u>	<u>(624,569)</u>
Total to be recognized in future	10,025,719	(4,157,163)	5,868,556
Employer contributions subsequent to the measurement date	<u>3,237,082</u>	<u>(1,450,074)</u>	<u>-</u>
Total	<u>\$ 13,262,801</u>	<u>\$ (5,607,237)</u>	<u>\$ 5,868,556</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer

contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses)	
Plan Year Ending September 30,	Amount:
2019	\$ 2,286,000
2020	1,832,048
2021	1,289,232
2022	<u>461,276</u>
Total	<u>\$ 5,868,556</u>

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2017
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return:
 - MIP and Basic Plans 7.05%
 - Pension Plus Plan 7.00%
 - Pension Plus 2 Plan: 6.00%

Charlotte Public Schools
Notes to the Financial Statements
June 30, 2019

- Projected Salary Increases: 2.75 – 11.55%, including wage inflation at 2.75%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Mortality:
 - Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
 - Active Members: Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.5304

Recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2018 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-

term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.7 %
Alternative Investment Pools	18.0	9.2
International Equity	16.0	7.2
Fixed Income Pools	10.5	0.5
Real Estate and Infrastructure Pools	10.0	3.9
Absolute Return Pools	15.5	5.2
Short Term Investment Pools	2.0	0.0
	100.0%	

**Long-term rates of return are net of administrative expenses and 2.3% inflation.*

Rate of Return

For the fiscal year ended September 30, 2018, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 11.11%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 7.05% was used to measure the total pension liability (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 7.05% (7.0% for the Pension Plus plan, 6.0% for

Charlotte Public Schools
Notes to the Financial Statements
June 30, 2019

the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.05% (7.0% for the Hybrid Plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease (Non-Hybrid/Hybrid)* 6.05% / 6.0% / 5.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 7.05% / 7.0% / 6.0%	1% Increase (Non-Hybrid/Hybrid)* 8.05% / 8.0% / 7.0%
\$ 83,082,693	\$ 40,430,934	\$ 29,919,378

*Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2.

Michigan Public School Employees' Retirement System (MPERS) Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the Michigan Public School Employees' Retirement System (MPERS)

There were no significant payables to the pension plan that are not ordinary accruals to the School District.

Note 12 - Postemployment Benefits Other Than Pensions (OPEB)

Plan Description

The Michigan Public School Employees' Retirement System (System or MPERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members— eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Charlotte Public Schools
Notes to the Financial Statements
June 30, 2019

Benefits Provided

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit

and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 20-year period for the 2017 fiscal year.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2018.

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.00%	6.44%
Personal Healthcare Fund (PHF)	0.00%	6.13%

Charlotte Public Schools
Notes to the Financial Statements
June 30, 2019

Required contributions to the OPEB plan from the School District were \$850,178 for the year ended September 30, 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the School District reported a liability of \$10,411,430 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2017. The School District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2018, the School District's proportion was 0.1310 percent, which was a decrease of 0.0055 percent from its proportion measured as of September 30, 2017. At September 30, 2018, the total OPEB expense for the School District was \$412,232. For the year ending June 30, 2019, the School District recognized total OPEB expense of \$912,424.

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Amount to Amortize
Difference between expected and actual experience	\$ -	\$ (1,937,835)	\$ (1,937,835)
Net difference between projected and actual earnings on OPEB plan investments	1,102,576	(400,136)	702,440
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>3,514</u>	<u>(445,977)</u>	<u>(442,463)</u>
Total to be recognized in future employer contributions subsequent to the measurement date	1,106,090	(2,783,948)	(1,677,858)
	<u>790,369</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,896,459</u>	<u>\$ (2,783,948)</u>	<u>\$ (1,677,858)</u>

Charlotte Public Schools
Notes to the Financial Statements
June 30, 2019

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future OPEB Expenses)	
Plan Year Ending September 30,	Amount:
2019	\$ (400,995)
2020	(400,995)
2021	(400,995)
2022	(319,861)
2023	(155,012)
Total	\$ (1,677,858)

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2017
- Actuarial Cost Method: Entry Age, Normal

- Wage inflation rate: 2.75%
- Investment Rate of Return: 7.15%
- Projected Salary Increases: 2.75 – 11.55%, including wage inflation of 2.75%
- Healthcare Cost Trend Rate: 7.5% Year 1 graded 3.0% Year 12
- Mortality:
 - Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
 - Active Members: Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Other Assumptions:

- Opt Out Assumptions: 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
- Survivor Coverage: 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
- Coverage Election at Retirement: 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study.

Charlotte Public Schools
Notes to the Financial Statements
June 30, 2019

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 5.6018

Recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2018 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.7%
Alternative Investment Pools	18.0%	9.2%
International Equity	16.0%	7.2%
Fixed Income Pools	10.5%	0.5%
Real Estate and Infrastructure Pools	10.0%	3.9%
Absolute Return Pools	15.5%	5.2%
Short Term Investment Pools	2.0%	0.0%
	<u>100.0%</u>	

*Long-term rates of return are net of administrative expenses and 2.3% inflation.

Rate of Return

For the fiscal year ended September 30, 2018, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 10.75%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 7.15% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.15%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the School District's proportionate share of the net OPEB liability calculated using the discount rate of 7.15%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

	1% Decrease 6.15%	Current Discount Rate 7.15%	1% Increase 8.15%
\$	12,498,710	\$ 10,411,430	\$ 8,655,772

Charlotte Public Schools
Notes to the Financial Statements
June 30, 2019

Sensitivity of the School District’s Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate

The following presents the School District’s proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the School District’s proportionate share of net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$ 8,563,286	\$ 10,411,430	\$ 12,531,628

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued 2018 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan

There were no significant payables to the OPEB plan that are not ordinary accruals to the School District.

Note 13 - Tax Abatements

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions granted by the City Charlotte. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities.

The School District evaluated tax abatements under the provisions of GASB 77 and determined that the property tax abatements are insignificant.

