

Charlotte Public Schools

Financial Statements

June 30, 2018



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Charlotte Public Schools
Members of the Board of Education and Administration
June 30, 2018

Members of the Board of Education

Lee Wheaton	President
Julie Kimmer	Vice-President
Ron Schultheiss	Secretary
Caleb Buhs	Treasurer
Stephanie Hale	Trustee
Gary King	Trustee
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Administration

Mark D. Rosekrans	Superintendent
Michelle Sine	Executive Director of Business, Operations, and Human Resources



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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, 2018, 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, 2018, 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.

Adoption of New Accounting Standards

As described in Note 1 to the financial statements, during the year ended June 30, 2018, the School District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

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 3, 2018 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 3, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Charlotte Public Schools

Management Discussion and Analysis

For the Fiscal Year Ended June 30, 2018

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, 2018. 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, 2018.

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, 2018

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, 2018

- 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.
 - The District has implemented several new programs over recent years to enhance our students' education and experiences. New for the 2018-2019 school year:
 - Expanded Extracurricular Offerings
 - Expanded Course Offerings
 - Opening of Galewood Early Elementary School
 - Opening of CPS Project Success
 - More opportunities for teachers to collaborate to examine student progress, teaching strategies and curriculum focus.

Charlotte Public Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

Summary of Net position:

The following summarizes the net position as of June 30, 2018 and 2017.

	Governmental Activities 2018	Governmental Activities 2017 (Restated)
	<u>2018</u>	<u>2017 (Restated)</u>
Assets		
Current and other assets	\$ 8,822,739	\$ 9,313,898
Capital assets	<u>55,161,259</u>	<u>57,338,698</u>
Total assets	63,983,998	66,652,596
Deferred Outflows of Resources		
Deferred amount related to net pension liability	7,986,124	4,129,331
Deferred amount related to net OPEB liability	733,694	546,832
Deferred amount on debt refunding	<u>783,855</u>	<u>857,594</u>
Total assets and deferred outflows of resources	<u>73,487,671</u>	<u>72,186,353</u>
Liabilities		
Current liabilities	4,116,581	4,588,650
Long-term liabilities	<u>114,435,728</u>	<u>102,682,718</u>
Total liabilities	118,552,309	107,271,368
Deferred Inflows of Resources		
Deferred amount related to net pension liability	4,265,991	2,466,435
Deferred amount related to net OPEB liability	408,583	12,206,761
Noncancellable lease	<u>100,332</u>	<u>234,189</u>
Total liabilities and deferred inflows of resources	<u>123,327,215</u>	<u>122,178,753</u>
Net Position		
Net deficit capital assets	(7,794,700)	(8,092,150)
Restricted	304,656	210,584
Unrestricted (deficit)	<u>(42,349,500)</u>	<u>(42,110,834)</u>
Total net position	<u>\$ (49,839,544)</u>	<u>\$ (49,992,400)</u>

Charlotte Public Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

Analysis of Financial Position:

As detailed above, the District shows a total net position of \$(49,839,544) for the fiscal year ended June 30, 2018. 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 \$43,561,704 for the fiscal year ending June 30, 2018.

**Charlotte Public Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2018**

Results of Operations:

For the fiscal year ended June 30, 2018 and 2017, the district-wide results of operations were:

	<u>Governmental Activities 2018</u>	<u>Governmental Activities 2017</u>
Revenues		
Program revenues		
Charges for services	\$ 1,800,644	\$ 1,797,615
Operating and capital grants	8,075,607	7,875,640
General revenues		
Property taxes	6,854,897	6,894,769
State school aid - unrestricted	15,802,527	15,362,582
Other	399,599	566,080
	<u>32,933,274</u>	<u>32,496,686</u>
Total revenue		
Functions/ Program Expenses		
Instruction	14,658,654	14,580,188
Supporting services	9,551,345	9,916,353
Food service	1,134,476	1,092,930
Community services	629,522	737,807
Childcare	907,045	798,639
Playground and recreation	10,466	6,240
Intergovernmental	2,500	2,365
Interest and fees on long-term debt	3,124,210	3,190,906
Unallocated depreciation	2,762,200	2,882,827
	<u>32,780,418</u>	<u>33,208,255</u>
Total expenses		
Change in Net Position	<u>\$ 152,856</u>	<u>\$ (711,569)</u>

Charlotte Public Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

ANALYSIS OF RESULTS OF OPERATIONS:

During the fiscal year ended June 30, 2018, the District's net position increased by \$152,856. 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 \$433,192 for the fiscal year ended June 30, 2018 but there were net changes in capital assets, debt, and various other adjustments that resulted in \$(280,336) in net reconciling items as presented in the statements that caused the change in net position at the government-wide level to be \$152,856. Further discussion of the District's operating results is available in the section entitled "Results of 2017-2018 Operations" located on the following pages.

RESULTS OF 2017-2018 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 \$323,941 for the fiscal year ended June 30, 2018. The General Fund as of June 30, 2018, had a fund balance of \$4,441,589 or 18% of expenditures for the 2017-2018 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: \$341,699
- Committed for Technology and Bus Replacement: \$860,000
- Assigned for 2018-2019 Adopted Budget Shortfall: \$314,666

Therefore, this leaves an unreserved or unassigned fund balance of \$2,925,224, or 12% of expenditures at June 30, 2018.

Debt Service Fund Operations

The Debt Service Funds consist of six separate debt funds as follows: 2010 Debt, 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, 2018, the Debt Service Funds had \$256,187 in fund equity available for future bond payments. The 2010 Debt service fund made its final obligated payment during 2017-2018 so the fund has been closed as of June 30, 2018.

Charlotte Public Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

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 \$1,516,973 from the Michigan School Bond Loan Fund. The District also had termination benefits outstanding at June 30, 2018, which totaled \$49,214. The District paid principal of \$3,710,000 on bonded debt during the fiscal year. A detailed presentation of the District's long-term debt is presented in Note 8 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 2017-2018 the Food Service Fund had revenues of \$1,202,700 and expenditures and other financing uses of \$1,179,787. 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 \$298,289 at June 30, 2018. This represents 25% 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 2018-2019 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 2017-2018 the Performing Arts Fund generated revenues of \$113,493 and had expenditures and other financing uses of \$113,494. The fund balance has been exhausted, requiring General Fund to transfer \$3,209 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 2017-2018 the Childcare Fund generated revenues and other financing sources of \$991,179. Expenditures and other financing uses for the fund totaled \$934,371. The fund improved by \$56,808, to end the year with a fund balance of \$271,064, or 27% of annual expenditures. The program has plans to purchase additional equipment and program supplies during the 2018-2019 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 2017-2018 the Aquatic Center Fund generated revenues and other financing sources of \$416,688. Expenditures and other financing uses for the fund totaled \$416,688. The Aquatic Center revenues included an operational transfer from the Recreation and Playground Fund in the amount of \$172,420 and General Fund in the amount of \$41,669, both transfers were significantly less than the prior year, a sign of positive financial health.

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 \$272,184, of which \$172,420 was transferred out of the fund, primarily to the Aquatic Center Fund. This fund ended the year with a fund balance of \$304,656. 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.

**Charlotte Public Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2018**

Net Investment in Capital Assets

The District's net deficit capital assets increased by \$297,450 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, 2018	Balance June 30, 2017	Change
Capital assets net of accumulated depreciation	\$ 55,161,259	\$ 57,338,698	\$ (2,177,439)
Less: related debt and other	(62,955,959)	(65,430,848)	2,474,889
Net deficit capital assets	\$ (7,794,700)	\$ (8,092,150)	\$ 297,450

IMPORTANT ECONOMIC FACTORS

State of Michigan Unrestricted Aid (Net State Foundation Grant)

In 2017-2018 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 \$7,631 per student for the 2017-2018 school year, which is an increase of \$120 from Charlotte Public Schools 2016-2017 foundation allowance of \$7,511.

**Charlotte Public Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2018**

Student Enrollment

The District's blended State Aid Membership for 2017-2018 was 2,421 students. The District's enrollment decreased from the prior school year's fall student count. Early indications show that student growth can be expected for the 2018-2019 school year.

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

	Student FTE	FTE Change Ffrom Prior Year
2017 - 2018	2,421	(4)
2016 - 2017	2,425	(38)
2015 - 2016	2,463	(87)
2014 - 2015	2,550	(57)
2013 - 2014	2,607	(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 2017-2018 the District's debt and other millage levy totaled 8.09 mills, which generated revenue of approximately \$4,400,000.

**Charlotte Public Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2018**

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
\$ 23,859,837	\$ 25,025,488	\$ 24,597,746	3.1%	-1.7%

General Fund Revenues and Other Sources, Budget vs. Actual

Original Budget	Final Budget	Actual	Variances	
			Actual and Original Budget	Actual and Final Budget
\$ 23,717,910	\$ 25,225,943	\$ 24,921,687	5.1%	-1.2%

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, 2018**

General Fund Expenditures:

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

		<u>Percent</u>
Total Expenditures Original Budget	\$ 23,859,837	100%
Total Expenditures Final Budget	<u>25,025,488</u>	<u>103%</u>
Increase in Budget Expenditures	<u>\$ 1,165,651</u>	<u>5%</u>

Revenue Change from Original to Final Budget:

		<u>Percent</u>
Total Revenues Original Budget	\$ 23,717,910	100%
Total Revenues Final Budget	<u>25,225,943</u>	<u>103%</u>
Increase in Budget Revenues	<u>\$ 1,508,033</u>	<u>6%</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 2019 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 2019 fiscal year budget was adopted in May 2018, based on an estimate of students that will be enrolled in October 2018. 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 2018-2019 school year, we anticipate that the fall student count will be more than the estimates used in creating the 2019 fiscal year budget, and higher than Fall 2017 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, 2018

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.

BASIC FINANCIAL STATEMENTS

Charlotte Public Schools
Statement of Net Position
June 30, 2018

	<u>Governmental Activities</u>
Assets	
Cash	\$ 4,392,221
Investments	9
Taxes receivable	3,748
Accounts receivable	102,377
Lease receivable	111,480
Due from other governmental units	3,780,832
Inventory	48,995
Prepaid items	383,077
Capital assets not being depreciated	220,496
Capital assets - net of accumulated depreciation	<u>54,940,763</u>
 Total assets	 <u>63,983,998</u>
 Deferred Outflows of Resources	
Deferred amount related to the net pension liability	7,986,124
Deferred amount related to the net OPEB liability	733,694
Deferred amount on debt refundings	<u>783,855</u>
 Total deferred outflows of resources	 <u>9,503,673</u>
 Total assets and deferred outflows of resources	 <u>73,487,671</u>

See Accompanying Notes to the Financial Statements

Charlotte Public Schools
Statement of Net Position
June 30, 2018

	Governmental Activities
Liabilities	
Accounts payable	\$ 362,017
Due to other governmental units	275,259
Accrued expenditures	2,137,327
Accrued salaries	994,665
Unearned revenue	347,313
Long-term liabilities	
Net pension liability	35,521,296
Net OPEB liability	12,085,652
Debt due within one year	2,783,758
Debt due in more than one year	<u>64,045,022</u>
Total liabilities	<u>118,552,309</u>
Deferred Inflows of Resources	
Deferred amount related to the net pension liability	4,265,991
Deferred amount related to the net OPEB liability	408,583
Noncancellable lease	<u>100,332</u>
Total deferred inflows of resources	<u>4,774,906</u>
Total liabilities and deferred inflows of resources	<u>123,327,215</u>
Net Position	
Net deficit capital assets	(7,794,700)
Restricted for	
Playground and recreation	304,656
Unrestricted (deficit)	<u>(42,349,500)</u>
Total net position	<u>\$ (49,839,544)</u>

See Accompanying Notes to the Financial Statements

Charlotte Public Schools
Statement of Activities
For the Year Ended June 30, 2018

	Program Revenues			Net (Expense)
Expenses	Charges for Services	Operating Grants and Contributions		Revenue and Changes in Net Position
Functions/Programs				
Governmental activities				
Instruction	\$ 14,658,654	\$ 4,315	\$ 4,999,195	\$ (9,655,144)
Supporting services	9,551,345	159,573	1,177,424	(8,214,348)
Food services	1,134,476	428,573	774,127	68,224
Community services	629,522	329,661	156	(299,705)
Childcare	907,045	878,522	105,736	77,213
Playground and recreation	10,466	-	-	(10,466)
Intergovernmental payments	2,500	-	-	(2,500)
Interest and fees on long-term debt	3,124,210	-	1,018,969	(2,105,241)
Unallocated depreciation	2,762,200	-	-	(2,762,200)
Total governmental activities	\$ 32,780,418	\$ 1,800,644	\$ 8,075,607	(22,904,167)
General revenues				
				2,463,948
				4,120,482
				270,467
				15,802,527
				25,897
				5,271
				130,851
				237,580
Total general revenues				23,057,023
Change in net position				152,856
Net position - beginning, as restated				(49,992,400)
Net position - ending				\$ (49,839,544)

See Accompanying Notes to the Financial Statements

Charlotte Public Schools
Governmental Funds
Balance Sheet
June 30, 2018

	General Fund	Special Revenue Fund Food Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 2,445,867	\$ 666,037	\$ 1,280,284	\$ 4,392,188
Investments	-	-	9	9
Taxes receivable	1,470	-	2,278	3,748
Accounts receivable	46,799	2,242	53,336	102,377
Lease receivable	-	-	111,480	111,480
Due from other funds	609,878	-	355,143	965,021
Due from other governmental units	3,603,471	8,275	2,950	3,614,696
Inventory	37,822	11,173	-	48,995
Prepaid items	303,877	-	-	303,877
	<u>\$ 7,049,184</u>	<u>\$ 687,727</u>	<u>\$ 1,805,480</u>	<u>\$ 9,542,391</u>
Liabilities				
Accounts payable	\$ 306,879	\$ 11,835	\$ 43,303	\$ 362,017
Due to other funds	288,022	354,901	393,997	1,036,920
Due to other governmental units	275,259	-	-	275,259
Accrued expenditures	437,988	2,947	1,478	442,413
Accrued salaries	977,960	9,328	7,377	994,665
Unearned revenue	321,487	10,427	15,399	347,313
	<u>2,607,595</u>	<u>389,438</u>	<u>461,554</u>	<u>3,458,587</u>
Total assets				
Total liabilities				

See Accompanying Notes to the Financial Statements

Charlotte Public Schools
Governmental Funds
Balance Sheet
June 30, 2018

	General Fund	Special Revenue Fund Food Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Deferred Inflows of Resources				
Unavailable revenue				
Noncancellable lease	\$ -	\$ -	\$ 100,332	\$ 100,332
Fund Balance				
Non-spendable				
Inventory	37,822	11,173	-	48,995
Prepaid items	303,877	-	-	303,877
Restricted for				
Food service	-	287,116	-	287,116
Debt service	-	-	256,187	256,187
Playground and recreation	-	-	304,656	304,656
Committed for				
Technology	700,000	-	-	700,000
Bus replacement	160,000	-	-	160,000
Assigned for				
Future year budgeted expenditures	314,666	-	-	314,666
Childcare	-	-	274,064	274,064
Capital projects	-	-	408,686	408,686
Aquatic center	-	-	1	1
Unassigned	2,925,224	-	-	2,925,224
Total fund balance	4,441,589	298,289	1,243,594	5,983,472
Total liabilities, deferred inflows of resources and fund balances	\$ 7,049,184	\$ 687,727	\$ 1,805,480	\$ 9,542,391

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, 2018

Total fund balances for governmental funds	\$ 5,983,472
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.	
Interest credit subsidy receivable from the Federal Subsidy Program	166,136
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	54,940,763
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from debt refunding	783,855
Deferred outflows of resources resulting from net pension liability	7,986,124
Deferred outflows of resources resulting from net OPEB liability	733,694
Deferred inflows of resources resulting from net pension liability	(4,265,991)
Deferred inflows of resources resulting from net OPEB liability	(408,583)
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest on long-term debt	(1,543,926)
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	(49,214)
Bonds payable	(57,327,318)
School loan revolving fund payable	(9,452,248)
Net pension liability	(35,521,296)
Net OPEB liability	(12,085,652)
Internal service fund assets and liabilities are included in the governmental activities in the statement of net position	<u>144</u>
Net position of governmental activities	<u>\$ (49,839,544)</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, 2018