REQUIRED SUPPLEMENTARY INFORMATION

Charlotte Public Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local sources	\$ 2,850,960	\$ 3,063,782	\$ 2,978,161	\$ (85,621)
State sources	19,601,320	20,031,424	19,847,984	(183,440)
Federal sources	574,866	2,091,220	1,850,730	(240,490)
Interdistrict sources	<u>2,147,898</u>	<u>1,319,875</u>	<u>1,710,011</u>	<u>390,136</u>
Total revenues	<u>25,175,044</u>	<u>26,506,301</u>	<u>26,386,886</u>	<u>(119,415)</u>
Expenditures				
Instruction				
Basic programs	11,176,355	11,157,707	11,423,643	265,936
Added needs	3,996,685	4,146,277	4,049,448	(96,829)
Supporting services				
Pupil	1,398,945	1,615,770	1,612,924	(2,846)
Instructional staff	701,940	789,047	639,912	(149,135)
General administration	442,265	483,054	480,317	(2,737)
School administration	1,724,383	1,708,553	1,751,103	42,550
Business	402,866	484,013	456,003	(28,010)
Operations and maintenance	2,634,720	2,699,243	2,665,283	(33,960)
Pupil transportation services	1,553,362	1,633,639	1,601,171	(32,468)
Central	617,799	860,086	711,575	(148,511)
Athletic activities	577,127	626,636	597,912	(28,724)
Community services	155,704	159,993	145,228	(14,765)
Intergovernmental payments	-	-	-	-
Capital outlay	<u>218,050</u>	<u>448,751</u>	<u>482,606</u>	<u>33,855</u>
Total expenditures	<u>25,600,201</u>	<u>26,812,769</u>	<u>26,617,125</u>	<u>(195,644)</u>

Charlotte Public Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Excess (deficiency) of revenues over expenditures	\$ (425,157)	\$ (306,468)	\$ (230,239)	\$ 76,229
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	7,000	7,000	397	(6,603)
Transfers in	146,525	163,201	191,700	28,499
Transfers out	<u>(43,034)</u>	<u>(46,720)</u>	<u>(97,637)</u>	<u>(50,917)</u>
Total other financing sources (uses)	<u>110,491</u>	<u>123,481</u>	<u>94,460</u>	<u>(29,021)</u>
Net change in fund balance	(314,666)	(182,987)	(135,779)	47,208
Fund balance - beginning	<u>4,441,589</u>	<u>4,441,589</u>	<u>4,441,589</u>	<u>-</u>
Fund balance - ending	<u>\$ 4,126,923</u>	<u>\$ 4,258,602</u>	<u>\$ 4,305,810</u>	<u>\$ 47,208</u>

Charlotte Public Schools
Required Supplemental Information
Budgetary Comparison Schedule - Broadband Lease
For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local sources	\$ 132,200	\$ 133,900	\$ 141,826	\$ 7,926
Expenditures				
Capital outlay	<u>114,000</u>	<u>114,000</u>	<u>78,454</u>	<u>(35,546)</u>
Net change in fund balance	18,200	19,900	63,372	43,472
Fund balance - beginning	<u>408,686</u>	<u>408,686</u>	<u>408,686</u>	<u>-</u>
Fund balance - ending	<u>\$ 426,886</u>	<u>\$ 428,586</u>	<u>\$ 472,058</u>	<u>\$ 43,472</u>

Charlotte Public Schools
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
A. Reporting unit's proportion of net pension liability (%)	0.13450%	0.13710%	0.13350%	0.13810%	0.14181%						
B. Reporting unit's proportionate share of net pension liability	\$ 40,430,934	\$ 35,521,296	\$ 33,309,840	\$ 33,724,108	\$ 31,235,156						
C. Reporting unit's covered-employee payroll	\$ 11,175,911	\$ 11,700,211	\$ 11,043,846	\$ 12,514,564	\$ 12,059,674						
D. Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	361.77%	303.60%	301.61%	269.48%	259.00%						
E. Plan fiduciary net position as a percentage of total pension liability	62.36%	64.21%	63.27%	63.17%	66.20%						

Note:

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2018.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2018.

Charlotte Public Schools
Required Supplementary Information
Schedule of the School District's Pension Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

		For the Years Ended June 30,										
		2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
A.	Statorily required contributions	\$ 3,515,903	\$ 3,666,946	\$ 2,099,862	\$ 2,110,748	\$ 2,202,350						
B.	Contributions in relation to statorily required contributions	<u>3,515,903</u>	<u>3,666,946</u>	<u>2,099,862</u>	<u>2,110,748</u>	<u>2,202,350</u>						
C.	Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>						
D.	Reporting unit's covered-employee payroll	\$ 11,597,795	\$ 11,389,697	\$ 11,367,790	\$ 11,029,336	\$ 11,693,036						
E.	Contributions as a percentage of covered-employee payroll	30.32%	32.20%	18.47%	19.14%	18.83%						

Charlotte Public Schools
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
A. Reporting unit's proportion of net OPEB liability (%)	0.13100%	0.13650%									
B. Reporting unit's proportionate share of net OPEB liability	\$ 10,411,430	\$ 12,085,652									
C. Reporting unit's covered-employee payroll	\$ 11,175,911	\$ 11,700,211									
D. Reporting unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	93.16%	103.29%									
E. Plan fiduciary net position as a percentage of total OPEB liability	42.95%	36.39%									

Note:

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2018.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2018.

Charlotte Public Schools
Required Supplementary Information
Schedule of the School District's OPEB Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

		For the Years Ended June 30,										
		2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
A.	Statorily required contributions	\$ 912,424	\$ 898,416									
B.	Contributions in relation to statorily required contributions	<u>912,424</u>	<u>898,416</u>									
C.	Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>									
D.	Reporting unit's covered-employee payroll	\$11,597,795	\$11,389,697									
E.	Contributions as a percentage of covered-employee payroll	7.87%	7.89%									

OTHER SUPPLEMENTARY INFORMATION

Charlotte Public Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2019

	Special Revenue Funds				
	Performing Arts	Food Service Fund	Childcare	Aquatic Center	Playground and Recreation
Assets					
Cash	\$ 77,559	\$ 205,707	\$ 228,662	\$ 52,591	\$ 432,597
Investments	-	-	-	-	-
Accounts receivable	-	-	44,495	-	-
Taxes receivable	-	-	-	-	200
Due from other funds	-	93,845	8,935	110,480	14,485
Due from other governmental units	-	8,235	5,562	-	-
Inventory	-	10,938	-	-	-
Total assets	\$ 77,559	\$ 318,725	\$ 287,654	\$ 163,071	\$ 447,282
Liabilities					
Accounts payable	\$ 2,089	\$ 11,328	\$ 46,127	\$ 12,745	\$ 88
Due to other funds	72,523	-	66,363	142,770	104,395
Accrued expenditures	635	3,486	-	1,208	-
Accrued salaries	2,312	9,675	-	6,348	-
Unearned revenue	-	890	9,077	-	-
Total liabilities	77,559	25,379	121,567	163,071	104,483
Fund Balance					
Non-spendable					
Inventory	-	10,938	-	-	-
Restricted for					
Food service	-	282,408	-	-	-
Debt service	-	-	-	-	-
Playground and recreation	-	-	-	-	342,799
Assigned	-	-	166,087	-	-
Total fund balance	-	293,346	166,087	-	342,799
Total liabilities, deferred inflows of resources, and fund balance	\$ 77,559	\$ 318,725	\$ 287,654	\$ 163,071	\$ 447,282

Charlotte Public Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2019

	Debt Service Funds				Total Nonmajor Governmental Funds
	2010A Debt	2010A Debt	2015 Debt	2016 Debt	
Assets					
Cash	\$ 6,633	\$ 2,066	\$ 13,461	\$ 4,007	\$ 1,023,283
Investments	647	384	-	-	1,031
Accounts receivable	-	-	-	-	44,495
Taxes receivable	499	112	1,107	110	2,028
Due from other funds	23,675	4,742	50,830	4,901	311,893
Due from other governmental units	-	-	-	-	13,797
Inventory	-	-	-	-	10,938
	<u>31,454</u>	<u>7,304</u>	<u>65,398</u>	<u>9,018</u>	<u>1,407,465</u>
Total assets	<u>\$ 31,454</u>	<u>\$ 7,304</u>	<u>\$ 65,398</u>	<u>\$ 9,018</u>	<u>\$ 1,407,465</u>
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 72,377
Due to other funds	-	-	-	-	386,051
Accrued expenditures	-	-	-	-	5,329
Accrued salaries	-	-	-	-	18,335
Unearned revenue	-	-	-	-	9,967
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>492,059</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>492,059</u>
Fund Balance					
Non-spendable					
Inventory	-	-	-	-	10,938
Restricted for					
Food service	-	-	-	-	282,408
Debt service	31,454	7,304	65,398	9,018	113,174
Playground and recreation	-	-	-	-	342,799
Assigned	-	-	-	-	166,087
	<u>31,454</u>	<u>7,304</u>	<u>65,398</u>	<u>9,018</u>	<u>915,406</u>
Total fund balance	<u>31,454</u>	<u>7,304</u>	<u>65,398</u>	<u>9,018</u>	<u>915,406</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 31,454</u>	<u>\$ 7,304</u>	<u>\$ 65,398</u>	<u>\$ 9,018</u>	<u>\$ 1,407,465</u>

Charlotte Public Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2019

	Special Revenue Funds				
	Performing Arts	Food Service Fund	Childcare	Aquatic Center	Playground and Recreation
Revenues					
Local sources	\$ 112,328	\$ 442,022	\$ 830,524	\$ 196,979	\$ 309,636
State sources	-	45,142	-	-	-
Federal sources	-	686,857	116,259	-	-
Total revenues	<u>112,328</u>	<u>1,174,021</u>	<u>946,783</u>	<u>196,979</u>	<u>309,636</u>
Expenditures					
Current					
Food services	-	1,102,514	-	-	-
Performing arts	102,972	-	-	-	-
Childcare	-	-	1,020,296	-	-
Aquatic center	-	-	-	413,365	-
Playground and recreation	-	-	-	-	47,357
Capital outlay	-	-	-	-	33,958
Debt service					
Principal	-	-	-	-	-
Interest and other expenditures	-	-	-	-	-
Total expenditures	<u>102,972</u>	<u>1,102,514</u>	<u>1,020,296</u>	<u>413,365</u>	<u>81,315</u>
Excess (deficiency) of revenues over expenditures	<u>9,356</u>	<u>71,507</u>	<u>(73,513)</u>	<u>(216,386)</u>	<u>228,321</u>
Other Financing Sources (Uses)					
Proceeds from school loan revolving fund	-	-	-	-	-
Transfers in	6,089	-	-	231,514	-
Transfers out	(15,445)	(76,450)	(34,464)	(15,129)	(190,178)
Total other financing sources (uses)	<u>(9,356)</u>	<u>(76,450)</u>	<u>(34,464)</u>	<u>216,385</u>	<u>(190,178)</u>
Net change in fund balance	-	(4,943)	(107,977)	(1)	38,143
Fund balance - beginning	-	298,289	274,064	1	304,656
Fund balance - ending	<u>\$ -</u>	<u>\$ 293,346</u>	<u>\$ 166,087</u>	<u>\$ -</u>	<u>\$ 342,799</u>

Charlotte Public Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2019

	Debt Service Funds				Total Nonmajor Governmental Funds
	2012 Debt	2010A Debt	2015 Debt	2016 Debt	
Revenues					
Local sources	\$ 573,032	\$ 123,545	\$ 1,201,450	\$ 117,983	\$ 3,907,499
State sources	-	-	-	-	45,142
Federal sources	-	250,885	-	-	1,054,001
	<u>573,032</u>	<u>374,430</u>	<u>1,201,450</u>	<u>117,983</u>	<u>5,006,642</u>
Total revenues					
	<u>573,032</u>	<u>374,430</u>	<u>1,201,450</u>	<u>117,983</u>	<u>5,006,642</u>
Expenditures					
Current					
Food services	-	-	-	-	1,102,514
Performing arts	-	-	-	-	102,972
Childcare	-	-	-	-	1,020,296
Aquatic center	-	-	-	-	413,365
Playground and recreation	-	-	-	-	47,357
Capital outlay	-	-	-	-	33,958
Debt service					
Principal	910,000	-	1,515,000	-	2,425,000
Interest and other expenditures	175,437	596,123	987,698	250,459	2,009,717
	<u>1,085,437</u>	<u>596,123</u>	<u>2,502,698</u>	<u>250,459</u>	<u>7,155,179</u>
Total expenditures					
	<u>1,085,437</u>	<u>596,123</u>	<u>2,502,698</u>	<u>250,459</u>	<u>7,155,179</u>
Excess (deficiency) of revenues over expenditures	(512,405)	(221,693)	(1,301,248)	(132,476)	(2,148,537)
Other Financing Sources (Uses)					
Proceeds from school loan revolving fund	502,463	218,236	1,252,246	107,267	2,080,212
Transfers in	-	-	-	-	237,603
Transfers out	-	-	-	-	(331,666)
	<u>502,463</u>	<u>218,236</u>	<u>1,252,246</u>	<u>107,267</u>	<u>1,986,149</u>
Total other financing sources (uses)					
	<u>502,463</u>	<u>218,236</u>	<u>1,252,246</u>	<u>107,267</u>	<u>1,986,149</u>
Net change in fund balance	(9,942)	(3,457)	(49,002)	(25,209)	(162,388)
Fund balance - beginning	41,396	10,761	114,400	34,227	1,077,794
Fund balance - ending	<u>\$ 31,454</u>	<u>\$ 7,304</u>	<u>\$ 65,398</u>	<u>\$ 9,018</u>	<u>\$ 915,406</u>