	General Fund	Special Revenue Fund Food Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local sources	\$ 2,848,592	\$ 428,573	\$ 5,743,015	\$ 9,020,180
State sources	19,169,952	47,830	86,603	19,304,385
Federal sources	398,029	726,297	1,124,274	2,248,600
Interdistrict sources	2,381,208	-	-	2,381,208
	<u>24,797,781</u>	<u>1,202,700</u>	<u>6,953,892</u>	<u>32,954,373</u>
Expenditures				
Current				
Education				
Instruction	14,480,733	-	-	14,480,733
Supporting services	9,482,893	-	-	9,482,893
Food services	-	1,123,716	-	1,123,716
Community services	116,795	-	-	116,795
Performing arts	-	-	106,094	106,094
Childcare	-	-	898,442	898,442
Aquatic center	-	-	400,661	400,661
Playground and recreation	-	-	4,250	4,250
Intergovernmental payments	2,500	-	-	2,500
Capital outlay	469,947	-	127,777	597,724
Debt service				
Principal	-	-	3,710,000	3,710,000
Interest and other expenditures	-	-	3,119,617	3,119,617
	<u>24,552,868</u>	<u>1,123,716</u>	<u>8,366,841</u>	<u>34,043,425</u>
Excess (deficiency) of revenues over expenditures	<u>244,913</u>	<u>78,984</u>	<u>(1,412,949)</u>	<u>(1,089,052)</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, 2018

	<u>General Fund</u>	<u>Special Revenue Fund Food Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Other Financing Sources (Uses)				
Proceeds from school loan revolving fund	\$ -	\$ -	\$ 1,516,973	\$ 1,516,973
Proceeds from sale of capital assets	5,271	-	-	5,271
Transfers in	118,635	-	227,374	346,009
Transfers out	<u>(44,878)</u>	<u>(56,071)</u>	<u>(245,060)</u>	<u>(346,009)</u>
Total other financing sources (uses)	<u>79,028</u>	<u>(56,071)</u>	<u>1,499,287</u>	<u>1,522,244</u>
Net change in fund balance	323,941	22,913	86,338	433,192
Fund balance - beginning	<u>4,117,648</u>	<u>275,376</u>	<u>1,157,256</u>	<u>5,550,280</u>
Fund balance - ending	<u>\$ 4,441,589</u>	<u>\$ 298,289</u>	<u>\$ 1,243,594</u>	<u>\$ 5,983,472</u>

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, 2018

Net change in fund balances - Total governmental funds	\$ 433,192
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.	
Property taxes	(26,370)
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	(2,762,200)
Capital outlay	607,163
Sale of capital assets (net book value)	(22,402)
Expenses are recorded when incurred in the statement of activities.	
Interest	(286,455)
Termination benefit	(4,530)
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	(2,211,456)
Net change in the deferred amount of resources related to the net pension liability	2,057,237
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	121,109
Net change in the deferred amount of resources related to the net OPEB liability	(221,721)
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	(1,516,973)
Repayments of long-term debt	3,710,000
Amortization of bond premium	465,617
Amortization of deferred amount on debt refunding	(73,739)
Amortization of bond discount	(110,016)
Internal service fund revenues and expenses are included in governmental activities in the statement of activities	(5,600)
Change in net position of governmental activities	\$ 152,856

See Accompanying Notes to the Financial Statements

Charlotte Public Schools
Proprietary Fund
Internal Service Fund - Self Funded Insurance
Statement of Net Position
June 30, 2018

Assets

Cash	\$	33
Due from other funds		71,899
Prepaid expenses		<u>79,200</u>
Total assets		151,132

Liabilities

Accrued expenses		<u>150,988</u>
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Net Position

Unrestricted	\$	<u><u>144</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, 2018

Operating Revenues

Charges to other funds \$ 2,021,709

Operating Expenses

Claims 1,629,259

Administrative fees 398,050

Total operating expenditures 2,027,309

Change in net position (5,600)

Net position - beginning of the year 5,744

Net position - end of year \$ 144

Charlotte Public Schools
Proprietary Fund
Internal Service Fund - Self Funded Insurance
Statement of Cash Flows
For the Year Ended June 30, 2018

Cash Flows from operating activities

Receipts from other funds	\$ 1,909,659
Claims and administrative fees paid	<u>(1,959,626)</u>
Net change in cash and cash equivalents	(49,967)
Cash and cash equivalents - beginning of the year	<u>50,000</u>
Cash and cash equivalents - end of year	<u>\$ 33</u>

Reconciliation of operating loss to net cash from operating activities

Operating loss	\$ (5,600)
Adjustments to reconcile operating loss to net cash from operating activities -	
changes in assets and liabilities	
Due from other funds	(66,522)
Prepaid expenses	(41,000)
Accounts payable	(42,305)
Due to other funds	(45,528)
Accrued expenses	<u>150,988</u>
Net cash and cash equivalents used by operating activities	<u>\$ (49,967)</u>

Charlotte Public Schools
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2018

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash	\$ 10,960	\$ 87,622
Investments	<u>31,000</u>	<u>43,000</u>
Total assets	<u>41,960</u>	<u>\$ 130,622</u>
Liabilities		
Due to:		
High school student activities	-	\$ 96,180
Middle school student activities	-	17,226
Parkview elementary student activities	-	4,281
Upper elementary student activities	-	10,472
Washington elementary student activities	<u>-</u>	<u>2,463</u>
Total liabilities	<u>-</u>	<u>\$ 130,622</u>
Net Position		
Assets held in trust for scholarship awards and loans	<u>\$ 41,960</u>	

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, 2018

	<u>Private Purpose Trust Funds</u>
Additions	
Local sources	\$ 42
Net position - beginning	<u>41,918</u>
Net position - ending	<u>\$ 41,960</u>

See Accompanying Notes to Financial Statements

Charlotte Public Schools
Notes to the Financial Statements
June 30, 2018

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, 2018

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.

Food Service Fund – The Food Service Fund is used to account for the operations of the food service department. Operating deficits generated by these activities are generally transferred from the General Fund.

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, 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.

Capital Projects 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.

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, 2018, the rates are as follows per \$1,000 of assessed value.

Charlotte Public Schools
Notes to the Financial Statements
June 30, 2018

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, 2018

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 (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. 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 (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. 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. 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 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 MPERS 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.

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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 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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined OPEB plans, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee services. It also requires additional note disclosures and required supplementary information. Statement No. 75 is effective for the fiscal year ending June 30, 2018.

Statement No. 85, *Omnibus 2017* addresses practice issues that were identified during implementation and application of certain GASB Statements. This statement covers issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits), which is effective for the fiscal year ending June 30, 2018.

Statement No. 86, *Certain Debt Extinguishment Issues* is to improve consistency in accounting and financial reporting for in-substance defeasance of debt. The statement provides uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irremovable trust for the purpose of extinguishing that debt were acquired. Statement No. 86 is effective for the fiscal year ending June 30, 2018.

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Upcoming Accounting and Reporting Changes

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. 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. 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.

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.

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

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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	\$ 10,700,302	\$ 10,888,453	\$ 188,151
Pupil	1,310,000	1,341,369	31,369
General administration	420,628	423,218	2,590
Pupil transportation services	1,510,791	1,532,373	21,582
Capital outlay	464,452	469,947	5,495

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	\$ 4,392,221	\$ 98,582	\$ 4,490,803
Investments	9	74,000	74,009
Total	<u>\$ 4,392,230</u>	<u>\$ 172,582</u>	<u>\$ 4,564,812</u>

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

Deposits (checking, savings accounts, and money markets)	\$ 4,490,717
Investments in certificates of deposit	74,000
Other investments	9
Petty cash and cash on hand	<u>86</u>
Total	<u>\$ 4,564,812</u>

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.

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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 \$4,923,205 had \$4,419,694 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 does not hold investments subject to custodial credit risk at year end.

Note 4 - 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	85,146,231	112,248	-	85,258,479
Equipment and furniture	5,397,120	212,211	-	5,609,331
Vehicles	1,853,220	282,704	141,158	1,994,766
Other capital equipment	977,472	-	-	977,472
Total capital assets being depreciated	93,374,043	607,163	141,158	93,840,048
Less accumulated depreciation for				
Buildings and additions	30,785,263	2,251,150	-	33,036,413
Equipment and furniture	3,614,843	296,541	-	3,911,384
Vehicles	1,167,506	156,957	118,756	1,205,707
Other capital equipment	688,229	57,552	-	745,781
Total accumulated depreciation	36,255,841	2,762,200	118,756	38,899,285
Net capital assets being depreciated	57,118,202	(2,155,037)	22,402	54,940,763
Net capital assets	\$ 57,338,698	\$ (2,155,037)	\$ 22,402	\$ 55,161,259

Depreciation for the fiscal year ended June 30, 2018, amounted to \$2,762,200. The School District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

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Note 5 - Interfund Receivable and Payable and Transfers

Individual interfund receivable and payable balances at year end were:

Due From Fund	Due to Fund	Amount
Nonmajor governmental funds	General fund	\$ 295,885
Nonmajor governmental funds	Nonmajor governmental funds	93,412
General fund	Nonmajor governmental funds	241,623
General fund	Internal service fund	46,399
Food service fund	General fund	313,993
Food service fund	Nonmajor governmental funds	20,108
Food service fund	Internal service fund	20,800
Nonmajor governmental funds	Internal service fund	4,700
		\$ 1,036,920

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	Food Service Fund	Nonmajor Governmental Funds	Total
Transfers in				
General Fund	\$ -	\$ 56,071	\$ 62,564	\$ 118,635
Nonmajor governmental funds	44,878	-	182,496	227,374
	\$ 44,878	\$ 56,071	\$ 245,060	\$ 346,009

Interfund transfers were made from the playground and recreation fund to the aquatic fund to cover expenditures. Transfers were also made to the General Fund to support administrative costs.

Note 6 - 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	\$ 347,313

Note 7 - 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, 2018. 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, 2018. 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.

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

Year ending June 30,
2019 \$ 111,480

Note 8 - 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. Other long-term obligations include termination benefits which are primarily liquidated by the General Fund.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Government bonds	\$ 58,210,000	\$ -	\$ 3,710,000	\$ 54,500,000	\$ 2,425,000
School loan revolving fund	7,935,275	1,516,973	-	9,452,248	-
Compensated absences	44,684	9,477	4,947	49,214	4,947
Premium on bonds	3,521,675	-	465,617	3,056,058	447,247
Discount on bonds	(338,756)	-	(110,016)	(228,740)	(93,436)
Total	<u>\$ 69,372,878</u>	<u>\$ 1,526,450</u>	<u>\$ 4,070,548</u>	<u>\$ 66,828,780</u>	<u>\$ 2,783,758</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%	19,730,000
\$ 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>4,295,000</u>
Total general obligation bonded debt	<u>\$ 54,500,000</u>

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

	Principal	Interest	Total
Year Ending June 30,			
2019	\$ 2,425,000	\$ 2,995,276	\$ 5,420,276
2020	2,555,000	2,886,376	6,885,224
2021	2,685,000	2,761,876	7,405,317
2022	2,825,000	2,630,626	7,383,524
2023	2,975,000	2,517,964	7,346,131
2024 - 2028	30,480,000	8,330,676	41,617,184
2029 - 2033	5,090,000	2,752,560	22,136,246
2034 - 2038	3,905,000	1,367,006	5,935,004
2039 - 2040	<u>1,560,000</u>	<u>163,800</u>	<u>3,764,280</u>
Total	<u>\$ 54,500,000</u>	<u>\$ 26,406,160</u>	<u>\$ 107,893,186</u>

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The general obligation bonds are payable from the Debt Service Funds. As of year-end, the funds had a balance of \$256,187 to pay this debt. Future debt and interest will be payable from future tax levies.

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.

Interest expenditures for the fiscal year in the Debt Service Funds were \$3,119,617.

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 \$1,516,973 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 \$9,452,248 and accrued interest of \$1,055,565, 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.

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, 2018 is \$661,014.

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, 2018 is \$122,841.

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Note 9 - 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 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:

	2018
Estimated liability at the beginning of the year	\$ -
Estimated claims incurred including changes in estimates	1,621,818
Claim payments	(1,470,830)
Estimated at liability end of year	\$ 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 \$12,412 of unemployment compensation expense for the year. No provision has been made for possible future claims.

Note 10 - Pension Plan

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

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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 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, 2016 valuation will be amortized over a 20-year period for the 2016 fiscal year.

The schedule below summarizes pension contribution rates in effect for fiscal year 2017.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	19.03%
Member Investment Plan	3.0 - 7.0%	19.03%
Pension Plus	3.0 - 6.4%	18.40%
Defined Contribution	0.0%	15.27%

Required contributions to the pension plan from the School District were \$3,215,076 for the year ending September 30, 2017.

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

At June 30, 2018, the School District reported a liability of \$35,521,296 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2016. 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, 2017, the School District's proportion was 0.1371 percent, which was an increase of 0.0036 percent from its proportion measured as of September 30, 2016. At September 30, 2017, the total pension expense for the School District was \$3,426,969.

At June 30, 2018, 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	\$ 308,704	\$ (174,296)	\$ 134,408
Changes in assumptions	3,891,640	-	3,891,640
Net difference between projected and actual earnings on pension plan investments	-	(1,698,152)	(1,698,152)
Changes in proportion and differences between employer contributions and proportionate share of contributions	662,662	(954,543)	(291,881)
Employer contributions subsequent to the measurement date	3,123,118	(1,439,000)	-
	<u>\$ 7,986,124</u>	<u>\$ (4,265,991)</u>	<u>\$ 2,036,015</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 ended June 30, 2019. 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:
2018	\$ 392,254
2019	1,044,012
2020	577,056
2021	22,693
Total	<u>\$ 2,036,015</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, 2016
- Actuarial Cost Method: Entry Age, Normal

Charlotte Public Schools
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- Wage inflation rate: 3.5%
- Investment Rate of Return:
 - MIP and Basic Plans (Non-Hybrid): 7.5%
 - Pension Plus Plan (Hybrid): 7.0%
- Projected Salary Increases: 3.5 - 12.3%, including wage inflation at 3.5%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Mortality: RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, 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: 4.5188

Recognition period for assets in years is 5.0000

Full actuarial assumptions are available in the 2017 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, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.6%
Alternative Investment Pools	18.0%	8.7%
International Equity	16.0%	7.2%
Fixed Income Pools	10.5%	-0.1%
Real Estate and Infrastructure Pools	10.0%	4.2%
Absolute Return Pools	15.5%	5.0%
Short Term Investment Pools	2.0%	-0.9%
	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, 2017, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 13.24%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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Discount Rate

A discount rate of 7.5% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid 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 7.5% (7.0% for the Pension Plus 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 7.5% (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)* 6.5% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 7.5% / 7.0%	1% Increase (Non-Hybrid/Hybrid)* 8.5% / 8.0%
\$ 46,272,434	\$ 35,521,296	\$ 26,469,523

**The Basic plan and the Member Investment Plan (MIP) are non-hybrid plans. Pension Plus is a hybrid plan, with a defined benefit (pension) component and a defined contribution (DC) component.*

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 11 - 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.

Charlotte Public Schools
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June 30, 2018

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

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, 2016 valuation will be amortized over a 20-year period for the 2017 fiscal year.

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The schedule below summarizes OPEB contribution rates in effect for fiscal year 2017.

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.00%	5.91%
Personal Healthcare Fund (PHF)	0.00%	5.69%

Required contributions to the OPEB plan from the School District were \$1,062,528 for the year ended September 30, 2017.