Charlotte Public Schools
Other Supplementary Information
General Fund
Schedule of Revenues Compared to Budget
For the Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Revenue from local sources				
Property tax levy	\$ 2,473,700	\$ 2,670,679	\$ 2,608,239	\$ (62,440)
Tuition	3,500	3,200	1,667	(1,533)
Transportation fees	15,000	15,000	13,380	(1,620)
Earnings on investments	9,500	9,500	18,255	8,755
Student activities	120,900	124,700	119,834	(4,866)
Community service activities	20,000	17,000	9,680	(7,320)
Other local revenues	<u>208,360</u>	<u>223,703</u>	<u>207,106</u>	<u>(16,597)</u>
Total revenues from local sources	<u>2,850,960</u>	<u>3,063,782</u>	<u>2,978,161</u>	<u>(85,621)</u>
Revenues from state sources				
Grants - unrestricted	15,951,068	16,351,455	16,355,271	3,816
Grants - restricted	<u>3,650,252</u>	<u>3,679,969</u>	<u>3,492,713</u>	<u>(187,256)</u>
Total revenues from state sources	<u>19,601,320</u>	<u>20,031,424</u>	<u>19,847,984</u>	<u>(183,440)</u>
Revenues from federal sources				
Grants	<u>574,866</u>	<u>2,091,220</u>	<u>1,850,730</u>	<u>(240,490)</u>
Interdistrict sources				
Transportation	339,561	408,307	398,482	(9,825)
Other	<u>1,808,337</u>	<u>911,568</u>	<u>1,311,529</u>	<u>399,961</u>
Total interdistrict sources	<u>2,147,898</u>	<u>1,319,875</u>	<u>1,710,011</u>	<u>390,136</u>

Charlotte Public Schools
Other Supplementary Information
General Fund
Schedule of Revenues Compared to Budget
For the Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Other financing sources				
Proceeds from sale of capital assets	\$ 7,000	\$ 7,000	\$ 397	\$ (6,603)
Transfers in	<u>146,525</u>	<u>163,201</u>	<u>191,700</u>	<u>28,499</u>
Total other financing sources	<u>153,525</u>	<u>170,201</u>	<u>192,097</u>	<u>21,896</u>
Total revenue and other financing sources	<u>\$ 25,328,569</u>	<u>\$ 26,676,502</u>	<u>\$ 26,578,983</u>	<u>\$ (97,519)</u>

Charlotte Public Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Basic program - elementary				
Salaries	\$ 3,364,714	\$ 3,295,295	\$ 3,288,136	\$ (7,159)
Employee benefits	2,326,764	2,311,225	2,458,707	147,482
Purchased services	39,225	36,010	31,199	(4,811)
Supplies and materials	215,818	251,767	236,290	(15,477)
Other	<u>90,552</u>	<u>131,962</u>	<u>118,703</u>	<u>(13,259)</u>
Total elementary	<u>6,037,073</u>	<u>6,026,259</u>	<u>6,133,035</u>	<u>106,776</u>
Basic program - middle school				
Salaries	818,884	779,824	777,540	(2,284)
Employee benefits	569,188	544,078	578,070	33,992
Purchased services	11,548	13,250	12,115	(1,135)
Supplies and materials	87,850	105,107	101,101	(4,006)
Other	<u>8,250</u>	<u>26,252</u>	<u>32,053</u>	<u>5,801</u>
Total middle school	<u>1,495,720</u>	<u>1,468,511</u>	<u>1,500,879</u>	<u>32,368</u>
Basic program - high school				
Salaries	1,931,675	1,922,106	1,926,878	4,772
Employee benefits	1,412,838	1,446,230	1,569,877	123,647
Purchased services	201,700	196,605	188,340	(8,265)
Supplies and materials	70,652	67,227	62,841	(4,386)
Other	<u>24,528</u>	<u>28,600</u>	<u>41,793</u>	<u>13,193</u>
Total high school	<u>3,641,393</u>	<u>3,660,768</u>	<u>3,789,729</u>	<u>128,961</u>
Basic program - summer school				
Salaries	1,500	1,500	-	(1,500)
Employee benefits	<u>669</u>	<u>669</u>	-	<u>(669)</u>

Charlotte Public Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Total summer school	2,169	2,169	-	(2,169)
Added needs - special education				
Salaries	1,236,336	1,098,348	1,094,906	(3,442)
Employee benefits	794,865	721,833	712,314	(9,519)
Purchased services	4,242	4,242	2,034	(2,208)
Supplies and materials	4,600	4,950	2,634	(2,316)
Other	648,211	900,919	895,234	(5,685)
Total special education	2,688,254	2,730,292	2,707,122	(23,170)
Added needs - compensatory education				
Salaries	617,317	663,361	589,663	(73,698)
Employee benefits	441,385	438,842	426,602	(12,240)
Purchased services	4,500	4,500	4,126	(374)
Supplies and materials	1,500	1,500	1,485	(15)
Other	-	-	65	65
Total compensatory education	1,064,702	1,108,203	1,021,941	(86,262)
Added needs - career and technical education				
Salaries	136,199	123,483	123,215	(268)
Employee benefits	73,830	97,499	106,209	8,710
Purchased services	9,400	9,400	5,801	(3,599)
Supplies and materials	19,000	61,100	65,133	4,033
Other	5,300	16,300	20,027	3,727
Total career and technical education	243,729	307,782	320,385	12,603