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

At June 30, 2018, the School District reported a liability of \$12,085,652 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2016. 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, 2017, the School District's proportion was 0.1365 percent, which was the same percent from its proportion measured as of September 30, 2016. At September 30, 2017, the total OPEB expense for the School District was \$809,391.

At June 30, 2018, 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	\$ -	\$ (128,677)	\$ (128,677)
Net difference between projected and actual earnings on OPEB plan investments	-	(279,906)	(279,906)
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,525	-	4,525
Employer contributions subsequent to the measurement date	729,169	-	-
	\$ 733,694	\$ (408,583)	\$ (404,058)

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB 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:	
2018	\$	(97,724)
2019		(97,724)
2020		(97,724)
2021		(97,724)
2022		(13,162)
Total	\$	(404,058)

Charlotte Public Schools
Notes to the Financial Statements
June 30, 2018

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, 2016
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 3.5%
- Investment Rate of Return: 7.5%
- Projected Salary Increases: 3.5 - 12.3%, including wage inflation at 3.5%
- Healthcare Cost Trend Rate: 7.5% Year 1 graded to 3.5% Year 12
- Mortality: RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

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 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total OPEB liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, 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: 5.4744

Recognition period for assets in years is 5.0000

Full actuarial assumptions are available in the 2017 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, 2017, are summarized in the following table:

Charlotte Public Schools
Notes to the Financial Statements
June 30, 2018

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.6%
Alternative Investment Pools	18.0%	8.7%
International Equity	16.0%	7.2%
Fixed Income Pools	10.5%	-0.1%
Real Estate and Infrastructure Pools	10.0%	4.2%
Absolute Return Pools	15.5%	5.0%
Short Term Investment Pools	2.0%	-0.9%
	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, 2017, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 11.82%. 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 7.5% 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 7.5%. 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 7.5%, 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 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
\$ 14,155,792	\$ 12,085,652	\$ 10,328,752

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 6.5%	Current Healthcare Cost Trend Rate 7.5%	1% Increase 8.5%
\$ 10,234,923	\$ 12,085,652	\$ 14,187,026

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2017 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.

Charlotte Public Schools
Notes to the Financial Statements
June 30, 2018

Note 12 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time, although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2018.

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.

Note 14 - Adoption of New Accounting Standards

As indicated in Note 1, the School District has adopted Governmental Accounting Standards Board Statement 75. This required the School District to record their proportionate share of the net OPEB liability and OPEB expense. Previously, these amounts were not recorded on the School District's statements. The standards require this change to be applied retroactively. The impact of this change is to reduce beginning net position in the statement of activities as of July 1, 2017 by \$11,659,929, restating it from (\$38,332,471) to (\$49,992,400).

REQUIRED SUPPLEMENTARY INFORMATION

Charlotte Public Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local sources	\$ 2,751,384	\$ 2,814,329	\$ 2,848,592	\$ 34,263
State sources	18,196,873	19,375,251	19,169,952	(205,299)
Federal sources	430,029	574,346	398,029	(176,317)
Interdistrict sources	<u>2,177,777</u>	<u>2,317,930</u>	<u>2,381,208</u>	<u>63,278</u>
Total revenues	<u>23,556,063</u>	<u>25,081,856</u>	<u>24,797,781</u>	<u>(284,075)</u>
Expenditures				
Instruction				
Basic programs	10,183,740	10,700,302	10,888,453	188,151
Added needs	3,589,976	3,908,273	3,592,280	(315,993)
Supporting services				
Pupil	1,317,269	1,310,000	1,341,369	31,369
Instructional staff	801,054	709,536	581,064	(128,472)
General administration	418,971	420,628	423,218	2,590
School administration	1,450,784	1,483,728	1,460,253	(23,475)
Business	424,424	431,895	413,977	(17,918)
Operations and maintenance	2,502,336	2,658,910	2,557,660	(101,250)
Pupil transportation services	1,673,652	1,510,791	1,532,373	21,582
Central	625,007	630,338	601,225	(29,113)
Athletic activities	565,509	605,554	571,754	(33,800)
Community services	149,037	143,101	116,795	(26,306)
Intergovernmental payments	8,250	2,500	2,500	-
Capital outlay	<u>105,542</u>	<u>464,452</u>	<u>469,947</u>	<u>5,495</u>
Total expenditures	<u>23,815,551</u>	<u>24,980,008</u>	<u>24,552,868</u>	<u>(427,140)</u>

Charlotte Public Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Excess (deficiency) of revenues over expenditures	\$ (259,488)	\$ 101,848	\$ 244,913	\$ 143,065
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	2,500	6,000	5,271	(729)
Transfers in	159,347	138,087	118,635	(19,452)
Transfers out	<u>(44,286)</u>	<u>(45,480)</u>	<u>(44,878)</u>	<u>602</u>
Total other financing sources (uses)	<u>117,561</u>	<u>98,607</u>	<u>79,028</u>	<u>(19,579)</u>
Net change in fund balance	(141,927)	200,455	323,941	123,486
Fund balance - beginning	<u>4,117,648</u>	<u>4,117,648</u>	<u>4,117,648</u>	<u>-</u>
Fund balance - ending	<u>\$ 3,975,721</u>	<u>\$ 4,318,103</u>	<u>\$ 4,441,589</u>	<u>\$ 123,486</u>

Charlotte Public Schools
Required Supplemental Information
Budgetary Comparison Schedule - Food Service Fund
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local sources	\$ 452,200	\$ 425,662	\$ 428,573	\$ 2,911
State sources	44,000	45,494	47,830	2,336
Federal sources	<u>682,000</u>	<u>722,000</u>	<u>726,297</u>	<u>4,297</u>
Total revenues	1,178,200	1,193,156	1,202,700	9,544
Expenditures				
Current				
Education				
Food services	<u>1,098,572</u>	<u>1,130,985</u>	<u>1,123,716</u>	<u>(7,269)</u>
Excess of revenues over expenditures	62,103	62,171	78,984	16,813
Other Financing Uses				
Transfers out	<u>(61,528)</u>	<u>(62,171)</u>	<u>(56,071)</u>	<u>6,100</u>
Net change in fund balance	575	-	22,913	22,913
Fund balance - beginning	<u>275,376</u>	<u>275,376</u>	<u>275,376</u>	<u>-</u>
Fund balance - ending	<u>\$ 275,951</u>	<u>\$ 275,376</u>	<u>\$ 298,289</u>	<u>\$ 22,913</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)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
A. Reporting unit's proportion of net pension liability (%)	0.13710%	0.13350%	0.13810%	0.14181%							
B. Reporting unit's proportionate share of net pension liability	\$ 35,521,296	\$ 33,309,840	\$ 33,724,108	\$ 31,235,156							
C. Reporting unit's covered-employee payroll	\$ 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	303.60%	301.61%	269.48%	259.00%							
E. Plan fiduciary net position as a percentage of total pension liability	64.21%	63.27%	63.17%	66.20%							

Note:

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2017.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2017.

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,										
		2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
A.	Statorily required contributions	\$ 3,666,946	\$ 2,099,862	\$ 2,110,748	\$ 2,202,350							
B.	Contributions in relation to statorily required contributions	<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>							
D.	Reporting unit's covered-employee payroll	\$ 11,389,697	\$ 11,367,790	\$ 11,029,336	\$ 11,693,036							
E.	Contributions as a percentage of covered-employee payroll	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)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
A. Reporting unit's proportion of net OPEB liability (%)	0.13650%										
B. Reporting unit's proportionate share of net OPEB liability	\$ 12,085,652										
C. Reporting unit's covered-employee payroll	\$ 11,700,211										
D. Reporting unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	103.29%										
E. Plan fiduciary net position as a percentage of total OPEB liability	36.39%										

Note:

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2017.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2017.

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,										
		2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
A.	Statorily required contributions	\$ 898,416										
B.	Contributions in relation to statorily required contributions	<u>898,416</u>										
C.	Contribution deficiency (excess)	<u>\$ -</u>										
D.	Reporting unit's covered-employee payroll	\$ 11,389,697										
E.	Contributions as a percentage of covered-employee payroll	7.89%										

OTHER SUPPLEMENTARY INFORMATION

Charlotte Public Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2018

	Special Revenue Funds				Debt Service Funds	
	Performing Arts	Childcare	Aquatic Center	Playground and Recreation	2012 Debt	2010A Debt
Assets						
Cash	\$ 43,735	\$ 293,581	\$ 128,589	\$ 396,798	\$ 6,816	\$ 2,170
Investments	-	-	-	-	-	-
Accounts receivable	11,116	42,220	-	-	-	-
Lease receivable	-	-	-	-	-	-
Taxes receivable	-	-	-	148	412	102
Due from other funds	1,501	18,607	86,412	4,733	34,168	8,490
Due from other governmental units	-	2,950	-	-	-	-
	<u>-</u>	<u>2,950</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 56,352</u>	<u>\$ 357,358</u>	<u>\$ 215,001</u>	<u>\$ 401,679</u>	<u>\$ 41,396</u>	<u>\$ 10,762</u>
Liabilities						
Accounts payable	\$ 1,641	\$ 21,783	\$ 11,944	\$ 5,050	\$ -	\$ -
Due to other funds	53,184	46,112	195,728	91,973	-	-
Accrued expenditures	452	-	1,026	-	-	-
Accrued salaries	1,075	-	6,302	-	-	-
Unearned revenue	-	15,399	-	-	-	-
	<u>-</u>	<u>15,399</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>56,352</u>	<u>83,294</u>	<u>215,000</u>	<u>97,023</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources						
Noncancellable lease	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance						
Restricted for						
Debt service	-	-	-	-	41,396	10,762
Playground and recreation	-	-	-	304,656	-	-
Assigned	-	274,064	1	-	-	-
	<u>-</u>	<u>274,064</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>-</u>	<u>274,064</u>	<u>1</u>	<u>304,656</u>	<u>41,396</u>	<u>10,762</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 56,352</u>	<u>\$ 357,358</u>	<u>\$ 215,001</u>	<u>\$ 401,679</u>	<u>\$ 41,396</u>	<u>\$ 10,762</u>

Charlotte Public Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2018

	Debt Service Funds				Capital Projects Funds	Total Nonmajor Governmental Funds
	2011 Debt	2010 Debt	2015 Debt	2016 Debt	Broadband Lease	
Assets						
Cash	\$ 100	\$ -	\$ 162	\$ 19,058	\$ 389,275	\$ 1,280,284
Investments	-	-	-	9	-	9
Accounts receivable	-	-	-	-	-	53,336
Lease receivable	-	-	-	-	111,480	111,480
Taxes receivable	553	-	965	98	-	2,278
Due from other funds	61,249	-	113,773	15,062	11,148	355,143
Due from other governmental units	-	-	-	-	-	2,950
Total assets	\$ 61,902	\$ -	\$ 114,900	\$ 34,227	\$ 511,903	\$ 1,805,480
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 2,885	\$ 43,303
Due to other funds	6,500	-	500	-	-	393,997
Accrued expenditures	-	-	-	-	-	1,478
Accrued salaries	-	-	-	-	-	7,377
Unearned revenue	-	-	-	-	-	15,399
Total liabilities	6,500	-	500	-	2,885	461,554
Deferred Inflows of Resources						
Noncancellable lease	-	-	-	-	100,332	100,332
Fund Balance						
Restricted for						
Debt service	55,402	-	114,400	34,227	-	256,187
Playground and recreation	-	-	-	-	-	304,656
Assigned	-	-	-	-	408,686	682,751
Total fund balance	55,402	-	114,400	34,227	408,686	1,243,594
Total liabilities, deferred inflows of resources and fund balances	\$ 61,902	\$ -	\$ 114,900	\$ 34,227	\$ 511,903	\$ 1,805,480

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, 2018

	Special Revenue Funds				Debt Service Funds	
	Performing Arts	Childcare	Aquatic Center	Playground and Recreation	2012 Debt	2010A Debt
Revenues						
Local sources	\$ 113,493	\$ 885,874	\$ 202,599	\$ 272,184	\$ 798,236	\$ 199,235
State sources	-	-	-	4,733	15,883	3,905
Federal sources	-	105,305	-	-	-	249,656
	<u>113,493</u>	<u>991,179</u>	<u>202,599</u>	<u>276,917</u>	<u>814,119</u>	<u>452,796</u>
Expenditures						
Current						
Education						
Performing arts	106,094	-	-	-	-	-
Childcare	-	898,442	-	-	-	-
Aquatic center	-	-	400,661	-	-	-
Playground and recreation	-	-	-	4,250	-	-
Capital outlay	-	-	-	6,175	-	-
Debt service						
Principal	-	-	-	-	845,000	-
Interest and other expenditures	-	-	-	-	210,313	596,389
	<u>106,094</u>	<u>898,442</u>	<u>400,661</u>	<u>10,425</u>	<u>1,055,313</u>	<u>596,389</u>
Total expenditures						
Excess (deficiency) of revenues over expenditures	<u>7,399</u>	<u>92,737</u>	<u>(198,062)</u>	<u>266,492</u>	<u>(241,194)</u>	<u>(143,593)</u>
Other Financing Sources (Uses)						
Proceeds from school loan revolving fund	-	-	-	-	282,590	80,946
Transfers in	3,209	-	214,089	-	-	-
Transfers out	<u>(10,609)</u>	<u>(35,929)</u>	<u>(16,026)</u>	<u>(172,420)</u>	<u>-</u>	<u>-</u>
	<u>(7,400)</u>	<u>(35,929)</u>	<u>198,063</u>	<u>(172,420)</u>	<u>282,590</u>	<u>80,946</u>
Total other financing sources (uses)						
Net change in fund balance	(1)	56,808	1	94,072	41,396	(62,647)
Fund balance - beginning	<u>1</u>	<u>217,256</u>	<u>-</u>	<u>210,584</u>	<u>-</u>	<u>73,409</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 274,064</u>	<u>\$ 1</u>	<u>\$ 304,656</u>	<u>\$ 41,396</u>	<u>\$ 10,762</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, 2018

	Debt Service Funds				Capital Project Fund	Total Nonmajor Governmental Funds
	2011 Debt	2010 Debt	2015 Debt	2016 Debt	Broadband Lease	
Revenues						
Local sources	\$ 72,669	\$ 995,822	\$ 1,870,806	\$ 189,590	\$ 142,507	\$ 5,743,015
State sources	21,237	-	37,095	3,750	-	86,603
Federal sources	769,313	-	-	-	-	1,124,274
Total revenues	<u>863,219</u>	<u>995,822</u>	<u>1,907,901</u>	<u>193,340</u>	<u>142,507</u>	<u>6,953,892</u>
Expenditures						
Current						
Education						
Performing arts	-	-	-	-	-	106,094
Childcare	-	-	-	-	-	898,442
Aquatic center	-	-	-	-	-	400,661
Playground and recreation	-	-	-	-	-	4,250
Capital outlay	-	-	-	-	121,602	127,777
Debt service						
Principal	-	1,415,000	1,450,000	-	-	3,710,000
Interest and other expenditures	918,617	71,500	1,066,943	255,855	-	3,119,617
Total expenditures	<u>918,617</u>	<u>1,486,500</u>	<u>2,516,943</u>	<u>255,855</u>	<u>121,602</u>	<u>8,366,841</u>
Excess (deficiency) of revenues over expenditures	<u>(55,398)</u>	<u>(490,678)</u>	<u>(609,042)</u>	<u>(62,515)</u>	<u>20,905</u>	<u>(1,412,949)</u>
Other Financing Sources (Uses)						
Proceeds from school loan revolving fund	78,616	297,000	681,079	96,742	-	1,516,973
Transfers in	10,076	-	-	-	-	227,374
Transfers out	-	(10,076)	-	-	-	(245,060)
Total other financing sources (uses)	<u>88,692</u>	<u>286,924</u>	<u>681,079</u>	<u>96,742</u>	<u>-</u>	<u>1,499,287</u>
Net change in fund balance	33,294	(203,754)	72,037	34,227	20,905	86,338
Fund balance - beginning	<u>22,108</u>	<u>203,754</u>	<u>42,363</u>	<u>-</u>	<u>387,781</u>	<u>1,157,256</u>
Fund balance - ending	<u>\$ 55,402</u>	<u>\$ -</u>	<u>\$ 114,400</u>	<u>\$ 34,227</u>	<u>\$ 408,686</u>	<u>\$ 1,243,594</u>