Charlotte Public Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Pupil - guidance services				
Salaries	156,188	154,426	154,427	1
Employee benefits	108,653	109,195	124,684	15,489
Purchased services	4,500	3,685	2,871	(814)
Supplies and materials	2,400	2,400	981	(1,419)
Other	800	800	-	(800)
Total guidance services	<u>272,541</u>	<u>270,506</u>	<u>282,963</u>	<u>12,457</u>
Pupil - health services				
Purchased services	15,800	10,800	10,000	(800)
Other	<u>122,342</u>	<u>127,508</u>	<u>127,509</u>	<u>1</u>
Total health services	<u>138,142</u>	<u>138,308</u>	<u>137,509</u>	<u>(799)</u>
Pupil - psychological services				
Purchased services	<u>164,115</u>	<u>180,592</u>	<u>180,593</u>	<u>1</u>
Pupil - speech services				
Other	<u>339,580</u>	<u>347,692</u>	<u>347,691</u>	<u>(1)</u>
Pupil - social work services				
Salaries	142,002	230,407	226,135	(4,272)
Employee benefits	85,259	131,797	120,691	(11,106)
Purchased services	300	300	-	(300)
Supplies and materials	<u>147,661</u>	<u>145,322</u>	<u>144,837</u>	<u>(485)</u>
Total social work services	<u>375,222</u>	<u>507,826</u>	<u>491,663</u>	<u>(16,163)</u>

Charlotte Public Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Pupil - teacher consultant				
Salaries	15,717	56,621	56,735	114
Employee benefits	6,977	30,946	32,849	1,903
Other	-	1,000	460	(540)
Total teacher consultant	<u>22,694</u>	<u>88,567</u>	<u>90,044</u>	<u>1,477</u>
Pupil - other support services				
Salaries	27,328	23,880	20,769	(3,111)
Employee benefits	16,123	15,199	14,770	(429)
Purchased services	43,200	43,200	46,922	3,722
Total other pupil support services	<u>86,651</u>	<u>82,279</u>	<u>82,461</u>	<u>182</u>
Instructional staff - improvement of education				
Salaries	27,413	70,071	26,732	(43,339)
Employee benefits	15,345	36,719	9,474	(27,245)
Purchased services	94,150	99,858	12,841	(87,017)
Supplies and materials	5,700	5,950	6,424	474
Other	19,730	23,290	20,235	(3,055)
Total improvement of education	<u>162,338</u>	<u>235,888</u>	<u>75,706</u>	<u>(160,182)</u>
Instructional staff - educational media services				
Salaries	28,706	27,726	25,744	(1,982)
Employee benefits	12,789	13,035	11,974	(1,061)
Purchased services	105	105	125	20
Other	9,587	9,587	8,672	(915)
Total educational media services	<u>51,187</u>	<u>50,453</u>	<u>46,515</u>	<u>(3,938)</u>

Charlotte Public Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Instructional staff - technology assisted instruction				
Supplies and materials	45,526	53,800	53,720	(80)
Instructional staff - supervision and direction of instructional staff				
Salaries	272,661	278,737	287,511	8,774
Employee benefits	159,766	160,027	168,674	8,647
Purchased services	6,800	6,200	4,856	(1,344)
Supplies and materials	2,142	2,442	2,087	(355)
Other	1,520	1,500	843	(657)
Total supervision and direction of instructional staff	442,889	448,906	463,971	15,065
General administration - board of education				
Salaries	3,500	3,500	2,667	(833)
Employee benefits	1,552	1,552	667	(885)
Purchased services	89,800	116,275	117,021	746
Supplies and materials	4,000	11,500	14,209	2,709
Other	6,000	10,000	9,677	(323)
Total board of education	104,852	142,827	144,241	1,414
General administration - executive administration				
Salaries	213,706	216,879	217,337	458
Employee benefits	115,777	115,848	111,429	(4,419)
Purchased services	4,430	2,800	2,480	(320)
Supplies and materials	2,000	2,500	2,654	154
Other	1,500	2,200	2,176	(24)
Total executive administration	337,413	340,227	336,076	(4,151)

Charlotte Public Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
School administration - office of the principal				
Salaries	1,025,803	1,014,655	1,027,181	12,526
Employee benefits	657,670	656,068	685,385	29,317
Purchased services	18,660	11,787	13,385	1,598
Supplies and materials	16,400	20,103	21,734	1,631
Other	5,850	5,940	3,418	(2,522)
Total office of the principal	<u>1,724,383</u>	<u>1,708,553</u>	<u>1,751,103</u>	<u>42,550</u>
Business - fiscal services				
Salaries	186,987	224,635	202,101	(22,534)
Employee benefits	105,916	107,027	106,900	(127)
Purchased services	38,103	43,203	43,767	564
Supplies and materials	1,300	1,500	2,666	1,166
Other	14,000	24,000	28,972	4,972
Total fiscal services	<u>346,306</u>	<u>400,365</u>	<u>384,406</u>	<u>(15,959)</u>
Business - internal services				
Purchased services	<u>27,000</u>	<u>30,518</u>	<u>28,133</u>	<u>(2,385)</u>
Business - other				
Purchased services	13,480	12,000	11,746	(254)
Other	<u>16,080</u>	<u>41,130</u>	<u>31,718</u>	<u>(9,412)</u>
Total other business	<u>29,560</u>	<u>53,130</u>	<u>43,464</u>	<u>(9,666)</u>
Operations and maintenance - operating building services				
Salaries	149,077	153,733	152,940	(793)
Employee benefits	105,788	108,928	107,877	(1,051)
Purchased services	1,269,708	1,255,916	1,244,191	(11,725)

Charlotte Public Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Supplies and materials	1,109,947	1,180,466	1,160,225	(20,241)
Other	200	200	50	(150)
Total operating building services	<u>2,634,720</u>	<u>2,699,243</u>	<u>2,665,283</u>	<u>(33,960)</u>
Pupil transportation services				
Salaries	542,436	556,255	530,628	(25,627)
Employee benefits	305,959	289,384	285,724	(3,660)
Purchased services	79,950	68,800	52,016	(16,784)
Supplies and materials	156,000	157,500	171,456	13,956
Other	469,017	561,700	561,347	(353)
Total transportation services	<u>1,553,362</u>	<u>1,633,639</u>	<u>1,601,171</u>	<u>(32,468)</u>
Central - communication services				
Purchased services	35,000	35,000	26,364	(8,636)
Supplies and materials	7,000	7,000	7,002	2
Total communication services	<u>42,000</u>	<u>42,000</u>	<u>33,366</u>	<u>(8,634)</u>
Central - staff/personnel services				
Salaries	106,198	105,800	105,235	(565)
Employee benefits	69,873	69,315	74,051	4,736
Purchased services	19,300	16,900	15,458	(1,442)
Supplies and materials	400	400	236	(164)
Other	250	250	-	(250)
Total staff/personnel services	<u>196,021</u>	<u>192,665</u>	<u>194,980</u>	<u>2,315</u>
Central - support services technology				
Salaries	141,737	146,800	145,361	(1,439)

Charlotte Public Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Employee benefits	87,691	79,561	81,409	1,848
Purchased services	5,150	-	-	-
Supplies and materials	78,000	180,000	168,256	(11,744)
Other	67,200	219,060	88,203	(130,857)
Total support services technology	379,778	625,421	483,229	(142,192)
Athletic activities				
Salaries	258,202	263,231	265,270	2,039
Employee benefits	132,100	152,636	149,499	(3,137)
Purchased services	114,700	113,244	93,556	(19,688)
Supplies and materials	66,125	91,125	82,603	(8,522)
Other	6,000	6,400	6,984	584
Total athletic activities	577,127	626,636	597,912	(28,724)
Community services - parent involve				
Supplies and materials	5,008	5,042	784	(4,258)
Community services - welfare activities				
Supplies and materials	1,300	1,303	1,326	23
Community services - non-public school pupils				
Purchased services	5,079	3,454	3,303	(151)
Supplies and materials	5,648	3,441	2,599	(842)
Other	-	4,561	4,078	(483)
Total non-public school pupils	10,727	11,456	9,980	(1,476)

Charlotte Public Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
CPAC				
Salaries	54,982	63,520	57,252	(6,268)
Employee benefits	36,525	27,630	28,314	684
Purchased services	5,060	5,060	3,364	(1,696)
Supplies and materials	<u>42,102</u>	<u>45,982</u>	<u>44,208</u>	<u>(1,774)</u>
Total other	<u>138,669</u>	<u>142,192</u>	<u>133,138</u>	<u>(9,054)</u>
Capital outlay				
Added needs - career and technical education	-	16,522	16,382	(140)
Pupil transportation services	160,000	245,464	245,464	-
Community services - other	2,500	2,500	1,510	(990)
Facilities acquisition	<u>55,550</u>	<u>184,265</u>	<u>219,250</u>	<u>34,985</u>
Total capital outlay	<u>218,050</u>	<u>448,751</u>	<u>482,606</u>	<u>33,855</u>
Other financing uses				
Transfers out	<u>43,034</u>	<u>46,720</u>	<u>97,637</u>	<u>50,917</u>
Total expenditures and other financing uses	<u>\$ 25,643,235</u>	<u>\$ 26,859,489</u>	<u>\$ 26,714,762</u>	<u>\$ (144,727)</u>

Charlotte Public Schools
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2019

Year Ending June 30,	2016 Refunding Bonds	2015 Refunding Bonds	2012 Refunding Bonds	2011 School Building and Site Obligation Bonds	2010 School Building and Site Obligation Bonds	Total
2020	\$ -	\$ 1,580,000	\$ 975,000	\$ -	\$ -	\$ 2,555,000
2021	-	1,640,000	1,045,000	-	-	2,685,000
2022	-	1,710,000	1,115,000	-	-	2,825,000
2023	960,000	1,765,000	250,000	-	-	2,975,000
2024	1,320,000	1,825,000	-	-	-	3,145,000
2025	1,435,000	1,890,000	-	6,000,000	-	9,325,000
2026	1,545,000	1,945,000	-	9,000,000	-	12,490,000
2027	1,615,000	1,950,000	-	-	-	3,565,000
2028	-	1,955,000	-	-	-	1,955,000
2029	-	1,955,000	-	-	-	1,955,000
2030	-	-	-	-	785,000	785,000
2031	-	-	-	-	785,000	785,000
2032	-	-	-	-	785,000	785,000
2033	-	-	-	-	3,910,000	3,910,000
2034	-	-	-	-	2,335,000	2,335,000
Total	<u>\$ 6,875,000</u>	<u>\$ 18,215,000</u>	<u>\$ 3,385,000</u>	<u>\$ 15,000,000</u>	<u>\$ 8,600,000</u>	<u>\$ 52,075,000</u>
Principal payments due the first day of	May	May	May	May	May	
Interest payments due the first day of	May and November	May and November	May and November	May and November	May and November	
Interest rate	2.25% - 4.00%	4.00% - 5.00%	2.75% - 5.00%	6.05% - 6.15%	6.80% - 7.00%	
Original issue	<u>\$ 6,875,000</u>	<u>\$ 23,605,000</u>	<u>\$ 9,005,000</u>	<u>\$ 15,000,000</u>	<u>\$ 8,600,000</u>	

Charlotte Public Schools

Single Audit Report

June 30, 2019



Table of Contents

	Page
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance	3
Schedule of Expenditures of Federal Awards	6
Notes to the Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs	10
Schedule of Prior Year Findings and Questioned Costs	13



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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*

Independent Auditors' Report

To the Board of Education
Charlotte Public Schools
Charlotte, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Charlotte Public Schools as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Charlotte Public Schools' basic financial statements, and have issued our report thereon dated October 24, 2019.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not

identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Yeo & Yeo, P.C.

Lansing, Michigan
October 24, 2019



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Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

Independent Auditors' Report

To the Board of Education
Charlotte Public Schools
Charlotte, Michigan

Report on Compliance for Each Major Federal Program

We have audited Charlotte Public Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Charlotte Public Schools' major federal programs for the year ended June 30, 2019. Charlotte Public Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Charlotte Public Schools' major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Charlotte Public Schools' 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Charlotte Public Schools' compliance.

Opinion on Each Major Federal Program

In our opinion, Charlotte Public Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of Charlotte Public Schools is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Charlotte Public Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Charlotte Public Schools' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Charlotte Public Schools as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Charlotte Public Schools' basic financial statements. We issued our report thereon dated October 24, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Yeo & Yeo, P.C.