Charlotte Public Schools
Other Supplementary Information
General Fund
Schedule of Revenues Compared to Budget
For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Revenue from local sources				
Property tax levy	\$ 2,457,070	\$ 2,470,700	\$ 2,490,318	\$ 19,618
Tuition	3,500	3,600	4,315	715
Transportation fees	15,000	15,000	20,358	5,358
Earnings on investments	5,000	9,500	17,813	8,313
Student activities	154,000	137,300	139,215	1,915
Other local revenues	<u>116,814</u>	<u>178,229</u>	<u>176,573</u>	<u>(1,656)</u>
Total revenues from local sources	<u>2,751,384</u>	<u>2,814,329</u>	<u>2,848,592</u>	<u>34,263</u>
Revenues from state sources				
Grants - unrestricted	15,202,444	15,717,310	15,716,284	(1,026)
Grants - restricted	<u>2,994,429</u>	<u>3,657,941</u>	<u>3,453,668</u>	<u>(204,273)</u>
Total revenues from state sources	<u>18,196,873</u>	<u>19,375,251</u>	<u>19,169,952</u>	<u>(205,299)</u>
Revenues from federal sources				
Grants	<u>430,029</u>	<u>574,346</u>	<u>398,029</u>	<u>(176,317)</u>
Interdistrict sources				
Transportation	10,000	17,000	14,132	(2,868)
Other	<u>2,167,777</u>	<u>2,300,930</u>	<u>2,367,076</u>	<u>66,146</u>
Total interdistrict sources	<u>2,177,777</u>	<u>2,317,930</u>	<u>2,381,208</u>	<u>63,278</u>

Charlotte Public Schools
Other Supplementary Information
General Fund
Schedule of Revenues Compared to Budget
For the Year Ended June 30, 2018

	<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	\$ 2,500	\$ 6,000	\$ 5,271	\$ (729)
Transfers in	<u>159,347</u>	<u>138,087</u>	<u>118,635</u>	<u>(19,452)</u>
Total other financing sources	<u>161,847</u>	<u>144,087</u>	<u>123,906</u>	<u>(20,181)</u>
Total revenue and other financing sources	<u>\$ 23,717,910</u>	<u>\$ 25,225,943</u>	<u>\$ 24,921,687</u>	<u>\$ (304,256)</u>

Charlotte Public Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Basic program - elementary				
Salaries	\$ 3,177,173	\$ 3,277,874	\$ 3,288,218	\$ 10,344
Employee benefits	2,075,653	2,270,539	2,374,251	103,712
Purchased services	39,225	38,625	36,029	(2,596)
Supplies and materials	136,400	208,800	222,598	13,798
Other	59,900	109,752	83,365	(26,387)
Total elementary	<u>5,488,351</u>	<u>5,905,590</u>	<u>6,004,461</u>	<u>98,871</u>
Basic program - middle school				
Salaries	818,862	796,327	797,566	1,239
Employee benefits	561,955	557,020	597,893	40,873
Purchased services	11,548	10,798	9,017	(1,781)
Supplies and materials	40,200	54,150	51,739	(2,411)
Other	8,250	10,250	14,981	4,731
Total middle school	<u>1,440,815</u>	<u>1,428,545</u>	<u>1,471,196</u>	<u>42,651</u>
Basic program - high school				
Salaries	1,750,821	1,766,956	1,763,385	(3,571)
Employee benefits	1,283,254	1,317,602	1,366,915	49,313
Purchased services	123,900	189,400	194,834	5,434
Supplies and materials	70,402	66,012	62,320	(3,692)
Other	24,028	24,028	23,420	(608)
Total high school	<u>3,252,405</u>	<u>3,363,998</u>	<u>3,410,874</u>	<u>46,876</u>

Charlotte Public Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Basic program - summer school				
Salaries	\$ 1,500	\$ 1,500	\$ 1,272	\$ (228)
Employee benefits	669	669	650	(19)
Total summer school	<u>2,169</u>	<u>2,169</u>	<u>1,922</u>	<u>(247)</u>
Added needs - special education				
Salaries	1,225,257	1,191,188	1,151,612	(39,576)
Employee benefits	852,120	766,063	759,410	(6,653)
Purchased services	3,838	3,238	1,868	(1,370)
Supplies and materials	7,842	7,040	4,249	(2,791)
Other	394,411	657,411	670,889	13,478
Total special education	<u>2,483,468</u>	<u>2,624,940</u>	<u>2,588,028</u>	<u>(36,912)</u>
Added needs - compensatory education				
Salaries	492,936	605,212	504,012	(101,200)
Employee benefits	361,027	431,399	253,422	(177,977)
Purchased services	4,500	4,500	4,500	-
Supplies and materials	1,500	1,500	1,499	(1)
Total compensatory education	<u>859,963</u>	<u>1,042,611</u>	<u>763,433</u>	<u>(279,178)</u>

Charlotte Public Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Added needs - career and technical education				
Salaries	\$ 120,751	\$ 133,533	\$ 123,688	\$ (9,845)
Employee benefits	93,394	72,236	70,967	(1,269)
Purchased services	9,400	9,400	6,080	(3,320)
Supplies and materials	18,000	20,553	34,718	14,165
Other	5,000	5,000	5,366	366
Total career and technical education	<u>246,545</u>	<u>240,722</u>	<u>240,819</u>	<u>97</u>
Pupil - guidance services				
Salaries	153,907	152,750	153,177	427
Employee benefits	116,989	104,045	104,244	199
Purchased services	4,500	4,500	3,230	(1,270)
Supplies and materials	2,400	2,400	1,705	(695)
Other	800	250	-	(250)
Total guidance services	<u>278,596</u>	<u>263,945</u>	<u>262,356</u>	<u>(1,589)</u>
Pupil - health services				
Purchased services	20,900	15,900	10,000	(5,900)
Other	126,774	122,342	123,341	999
Total health services	<u>147,674</u>	<u>138,242</u>	<u>133,341</u>	<u>(4,901)</u>

Charlotte Public Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Pupil - psychological services				
Purchased services	\$ 168,576	\$ 164,115	\$ 165,158	\$ 1,043
Pupil - speech services				
Other	332,066	339,580	338,349	(1,231)
Pupil - social work services				
Salaries	92,068	91,137	91,139	2
Employee benefits	53,417	54,397	43,260	(11,137)
Purchased services	-	300	300	-
Supplies and materials	159,847	147,661	148,172	511
Total social work services	<u>305,332</u>	<u>293,495</u>	<u>282,871</u>	<u>(10,624)</u>
Pupil - other support services				
Salaries	35,069	53,082	35,292	(17,790)
Employee benefits	19,756	27,341	20,821	(6,520)
Purchased services	30,200	30,200	44,045	13,845
Total other pupil support services	<u>85,025</u>	<u>110,623</u>	<u>100,158</u>	<u>(10,465)</u>

Charlotte Public Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Instructional staff - improvement of education				
Salaries	\$ 140,168	\$ 33,113	\$ 16,417	\$ (16,696)
Employee benefits	66,747	15,345	9,214	(6,131)
Purchased services	38,962	102,000	17,432	(84,568)
Supplies and materials	6,500	5,565	2,242	(3,323)
Other	14,030	24,730	25,588	858
	<u>266,407</u>	<u>180,753</u>	<u>70,893</u>	<u>(109,860)</u>
Instructional staff - educational media services				
Salaries	31,574	27,869	24,456	(3,413)
Employee benefits	14,119	12,414	12,294	(120)
Purchased services	480	105	48	(57)
Other	9,308	9,308	8,699	(609)
	<u>55,481</u>	<u>49,696</u>	<u>45,497</u>	<u>(4,199)</u>
Instructional staff - technology assisted instruction				
Supplies and materials	<u>45,000</u>	<u>45,000</u>	<u>33,951</u>	<u>(11,049)</u>