Lansing, Michigan
October 24, 2019

Charlotte Public Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Amount	Accrued (Unearned) Revenue July 1, 2018	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Accrued (Unearned) Revenue June 30, 2019
U.S. Department of Agriculture							
Passed through Michigan Department of Education							
Child Nutrition Cluster							
Non-Cash Assistance							
Commodities							
Entitlement	10.555	\$ 79,704	\$ -	\$ -	\$ 79,704	\$ 79,704	\$ -
Cash Assistance							
School Breakfast Program							
181970	10.553	178,084	-	151,548	26,536	26,536	-
191970		149,345	-	-	149,345	149,345	-
			-	151,548	175,881	175,881	-
National School Lunch Program							
181960	10.555	473,866	-	402,682	71,184	71,184	-
191960		353,420	-	-	353,420	353,420	-
			-	402,682	424,604	424,604	-
Summer Food Service Program for Children							
180900	10.559	6,035	-	-	6,035	6,035	-
181900		633	-	-	633	633	-
			-	-	6,668	6,668	-
Total Child Nutrition Cluster			-	554,230	686,857	686,857	-
Child and Adult Care Food Program							
181920	10.558	27,442	2,588	19,016	8,426	11,014	-
182010		4,293	362	2,666	1,627	1,989	-
191920		22,062	-	-	22,062	16,859	5,203
192010		2,477	-	-	2,477	2,118	359
			2,950	21,682	34,592	31,980	5,562
Total U.S. Department of Agriculture			2,950	575,912	721,449	718,837	5,562

See Accompanying Notes to Schedule of Expenditures of Federal Awards

Charlotte Public Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Amount	Accrued (Unearned) Revenue July 1, 2018	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Accrued (Unearned) Revenue June 30, 2019
U.S. Department of Education							
Pass Through Eaton RESA							
Special Education Cluster - Grants to States							
190450-1819	84.027	1,400,000	\$ -	\$ -	\$ 1,400,000	\$ 1,006,427	\$ 393,573
Passed through Michigan Department of Education							
Title I Grants to Local Educational Agencies							
181530-1718	84.010	402,458	55,082	322,285	-	55,082	-
191530-1819		434,019	-	-	345,872	311,095	34,777
			<u>55,082</u>	<u>322,285</u>	<u>345,872</u>	<u>366,177</u>	<u>34,777</u>
Education for Homeless Children and Youth	84.196	674	-	-	674	674	-
Supporting Effective Instruction State Grants							
180520-1718	84.367	143,385	1,747	49,366	-	1,747	-
190520-1819		223,599	-	-	94,154	83,599	10,555
			<u>1,747</u>	<u>49,366</u>	<u>94,154</u>	<u>85,346</u>	<u>10,555</u>
Student Support and Academic Enrichment							
190750-1819	84.424	29,230	-	-	6,681	6,681	-
Total U.S. Department of Education			<u>56,829</u>	<u>371,651</u>	<u>1,847,381</u>	<u>1,465,305</u>	<u>438,905</u>
U.S. Department of Health and Human Services							
Passed through Capital Area Community Services							
Head Start	93.600	81,667	-	-	81,667	81,667	-
Passed through Eaton Regional Educational Service Agency							
Medicaid Cluster							
Medical Assistance Program	93.778	3,349	-	-	3,349	3,349	-
Total U.S. Department of Health and Human Services			<u>-</u>	<u>-</u>	<u>85,016</u>	<u>85,016</u>	<u>-</u>
Total Federal Programs			<u>\$ 59,779</u>	<u>\$ 947,563</u>	<u>\$ 2,653,846</u>	<u>\$ 2,269,158</u>	<u>\$ 444,467</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

Charlotte Public Schools
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2019

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Charlotte Public Schools under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Charlotte Public Schools, it is not intended to and does not present the financial position, changes in financial positions, and where applicable, cash flows of Charlotte Public Schools.

Note 2 - Summary of Significant Accounting Policies

Expenditures

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance where certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Indirect Cost Rate

Charlotte Public Schools has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 - Reconciliation to the Financial Statements

The following reconciles the federal revenue reported in the June 30, 2019 financial statement to the expenditures of Charlotte Public Schools administered federal programs reported on the schedule of expenditures of federal awards:

Federal revenue from the financial statements	\$3,677,661
Less: Build America Bonds Federal Interest Subsidy which is not subject to the Single Audit Act	<u>1,023,815</u>
Federal expenditures per Schedule of Expenditures of Federal Awards	<u><u>\$2,653,846</u></u>

Note 4 - Subrecipients

No amounts were provided to subrecipients.

Charlotte Public Schools
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2019

Note 5 - Michigan Department of Education Disclosures

The federal amounts reported on the grant auditor report are in agreement with the schedule of expenditures of federal awards except for the following timing differences of when the deposit was made:

	<u>Per Grant Auditor Report</u>	<u>Per Schedule of Expenditures of Federal Awards</u>	<u>Variance</u>
Title I Grants to Local Educational Agencies Grant Number 191530-1819	\$ 269,791	\$ 311,095	\$ 41,304
Supporting Effective Instruction State Grants Grant Number 190520-1819	75,004	83,599	8,595
Student Support and Academic Enrichment Grant Number 190750-1819	<u>1,796</u>	<u>6,681</u>	<u>4,885</u>
Total	<u>\$ 346,591</u>	<u>\$ 401,375</u>	<u>\$ 54,784</u>

The amounts reported on the recipient entitlement balance report agree with the schedule of expenditures of federal awards for U.S.D.A. donated food commodities.

Charlotte Public Schools
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

• Material weakness(es) identified?

Yes No

• Significant deficiency(ies) identified that are not considered to be material weaknesses?

Yes None reported

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major programs:

• Material weakness(es) identified?

Yes No

• Significant deficiency(ies) identified that are not considered to be material weaknesses

Yes None reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with §200.516(a)?

Yes No

Charlotte Public Schools
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Identification of major programs:

CFDA Number(s)

84.027

Name of Federal Program or Cluster

Special Education Cluster – Grants to States

Dollar threshold used to distinguish between
type A and type B programs:

\$ 750,000

Auditee qualified as a low-risk auditee?

Yes No

Charlotte Public Schools
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Section II – Government Auditing Standards

There were no findings related to the financial statements which are required to be reported in accordance with governmental auditing standards generally accepted in the United States of America for the year ended June 30, 2019.

Section III – Federal Awards Findings and Questioned Costs

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2019.

Charlotte Public Schools
Schedule of Prior Year Findings and Questioned Costs
Year Ended June 30, 2019

Government Auditing Standards

2018-001 Material Weakness

Criteria: Michigan Department of Education Bulletin 1022 Michigan Public School Accounting Manual states that financial statements and records should be free of errors that could change the users' overall assessment of the entity's finances.

Status: Finding has been corrected.

Federal Awards Findings and Questioned Costs

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2018.

October 24, 2019

Management and the Board of Education
Charlotte Public Schools
Charlotte, Michigan

We have completed our audit of the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Charlotte Public Schools as of and for the year ended June 30, 2019, and have issued our report dated October 24, 2019. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The first appendix to this letter sets forth those communications as follows:

I. Auditors' Communication of Significant Matters with Those Charged with Governance

In addition, we have identified additional matters that are not required to be communicated but we believe are valuable for management:

II. Matters for Management's Consideration

We discussed these matters with various personnel in the School District during the audit and with management. We would also be pleased to meet with you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, the Board of Education, and others within the School District, and are not intended to be and should not be used by anyone other than those specified parties.

Yeo & Yeo, P.C.

Lansing, Michigan

Appendix I

Auditors' Communication of Significant Matters with Those Charged with Governance

Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards* and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated June 26, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in Note 1 of the financial statements. The School District has adopted the new Government Accounting Standards Board Statements as noted in the notes to the financial statements, effective July 1, 2018.

We noted no transactions entered into by the School District during the year where there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the School District's financial statements were:

- The useful lives of its capital assets. Useful lives are estimated based on the expected length of time during which the asset is able to deliver a given level of service.
- Net pension liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.
- Net OPEB liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.
- The incurred but not reported claims related to the self-insurance for healthcare is based on past claims history and knowledge of claims received in the months subsequent to fiscal year end.

We have evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole and free from bias.

Disclosures in the financial statements are neutral, consistent and clear.

Accounting Standards and Regulatory Updates

Accounting Standards

The Governmental Accounting Standards Board has released the following Statements:

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The criteria generally is on (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable are: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria. The requirements of this Statement are effective for the fiscal year ending June 30, 2020.

Statement No. 87, *Leases* increases the usefulness of the District's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the District's leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

Statement No. 90, *Majority Equity Interests* improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain components. This statement is effective for the year ending June 30, 2020.

Statement No. 91, *Conduit Debt Obligations* provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This statement is effective for the year ending June 30, 2022.

The School District is evaluating the impact the above pronouncements will have on its financial reporting.

Regulatory and Other Updates

Federal Compliance

The Federal Compliance Supplement is being fully revised for 2019. Included in the revision is a mandate that the federal awarding agencies limit the requirement to test six of the compliance areas for each program. These program testing requirements are anticipated to vary on an annual basis. However, auditors will still need to perform a risk assessment to determine if any additional requirements may need to be tested, or if some of those requirements will not be necessary to test as it may not be direct and material to the program. This does not alleviate districts from following all of the compliance requirements as described in the grant agreement. It simply identifies which ones auditors will be testing.

Budget Assumptions & Early Warning

Each school district that has a general fund balance less than 5% of total unrestricted general revenue for either of the 2016-2017 or 2017-2018 school fiscal years is required to submit budget assumptions to the Center for Educational Performance and Information (CEPI).

Uniform Budgeting and Accounting Act (UBAA)

The UBAA establishes budget and accounting requirements for local governments and school districts, including public school academies. It also establishes oversight requirements for MDE as well as the Michigan Attorney General. Material violations of the UBAA, including but not limited to General Fund deficits, should be reported as financial statement findings in the audit report. UBAA states that if it becomes apparent during the year that the probable revenues will be less than the budgeted revenues, the fiscal officer shall present recommendations to the legislative body which, if adopted, would prevent expenditures from exceeding available revenues for the fiscal year. UBAA states that an officer of the school district shall not incur expenditures against an appropriation account in excess of the amount appropriated by the board. Noncompliance includes, but is not limited to, over-expending the budget authorized by the board. MDE is analyzing the General Fund only, and at the total revenues, expenditures and financing sources (uses) levels, rather than at the line item level. MDE has stated a 0% tolerance for UBAA noncompliance.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements.

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial, and communicate them to the appropriate level of management. There were no misstatements detected as a result of audit procedures that were more than trivial.

There were no uncorrected misstatements that were more than trivial.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditors' report. We are pleased to report we had no disagreements with management during the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Reports

Other information that is required to be reported to you is included in the: 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*; Independent Auditors' Report on Compliance For Each Major Federal Program; Independent Auditors' Report on Internal Control Over Compliance; Independent Auditors' Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance; and the Schedule of Findings and Questioned Costs. Please read all information included in those reports to ensure you are aware of relevant information.

Report on Required Supplementary Information

With respect to the required supplementary information accompanying the financial statements, which includes management's discussion and analysis, schedule of the school district's proportionate share of the net pension liability, schedule of the school district's pension contributions, schedule of the school district's proportionate share of the net OPEB liability, schedule of the school district's OPEB contributions, and budgetary comparison information, we applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

Report on Other Supplementary Information

With respect to the other supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Appendix II
Matters for Management's Consideration

In planning and performing our audit of the financial statements of Charlotte Public Schools as of and for the year ended June 30, 2019, we considered Charlotte Public Schools' internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

However, during our audit we became aware of several matters for management's consideration that are opportunities for strengthening financial reporting. This letter does not affect our report dated October 24, 2019, on the financial statements of Charlotte Public Schools. Our comment and recommendation regarding this matter is:

Interfund Balances

We noted significant balances in interfund accounts during our audit. Upon inquiry of management, it was noted that the School District was behind on processing the transactions necessary to minimize the balance in these accounts. Best practice is to stay up to date on processing interfund balances. We recommend management process transactions and maintain insignificant interfund balances when possible. Subsequent to fiscal year end, and prior to the issuance of this report management provided verification that the majority of the interfund accounts were properly cleared.