Charlotte Public Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Instructional staff - supervision and direction of instructional staff				
Salaries	\$ 267,338	\$ 267,315	\$ 267,374	\$ 59
Employee benefits	156,066	156,260	155,506	(754)
Purchased services	6,800	6,200	4,727	(1,473)
Supplies and materials	2,142	2,392	1,719	(673)
Other	1,520	1,620	1,397	(223)
	<u>433,866</u>	<u>433,787</u>	<u>430,723</u>	<u>(3,064)</u>
Special Education				
Other	300	300	-	(300)
General administration - board of education				
Salaries	8,306	245	245	-
Employee benefits	2,296	46	46	-
Purchased services	69,300	75,565	84,540	8,975
Supplies and materials	4,000	4,000	2,573	(1,427)
Other	9,785	6,000	4,975	(1,025)
	<u>93,687</u>	<u>85,856</u>	<u>92,379</u>	<u>6,523</u>

Charlotte Public Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
General administration - executive administration				
Salaries	\$ 206,422	\$ 209,064	\$ 208,384	\$ (680)
Employee benefits	110,432	113,238	111,384	(1,854)
Purchased services	4,430	5,270	4,134	(1,136)
Supplies and materials	2,500	2,000	1,754	(246)
Other	1,500	5,200	5,183	(17)
Total executive administration	<u>325,284</u>	<u>334,772</u>	<u>330,839</u>	<u>(3,933)</u>
School administration - office of the principal				
Salaries	874,528	884,170	879,974	(4,196)
Employee benefits	538,952	547,702	541,283	(6,419)
Purchased services	18,439	19,032	16,031	(3,001)
Supplies and materials	13,500	23,500	16,261	(7,239)
Other	5,365	9,324	6,704	(2,620)
Total office of the principal	<u>1,450,784</u>	<u>1,483,728</u>	<u>1,460,253</u>	<u>(23,475)</u>
Business - fiscal services				
Salaries	191,313	177,521	177,522	1
Employee benefits	107,349	101,048	92,273	(8,775)
Purchased services	42,523	45,946	41,907	(4,039)
Supplies and materials	1,700	1,700	1,470	(230)
Other	10,100	19,000	23,896	4,896
Total fiscal services	<u>352,985</u>	<u>345,215</u>	<u>337,068</u>	<u>(8,147)</u>

Charlotte Public Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Business - internal services				
Purchased services	\$ 29,659	\$ 30,000	\$ 24,085	\$ (5,915)
Business - other				
Purchased services	13,480	13,480	13,405	(75)
Other	<u>28,300</u>	<u>43,200</u>	<u>39,419</u>	<u>(3,781)</u>
Total other business	<u>41,780</u>	<u>56,680</u>	<u>52,824</u>	<u>(3,856)</u>
Operations and maintenance - operating building services				
Salaries	149,118	149,501	146,348	(3,153)
Employee benefits	97,567	104,903	97,712	(7,191)
Purchased services	1,195,208	1,278,008	1,218,567	(59,441)
Supplies and materials	1,060,293	1,125,982	1,094,432	(31,550)
Other	<u>150</u>	<u>193</u>	<u>193</u>	<u>-</u>
Total operating building services	<u>2,502,336</u>	<u>2,658,587</u>	<u>2,557,252</u>	<u>(101,335)</u>

Charlotte Public Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Operations and maintenance - security services				
Salaries	\$ -	\$ 300	\$ 379	\$ 79
Employee benefits	-	23	29	6
Total security services	-	323	408	85
Pupil transportation services				
Salaries	519,883	528,327	516,634	(11,693)
Employee benefits	302,585	299,347	289,968	(9,379)
Purchased services	69,794	60,700	50,492	(10,208)
Supplies and materials	147,500	153,200	164,699	11,499
Other	633,890	469,217	510,580	41,363
Total transportation services	1,673,652	1,510,791	1,532,373	21,582
Central - communication services				
Purchased services	35,000	32,000	27,606	(4,394)
Supplies and materials	5,000	6,000	5,345	(655)
Total communication services	40,000	38,000	32,951	(5,049)

Charlotte Public Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Central - staff/personnel services				
Salaries	\$ 101,712	\$ 104,115	\$ 104,199	\$ 84
Employee benefits	66,741	68,283	61,434	(6,849)
Purchased services	20,700	13,700	16,295	2,595
Supplies and materials	500	250	59	(191)
Other	500	250	-	(250)
	<u>190,153</u>	<u>186,598</u>	<u>181,987</u>	<u>(4,611)</u>
Central - support services technology				
Salaries	143,916	132,417	132,332	(85)
Employee benefits	88,738	82,973	84,918	1,945
Purchased services	14,000	5,150	-	(5,150)
Supplies and materials	80,000	93,000	87,236	(5,764)
Other	68,200	92,200	81,801	(10,399)
	<u>394,854</u>	<u>405,740</u>	<u>386,287</u>	<u>(19,453)</u>
Athletic activities				
Salaries	252,886	249,511	250,266	755
Employee benefits	122,223	124,218	124,711	493
Purchased services	118,200	118,200	86,663	(31,537)
Supplies and materials	66,200	107,625	104,213	(3,412)
Other	6,000	6,000	5,901	(99)
	<u>565,509</u>	<u>605,554</u>	<u>571,754</u>	<u>(33,800)</u>

Charlotte Public Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Community services - parent involve				
Supplies and materials	\$ 1,700	\$ 5,008	\$ 546	\$ (4,462)
Community services - welfare activities				
Supplies and materials	-	1,300	993	(307)
Community services - non-public school pupils				
Purchased services	4,999	5,079	4,216	(863)
Supplies and materials	-	5,648	2,173	(3,475)
Total non-public school pupils	<u>4,999</u>	<u>10,727</u>	<u>6,389</u>	<u>(4,338)</u>
CPAC				
Salaries	51,768	44,944	44,519	(425)
Employee benefits	35,013	32,072	20,535	(11,537)
Purchased services	5,000	3,100	2,815	(285)
Supplies and materials	<u>50,557</u>	<u>45,950</u>	<u>40,998</u>	<u>(4,952)</u>
Total other	<u>142,338</u>	<u>126,066</u>	<u>108,867</u>	<u>(17,199)</u>
Intergovernmental payments				
Payments to other public schools	<u>8,250</u>	<u>2,500</u>	<u>2,500</u>	<u>-</u>

Charlotte Public Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Capital outlay				
Added needs - career and technical education	\$ -	\$ 33,018	\$ 33,146	\$ 128
Pupil transportation services	65,750	282,934	282,934	-
Community services - other	2,500	2,500	-	(2,500)
Facilities acquisition	<u>37,292</u>	<u>146,000</u>	<u>153,867</u>	<u>7,867</u>
Total capital outlay	<u>105,542</u>	<u>464,452</u>	<u>469,947</u>	<u>5,495</u>
Other financing uses				
Transfers out	<u>44,286</u>	<u>45,480</u>	<u>44,878</u>	<u>(602)</u>
Total expenditures and other financing uses	<u>\$ 23,859,837</u>	<u>\$ 25,025,488</u>	<u>\$ 24,597,746</u>	<u>\$ (427,742)</u>

Charlotte Public Schools
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2018

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
2019	\$ -	\$ 1,515,000	\$ 910,000	\$ -	\$ -	\$ 2,425,000
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	-	-	-	-	3,910,000	3,910,000
2033	-	-	-	-	3,120,000	3,120,000
Total	<u>\$ 6,875,000</u>	<u>\$ 19,730,000</u>	<u>\$ 4,295,000</u>	<u>\$ 15,000,000</u>	<u>\$ 8,600,000</u>	<u>\$ 54,500,000</u>

Principal payments
due the first day of

May May May May May

Interest payments
due the first day of

May and May and May and May and May and
November November November November 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

\$ 6,875,000 \$ 23,605,000 \$ 9,005,000 \$ 15,000,000 \$ 8,600,000